THE EFFECTS OF EARNINGS ON DIVIDEND PAYOUT OF FIRMS QUOTED AT THE NAIROBI SECURITIES EXCHANGE

BY

JASON MWANGI MUNG'ARU

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DECLARATION

This research project is my original work and has not been submitted for the award of a degree in any other university.

Signed: ……..…….. Date: ……

Jason Mwangi Mung'aru

Reg. No.: D63/77015/2014

This research project has been submitted for examination with my approval as university Supervisors.

Supervisor 1:

Signed: …… Date: ……

Dr. Winnie Nyamute

Supervisor 2:

Signed: …… Date: ……

Helen W. Kinyua

Department of Finance and Accounting

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DEDICATION

I dedicate the research to my parents, Mr and Mrs Patrick Mung'aru for their support and guidance all through the study period. May the Almighty God bless you abundantly.

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ABBREVIATIONS

AOCS	Average Outstanding Common Shares
CMA	Capital Market Authority
DP	Dividend Policy
DPO	Dividend Pay Out
DPS	Dividend per Share
EBIT	Earnings Before Interest &Tax
EPS	Earnings per Share
GSE	Ghana Stock Exchange
IAS	International Accounting Standards
NI	Net Income
NSE	Nairobi Securities Exchange
Ltd	Limited Company
OPS	Operating Profit per Share

ABSTRACT

This research project aim was to establish the effects of earnings on DPO for companies listed at Nairobi Securities Exchange (NSE). The objective of the study was to establish how and the extent to which company earnings, liquidity, leverage, and company size determine DPO for firms listed at the NSE. The research employed secondary data which was analyzed utilizing SPSS software version 20 and the results presented in tables. The population comprised the 64 quoted companies in the NSE as at December 2015. Out of the 64 listed firms, data was available for 43 firms. The results consistently support the potential association between the four independent variables and the dependent variable (dividend payout) for firms listed at the NSE. Earnings, leverage and company size had a positive correlation with DPO while liquidity had a negative correlation with DPO. At 5% level of significance, earnings were found to be a significant determinant of DPO while other variables of the research were not significant. The study used the F-statistic to test the overall significance of the regression model and the model was found statistically significant and suitable for this study. During the five year study timeframe, the findings indicate that a combination of all the four independent variables (company earnings, liquidity, company size and leverage) accounted for 65.8% of the variations in the dependent variable (DPO) of firms listed at the NSE. It is against this findings that this research study arrived at the conclusions that earnings had the greatest effect on dividend payout for companies quoted at the NSE and recommend among others, that companies listed at the Nairobi Securities Exchange observe and manage well their policies dealing with earnings, liquidity, leverage,and company size variables.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Earnings refer to the after tax net income of a company in a target financial year. They can be said to be the main indicator of the share price, hence, earnings may be the single most studied number in a firm's financial statement. This is because earnings and events relating to them indicate if a firm will be successful and profitable in the long run. Earning are also important in comparing companies' performance against the estimates and the firm's target. They also determines its values since they can be used for valuation. That is, equity value is derived by multiplying the present year earnings after interest and taxes by a suitable multiple (Grinblatt and Titman, 1996).

Successful companies earn income, all the income belong to the owners of the firm. The earnings can be reinvested in the company or distributed to the owners of the company. Income distributed to shareholders is known as dividends. The income not distributed as dividends is known as retained earnings, this amount offers internally generated finances to the company that is less costly and with no repayment date. Companies need to apply critical thinking in establishing the trade-off between paying out dividends and retaining earnings since they can affect both the liquidity and profitability of the company in the long run (Howells and Bain, 2007).

The profitability of an organization is significant determinant of the amount of dividend to be paid. Uwuigbe (2012) studied the association between the financial

performance of companies at NSE and dividend payment. He found a positive relationship between the variables. Ranti (2013) in addition identified a positive effect of organization's earnings on the amount of dividend issued in a target a financial year. A firm will be able and willing to give returns to its shareholders inform dividend if it increases its earnings.

1.1.1 Earnings

Kiboi (2015) defines earnings as the amount attached to a firm as net income/ revenue in a given financial year statement. The term 'earnings' have been used interchangeably with 'profit' by several researchers. Earning can be a good indicator of dividend payout as indicated by various studies (Baker & Powell, 2000.; Lev, 1989.; Lintner, 1956). However, Greg and Havranek (2011) noted that Cash flow may be a better indicator of dividend since it is less subject to earning enhancement/management. Lumby and Chris (2003) indicated that earnings are the single most significant factor in the financial reports hence can be said to be the "bottom line" indicator of financial performance, a high EPS figure will attract more investors while a relatively low figure may scare away potential investors.

Earnings is given by revenues less the cost of sales, operating expenses and taxes over a certain timeframe. In this study net income was used as a measure of earnings. (Manduku, 2010). EPS are the firm's earnings divided by the number of ordinary shares issued by the firm, that is, it's the firm's net income per unit of ordinary shares issued.

1.1.2 Dividends Payout

Dividends are basically payment made by a firm to its shareholders. It is the returns of their investment, they can be inform of cash or bonus shares issued to shareholders in accordance to the number of shares they hold (Kinyua, 2011). Brockington (1993) defines dividend payout as the ratio of annual DPS to EPS of the firm. DPS can be defined as the proportion of amount of dividend paid by an organization to number of outstanding common shares issued.

The amount that a company pay as dividend is guided by its dividend policy. Brealey and Myers (2002) defines DP as the balance between retained earnings and paying out dividends. There are different reasons why a firm may choose to pay dividends as opposed to letting shareholders gain from capital gains. Frankfurter and Wood (2002) noted that investors value cash in hand when making decisions as opposed to a promise of future uncertain gains which are more risky. John and Williams (1985) noted that manager may want to portray their firm as having better future prospects hence the decision to pay dividends (signal prospective investors). Hashim, Shahid and Umair (2013) noted that payment of dividends help in overcoming the agency problem which may originate from separation of control and ownership. According to Graham and Harvey (2001), management may seek financial pliability in decisions involving capital structure, in this case, firms with high leverage may have to be more flexible with their dividend policy decisions.

Despite many studies on determinant of dividend payout, dividend payment and policies there in remains a puzzle. If a company decide to pay dividend, this decision will have an impact on the firm and its shareholders, a contrary decision also achieves the same results. Frankfurter (2002) states that a conclusive dividend policy still

remain elusive in the modern economy, it varies over periods, sector, and organizations and across regions particularly between developed, developing and emerging capital markets.

1.1.3 Earnings and Dividend Payout

A company is able to issue cash dividends only when it is able to generate earnings. When a firm report higher earnings in a given trading period, they reflect its higher ability to honor dividends payment. However, an important factor to note is that, a firm may not declare higher dividend when it report higher earnings. This is so because the management has to be sure of favorable earnings in future since a future decrease in dividends may send a bad signal to both the shareholders and future prospective investors. To avoid this scenario, the management usually declare lower dividends even when earnings are favorable (Brockington, 1993).

Fama and French (2001) noted that earnings affect the amount paid as dividend. Other variables such as profitability, size of the company, and availability of investment opportunity were also found to influence dividend payout. Musa (2009) also posited that a meaningful positive association between earnings and DPO. Perretti, Allen and Shelton (2013) examined the determinants of DP for American depository receipts. They concluded that earning is one of the main determinants of dividend payment. Wandeto (2004) and Njiru (2003) also noted that there is a positive association between DPO and earning attributed to the shareholders.

Muindi (2006) found a positive association between EPS and DPS. However, his study found a negative relationship between the variables in the finance and investment sector, this he attributed to the possibility of payment being made from

retained earnings of the previous financial year. Kiboi (2015) examined the relationship between EPS and DPS for 64 firms whose shares are quoted at the NSE. His conclusions indicated that there is a positive and significant association between EPS and DPS. The study also included other variables such as retained earnings, leverage and liquidity, this variables were found to have a negative but insignificant effects on DPS.

The relationship between earnings and dividend payout still remain puzzle despite numerous studies on the subject (Frankfurter (2002). This relationship varies over different periods, organizations, sectors and across regions particularly between developed, developing and emerging capital markets. Baker and Powell (2000) examined this relationship and concluded that dividend payout depend on its viability in the long run and also the sector.

1.1.4 Nairobi Securities Exchange

Nairobi Securities Exchange is the main bourse in Kenya, it offers a computerized dais for the listing and trading of different securities. It was setup in 1954 as a discretionary association of stock brokers. Its main aim is to enable marshalling up resources to provide long term capital for financing investments. The securities exchange has grown to be the largest market in East and Central Africa, with its market capitalization amounting to approximately KES.1.176 trillion (NSE website www.nse.co.ke).

The NSE requires companies to unveil any data that may influence the price of the firm's securities or affect the traders' market choices. The NSE gives investors and potential investors the chance to get current data and gives a dependable sign of the

Kenyan equity market's performance through the companies listed in the bourse. This material information include earnings and dividends of an unusual nature (NSE, 2015). Financial structure assumes a vital part in determining the earnings of companies, this is because the management of financial leverage is reflected in the financial outcome. For instance Uchumi was suspended from trading at the NSE after continuously reporting losses hence making it unable to meet its financial obligations.

1.2Research Problem

Dividend payment is a contentious issue in finance. Brealey and Myers (2005) noted that despite the decades long of research on dividend payout, there is no globally accepted explanation of firm's dividend behavior. Munyua (2014) posited that dividend payment is such an important issue in every organization that management have to take it into consideration in order to satisfy their shareholders. Various theories have come up trying to identify the determinants of dividend payout, more so the percentage of earning that should be paid as dividend. Notwithstanding the numerous theories and models developed to clarify the relationship between these two variables, the relationship remain a puzzle (Brigham and Ehrdardt, 2011).

There has been differences in opinion among researchers on what exactly determines dividend payout. For instance, Adaoglu (2000) conducted an empirical analysis on factors that determine dividend payout on the companies quoted at Istanbul Stock Exchange and found that dividends are majorly influenced by earnings of the company and thus the reason contributing to companies following unstable cash dividend policy. However, Ahmed and Javid (2009) contend that earnings unlike cash flows are intensely affected by the way a company prepares its accounts and thus do

not necessarily indicate the ability to pay dividends hence cannot be used as a determinant of DPO.

Fama and French (2001) noted that earnings affect the amount paid as dividend. Other variables such as profitability, size of the company, and availability of investment opportunity were also found to influence DP. Baker and Powell (2000) in their study on determinant of DPO emphasized that a good DP should focus on permanent profit/ earnings rather than focusing on current period temporary earnings. Perretti, Allen and Shelton (2013) examined the determinants of DP for American depository receipts. They concluded that earning is one of the main determinants of dividend payment.

Karanja (1987) also concluded that companies listed at the NSE follow a stable dividend policy, this he indicated means that their dividends varies directly with earnings. However, he noted that firms may avoid not to pay dividends due to the signaling effect. That is, a firms may emphasize on regular dividend even when they incur losses.

Most studies focused of the broader subject of determinants of dividend payment hence limited attention to the specific relationship between earnings and DPO. A research gap exist. The study will seeks to bridge this gap by exploring the association between earnings and dividend payout of companies quoted at the NSE. The question that the study wishes to address is: What is the effects of earnings on DPO for companies listed at the Nairobi Securities Exchange? ; Does this relationship exist? ; If yes, how significant is this relationship?

1.3 Research Objective

The objective of the study is to establish the effects of earnings on DPO for companies quoted at the Nairobi Securities Exchange.

1.4 Value of the Study

The discoveries of the study will contribute information about the effects of earnings on DPO and other variables that may influence dividend payment. This information will be beneficial to various parties including; individual and institutional investors, firms, stock brokers and agents, financial analysts, Capital Markets Authorities and scholars.

Investors in general will benefit from this study since it provide a wider source of information in making investment decisions. The study will guide the investors to know the significant of earnings in determining the amount of dividend they will receive. The findings will also provide information for the regulators such as the Capital Markets Authorities in Kenya, this will assist them in protecting both the investors' and the firms' needs.

The financial analysts will have a better interpretations of their analysis. Stock brokers and Stock agents will be enriched by the study since they will provide well informed information to their clients who may solely depend on them in making investment decisions and identifying well performing stocks.

The results of this study will show to what extent the earnings contribute to the dividend payout. This will provide more literature material which will be of great

value to scholars, students and researchers. This study will also be used by future researchers as a build up for further research and also in academics.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discusses theories/models salient to the research. Theoretical and empirical literature related to the study is also identified with the aim of recognizing the literature gaps. The literature review will also guide the pertinence of the study findings. The section also include the conceptual framework.

2.2 Theoretical Review

This section contains survey of theories salient to the study. Dividend relevance, bird in hand, signaling, life cycle and residual theories are reviewed in this section. A summary of all the theories is also included.

2.2.1 The Bird-in- Hand Theory

The bird-in-the-hand theory is derived from the saying that a bird in the hand is worth two in the bush. Gordon and Litner (1963) posited that shareholders prefer to receive dividends today rather than in the uncertain future. This is so because current earnings are less risky than future expected earnings. Since total return equals capital gain plus dividend paid, Gordon and Litner (1963) uses this equation to argue that returns would increase as the firms' payout increases. Literally, investors prefer dividend (bird in hand) over capital gain (bird in bush).

Amidu (2007) in his study on how DP affect performance of companies listed at the GSE supported the bird in hand theory. He noted that shareholders value dividend

more than retained earnings. However, this theory has received equal measure of criticism. Miller and Modigiliani (1961) argued that if firms were to invest the retained earnings prudently, they would earn higher returns to compensate for the higher risk. The theory also do not take into consideration risk lovers who would prefer to take the risk with a prospect of earning higher returns. Contrary findings have also been found, for instance, Malkawi (2007) found that most investors prefer capital gains more than dividends. This theory suggest that shareholders prefer dividends rather than retaining income, the findings of this study will give more light into this hypothesis.

2.2.2 Dividend Irrelevance Theory

The brains behind this theory Miller and Modigiliani (1961) posited that a company's DP is not important in evaluating value received by the owners. That is, shareholders can either receive return through capital gains or dividends. However, they noted that this theory only hold if there is no tax differentials nor transaction costs. The dividend-irrelevance theory imply that an investor can influence their gains from stock regardless of the dividend policy. For instance, if the dividend payment is above the investor's expectation, he/she can use the dividend paid to purchase more stock. Similarly, if the dividend payment is above expectation, the investor can sell some of the stock to gain cash. Hence the dividend policy is irrelevant since the shareholders can simulate their own. On the basis of this theory, the signaling effect does not hold (no reactions to a higher or relatively low dividend).

Miller and Modigiliani (1961) assumed that there are no taxes; prefect market; no cost of transaction and that company's DP has no effect on cost of equity. This assumptions form the basis for the criticism of this theory. In the rational world, there

exist, taxes, transaction cost, and managers mostly have inside information hence this theory may not hold. Various researchers such as Frankfurter (2002) have shown that dividends decisions have an impact on value received by the stock holders, he noted that the decision to pay will have an impact on the firm and its shareholders, a contrary decision also achieves the same results. This theory argues that dividends are irrelevant, a finding from that indeed there is a relationship between earnings and DPO will render this theory impertinent.

2.2.3 Signaling Theory

This theory imply that a dividend increase, decrease, presence or lack of dividend convey a message more important than the dividend itself (Spence, 2002). An increase in the declared dividend will be followed by a rise value of the company and in extension the share price since it shows better prospects. However, this increase may be interpreted as lack of investment ideas. An increase may also signal an increase in firm's future expected earnings. Karanja (1987) noted that firms may avoid not paying dividend due to the signaling effect. This means that firms declare dividends even when they incur losses. Firms are willing to fund dividend through debt just to communicate a message.

According to Ezra (1963), when a firm report favorable dividends, it signify its ability to generate future cash flow hence end up affecting the share price of its stock. Managers would therefore want to pay dividend in order to improve the company's value. The study showed that the signaling effect affects member's contributions in SACCOs. Ross (1977) concluded that an association exists between DP and share prices. He noted that shareholders see dividends as signals of management's forecasted future earnings. For instance, if investors expect dividends to increase on the day of announcement, this causes an instant rise in the share price.

However, this theory has been critiqued by Mwandenga (2005) who noted conflicting policy implications among financial economists so much that there is no practical DP guidance to management and owners. He further noted that financing and investment decision are a preserve of management, dividend policy decisions rely on spontaneous evaluation. The study will help identify if firms declare dividends just for the signaling effect or they are based on other variables such as earnings.

2.2.4 Life-Cycle Dividend Theory

Mueller (1972) proposes that the standard life of an organization will follow an S-shaped growth pattern, when a company is starting there is slow growth followed by swift growth and eventually the firm matures and stagnate. The life cycle dividend theory borrows from this model. The life cycle dividend model is built on the inclination that a firm will only declare dividend when it is mature and able to generate income that surpass its ability to find new investment opportunity. At this stage of its life, it become advantageous for the company to distribute returns to the shareholders inform of dividend in expense of capital gain. This proposed theory is caused by the firm inability to meet its financing needs at an early age.

El-Ansary and Gomaa (2012) did a study on the life cycle theory using 100 most active companies in Egypt from 2005 to 2010. The study found out that retained earnings is the main determinant of dividend payout. The ability to retain earnings supports the life cycle dividend theory. They also posited that earnings have a positive and important impact on dividends paid. That is, dividend increases with increase in a firm's earnings.

Various researchers support this theory, DeAngelo and Stulz (2006) in their study which tested lifecycle theory using DP and the earned/contributed capital mix noted that companies with a higher earned capital are expected to pay dividend as compared to firms with lower capital. Brigham and Ehrdardt (2011) also noted that dividend payment depend on the growth factors, for instance, mature companies with limited growth prospects return larger proportion of their earnings to shareholders while those rapidly growing and with good investment prospects will retain earnings and invest in new projects. The study will help determine if the maturity/company size of a company influences the dividend payout.

2.2.5 The Clientele Effect

Clientele effect can be defined as the likelihood of a company to allure investors who subscribe to their DP. The theory was progressed by Petit (1977) studied on transaction costs, clientele effects of dividends and taxes, he noted that clientele effect exist. The research showed that companies that paid current dividend as opposed to capital gain attracted more retiree. In the same measure, investors that want constant stream of dividend as a source of earning will prefer firms that pay periodic constant dividend. Investors in their apex earnings years will prefer capital gain since they have no need of regular disposable cash. Miller and Modigiliani (1961) noted that firms that changes its DP may lose some shareholders to other firms with a more appealing DP. Hence, firms need to take into consideration the preference of their shareholders before coming up with a dividend policy.

Miller and Modigiliani (1961) however noted that, one clientele is as good as any other hence the presence of clientele effect does not posit that one DP is more

superior to any other. Richardson, Sefcik and Thompson (1986) did a study on firms that offered initial dividend in the USA. The study tried to investigate if the experienced rise in their stock trading volume was caused by signaling effect or by investors in various tax clienteles adjusting their investment. The study concluded that the changes was due to the information impact and only few changes related to the clientele effect. The study noted that the evidence supporting clientele trading is relatively frail. This theory suggest that dividend payout depend on clientele, this study will give more light to this hypothesis to ascertain if dividend payout is directly related to earnings or it depend on other variables such as clientele.

2.2.6 The Residual Policy Dividend Theory

The residual dividend theory suggest that firms pay dividend from residuals, that is, they declare dividends only if there is no available and acceptable investment opportunity. It theorize that the dividend payment ought not to be the center of any organization. The amount of earnings held, rely on upon the number and size of worthy capital budgeting ventures and the net earnings accessible to fund these activities (Lease et al, 2000).

The residual payment policy calculate dividends by getting the amount of net income in a period minus the retained earnings needed to fund the ideal capital spending plan. That is, dividends payment is based on residuals. Since earnings and investments are not constant, there will be changes in annual dividend payout. The theory assume that paying dividend will signal that the firm's inability to find viable investment opportunity which would harm its profile (Myers et al., 1991). If dividend payout entirely depend on earnings and not availability of investment projects, this theory will be rendered weak.

2.3 Determinants of Dividend Payout

Many studies have been conducted trying find out the determinants of DPO. The amount that a company pay as dividend is guided by the dividend policy. Brealey and Myers (2002) defines DP as balance between holding earnings and paying out cash dividend and issuing new shares. Various variables have been found to influence DP by different researchers. They include; earnings, liquidity, financial leverage, company size among others.

2.3.1 Earnings

Kiboi (2015) defines earnings as the amount attached to a firm as net income/ revenue in a given financial year statement. Earning can be a good indicator of dividend payout as indicated by various studies (Baker & Powell, 2000.; Lev, 1989.; Lintner, 1956). Fama and French (2001) research on disappearing dividends stated that earnings affect the amount paid as dividend. Musa (2009) supported this findings when He concluded that there significant positive association between earnings and DPO.

Perretti, Allen and Shelton (2013) examined the determinants of DP for American depository receipts. They concluded that earning is one on the determinants of dividend payout. They noted that firms that pay dividends experience much higher profits than firms that do not pay. However, Amidu (2007) and Ranti (2013) studies found a negative association between DPO ratio and profitability of company relative to assets, and leverage.

2.3.2 Leverage

Huyghebaert (2006) defines financial leverage as proportion of long term debt obligation constituted in the equity of the company. If a company finances most of its operations using debt, it will have a higher financial leverage. A high level of debt financing means that the company will pay more interest which in turn negatively affect the firm's earnings. Harvey (2001) noted that management may seek financial pliability in decisions involving capital structure, in this case, firms with high leverage may have to be more flexible with their dividend policy decisions. Jensen, 1986) noted that availability of debt reduces the amount of disposable cash available to the management, this in a way reduces the possibility of managers misusing resources.

Azhagaiah and Veeramuthu (2010) examined the association between corporate debt to equity ratio and DP of the companies across sectors in India, the study found that there is a meaningful influence of chosen predictor variables on dividend behavior; the dividend policy of overall corporate firms across sectors in India was dependent on the debt equity ratio. On the other hand, most lenders usually put restriction on dividend payment until a certain level of earning is achieve hence protecting their interests in the firm. If such restrictions exist, they will automatically influence the dividend policy. Financial leverage is anticipated that would have a negative impact on DPO.

2.3.3 Company Size

Perretti, Allen and Shelton (2013) examined the determinants of dividend policy for American depository receipts. They classified the companies into their dividend payment characteristic. The subgroups included firms that used to pay dividends,

those that do not pay, regular payers, switchers and newly paying companies. From the study, growth opportunities, company size, and the combination of contributed and earned capital were found to incompletely explain the individual DP. Denis and Osobov (2008) studied on reasons that informs the company's decision to pay dividends. The research found that company size, profitability, growing opportunities, and the blend of contributed and earned capital influenced positively the dividend paid in six countries: the USA, Canada, UK, France, Germany, and Japan.

Fama and French (2001) concluded that dividend companies that pay dividends and those that don't are different in terms of three key characteristics: profitability, investment opportunities and size. Firms that pay dividend will tend to be those companies that make profits and are majorly large companies. Unlike big companies, small firms have no ease access to additional capital hence they retain a higher proportion of their earnings for expansion needs. Young firms will opt to retain all internally generated resources and may not pay dividends. Large firms will probably be full grown and hence have an easier access to capital markets and ought to have the ability to pay more dividends.

2.3.4 Liquidity

Anil and Kapoor (2008) study on the determinants of corporate DP in Jordan concluded that liquidity and variability in earnings are the major determinants of DPO ratio of the Indian Information Technology sector. When a company pay dividend, it causes cash outflow. A firm may have earnings but do not have adequate funds to declare a dividend. In coming up with a DP, the management has to consider the effect of paying out dividends on its liquidity position, if it impacts negatively on the liquidity position, the management may decide to retain earnings rather than issue out

dividends**.** If a firm has liquidity problems, it may not be able to declare dividends since it's is unable to meet its commitments as and when they fall due. Watson and Head (2007), in their book on corporate finance noted that companies should consider their liquidity, availability of free cash flows regardless of the high profits they may report. They posited that profits cannot be equated to cash, hence, the amount of dividends paid must mirror the organization's capacity to declare dividend and also the earnings aspect.

2.4 Empirical Review

Fama and Babiak (1968) carried out an empirical study on dividend payment by individual firms during 1946-1964. The study tried to investigate the dividend determinant. They used regression analysis, simulation and prediction tests to analyze current dividends and earnings of the firm. The study concluded that earnings significantly determine the dividend policy. Other factors such as investment opportunities and constraints on dividend policy were found to fairly affect DP. This study also noted that net income is a better option in measuring dividends as compared to the use of cash flow. In conclusion, the study noted that it was difficult to evaluate the effects of DP and dividend yield on ordinary stock and return.

Kamal, Rasool and Asif (2011) studied on the effect of financial leverage on DP for companies trading at the Karachi Stock Exchange. The research timeframe was 2002 to 2008. The companies' DP was investigated by using the extended model of Linter (1956) with the debt ratio of the company, the past period's dividend yield as its predictor variables and variability in earnings as the indicator variable. Regression analysis, descriptive statistics and correlation employed to analyze the data. The level

of firm's debt to equity ratio was found to fundamentally affect the DP of Pakistani firms. Debt to equity ratio had a negative effects on dividend payment. The research also found out that alteration in earnings has no meaningful influence on DP.

Bani et al (2013) investigated the association between economic value and EPS and dividend issued to shareholders of firms quoted at the TSE. This study was conducted with the aim of providing guidance on increasing shareholder's wealth. The study composed 21 of the 50 listed companies in the period 2009 to 2012. The research posited that EPS had a positive association with DPS with no economic value. However, with inclusion of economic value, the relationship was found to be insignificant.

Ghose (2013) conducted a study on dividend decisions in relation to EPS at Tata Steel. The study looked at relationship between the DPS, EPS, and OPS and Free Reserves per share. They used data of period between 2008 and 2012. The study used Pearson's Correlation Coefficient to test any significant relationship. It concluded that there is a association between DPs and EPS, OPS and Free Reserves per share. The study further noted that whichever the direction these relations may be, Tata Company had to take earnings into consideration when making dividend decisions.

Baker and Jabbouri (2016) studied on how Moroccan managers view DP of firms listed at Casablanca Stock Exchange. The study sought to identity the most significant factor that managers use in determining the DP. The study used mail survey of Casablanca Stock Exchange quoted companies that issued single or more cash dividends to ordinary shareholders between 2010 and 2014. The study ranked amount

of present earnings, earnings changes, and what present shareholders want such as the will to have current income as the top three leading determinants of dividend payout. Others determinants included past dividends and the amount of expected future income respectively. From the results, the top three determinants involve earnings which reflects the relevance that these managers place on earnings. The study also indicated that managers viewed life cycle theory, agency theory and signaling theory as wonderful tools for determining DP.

Tiriongo (2004) studied on the significant determinants of dividends policies of the firms quoted at the NSE. He conducted a ten years study by empirically analyzing the determinants of DP on a selection of forty nine quoted firms on the Nairobi Securities Exchange over a period of 1993-2002. He used multiple regressions method to test the behavior of dividend. The study findings showed that dividend policies of Kenya companies quoted at the NSE depend on growth prospects, leverage, profitability (stability), liquidity and stability of earnings. The study also showed a variation in the relationship when it is done sector by sector. Profits rate and leverage were found to be significant in the Agriculture sector. The commercial sector demonstrated stability of earnings, firm size and liquidity. The financial sector showed that stability of earnings, firm size and expected growth were the prevalent factors.

Kibet (2010) examined the relationship between liquidity on DPS for companies listed at the NSE. He used multivariate regression analysis to analyze data. The study sample included 35 firms quoted at the NSE from the year 2007 to 2011. Using dividend payment as the response variable and leverage and EPS as predictor variables, he concluded that there is a positive influence of liquidity on DPO. Other

variables such as leverage, profitability, corporate tax, sales growth, industry and EPS were also found to have a positive relationship with DPS.

Kinyua (2011) studied on the association between earning volatility and the DPO for companies listed at the NSE. The research indicated that there was no meaningful relationship between earning instability and DPO. The research depended on companies consistently quoted at the NSE for the five years' time frame from 2008 to 2012 inclusive. Dividend payout and earnings unpredictability were additionally found to vary in the distinctive years under study. Earnings volatility was therefore one of the variables that impacted the dividend payout of a company, however, not significantly. The researcher noted that consequently, further research therefore is important to set up the particular elements that impact the dividend payout of a firm.

Mukanzi (2013) studied on the impact of earnings on DP of cyclical firms trading at the NSE. He established that liquidity is an important factor in causing changes in the company's DP. The finding was in agreement with Benito et al (2001) who studied dividend policy in emerging markets. The study established a negative association between leverage and DPO. That is, it found out that a rise in leverage ratio causes a 0.032 decrease in DPO. This study agrees with Kiboi (2015) who found a negative relationship between DPS and leverage.

Arumba (2014) studied on what determine the payment of dividend for companies quoted at the NSE. The aim was to show how and the extent to which company earnings, liquidity, profitability, and company size determine DPO. The study found a consistent association between dividend payout and all the four variables. Earnings /profitability were found to have a positive and significant correlation with DPO.

However, company size was found to have an insignificant positive relationship. Liquidity had a negative but significant relationship with dividend payout, this is in contravention of Kibet (2010) findings on this relationship.

Olang, Akenga and Mwangi (2015) studied on the effect of liquidity on DPO for companies trading at the NSE. They wanted to identify the magnitude to which liquidity, profitability, working capital and cash flow affect dividend payout. They used data from the period from the period 2008 to 2012. Descriptive and inferential statistics was applied for data analysis. The study concluded that profitability has a significantly affected the amount of dividends paid positively. Company's profits were found to influence dividend payout than cash flow and working capital. They also concluded that liquidity influence dividend payout positively

Kiboi (2015) examined the association between EPS and DPS for firms trading at the NSE. The study also included other variables such as retained earnings, liquidity and leverage. The researcher used descriptive analysis, correlation analysis and multiple regression model to analyze the data. He established a positive and significant association between EPS and DPS. Liquidity, leverage and retained earnings were found to have a negative but insignificant effect on DPS. These results verified Muindi (2006) results on the same study. However, Muindi (2006) results showed that this relationship may be affected by the sector since a negative relationship between the variables was found in the finance and investment sectors.

2.5 Conceptual Framework

The conceptual frame work is created to understand the factor that may affect the dividend payout. According to framework derived from the literature review, the main determinants of dividend payout is earnings, leverage, and liquidity and company size.

In schematic diagram, there is direct influence of earnings on dividend payout which will form the base of the study. From the theoretical and empirical literature, the studies proposes that there is a causal association between DPO and earnings, leverage, liquidity and retained earnings. The model integrated the ideas of clientele effect theory, residual theory and bird in hand theory. These interrelationships forms the basis of conceptual model below.

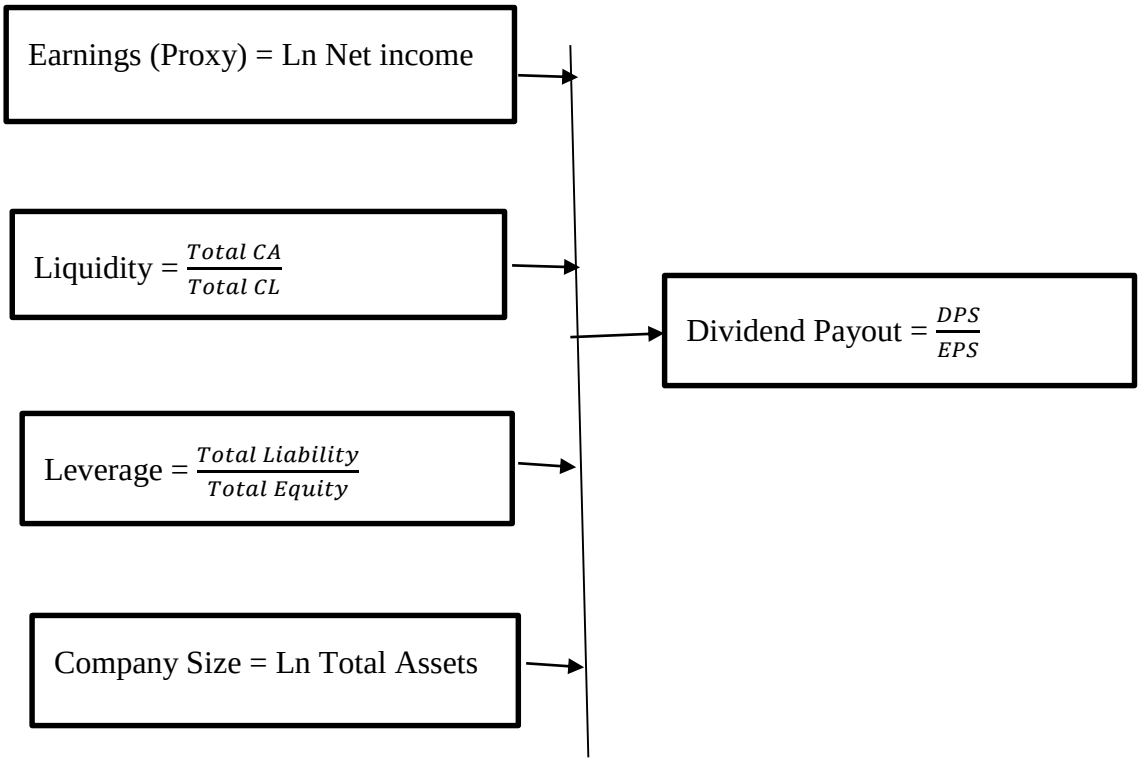

Figure 2.5 Conceptual Framework Researcher's design based on Musiega et al (2013)

2.6 Summary of Literature

The factors that determine the dividend paid by a firm has been a matter of much contention (Frankfurter, 2002). This has led to the evolution of theories (reviewed above) trying to explain this puzzle. Despite the many theories and research developed, this relation isn't a straight line relationship hence remain a puzzle. The clientele effect theory, residual theory and bird in hand theory will form a basis for this study. That is, they give the study a basis to examine the association between earnings and dividend. The research will try to figure out if dividends are declared only for the signaling effect or they are dependent on earnings. On the contrary, the assumption of dividend irrelevance theory render this research irrelevant since this assumptions do not apply to our study population.

Although literature on evidence on the effects of earnings on DPO is ample for the case of developed countries, the question of what are the determinants of DPO for listed firms remains largely unexplored in developing countries. Globally, there are many studies on factors that determine dividend policy (hence including the relationship between earnings and dividend payout). They include: Fama and Babiak (1968); Chhatoi (2015); Bani et al (2013); Kamal, Rasool and Asif (2011); Ghose (2013) among others. The above studies are indeterminate and hence a research gap exists. Arumba (2014) for instance noted that company size had an insignificant positive association with DPO. Earnings had a positive and significant relationship. However, this study did not include the effect that leverage have on this relationship. The study also contradicted Muindi (2006) findings that the relationship depend on sectors. This study's aim is to bridge this research gap.

This research seeks to answer the following questions: what is the effects of earnings on dividend payout of firms quoted at the NSE? What are the effects of introduction of leverage and liquidity and company size on this relationship? Is their influence significant?

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology. The section include research design, study population, data collection method, instruments to be used and data analysis.

3.2 Research Design

A research design is defined as an orderly arrangement of the measures, tools and factors applied in the gathering and analysis of information keeping in mind the end goal to be accomplish, this should be done in the most productive and effective way (Sekaran and Bougie, 2010). The study will adopt a correlation research design, employing secondary quantitative data. This method involves gathering information keeping in mind the objective. It enable the researcher to figure out if and what exactly degree a relationship exists between at least two quantifiable factors. This research design was adopted since it permit the researcher to break down relationships among a substantial number of factors in a study. A correlation research also allow an analyst to break down how several variables either independently or in mix may influence a specific phenomenon being contemplated. The cross-section research design will enable the comparison of the relationship between earnings and DPO for companies listed under different sectors at the NSE.

3.3 Population

Mugenda and Mugenda (2003) define a study population as the whole set of events individuals or objects sharing identifiable feature. The population comprised the 64 quoted companies in the NSE as at December 2015 (Appendix 1). Out of the 64 listed firms, data was available for 43 firms.

3.4 Data Collection

Whitney, Lind and Wahl(1998) defines data collection as the procedural assembling and measuring data variables of interest, in an laid down deliberate outline that enables one to reply to established research questions, test theories, and assess results. To measure earnings, the researcher used an earnings proxy, he will collected net income figures from financial statements. The measure of company size involved collection of total assets of a company. DPS and EPS figures were obtained from the financial statements to aid in measuring dividend payout. Total current assets and current liability figures were collected to measure liquidity. Total debt and total equity figures were obtained to measure leverage (Kiboi, 2015). All the data was collected by review of individual companies' website, published books of accounts and NSE handbooks. The selected period was five years from 2011 to year 2015. Audited financial statements were used to ensure reliability and validity of findings and conclusions.

3.5 Data Analysis

Shamoo and Resnik (2003) indicated that data analysis is procedurally using statistical methods to represent, gather and recap and assess the data. The research sought to find the relationship between variables, it therefore employed multiple

regression model. From the theoretical review, DPO was be adopted as the dependent variables while other variables will be adopted as independent variables. Mugenda and Mugenda (2003) states that regression technique is evaluate the level of correlation between two variables or more variables. The research used SPSS version 20 to run the regression model and conduct other analyses.

A multivariate regression model was used to explain the causal relationship among the relevant variables as follows;

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mu$

Where;

Y = Dividend payout (Dependent Variable) measured by DPS/EPS.

X_1 = Earnings (Independent Variable) proxy measured by Net Income.

X_2 = Leverage measured by Total debt/ equity.

X_3 = Liquidity measured current asset / current liability.

X_4 = Company Size measured by natural log of total assets.

β_0 = the constant term

β_j = 1…...4 measure of the sensitivity of the reliant variable (Y) to unit change in the indicator variables X1, X2, X3 and X4.

μ = is the error term which captures the unexplained variations in the model.

The results were presented using tables and regression model to give an elaborate outline of the research results. The coefficients of determination will be used to determine the proportion of the variance of DPO that is attributed to the independent

variables. It is a measure that permitted us to decide how certain one can be in making forecasts from a specific model as it represents the percent of the information that is nearest to the line of best fit.

For interpretation, the regression coefficients Bi indicated if there exist an association between DPO and the predictor variables in the model. A positive sign on the coefficients indicate a positive relationship and vice versa. When the coefficient is between 0.5 and 1, there is a strong positive association and a strong negative association when the coefficient is between -0.5 and -1. If it is between 0 and 0.5, there is a weak positive association between DPO and the independent variables and a weak negative correlation when the coefficient is between 0 and -0.5.

3.6 Test of Significance

Utilizing SPSS, the regression model was tried on how well it fits the data. The significance of every predictor variable in the study will likewise be tried. The research hypothesis will be tested at 95% level of confidence in order to provide basis for drawing conclusions. The conclusion were based on F-statistic and t-statistic the basis of p value where if the null hypothesis of the beta was rejected then the overall model will be significant and if null hypothesis was accepted the overall model will be insignificant. As it were if the p-value is less than 0.05 then it was presumed that the model is significant and has good predictors of the response variable and that the findings are not based on chance. If the p-value is greater than 0.05 then the model was not be significant and cannot be utilized to explain the variations in the response variable.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION OF FINDINGS

4.1 Introduction

This chapter include the analysis of data as stipulated in chapter three and the discoveries of the study as set outlined in the research objective. The research sought to investigate the effects of earnings on DPO for firms quoted at the Nairobi Securities Exchange. The independent variables were earnings, leverage, liquidity and company size. The dependent variable was DPO which was measured by DPS divided by earnings per share.

4.2 Descriptive Statistics

Table 4.2.1: Dependent Variable

	N	Minimum	Maximum	Mean	Std. Deviation
Dividend Payout	215	-3.57143	6.25000	0.3081008	0.65294278
Valid N	215				

Table 4.2.1 Dependent Variable Researcher's findings, 2016

Table 4.2.1 above presents the results of the descriptive statistics of DPO by Companies quoted at the NSE during the five years' timeframe from 2011 to 2015. Generally, from the 215 observations as seen in table 4.2.1 above, the dependent variable (DPO) ranged from -3.57143 to 6.25 with a mean of 0.3081008 and a standard deviation of 0.65294278.

Table 4.2.2: Independent Variables

	N	Minimum	Maximum	Mean	Std. Deviation
Size '000	142	105828	558094154	68323306.6981	96580827.3674
Earnings'000	142	-6284575	31871303	2660756.4213	4675366.6027
Leverage	142	-31.53212	10.3484200	2.125702759	3.26287
Liquidity	142	0.1864691	18.7609272	2.373040658	2.7115320805

Table 4.2.2: Independent Variables Researcher's findings, 2016

Table 4.2.2 above presents the results of the descriptive statistics of the four predictor variables used in this research to determine the effects of earnings on DPO by firms quoted at the NSE during the five year study period from 2011 to 2015. Generally, from the 568 observations as seen in Table 4.2.2 above, Company size ranged from 105,828,000 to 558,094,154,000 with a mean of 68,323,306,698 and a standard deviation of 96,580,827.3674. Earnings ranged from a minimum of -6,284,575,000 to a maximum of 31,871,303,000 with a mean of 2660756.4213 and a standard deviation of 4675366.6027. Leverage ranged from a low of 0.31.53212to a high of 10.34842 and had a mean of 2.125702759 and a standard deviation of 3.26287. Liquidity ranged from 0.1864691 to 18.7609272 with a mean of 2.373040658 and a standard deviation of 2.7115320805.

Table 4.2.3: Mean of variables by industry

Industry	DPO	Earnings('000)	Leverage	Liquidity	Company Size ('000)
Agriculture	0.061454	454,788	0.356797	5.20079718	3,989,538
Automobiles and Accessories	0.147356	220,263	1.141315	2.15115212	4,552,595
Banking	0.311778	5,661,491	5.930315	_	184,422,052
Commercial & services	0.323818	1,122,284	0.375265	1.38181601	23,427,424
Construction and allied	0.92734	1,554,560	1.472625	1.51997223	25,629,642
Energy and Petroleum	0.179248	2,763,282	2.055409	1.21747531	117,806,377
Insurance	0.175749	2,166,344	2.147322	_	35,560,806
Investment	0.084435	-217,934	1.097155	1.25553091	11,637,227
Manufacturing and Allied	0.456146	752,247	0.71806	2.68536905	9,330,656
Telecommunication and Technology	0.610728	19,643,085	0.590401	0.65452253	131,234,602

Table 4.2.3: Mean of variables by industry Researcher's findings, 2016

Table 4.2.3 shows the descriptive findings by industries. The findings show that the industry with the highest DPO was Construction and allied (0.92734) while the lowest was Agriculture (0.061454). On Earnings, the industry with the highest earnings was Telecommunication and Technology (Sh. 19,643,085,000) while the lowest was Investment (Sh. -217,934).

4.3 Diagnostic and Correlation Analysis

The diagnostic analysis was used, test the normalcy of data distribution for the OLS regression in this study involved testing for multicollinearity as was tested using correlation analysis.

Table 4.3.1: Correlation matrix

Variables	DPO	Earnings	Company Size	Leverage	Liquidity
DPO	1				
Earnings	0.394	1			
Company Size	0.054	0.275	1		
Leverage	-0.013	-0.162	0.002	1	
Liquidity	0.021	0.129	0.044	-0.051	1

Table 4.3.1: Correlation matrix Researcher's findings, 2016

Table 4.3.1 shows the results of the correlation analysis. This was done in order to test for multicollinearity between the predictor variables. The findings show that none of the correlations between the predictor variables were significantly higher. Thus, there was no multicollinearity between the independent variables and, therefore, the OLS regression could be carried out.

4.4 Regression Analysis

In addition to the descriptive analysis, the study also included a multiple regression analysis to assess the extent to which the predictor variables (Earnings, liquidity, leverage and company size) determined the response variable (DPO) for companies quoted at the NSE over the study period. The findings were as discussed below.

Table 4.4.1: Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.803[a]	0.658	0.647	0.73792937

a. Predictors: (Constant), Liquidity, Company Size, Leverage, Earnings. b. Dependent Variable: Dividend Payout

Table 4.4.1: Model Summary Researcher's findings, 2016

Table 4.4.1 demonstrates the measures of overall model fit. The first measure in the table is R. This measures how well our predictors predict the outcomes. The result of R reflects 0.803 which is quite good, but for more accurate results we take the square

of R. The R-Square values are 0.658 which denotes that 65.8% of the observed variability in DPO (dependent variable) is explained by the variability in earnings, liquidity, leverage and company size (independent variables). The remaining 34.2% of variations are explained by factors other than earnings, liquidity, leverage and company size which are not shown in the model because they are beyond the scope of my study. Moreover, the values of R-Square also demonstrates that there might be other factors which can have impact on DPO other than the independent variables used in the research.

Table 4.4.2: ANOVA

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	14.525	4	3.631	6.669	.000[b]
	Residual	72.968	134	.545		
	Total	87.494	138			

a. Dependent Variable: Dividend Payout
b. Predictors: (Constant), Liquidity, Company Size, Leverage, Earnings

Table 4.4.2: ANOVA Researcher's findings, 2016

Table 4.4.2 demonstrate the results of ANOVA (Analysis of Variance). F-test result that gives a measure of the ideal fit of the model to the data. The research data statistics were analyzed using the SPSS software and the output displayed in table 4.6 above. From the analysis of variance (ANOVA) statistics depicted above, at 5% significance level, the value of calculated F is 6.669, F critical at 5% level of significance was, $F_{0.05,4,142}$ =2.435. Since F calculated was greater than the F critical (6.669 >2.435), this indicated that the overall regression model was significant and that the findings can be used to make inferences of the study. Here, the F-test outcome is highly significant because (Sig) values are less than .001 (.000), so the model fit the data.

Table 4.4.3: Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.067	0.589		0.114	0.909
Earnings	0.065	0.013	0.428	5.110	0.000
Company Size	0.029	0.038	0.062	0.758	0.450
Leverage	0.022	0.021	0.081	1.012	0.313
Liquidity	-0.008	0.023	-0.028	-0.346	0.730

Table 4.4.3: Coefficients Researcher's findings, 2016

From the regression findings in table 4.5 above, the model equation will be;

DPO= 0.067 + 0.065 ERS+0.029 SZ+ 0.022 LEV - 0.008LIQ

Where DPO is dividend payout, ERS is company earnings, LIQ is liquidity, SZ is company size, LEV is leverage and LIQ is liquidity

According to the coefficient table above, at 5% significance level, earnings had a significance value of 0.000, company size had 0.45, and leverage had 0.313 while liquidity had 0.730. It is thus evident that only earnings where significant in DPO determination since all other variables significant values lies well above 0.05. However, only earnings, company size and leverage were positively correlated with dividend payout while liquidity had an inverse relationship with DPO. This is as evidenced from table 4.7 above which indicates that earnings, company size and Leverage had regression coefficient values of 0.065, 0.029 and 0.022 respectively while liquidity had a correlation coefficient value of -0.008.

Further, the table shows that, taking all predictor variables (earnings, leverage, and liquidity and company size) constant at zero, dividend payout is 0.067. The data results analysis showed that holding all other predictor variables constant, a unit increase in earnings causes a 0.065 increase in dividend payout while a unit increase in company size will l causes a 0.029 decrease in DPO. The table also indicates that a unit increase in leverage causes a 0.022 increase in DPO. This shows that earnings, company size, leverage and liquidity had a positive effect on DPO while liquidity had a negative effect on DPO for firms quoted at the NSE during the study timeframe.

4.5 Summary and Interpretation of Findings

During the five year study period, the results posit that a combination of all the four independent variables (company earnings, liquidity, company size and leverage) accounted for 65.8% of the variations in the dependent variable (DPO) for firms listed at the NSE. The research model therefore, indicated that the four predictor variables were strong indicators of the dependent variable since the value of R square (at 0.658) is very close to one hence the model explains nearly all the variability of the dependent variable.

Since F calculated was greater than the F critical (6.669 >2.435), this verified that the overall regression model was significant and that the findings can be used to make inferences of the study. Earnings were also found to have a significance value of 0.000, company size had 0.45, and leverage had 0.313 while liquidity had 0.730. It is thus evident that only earnings where significant in DPO determination since all other

variables significant values lies well above 0.05. However, only earnings, company size and leverage were positively correlated with dividend payout while liquidity had an inverse correlation with DPO. This is as evidenced from table 4.7 above which indicates that earnings, company size and Leverage had correlation coefficient values of 0.065, 0.029 and 0.022 respectively while liquidity had a correlation coefficient value of -0.008.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of findings of the data analysis in chapter four and interpretations of the data analysis, conclusion and recommendations based on the findings.

5.2 Summary

The research aim was to study the effects of earnings on DPO of companies quoted at Kenya's Nairobi Securities Exchange. With a specific end goal to accomplish the objective of the study, data was obtained from 2011 to 2015 for the 64 companies quoted on the Nairobi Securities Exchange. The research relied on secondary data which was broken down using SPSS software version 20 and the findings presented in tables. From the information acquired, different variables were extracted and figured to empower sufficient analysis to be done. From the findings of the analysis, it was found that the earnings of companies had a significant positive effect on DPO of firms quoted at the NSE.

During the five year study timeframe, the findings indicate that a combination of all the four independent variables (company earnings, liquidity, company size and leverage) accounted for 65.8% of the variations in the dependent variable (DPO) of firms listed at the NSE. The research model therefore, demonstrated that the four explanatory variable were sufficient predictors of the response variable since the

value of R square (at 0.658) is very close to one hence the model explains nearly all the variability of the dependent variable.

The study examined the effects of earnings on DPO for firms quoted at the NSE. The results show a positive effect of earnings on DPO for all the models used in the study. The results are consistent with a number of studies. Arumba (2014), Musiega et al (2013) and Bulla (2013) who found that earnings have a positive correlation and significantly influence dividend payout. However, the research findings contradict the findings of Abu (2012) and Kinyua (2013) who established that earnings have a negative or no significant relationship with dividend payout. The strong relationship between DPO and earnings showed that earnings are a prerequisite for DPO of firms quoted at the NSE. Thus companies should therefore improve their earnings in order to be willing and able to pay dividends.

The study found that leverage was insignificant in the determination of DPO. However, the sign was positive in the models which contradict Ranti (2013) who found an inverse effect of financial leverage to DPO of quoted firms in Nigeria and the study by Gupta and Azhagaiah and Veeramuthu (2010) and Banga (2010). Therefore, while no significant relationship was found in this study, the inverse relationship was contradicted.

The study confirmed that liquidity had an inverse correlation with DPO. This is consistent with Abu (2012) and Anupam (2012). However, they found that this relationship had a significant effect on DPO which is contradicted in this study. This

study also contradicts the findings of Hafeez and Attiya (2008) and Alli et al (1993) who argued that liquidity had a positive correlation with dividend payout

In addition, the study indicated that company size was an insignificant variable in determining DPO. This validates the results of Arumba (2014), but contradicts the results of the study done by Denis and Osobov (2008) who found company size to be a significant variable in determining dividend payout. The low level of the coefficient can be attributed to the fact that smaller companies may have good investment opportunities hence end up declaring higher income as compared to relatively bigger companies, this boost their ability to pay dividend.

Overall, despite the significance levels of each of the independent variables used in this study, earnings were found to have the greatest positive impact on dividend payout. Logically, this holds since we don't expect companies making losses to declare or distribute any earnings in form of dividends. Thus earnings are a prerequisite for dividend payout for firms quoted at the NSE.

5.3 Conclusions

This research aim was examine the effect of earnings on DPO. The analysis revealed that dividend payout was positively affected by earnings. The study concludes that DPO and in extension policies therein of a listed firm in Kenya is strongly affected by earnings. The higher the earnings, the higher the dividends payout. The results are consistent with Arumba (2014) who concluded that company earnings had a positive correlation with DPO for listed firms in Kenya between 2008 and 2013.The study was also in agreement with Mukanzi (2013).

The effect of leverage on DPO was also examined. The study revealed that DPO was not significantly influenced by leverage. The study concludes that leverage does not influence dividend policy in Kenya. Thus, the level of leverage a firm has does not explain the dividends payout. These results are consistent with Ranti (2013) who found an insignificant relationship between financial leverage and the dividend payout hence influencing policy decisions of quoted firms in Nigeria, however his study found an inverse relationship.

The study further examined the effect of liquidity on DPO. From the results, it was evident that DPO was not significantly affected by liquidity of firms. The study, therefore, concludes that liquidity does not influence the DPO of listed firms in Kenya. No matter the level of liquidity, dividend policy will be unaffected. These results are consistent with most studies which have found negative insignificant effects of liquidity on DPO such as Abu (2012) and Anupam (2012).

Finally, the research studied the effect of company size on the DPO. The study found that company size do not significantly influence dividend payout. The study concludes that dividend payout in Kenya is not influenced by company size. This is supported findings of Perretti, Allen and Shelton (2013). However, Arumba (2014) found a positive significant relationship. It can also be concluded that bigger organizations tends to pay more dividend because of the fact that bigger firms have less demanding access to external financing and depend less on internally generated capital. Also firm size have a tendency to have a huge positive effect on firms DPO proportion since bigger firms have better access to the capital markets and furthermore can without much of a stretch raise funds at lower an expenses.

In light of the discoveries of the study, it can therefore be posited that earnings of an organization the influences the DPO of the listed companies.

5.4 Recommendations for Policy and Practice

This study built up that organization income, liquidity, leverage and company size assume a key part in deciding DPO and policy for firms quoted at the at NSE. This study therefore recommends that companies listed at the NSE observe their policies dealing with these variables in order to ensure that their dividend payout ratio is kept stable because of the key information that it passes to both investors and the general public. This is consistent with the signaling effect theory and will ensure stability at the NSE which in turn promotes a vibrant market.

This research also established that earnings has a positive and significant correlation with DPO ratio. Dividends are paid from earnings and thus earnings are a prerequisite for dividend payout. This study therefore, recommends that firms listed at the NSE manage their operational costs well at the same time optimizing their revenues so as to ensure a stable dividend payout as well as maximize their shareholders' wealth.

Additionally, the study established that company size positively influenced dividend payout. However, the relationship was weak (at 0.01) and was not significant. This is largely because small firms in most cases have more investment opportunities than their well established and well-funded large mature companies. This study therefore recommends that firms listed at the NSE balance their company sizes appropriately to ensure that they attract the right shareholders using their DPO. This is in support of the Clientele effect model which posit that shareholders pursue different goals and

will always shift their investment from one company to another until they find one (those) that best suits their investment needs.

Lastly, the study recommends that for investors at the NSE whose aim is to earn good returns in form of dividends on their equity holding, they may wish to invest firms that report continuous high profit because there is a high likelihood they will pay high dividends irrespective of their size. This is thus preferred and recommended to the low income earners and the elderly or retired investors who need a constant source of income to cater for their day to day financial needs.

5.5 Limitations of the Study

This study was based on historical data and thus conclusions arrived at may not necessarily be seen as a reflection of the future. The policy makers and academicians will dependably utilize projections in settling any decisions for the future, this is because data has been completely used and stored.

The study used secondary data gathered from 43 listed companies in Kenya. While this may be large enough, not all the banks were covered for some of them lacked the data. Thus, the study is restricted by the quantity of observations.

Thirdly, this study used an OLS model to examine the relationship between EPS and DPS. Thus, this study suffers from the limitations of OLS regression analysis such as model's predictive ability. The study also used only three control variables. This model left out a number of variables that should have been controlled for. Therefore,

the results may not fit well within other institutions which may be faced with industry specific variables.

5.6 Suggested Areas for Further Research

The research suggest that more research need to be carried out in this area to examine other determinants of dividend payout other than earnings, leverage, liquidity, and company size. Different measures of variables should also be employed. This studies will help improve the understanding of factors that really determine the dividend payout.

The study also suggests that a similar study be done using a panel data analysis technique in order to assess whether the results from such studies would give a different kind of results from the ones employing linear regression methods such as the one used in this study.

This research was carried out for a five years from 2011 to 2015 timeframe. The study therefore suggest that more similar research be carried out covering an extended period. This will make sure that a larger amount of data is used relating to the variables in this study. This will indeed adequately validate the findings of this study. Further studies should also include more control variables in the model in order to improve the model's predictive ability and accuracy on how earnings affects DPO of listed firms with a special focus on banks.

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Appendix I: NSE Listed Companies

	FIRM	SECTOR
1	Kakuzi Ltd.	Agriculture
2	Rea Vipingo Plantations Ltd	Agriculture
3	Kapchorua Tea Co. Ltd	Agriculture
4	Eaagads Ltd	Agriculture
5	Sasini Ltd	Agriculture
6	Williamson Tea Kenya Ltd	Agriculture
7	Limuru Tea Co. Ltd	Agriculture
1	Car and General (K) Ltd	Automobile and Accessories
2	Sameer Africa Ltd	Automobile and Accessories
3	Marshalls (E.A.) Ltd	Automobile and Accessories
1	Barclays Bank Ltd	Banking
2	CFC Stanbic Holding Ltd	Banking
3	The Co-operative Bank of Kenya Ltd	Banking
4	Equity Bank Ltd	Banking
5	Standard Chartered Bank Ltd	Banking
6	NIC Bank Ltd	Banking
7	National Bank of Kenya Ltd	Banking
8	Kenya Commercial Bank Ltd	Banking
9	Housing Finance Co. Ltd	Banking
10	Diamond Trust Bank Kenya Ltd	Banking
11	I & M Holdings Ltd	Banking
1	Express Ltd	Commercial & services
2	Kenya Airways Ltd	Commercial & services
3	Nation Media Group	Commercial & services
4	Standard Group Ltd	Commercial & services
5	TPS Eastern Africa (Serena) Ltd	Commercial & services
6	Scangroup Ltd	Commercial & services
7	Uchumi Supermarket	Commercial & services
8	Hutchings Biemer Ltd	Commercial & services
9	Longhorn Kenya Ltd	Commercial & services
10	Atlas Development & Support Services	Commercial & services
1	Athi River Mining	Construction and allied
2	Bamburi Cement	Construction and allied
3	Crown Berger Ltd	Construction and allied

4	E.A. Cables Ltd	Construction and allied
5	E.A. Portland Cement Ltd	Construction and allied
1	KenolKobil Ltd	Energy and Petroleum
2	Total Kenya Ltd	Energy and Petroleum
3	KenGen Ltd	Energy and Petroleum
4	Kenya Power & Lighting Co. Ltd	Energy and Petroleum
5	Umeme Ltd	Energy and Petroleum
1	Jubilee Holdings Ltd	Insurance
2	Pan Africa Insurance Holdings Ltd	Insurance
3	Kenya reinsurance Corporation Ltd	Insurance
4	Liberty Kenya Holdings Ltd	Insurance
5	British American Investment Co. (K) Ltd	Insurance
6	CIC Insurance Group Ltd	Insurance
1	Olympia Capital Holdings Ltd	Investment
2	Centum Investment Co. Ltd	Investment
3	Trans-Century Ltd	Investment
4	Home Afrika Ltd	Investment
5	Kurwitu Ventures Ltd	Investment
1	Nairobi Securities Exchange Ltd	Investment services
1	A.Baumann& Co. Ltd	Manufacturing and Allied
2	B.O.C. Kenya	Manufacturing and Allied
3	British American Tobacco Kenya	Manufacturing and Allied
4	Carbacid Investments	Manufacturing and Allied
5	East African Breweries	Manufacturing and Allied
6	Eveready E.A.	Manufacturing and Allied
7	Kenya Orchards	Manufacturing and Allied
8	Mumias Sugar Co. Ltd	Manufacturing and Allied
9	Unga Group	Manufacturing and Allied
10	Flame Tree Group Holdings	Manufacturing and Allied
1	Safaricom Ltd.	Telecommunication and Technology

Appendix II: Dividend Payout

FIRM	2011	2012	2013	2014	2015
Kakuzi Ltd.	0.133642	0.193798	0.445368	0.458996	0.185736
Kapchorua Tea Co. Ltd	0.183054	0.376317	0.163256	0.155231	-0.85911
Eaagads Ltd	0.139978	1.838235	0	0	0
Sasini Ltd	0.581395	-2.5	0.462963	2.5	0.29274
Williamson Tea Ltd	0.153909	0.613399	0.079483	0.086037	-1.68279
Limuru Tea Co. Ltd	0.222552	0.088339	0.315126	-3.57143	0.787402
Car and General (K) Ltd	0.070694	0.073529	0.0906	0.091324	0
Sameer Africa Ltd	0.571429	0.367647	0.208333	0	0
Barclays Bank Ltd	1.006711	0.621118	0.5	0.649351	0.645161
CFC Stanbic Holding Ltd	0	0.073737	0.048574	0.413769	0.495568
The Co-operative Bank	0.25974	0.271739	0.227273	0.295858	0.34632
Standard Chartered Bank	0.570539	0.469925	0.492862	0.511894	0.851277
NIC Bank Ltd	0.090253	0.165837	0.149031	0.141443	0.178571
National Bank	0.125392	0.131579	0.142241	0	0
Kenya Commercial Bank Ltd	0.497312	0.462287	0.414938	0.35524	0.308166
Housing Finance Co. Ltd	0.444444	0.434783	0.406977	0.356295	0.379009
Diamond Trust Bank Kenya Ltd	0.122164	0.108696	0.092638	0.109489	0.102375
I & M Holdings Ltd	0.220863	0.193986	0.218313	0.252313	0.232853
Express Ltd	0	0	0	0	

Kenya Airways Ltd	0.196078	0.069832	0	0	0
Nation Media Group	0.629921	0.75188	0.746269	0.763359	0.847458
Standard Group Ltd	0	0	0.207469	0.194553	0
TPS Eastern Africa (Serena) Ltd	1	0.361111	0.391304	1	-0.15337
Scangroup Ltd	0.27451	0.180995	0.230769	0.333333	0.446429
Longhorn Kenya Ltd		0	0.496894	2.150538	0.214286
Athi River Mining	0.172414	0.199203	0.218978	0.199336	0
Bamburi Cement	0.692521	0.862777	1.151832	1.22449	0.89717
Crown Berger Ltd	0.229779	0.222025	0.194229	6.25	1.395349
KenolKobil Ltd	0.19457	0	0.263158	0.206186	0.271318
Total Kenya Ltd	0	-0.625	0.288462	0.309735	0.299611
KenGen Ltd	0.531915	0.46875	0.251046	0.310078	0.124046
Kenya Power & Lighting Co. Ltd	0.208333	0.211864	0	0.139665	0.131234
Jubilee Holdings Ltd	0.166667	0.2	0.184211	0.194508	0.199063
Kenya reinsurance Corporation Ltd	0.127737	0.1	0.13986	0.15625	0.153061
CIC Insurance Group Ltd	0.222497	0.15625	0.153846	0.238095	0.244186
Olympia Capital Holdings Ltd	0	0.263158	0	0	-0.24038
Trans-Century Ltd	0.203252	0.240964	0.377358	0	0
B.O.C. Kenya	0.881971	0.499505	0.500963	0.442177	0.683311
British American Tobacco Kenya	0.58102	0.932437	0.872718	0.869565	0.8541

Carbacid Investments	0.56243	0.52356	0.428878	0.362694	0.451613
Mumias Sugar Co. Ltd	0.413223	0.381679	0	0	0
Unga Group	0.210084	0.266904	0.289575	0.205479	0.189753
Safaricom Ltd.	0.606061	0.6875	0.704545	0.824561	0.8

Appendix III: Company Size

FIRM	Asset 2011	2012	2013	2014	2015
Kakuzi Ltd.	3,466,163	3,425,677	3,570,362	3,680,033	4,185,969
Kapchorua Tea Co. Ltd	1,570,203	1,962,897	2,078,475	1,929,161	1,983,239
Eaagads Ltd	354922	573356	499561	445793	429934
Sasini Ltd	4,090,598	8,922,980	9,054,366	13,684,494	13,985,862
Williamson Tea Kenya Ltd	6,032,743	7,243,227	8,023,834	8,549,409	8,558,558
Limuru Tea Co. Ltd	105,828	320,023	343,007	338,600	
Car and General (K) Ltd	5,562,239	2,308,221	2,712,838	8,152,812	8,988,047
Sameer Africa Ltd	3,125,040	3,399,651	3,668,487	3,857,392	3,751,225
Barclays Bank Ltd	167029000	184826000	206739000	225841000	240877000
CFC Stanbic Holding Ltd	150,171,015	143,212,155	180,511,797	180,998,985	208,451,915
The Co-operative Bank of Kenya Ltd	168,312,000	200,588,000	231,215,000	285,396,067	342,499,809
Standard Chartered Bank Ltd	164,046,624	195,352,756	220,391,180	222,495,824	233,965,447
NIC Bank Ltd	78,984,005	108,348,593	121,062,739	145,780,505	165,788,268
National Bank of Kenya Ltd	68,664,516	67,178,607	92,555,717	123,091,996	125,440,316

Kenya Commercial Bank Ltd	330,663,959	368,018,785	390,851,579	490,338,324	558,094,154
Housing Finance Co. Ltd	31,870,916	40,956,577	47,389,377	60,961,680	71,659,434
Diamond Trust Bank Kenya Ltd	107,765,064	135,461,412	166,520,351	211,539,412	271,608,597
I & M Holdings Ltd	108,063,712	141,364,216	119,276,044	154,060,579	164,822,609
Express Ltd	766,797	495,608	480525.413	477922.102	
Kenya Airways Ltd	78,712,000	77,432,000	122,696,000	148,657,000	182,063,000
Nation Media Group	8,816,200	10,677,400	11,444,200	11944300	12696700
Standard Group Ltd	3,512,257	3,501,548	4,136,762	3,575,410	3,872,492
TPS Eastern Africa (Serena) Ltd	13131840	13484076	16239878	15939177	15815800
Scangroup Ltd	8,489,938	8,361,646	12,744,583	13,284,104	12,468,479
Longhorn Kenya Ltd		662,689	685,019	752,559	689,320
Athi River Mining	20,549,023	26,953,100	29,705,254	36,912,580	51,936,664
Bamburi Cement	33,502,000	43,038,000	43,016,000	40,991,000	42,030,000
Crown Berger Ltd	2,215,352	2,258,263	2,945,434	3,852,814	4,539,148
KenolKobil Ltd	45974304	32,684,166	28,121,673	23,915,166	17,377,103
Total Kenya Ltd	35,198,166	32,980,604	39,984,165	32,541,800	34,225,035
KenGen Ltd	160,993,290	163,144,873	188,673,282	250,205,524	342,519,995
Kenya Power & Lighting Co. Ltd	119,878,993	134,131,983	177,157,755	220,926,514	275,493,150
Jubilee Holdings Ltd	38,039,832	47,257,540	61,159,185	74,505,374	82,378,010
Kenya reinsurance Corporation Ltd	19,096,441	23,787,957	28,222,587	32,174,251	35,954,134
CIC Insurance Group Ltd	11,120,796	14,069,551	17,035,817	23690387	24,920,235
Olympia Capital Holdings Ltd	1,074,236	1,620,955	1,897,407	1,538,341	1,531,409

Trans-Century Ltd	21,742,258	21,845,754	23,840,273	19,463,658	21,817,981
B.O.C. Kenya	1,816,803	1,994,865	2,633,093	2,300,320	2,320,956
British American Tobacco Kenya	8,409,916	9,123,815	10,204,821	11,070,605	12,080,481
Carbacid Investments	1,739,985	2,012,816	2,204,399	2,533,163	2,968,727
Mumias Sugar Co. Ltd	24,421,003	27,400,113	27,148,393	23,563,086	20,403,564
Unga Group	5,708,897	6,399,829	8,108,379	8,026,578	8,671,788
Safaricom Ltd.	113854762	121899677	128860000	134600946	156957626

Appendix IV: Earnings

FIRM	2011	2012	2013	2014	2015
Kakuzi Ltd.	648,388	405,104	176,303	154,200	532,642
Kapchorua Tea Co. Ltd	187,005	77,968	179,718	125,991	-22,785
Eaagads Ltd	71,784	21805	-59215	-41684	5923
Sasini Ltd	450,347	-124,113	53,615	5,738,057	1,743,357
Williamson Tea Kenya Ltd	884,385	854,740	855,659	740,721	-227,636
Limuru Tea Co. Ltd	39,383	101,523	28,513	-331	
Car and General (K) Ltd	371,891	262,543	379,405	354,956	212,777
Sameer Africa Ltd	81,646	132,603	422,476	-59,666	43,997
Barclays Bank Ltd	8113000	8741000	7623000	8387000	8401000
CFC Stanbic Holding Ltd	1,838,992	3,009,891	5,127,156	5,686,661	4,905,734
The Co-operative Bank of Kenya Ltd	5,366,000	7,724,000	9,108,000	8,014,997	11,705,559
Standard Chartered Bank Ltd	5,836,821	8,069,533	9,262,921	10,436,180	6,342,427
NIC Bank Ltd	2,652,458	2,984,406	3,323,381	4,120,855	4,477,355
National Bank of Kenya Ltd	1,546,113	736,366	1,789,348	887,699	-1,170,474
Kenya Commercial Bank Ltd	10,981,046	15,032,835	14,035,587	17,646,147	11,670,476
Housing Finance Co. Ltd	651,407	740,831	1,052,214	975,336	1,196,969
Diamond Trust Bank Kenya Ltd	2,656,797	3,627,766	4,756,635	5,083,519	5,912,082
I & M Holdings Ltd	1,769,757	4,237,933	5,301,471	4,993,740	5,704,643
Express Ltd	-229,088	13,027	229	-18,309	

Kenya Airways Ltd	3,538,000	1,660,000	-5,284,000	-3,382,000	25,743,000
Nation Media Group	1,957,300	2,615,200	2,625,700	2,410,200.00	2,071,100.00
Standard Group Ltd	147,345	183,307	189,493	220,514	-289,603
TPS Eastern Africa (Serena) Ltd	615,891	493,588	668,530	274,419	-280,613
Scangroup Ltd	724,965	628,379	760,566	567,007	423,576
Longhorn Kenya Ltd		-11,779	86,082	95,254	63,058
Athi River Mining	1,150,498	1,245,638	1,348,803	1,493,393	-2,890,841
Bamburi Cement	5,859,000	3,876,000	3,204,000	3,092,000	4,349,000
Crown Berger Ltd	179,734	142,692	211,268	22,972	34,242
KenolKobil Ltd	3,273,831	-6,284,575	558,419	1,091,284	2,014,974
Total Kenya Ltd	-71,436	-202,142	1,312,277	1,424,088	1,615,003
KenGen Ltd	1,446,623	1,860,148	5,268,202	2,826,323	11,517,327
Kenya Power & Lighting Co. Ltd	4,219,566	4,617,116	4,352,165	6,994,487	7,431,957
Jubilee Holdings Ltd	1,910,390	2,284,501	2,502,817	3,103,653	3,121,093
Kenya reinsurance Corporation Ltd	1,914,584	2,801,892	3,000,431	3,137,172	3,433,619
CIC Insurance Group Ltd	584,214	1,388,201	1,405,904	1124584	782,107
Olympia Capital Holdings Ltd	35,139	42,860	7,884	45,043	-29,551
Trans-Century Ltd	616,100	1,011,274	792,413	-2,277,929	-2,422,574
B.O.C. Kenya	105,521	197,374	202,636	229,625	148,600
British American Tobacco Kenya	3,097,755	3,735,850	3,723,691	4,255,314	4,976,256
Carbacid Investments	302,195	389,287	475,541	490,641	393,863
Mumias Sugar Co. Ltd	866,668	2,012,679	-1,669,716	-2,706,595	-4,644,801
Unga Group	441,043	348,195	338,196	474,494	621,866
Safaricom Ltd.	13,158,973	12,627,607	17540000	23,017,540	31,871,303

Appendix IV: Liquidity

FIRM	*2011*	2012	2013	2014	2015
Kakuzi Ltd.	3.3450707234	8.474507	7.953846	6.656963	4.144181
Kapchorua Tea Co. Ltd	2.1012648991	1.646308	2.116629	5.101309	5.629513
Eaagads Ltd	5.9437825253	18.76093	1.331698	0.869867	0.886232

Sasini Ltd	1.3253049215	1.895181	1.771001	2.327954	4.401565
Williamson Tea Kenya Ltd	2.7003760227	2.068611	2.917638	3.891331	3.738616
Limuru Tea Co. Ltd		12.40979	16.86924	8.083216	5.857143
Car and General (K) Ltd	1.1232568617	1.160055	1.112034	1.199406	1.056207
Sameer Africa Ltd	4.1440273065	3.613713	3.373969	2.523834	2.205018
Express Ltd	0.3361890016	0.396214	0.640242	0.592641	
Kenya Airways Ltd	1.0633977216	0.919052	0.562695	0.464835	0.502147
Nation Media Group	2.3134458098	2.253303	2.520312	2.365071	2.09543
Standard Group Ltd	1.0779928992	1.115821	1.156104	1.195748	0.955404
TPS Eastern Africa (Serena) Ltd	1.4950380611	1.011885	1.057501	0.803816	1.040398
Scangroup Ltd	2.0482907753	2.3282	2.455532	2.460166	2.755744
Longhorn Kenya Ltd		1.117944	1.618984	1.75803	1.816741
Athi River Mining	0.8435188146	1.220453	0.945075	0.469154	0.383449
Bamburi Cement	2.6203649205	2.348025	2.681324	2.296838	2.357078
Crown Berger Ltd	1.4639159775	1.535933	1.381537	1.146401	1.106517
KenolKobil Ltd	1.2241765360	0.968413	0.934563	0.950248	1.237396
Total Kenya Ltd	1.1002824116	1.299652	1.277439	1.488224	1.52359
KenGen Ltd	1.7357857746	1.485776	1.421849	1.096618	0.950578
Kenya Power & Lighting Co. Ltd	1.1573912895	0.897278	0.922605	1.034209	1.64343
Trans-Century Ltd	1.4099270265	1.284566	1.487056	1.594952	0.629816
B.O.C. Kenya	1.9400640816	2.07934	2.226984	2.139014	2.063528
British American Tobacco Kenya	1.3069086057	1.177962	1.256178	1.249146	1.45124
Carbacid Investments	8.8431222373	4.257875	10.08932	6.296269	4.510618
Mumias Sugar Co. Ltd	2.2010452793	1.253591	0.838216	0.409332	0.186469
Unga Group	2.5220528096	2.358269	1.837845	2.271324	2.368518
Safaricom Ltd.	0.6360709972	0.563437	0.693086	0.740187	0.624456

Appendix IV: Leverage

FIRM	2011	2012	2013	2014	2015
Kakuzi Ltd.	0.384709977	0.275049309	0.280133318	0.292397163	0.322691913
Kapchorua Tea Co. Ltd	0.60816041	0.731507055	0.618733611	0.397269432	0.389135093
Eaagads Ltd	0.549388721	0.190896647	0.242268785	0.236761067	0.173480723
Sasini Ltd	0.362140559	0.388401261	0.418532391	0.231714909	0.183355171
Williamson Tea Kenya Ltd	0.412414182	0.464741148	0.369662342	0.29764683	0.306168005
Limuru Tea Co. Ltd	0.277416338	0.321137087	0.317504398	0.345172119	
Car and General (K) Ltd	1.89651371	1.662151203	1.755966229	1.878413274	1.975078059
Sameer Africa Ltd	0.389037545	0.461132675	0.369036126	0.52078737	0.505037018
Barclays Bank Ltd	4.715669165	5.247219875	5.386352403	4.888176248	5.064986403
CFC Stanbic Holding Ltd	6.76915662	4.257249874	4.566920388	3.905760623	4.433411811
The Co-operative Bank of Kenya Ltd	7.033554484	5.83038785	5.320112618	5.65613907	5.946799554
Standard Chartered Bank Ltd	6.92708076	5.352353837	5.087077807	4.472351611	4.671644197
NIC Bank Ltd	6.50587834	5.998529805	5.890738615	5.243085811	5.292696213
National Bank of Kenya Ltd	5.56669887	5.418025932	6.78538111	9.069679679	10.34841995
Kenya Commercial Bank Ltd	6.432851055	5.778126625	5.16923349	5.483255567	5.868546205
Housing Finance Co. Ltd	5.756085814	6.972480381	7.08760481	8.29452306	5.74591507
Diamond Trust Bank Kenya Ltd	8.152659613	7.071380307	6.814807653	6.189773138	6.834833954
I & M Holdings Ltd	6.125078087	5.144958629	4.925683005	5.870043708	5.146369853
Express Ltd	3.938303011	2.499465419	2.420585681	2.652072905	
Kenya Airways Ltd	2.401114808	2.36324545	2.931430036	4.26610932	-31.53211471
Nation Media Group	0.440007187	0.457964088	0.388286387	0.362244956	0.41803947
Standard Group Ltd	0.762294854	0.904151499	1.039426246	1.0537616	1.564859792
TPS Eastern Africa (Serena) Ltd	0.631928324	0.648135957	0.472033199	0.530774918	0.632960953

Scangroup Ltd	0.949509852	0.706586884	0.568284183	0.555036616	0.449105327
Longhorn Kenya Ltd		1.504635561	0.77527691	0.732729324	0.812197341
Athi River Mining	2.367297903	2.7852713	2.612137896	2.918197241	2.083068935
Bamburi Cement	0.33809051	0.394575678	0.365153919	0.407706309	0.414865684
Crown Berger Ltd	1.105007507	0.919961877	1.163034235	1.859589811	2.355417207
KenolKobil Ltd	2.946136037	4.070673353	3.218486763	2.26242126	1.031070152
Total Kenya Ltd	2.828043796	1.323776291	1.599909552	0.981184899	0.944632326
KenGen Ltd	1.319166911	1.324678111	1.545211001	2.261720644	1.419027465
Kenya Power & Lighting Co. Ltd	2.016350124	1.798559178	2.397694643	2.694404092	3.125037909
Jubilee Holdings Ltd	4.667730935	4.432095331	4.272533528	3.521223002	3.041861211
Kenya reinsurance Corporation Ltd	0.652701277	0.61981336	0.574711832	0.609404272	0.639281234
CIC Insurance Group Ltd	1.589759724	1.571678645	1.547639931	2.286935028	2.182464607
Olympia Capital Holdings Ltd	0.659669468	0.51884602	0.766077914	0.35914098	0.31051288
Trans-Century Ltd	0.895168493	0.810132331	0.803568862	0.695189858	5.153242032
B.O.C. Kenya	0.367507156	0.371219354	0.268312573	0.316584134	0.354032948
British American Tobacco Kenya	1.144479308	1.138161802	1.243370629	1.246054533	1.110110516
Carbacid Investments	0.185788812	0.217843983	0.145482114	0.172670526	0.198504578
Mumias Sugar Co. Ltd	0.673552461	0.742601131	1.042926803	1.214200129	2.439550347
Unga Group	0.524425019	0.612905657	0.889492021	0.712430527	0.619297146
Safaricom Ltd.	0.681220143	0.684943573	0.605332004	0.475305548	0.505205673