

**EFFECT OF OWNERSHIP STRUCTURE ON DIVIDEND
PAYOUT OF LISTED FIRMS AT THE NAIROBI
SECURITIES EXCHANGE**

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DECLARATION

I, Gertrude Kemboi hereby declare that this is my original work and has not been submitted for presentation and examination for any award of degree in this university or any other.

Signature Date.....

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This research project has been submitted for examination with my approval as the University of Nairobi supervisor

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I am grateful to my family for their encouragement and constant reminder to finish the MBA program. This gave me strength to complete the research project.

Last of all, I thank God for good health and taking good care of me when I was writing the research project.

DEDICATION

I wish to dedicate this research project to my late Father Mr. John Kimiti and my Mother Mrs Linah Kimiti, who instilled values of hard work and discipline in me.

To my husband Mr. Meteor Sakimpa for his constant source of support and to my daughters Soila Sakimpa and Sanapei Sakimpa for the patience they showed during my thesis writing.

ABSTRACT

Ownership structure leads to agency problems since majority shareholders have high levels of incentives hence they monitor the actions of the management and influence decisions. There has been a growing debate on whether ownership structure impacts on management decisions especially dividend policy decisions. The objective of this study was to determine the effect of ownership on dividend pay-out of listed firms at Nairobi Securities Exchange. The study employed correlation analysis and panel regression analysis in establishing relationship between types of ownership structures and dividend pay-out. This research was anchored by agency theory and utilized a cross-sectional descriptive research design. The population comprised of 67 listed firms as at 31st December, 2017 that were operational in the study period. Secondary sources of data spanning for a period between 2012 and 2016 were used. Diagnostic tests and descriptive statistics were carried out afterwards inferential statistics: correlation analysis and regression analysis were applied in hypothesis testing. The study found that dividend pay-out and firm profitability increased rapidly over the study period. Debt and firm size recorded a gradual increase while ownership structures (institutional, managerial, state and foreign) recorded a slow increase over the study period. There lacked any correlation amongst ownership structures (institutional, managerial, state and foreign) and dividend pay-out. Likewise, there lacked any correlation amongst ROA, debt, firm size with dividend pay-out. Regression outcome found that coefficient of determination was 6.6%, implying that the regression model used was a poor predictor. However, analysis of variance was 0.0063; implying that it was statistically significant. Firm profitability, firm size and institutional ownership were related positively to dividend pay-out while debt was negatively related. Institutional ownership, debt and firm profitability were found to be insignificant while firm size was significant.

TABLE OF CONTENTS

DECLARATION	ii
ACKNOWLEDGEMENTS	iii
DEDICATION	iv
ABSTRACT	v
LIST OF TABLES	viii
LIST OF FIGURES	ix
ABBREVIATIONS AND ACRONYMS	x
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the Study	1
1.1.1 Ownership Structure	2
1.1.2 Dividend Policy	3
1.1.3 The Relationship between Ownership Structure and Dividend Payout	4
1.1.4 Firms Listed at the Nairobi Securities Exchange.....	6
1.2 Research Problem	7
1.3 Research Objective	9
1.4 Value of the Study.....	9
CHAPTER TWO: LITERATURE REVIEW	10
2.1 Introduction.....	10
2.2 Theoretical Framework	10
2.2.1 Agency Theory.....	10
2.2.2 Walter's Model	12
2.2.3 Tax Preference Theory.....	13
2.3 Determinants of Dividend Policy.....	14
2.3.1 Ownership Structure	14
2.3.1.1 Managerial Ownership	14
2.3.1.2 State Ownership	14
2.3.1.3 Institutional Ownership.....	15
2.3.1.4 Foreign Ownership.....	15
2.3.2 Firm Profitability	16
2.3.3 Firm Size	17
2.3.4 Financial Leverage	17

2.4 Empirical Studies	18
2.5 Conceptual Framework	21
2.6 Summary of the Literature Review	22
CHAPTER THREE: RESEARCH METHODOLOGY	23
3.1 Introduction.....	23
3.2 Research Design.....	23
3.3 Study Population.....	23
3.4 Data Collection	24
3.5 Diagnostic Testing	24
3.5.1 Normality Test	24
3.5.2 Heteroskedasticity Tests	24
3.5.3 Multicollinearity Test.....	25
3.6 Data Analysis	25
3.6.1 Analytical Model.....	25
3.6.2 Tests of Significance	27
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION	28
4.1 Introduction.....	28
4.1.1 Diagnostic Tests Results	28
4.2 Descriptive Statistics.....	30
4.3 Pearson Product Moment Correlation Coefficient.....	31
4.3.1 Regression Analysis	32
4.4 Discussion of Findings.....	33
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	35
5.1 Introduction.....	35
5.2 Summary of the Findings	35
5.3 Conclusions	37
5.4 Recommendations	38
5.5 Limitations for the Study	38
5.6 Suggested Areas for Further Research.....	39
REFERENCES.....	40

LIST OF TABLES

Table 4.1: Breusch-Pagan Test.....	28
Table 4.2: Variance Inflation Factor	29
Table 4.3: Variance Inflation Factor	29
Table 4.4: Shapiro-Wilk	30
Table 4.5: Descriptive Statistics	30
Table 4.6: Pearson Product Moment Correlation Coefficient.....	31
Table 4.7: Model Summary.....	32
Table 4.8: Model Coefficients.....	32

LIST OF FIGURES

Figure 2.1: Conceptual framework.....	22
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ABBREVIATIONS AND ACRONYMS

AT	Agency Theory
CBK	Central Bank of Kenya
CDS	Central Depository System
CMA	Capital Markets Authority
NSE	Nairobi Securities Exchange
TPT	Tax Preference Theory
WM	Walter's Model

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

A high concentration might drive the key shareholders to prioritize on their own interest and subsequently result into agency conflicts amidst managers and the stakeholders (Abdelwahed, 2014). To ease agency problems, stakeholders must effectively monitor management actions. In addition, managerial ownership inhibits interest-related conflicts amongst managers and owners and this enhances firm value (Al-Nawaiseh, 2013). Managerial ownership aligns management interest with that of outside shareholders to ensure that managers have an incentive to effectively maximize firm value (Afza & Mirza, 2010).

Agency theory (AT), Walter's Model (WM) and Tax Preference Theory (TPT) are the selected theories supporting this study. AT is anchored by the tenets that agency conflicts emanate from the managers when they deliberately decline to represent stakeholder interests. To minimize conflicts from agency relationships, the shareholders incur agency costs (Lex Donaldson & Davis, 1991). WM is built on the tenets that dividend is relevant since it has an effect on the firms valuation. Firms that are characterized with high dividend payment are perceived to have high value unlike firms which pay lower dividends (Baker, 2011). TPT postulates that investors opt for low pay-out firms to benefit from tax deductions. The reason is because long-term capital gives investors flexibility to pay taxes only when they have made a decision to sell stock due to time value of money (Litzenberg & Ramaswamy, 1982).

In Kenya, listed firms have many shareholders since their securities are traded publicly.

Ozer and Wei (2006) opine that the existence of institutional stakeholders and management ownership seeks to integrate the interests of the management and stakeholders. Thus, ownership structure is expected to have an impact on corporate dividend decision (Mukonyi, Basweti & Kamau, 2016). It is because of this reason that this study finds it worthy establishing the effect that ownership structure has on dividend payout.

1.1.1 Ownership Structure

According to Bako (2015) company ownership structure comprises of ordinary shares owned by various parties that includes the government, outsiders, insiders, and institutions. Effective distribution of corporate shareholding structure in a firm is critical since investors influence firm's dividend payout policy decisions (Alipour, 2013). The various forms of ownership structure are expressed based on the proportion of securities that the shareholder owns. Ownership might take different forms including management, family, government and institutions. Avulamusi (2013) argues that although some company owners are not involved in direct management of the firms, they make a vital role in appointing managers and boards of directors.

According to Lee (2008) explains that the structure of ownership can be grouped into two namely, ownership concentration and identify. Ownership concentration can be described as the distribution of shares owned by majority stakeholders. Different firms have different forms of ownership. Ownership identify can be described as the nature of majority stakeholders and the influence that they have on management decisions. The various categories of the shareholders include foreign, institutional and domestic investors. Yang, Chen, Kweh and Chen (2013), note that ownership structure could be in the form of state; where the state is entrusted with resource.

In case of a direct state ownership, the firm works towards achieving its political goals with a limited focus on the shareholders (Ang Cole and Lin, 2009). As a result of increased investment opportunities most investors prefer partial state ownership since the nature of corporate shareholding structure impact on the overall firm performance. For instances when stakeholders influence management investment and finance decisions. The structure of corporate shareholding could also affect the relationship stakeholders and the management.

Companies face conflicts that emanate from disagreements between stakeholders, the government, managers and the lenders. However, a well-defined corporate shareholding structure might be helpful in managing the relationship between the firm and the stakeholders. In order to improve their performances, firms must find ways to reduce agency conflicts through establishing a proper balance between ownership and control (Holderness, 2009). This study will focus on ownership identity such as managerial ownership, state ownership, institutional ownership and foreign ownership.

1.1.2 Dividend Policy

Ajanthan (2013) posits that dividend policy is defined as a set of guidelines used by a firm to determine the proportion of earnings that the firm will pay to its stakeholders as dividends. Dividends are part of the corporate earnings which are distributed to shareholders for their participation of the firm's capital. Dividend policy entails making decisions between retaining profits and disbursing profits to shareholders (Baker, 2009). Dividend policy includes making decision on whether the payout should be; high or low, stable or irregular, how frequent the dividends should be paid and whether to announce the policy or not. Dividend payout policy has been considered as a critical policy in many firms.

Berzins, Bohren and Stacescu (2009) avow that dividend policy is a significant control vehicle that minimizes conflicting interests among managers and the stakeholders. This is because stakeholders are more inclined to get dividends while managers choose to retain earnings. Ashanu, Abiola and Bhadmus (2012) explain that the most basic things to consider when considering implementing dividend policy involves determining the proportion of income to distribute to the stakeholders and the percentage to re-invest in the business. The executive management and the board of directors have a duty to formulate dividend policy for a company (Baker, 2009).

Corporate dividend payout does not necessarily act as a source of income to the stakeholders, but also enable firms to predict their current and future performance (Afza & Merza, 2010). Companies use dividend policy to reduce agency cost and assess the shareholders. The other use of dividend policy is determination of the amount of payout to be distributed to shareholders (Sharma & Wadhwa, 2013). A lot of work has been done on dividend policy; Naceur, Goaid and Belanes, (2006) contends that there still lacks clear guidelines on optimal dividend policy. Bako (2015) insists that it is unclear on whether ownership structure of the firm affects dividend policy. Ullah, Fida, & Khan (2012) contend that dividend policy influences a firm's decisions especially on the interest of the managers and stakeholders. Managers prefer retained earnings while the shareholders pay much interest on high dividend pay-outs.

1.1.3 The Relationship between Ownership Structure and Dividend Payout

According to Abdelwahed (2014), shows existence of a significant and inverse connection amongst managerial ownership and dividend pay-out policies. Dahlquist (2001) studied firms from 37 countries and revealed that firms stand a better chance of paying dividends when many stakeholders are not insiders. Abdelwahed (2014)

found a significant and an inverse connection between state ownership form of corporate structure and dividend pay-out policies. Al-Shubiri, Al-Taleb and Al-zoued (2012) documented an inverse and significant link between the state ownership and dividends distributed amidst stakeholders. Kumar (2003) revealed a negative impact involving institutional ownership on dividend policies. Similarly, Al-Shubiri et al. (2012) found an inverse and significant correlation amidst institutional ownership and dividend per share. Similarly, Abdelsalam, El-Masry and Elsegini, (2008) found a significant and positive linkage amidst institutional ownership and performance of the firm including pay-out of dividends. Firms that recorded a high return on equity with institutional ownership as majority share, distributed high levels of dividend (Abdelsalam et al., 2008). Al-Nawaiseh (2013) found that institutional ownership was positively and significantly influenced by dividend policy, this view coincides with Shukla (2014) who found a positive connection amidst dividend policy and institutional ownership.

Al-Nawaiseh (2013) discovered that foreign ownership was positively linked to dividend payment and insignificant. Aydin (2015) found that foreign ownership was positively associated with dividend payment by showing the extent to which foreign shareholding influence corporate managers in setting dividend policies.

Chai (2010) explored the connection between foreign ownership and dividend payment and the results showed a positive nexus because foreign investors went for stable and lucrative firms that paid impressive amounts of dividends as evidenced by the Korean stock market. This study expects a significant relationship between ownership structure and dividend payout.

1.1.4 Firms Listed at the Nairobi Securities Exchange

Nairobi Securities Exchange (NSE) carries out its operations as a securities exchange of Kenya. It offers an automated place where listing and trading of securities can take place. Examples of these securities include debt securities, equity securities, and derivative securities.

NSE initiated an automated system of trading that makes sure that orders aligned automatically and handled by stockbrokers on sequential order. This system is currently integrated with Central bank of Kenya (CBK) and Central Depository System (CDS) and thus enabling automated trading of government bonds. NSE is a leading African Exchange based here in Kenya. It was established in 1954, in the last 6 decades NSE has been listing debt and equity securities. It gives a classic facility where local and global investors can get exposed to Kenya and participate in Africa's economic growth by investing. NSE demutualized and listed itself in 2014. Its executive management and board consist of Africa's top capital market professionals seeking to achieve operational excellence at the exchange through innovation and diversification. NSE makes a key contribution in growing Kenya's economy through encouraging investments and savings and assisting local and global firms to gain access to cost-efficient capital. NSE performs its role under Capital Markets Authority (CMA) jurisdiction. CMA is a government regulator that is mandated to license and regulate Kenyan capital markets. It makes approvals for public offers and listing of securities traded at NSE.

Agency problem is a one of the key obstacles that face listed firms since most of them have many shareholders. This problem greatly impacts on finance and management decisions as well as overall firm performance. Mukonyi et al. (2016) note that to achieve a proper balance between management and control requires a firm to clearly

define its ownership structure and pay dividends to its stakeholders. Listed firms are considering achieving a balance between corporate ownership and control so as to minimize agency conflicts and address the needs of all the stakeholders.

1.2 Research Problem

The structure of ownership contributes to agency problems because the main stakeholders possess high levels of incentives and thus can closely monitor management actions hence impact on firm investment decisions. Alipour (2013) indicates that the structure of ownership greatly influence on management decisions which impact on the overall firm performance. Ashanu, Abiola and Bhadmus (2012) argue that use of debt is one of the tools that a firm can employ to minimize costs and boost profitability to as to pay dividends to the shareholders.

In Kenya, listed firms face agency problems that arise from diverse interests from firm managers and the stakeholders. This conflict impacts on the firm's overall performance since it interferes with key finance decisions made by the management. Ongore and K'Obonyo (2011) argue that the structure of ownership influences policies set by the firm such as dividend policy. It is therefore important for listed firms to establish an optimal model for dividend pay-out in which an increase in dividend lowers costs of agency while increasing transactional cost which implies that dividend pay-out is inversely linked to the proportion of stock withheld by insiders.

Harada and Nguyen, (2011) did an exploration on the structure of ownership and dividend policy in Tokyo and the findings unveiled that the structure of ownership was inversely linked to dividend pay-outs. Hamid, Asma and Shafiullah, (2012) did an investigation involving corporate ownership structure and dividend policy and it was documented that a negative connection existed between managerial shareholding

and dividend pay-out. Foreign and institutional structure of ownership was found to impact positively to dividend pay-out. Thanatawee (2013) tested the connection between the structure of ownership and dividend pay-out and found that a high level of institutional corporate ownership had a significant impact on dividend pay-out.

Avulamusi (2013) evaluated the linkage between the structure of ownership and performance of Kenyan commercial banks and the findings detected a positive connection between the structure of ownership and financial performance. Onsumo (2014) did an assessment on the nexus between capital structure and costs of agency of Kenyan listed firms and established that costs of agents were related positively with capital structure. Mutisya (2015) explored the contribution of ownership structure and financial performance of Kenyan listed firms and unravelled an insignificant association between the structure of ownership and financial performance.

There is paucity of research on effect of ownership structure and dividend policy where both the identity and concentration variables are empirically tested simultaneously. This is because global studies (Harada and Nguyen, 2011; Hamid et al., 2012; Thanatawee, 2013) cannot be generalized due to differences in regulatory and cultural environment.

Secondly, local studies (Avulamusi, 2013; Onsumo, 2014; Mutisya, 2015) have not explicitly explored the link between the structure of ownership and dividend policy. This study therefore attempted to bridge this gap by finding an answer to the research question: What is the effect of ownership structure on dividend policy of listed firms at NSE?

1.3 Research Objective

The objective of this study was to determine the effect of ownership structure on dividend pay-out of listed firms at Nairobi Securities Exchange.

1.4 Value of the Study

Dividend policy is vital to shareholders in their efforts to achieve efficient investments considering risks, net yields as well as tax deduction. Dividend policy is important to investors because they consider it as not only an income, but also a measure of assessing firms on the basis of investment. It also defines the ability of the firm to generate positive cash flows. Board of directors and the management of listed firms will find this study worthwhile in improving their understanding on the effect that the structure of ownership has on a firm's dividend decision.

Results got from this study might be utilized by policy makers: government in identifying approaches that they can adopt and implement in maintaining the levels of shareholding to enable state firms to be competitive and attract the public to invest in such firms for growth of the economy. This research might assist decision makers in executing proactive oversight roles as well as ensuring that investors are protected. The study will also clarify the basis on which dividend decisions can be made.

Scholars and researchers will learn the theories that anchor the key study variables (ownership structure and dividend payout), their applicability and relevance to this study. It will also form basis of further research to academicians in this field in order to determine whether as the Kenya economy undergoes transition from an emerging to a developed market, and how the structure of ownership will affect dividend payout formulation and spillover effects to the economy at large.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter is broadly classified into three main parts. Theoretical framework comprising of the theories supporting this study, this is covered in the first section of this chapter. The second part reviews extant literature in line with the specific determinants of dividend pay-out and a conceptual framework. The third part outlines past empirical studies from developed and emerging countries and a summary of the reviewed literature.

2.2 Theoretical Framework

There are various theories put forward by different scholars explaining the effect ownership structure on dividend pay-out. Under this study, the following theories have been selected to guide this study: agency theory, Walter's Model and Tax Preference Theory. Below is the discussion of the theories, their applicability and significance to this study.

2.2.1 Agency Theory

In an agency relationship, the agents make decisions concerning affairs of the principals. Conflicts that emanate from agent and the principal from interests result into challenges explained under the agency theory. Due to the nature of the industry, financial management is the field where agency relationships are common. Jensen and Meckling (1976) describe agency relationship as a contract that involves the agent and the principal, where the latter performs services on behalf of the former. The principal delegates decision-making authority to the agents. Donaldson and Davis, 1991;

Heenetigala (2011) cite that agency theory supports strong mechanisms of governance due to inherent conflicts that exists between managers and shareholders.

Isolating ownership and control might lead to conflict of interest amidst the management and the stakeholders (Aguilera, Filatotchev, Gospel, & Jackson, 2008). This then means that though the management is presumed to be competent, it is not possible to trust them all the time to act and make decisions in shareholders' best interests since they could possibly have their own interests (Williamson, 1975).

The contracting process involves delegating the authority to make decisions to the management. Heenetigala (2011) quoting Fama and Jensen (1983) aver that agency theory focuses primarily on making sure that the management treats shareholders' interest as the first priority. The proponents of agency theory indicate the existence of a conflict that emanates from the diverse interest of the owners and the managers. Hence, there is need to introduce strong governance mechanisms like the board of director to effectively monitor and control the activities of the management. Corporate governance helps in monitoring and controlling management activities so as to mitigate agency-related conflicts from separation of ownership and control (Aguilera et al., 2008).

In agency theory, pay-out of dividend reduces costs of agency between the management and the stakeholders since excess profits derived from the firm are utilized in paying dividends. Easterbrook (1984) argues that dividend policy can be utilized in aligning the mechanism for addressing equity agency problem. This can help in preventing the manager from utilizing excessive funds to invest in projects that are not profitable (Jensen, 1986). It can be deduced that, dividend pay-out can be utilized in managing agency problems and this has an effect on the value of the firm.

2.2.2 Walter's Model

This model on dividend policy is based on the notion that the concept of a dividend is relevant (Baker, 2011). The firms' dividend decision has an impact on its valuation. Firms that pay higher dividends tend to have more value unlike firms that pay lower dividends or even those that never pay. While crafting the model, Walter tested how the firm's dividend policy affects its valuation. According to Baker (2011), Walter came up with two factors that he attributed to affect share prices and dividend payout ratio of the firm and the relationship that existed between the firm's internal rates of return and the cost of capital. The model demonstrates that there is a close connection between the cost of capital and internal rate of return. If the right dividend policy is chosen, it affects the overall company's value.

This model has however been criticized; Dutta and Saadi (2011) pointed out that the model assumes that financing of the firm's investment opportunities takes place through retained earnings and there lacks external financing like equity or debt. This therefore means that dividend policy or investment policy (or these two policies) fall below the standards. This, as a result, limits the applicability of the model to equity firms. The model assumes that the rate of return does not change while the fact is that it declines when more investment is made. Further, the model makes the assumption that cost of capital is constant, this is not true because the model fails to factor in the risk profile of the firm which impacts directly on firm value.

2.2.3 Tax Preference Theory

Litzenberg and Ramaswamy (1982) were the first to develop this theory. The theory avows that investors have a preference for low pay-out firms' dues to tax reasons. The development of this theory was drawn from a close analysis of the American stock market that whereby three significant reasons were established that prompted investors to prefer firms that had a lower payout. As opposed to dividends, long-term capital gains enable the investor to avoid paying taxes until they make a decision of selling the stock due to time value for money. Tax paid immediately is associated with a higher effect of capital cost as opposed to when the same tax is paid in future (Al-Malkawi et al., 2010). Additionally, when a stockholder ceases to exist, capital gains collection does not take place. Investors inheriting such stocks might sell the stocks immediately because of the death at their base cost, which might help them to avoid payment of taxes from capital gains.

Dividend decision serves as a significant component of the firm's decision making, it is closely linked to other decisions that impact on financial and investment decisions (Singhania, 2006). The dividend decision is equally influenced by corporate taxation. Moreover, corporate taxation affects net income after tax of the firm and this determines the firm's ability to pay dividends. This might affect the net value that shareholders receive. The rate of corporate tax plays an instrumental role in determining the amount of dividend declared and the dividend policy that a firm pays. It is common for smaller firms to have zero dividend payout (Baker and Powell, 1999). However, it is equally possible for firms to be limited from paying higher dividends if double taxation takes place this mostly happens between investors and the firm.

2.3 Determinants of Dividend Policy

Various factors affect dividend policy; these factors can have a long-term or short-term effect on the overall performance of the firm. This section provides a discussion of factors namely the structure of ownership, profitability, size of the firm and financial leverage and how these factors impact on dividend policy.

2.3.1 Ownership Structure

There are several ways that investors can buy securities in a firm for example as the management, state (government), institution or foreign investors. This way, these shareholders own a stake of the company depending on their form of ownership.

2.3.1.1 Managerial Ownership

Management ownership has been viewed as the sum of the proportion of the executive management including their family divided by the cumulative capital shares of a firm (Ullah et al., 2012). It can also be referred to as the proportion of shares that are owned by the Chief Executive Officer (CEO) and board members (Bayrakdaroglu, Ersoy & Citak, 2012). Similarly, alternatively, it might refer to the proportion of outstanding shares which are held by the executive directors in a company (Cheng, Su, & Zhu, 2012). When the management own a small percentage of the firm's shares, they retain some incentive to pursue their own benefits and less incentive to maximize the value of the shareholders (Mat Nor et al., 2007).

2.3.1.2 State Ownership

State ownership is described as the proportion of government's shareholding (Ahmed, 2015). According to Ajanthan (2013) most firms that are half-owned by government or where the government has an influential shareholding are subjected to a commercial role whereby the government has a direct control.

State control is a kind of ownership concentration used by the states to pursue its political goals and the public sustains the losses (Shleifer & Vishny, 1997).

2.3.1.3 Institutional Ownership

Institutional ownership is the proportion of insurance firms, investment companies and banks among other larger financial institutions out of the cumulative capital shareholding of a firm (Ullah et al., 2012). Financial institutional ownership is instrumental in monitoring the executive management of the firm on how they invest and utilize expertise and financial knowledge. Tsai and Gu, (2007) describes it as company ownership which is the percentage of securities that are withheld by a financial institution.

Institutional ownership could also be described as a portion of a company's securities that are owned by institutional kind of investors such as banks and insurance companies. A distinguishing feature of institutional shareholding in comparison to other corporate shareholding structures considered as intermediary owners of the final agents; their attraction towards shares of firms with proper governance structures is strong as compared to that of an individual investor since they have special duties and thus prefer rational investments.

2.3.1.4 Foreign Ownership

Foreign ownership is fraction of foreign investors out of the cumulative capital shares (Ullah et al., 2012). Chai (2010) contend that foreign ownership impacts greatly on firms' dividend pay-out. Baba (2009) investigated the role of foreign investor shareholding structure on dividend policy (pay-out) of Japanese firms and it was revealed that foreign investors' corporate shareholding was positively correlated to the firm's dividend policy.

Ownership (majority) that exceeds 51% allows foreign firms to influence decisions without undue consideration of other stakeholders. It can then be noted that a foreign firm that holds a majority ownership in its own subsidiary can easily transfer structures of a company and enhance corporate governance. Economies of scope may arise as a result of information use. However, a majority shareholding minimizes the level of control and monitoring and thus lowering agency costs (Boardman, Shapiro & Vining, 1997).

2.3.2 Firm Profitability

Penman (2007) argues that profitable firms pay dividends and unprofitable firms fail to pay dividends. Profitability is achieved through effective firm management which involves cost minimization, investing in innovation and information technology. Pandey (2005) argues that profitable firms invest in advanced technology to be able to offer superior products and services compared to their rivals. This results into increased customer satisfaction which leads to an increase in sales.

Managers aim at achieving profitability while the stakeholders are interested in maximizing shareholder wealth. In most cases, managers prefer to retain earnings in the firm as opposed to paying dividends to the shareholders. Shareholders are more satisfied when the firm distributes all its earnings to the shareholders as dividends unlike investing in projects with a positive NPV. Person and Kumar (2010) insist that shareholders prefer debt financing since it limits the managers from excessive cashflows. This induces the management to be more efficient and innovative in order to minimize operational costs so as to meet debt covenant.

2.3.3 Firm Size

The size of firm impacts on the dividend policy. Larger firms are more advantaged in comparison to smaller firms for instance they enjoy discounts from purchasing items in bulk and thus are able to operate at an average costs. Boardman et al. (1997) opine that smaller firms might reports high levels of profitability as compared to large firms. This is because large firms easily access debt and thus prefer financing their investments using debt.

Servicing debt is costly to the firm and this might expose it to financial distress and decline in profitability. Unprofitable firms cannot be able to pay dividends to the shareholders since dividends are paid from profits generated by the firm. Ajanthan (2013) indicates that firms that withheld a huge asset bases have a high dividend pay-out ratio. Still, Avulamusi (2013) explains that in large firms the signalling dividend efficiency declines since such firms tend to generate a lot of information unlike smaller firms.

2.3.4 Financial Leverage

Jensen (1976) and Stulz (1990) contends that financial leverage acts as a critical component in monitoring the behaviour of the management and minimizing costs that result from agency conflict and thus increasing value. Jensen (1976) posits that debt utilization might decrease the necessity for use of dividend to deal with the conflicts that arise from agency conflicts amongst the shareholders and management. Thus, the agency theory of free cash flow forecasts an inverse connection amongst debt and dividend.

In addition, certain debt agreements cover protection covenants which limit the pay-out. In line with Fauzi and Locke (2012), financial leverage can be defined as long-term debt deflated by equity book value. Henceforth, this research theorizes that financial leverage and dividend pay-out might be negatively linked.

2.4 Empirical Studies

Ongore (2011) tested the effects of firm ownership identity and management decisions against listed firms' financial performance in Kenya. The methodology applied included a descriptive design, a census survey of all the listed firms and published data sources. Regression equation was employed to test the connection between study parameters. A significant and positive connection was found between managerial discretion and performance. The limitation for this study is that it did not factor in dividend pay-out and how it affects ownership structure.

Harada and Nguyen (2011) evaluated the link amongst the concentration of ownership and dividend policy in Tokyo. A longitudinal type of research design was utilized. Firms (1,431) year observations (14,154) were obtained and firms whose data was missing were dropped. The study period spanned from 1995-2007 and shareholding data was extracted from Bureau Van Dijk's Osiris database. A conclusion was drawn that ownership concentration was linked to low dividend levels in proportion to earnings in relation to book equity. Firms whose ownership was concentrated stood a lesser chance of increasing their dividends, when their earnings rose or in cases when their level of debt declined.

Hamid et al. (2012) assessed the factors that affected dividend policy of listed firms at Karachi Stock Exchange (KSE-100 index). Study sample involved 70 firms in a duration spanning for 8 years (2003-2010). A stepwise kind regression was implemented to detect the nexus amongst dividend pay-out and structure of ownership. It was documented that an inverse linkage was present between dividend payouts and management shareholding. Institutional and foreign shareholding was positively linked to dividend pay-out.

Avulamusi (2013) performed an investigation involving financial performance and ownership structure of Kenyan banks. A descriptive form of design was employed in 20 sampled banks. Secondary type of data was derived from CBK annual reports in a period of 5 years (2008-2011). It was revealed that there existed a positive nexus amongst foreign type of ownership and financial performance. This study was limited to commercial banks while the current study will be focusing on all the listed firms.

Thanatawee (2013) did test the link amidst the structure of ownership and dividend policy in Thailand. An explanatory form of research design was utilized in a period of spanning from 2002-2010 and a sample of 1,920 observations was drawn. A regression model was implemented to examine associations between the study parameters. The findings depicted that firms that held high concentration of ownership had a high likelihood to pay dividends especially when the majority shareholder was an institution with more equity levels. It was further revealed that the payment of dividends and the extent of pay-outs increased or decreased when there was a high level of institutional ownership particularly ownership from domestic investors.

Onsumo (2014) assessed the effect that capital structure had on the costs of agency of listed firms in Kenya. A descriptive form of a research design was used. Target population involved all listed firms that had been operational in 2009 to 2013. Secondary data sources were utilized and a regression model adopted to find out how the variables related. The results revealed a positive correlation between agency costs and capital structure. This study failed to factor in the relationship between the structure of ownership and dividend pay-out which is the main area of focus in the current study.

Mutisya (2015) did a study involving the effect of structure of ownership and listed firms' financial performance in Kenya. To detect the link between the variables, a descriptive design was applied and a census of 58 NSE firms spanning a 5-year period (2010-2014). Data was obtained from NSE handbook. A multiple regression was used to assess this relationship and it was found that the distribution of ownership impacted negatively on the relationship with financial performance of listed firms. A statistically insignificant relationship was also found to exist amidst the structure of ownership and financial performance. No correlation was found amongst ownership structures and financial performance. This study limited itself to ownership structure and financial performance and completely ignored dividend policy which is a key variable in the current study.

Basil and Erhan, (2016) did an examination concerning ownership structure and dividend policy in Turkey. A longitudinal design was employed including a panel data set consisting of 264 Istanbul Stock Exchange listed firms over a 10-year period (2003-2012).

Empirical observation depict that state and foreign ownership were linked to a less likelihood to pay for dividends while ownership parameters that is family involvement and minority stakeholders were insignificant in relation to payment of dividends. Ownership variables influenced negatively on dividend payout ratio and dividend yield.

Setiawan, Bandi, Phua and Trinugroho, (2016) examined the connection amidst the structure of ownership and dividend pay-out in Indonesia. An explanatory design was implemented in a sample of 711 firm-year observations. Financial data were excluded since their features are unique from non-financial sectors. It was discovered that ownership had a positive contribution on dividend-payout. Government and foreign-controlled firms impacted positively on pay-out of dividends. There lacked any correlation between ROA and dividend pay-out.

Mukonyi, Basweti and Kamau, (2016) evaluated the impact that ownership structure had on leverage of firms quoted at NSE. A descriptive type of a research design was employed. This study involved 44 listed firms in a 9-year study period. Correlation form of analysis and a regression analysis were applied to test the connection among the study parameters. It was discovered that there lacked a significant nexus between the structure of ownership and financial leverage.

2.5 Conceptual Framework

This study anticipated that the structure of ownership (Independent variable) would impact on dividend pay-out (dependent variable). Control variables included profitability, the size of the firm and financial leverage.

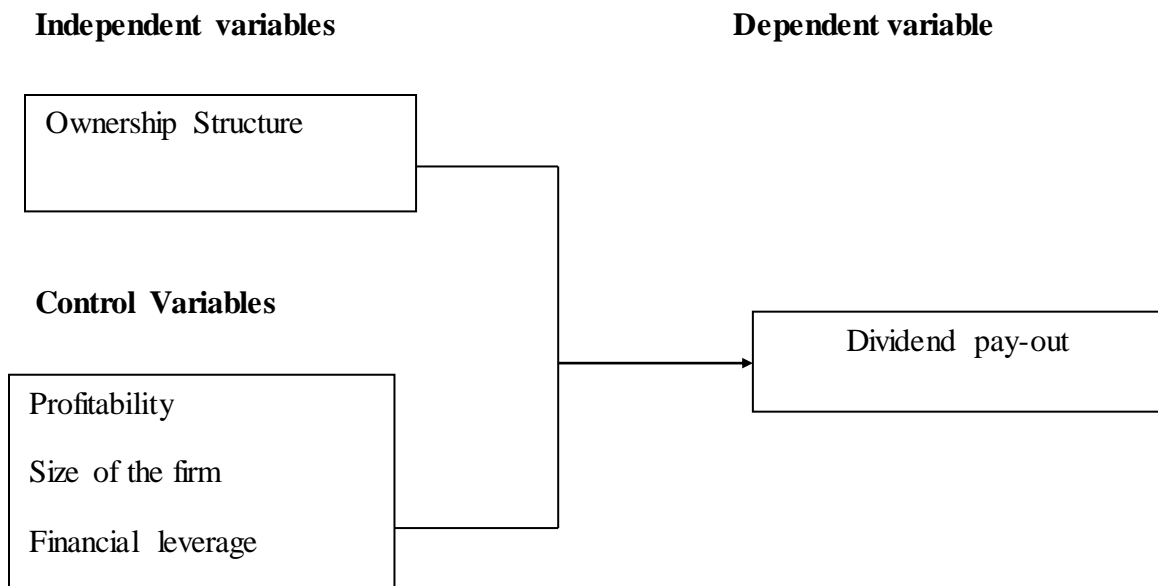


Figure 2.1: Conceptual framework

2.6 Summary of the Literature Review

Based on the above discussion, there is a strong theoretical basis for linking ownership structure and dividend policy as demonstrated by theories anchoring this research. This study draws support from these theories in examining the effect that ownership structure has on dividend policy. In addition, comprehensive literature review identified managerial, institutional, foreign, state and concentrated ownership structure measures as the independent variables that influence dividend policy. Studies show a positive linkage between ownership structure and dividend pay-out (Setiawan et al., 2016; Thanatawee, 2013) others depict an inverse relationship (Basil et al., 2016; Hamid et al., 2012) while others depict no relationship at all (Mukonyi et al., 2016). These studies seem not to agree on the existing link between the structure of ownership and dividend pay-out. Thus, this research seeks to address this important gap by carrying out an exhaustive study of all listed firms in Kenya to establish the link between the structure of ownership and dividend pay-out.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter gives an outline of the methodology that was applied to accomplish the study objective. Sections described in this chapter are research design, study population, procedures and processes of collecting data, analysis and presentation.

3.2 Research Design

A descriptive kind of a research design was applied under this study. Kothari (2005) maintains that a descriptive design will be relevant in enabling the researcher to establish the connection amongst the study variables that include ownership structure and dividend pay-out. Also, this form of design is useful when the researcher is seeking to find out hypothetical relationships between variables. This design was also adopted by Mutisya (2015) to detect the relationship that existed between variables.

3.3 Study Population

Population is defined as a totality of items having similar traits. Other characteristics of a population include having comparable units with the same features (Mugenda & Mugenda, 2003). The population being targeted by the study included the 67 listed firms at the NSE which have been operational over the last 5 years (CMA, 2016), they are 67 (as represented in Appendix I) thus a census survey was applicable considering that this population was small.

3.4 Data Collection

Secondary data sources were utilized. This type of data was obtained from published financial statements. Cooper and Shindler (2008) explain that data collection is a methodical approach which is applied to gather and assess information from different sources with the sole objective of achieving a clearer picture of an area of interest. Collection of data allows the researcher to predict future outcomes and examine the findings. The study period for this study was 5 years (2012-2016) which was deemed to be reasonable in enabling the researcher to establish a more accurate and reliable relationship that might exist between the variables being investigated.

3.5 Diagnostic Testing

3.5.1 Normality Test

Normality tests were meant to test normal distribution which was bell shaped (i.e. Mean of zero). Shapiro-Wilk (S-W) tests was applied to assess the assumption that sample data was obtained from a normally-distributed population. A null hypothesis was done to test if the data was derived from a population that was normally-distributed.

3.5.2 Heteroskedasticity Tests

Heteroskedasticity is when standard deviation of variables is nonconstant after being monitored over a given time period. It is an error variance, in a minimum of a single independent variable in a given sample. Variations were used to calculate margin of error amongst data sets, for instance expected and actual results since it gave a measure of deviation of data points from mean values. Breusch-Pagan (BP) test is a popular test for heteroskedasticity. This test was used by assuming that heteroskedasticity is a linear function of independent variables (all) in a given model.

If the assumed homoscedasticity is true, then variance in error term was constant. As such, this assumption was regarded as a null hypothesis.

3.5.3 Multicollinearity Test

Multicollinearity (also collinearity) takes place when a predictor variable in a multiple regression equation is linearly predictable from the rest with a high level of accuracy. Multicollinearity was assessed through testing Variance Inflation Factor (VIF) so as to detect multicollinearity. VIF was used to measure the effect of collinearity amid variables in a regression model. VIF is $1/\text{tolerance}$, it is mostly larger than or equal to 1. There lacks formal VIF value to establish the existence of multicollinearity. VIF values that surpass 10 are mostly considered to show multicollinearity however, in weaker models, values that exceed 2.5 could be a cause for alarm.

3.6 Data Analysis

Data was analysed with the help of a Statistical Package for Social Sciences (SPSS). The reason for choosing this tool is because it gave a complex set of statistical and physical tools of analysis. Mugenda and Mugenda, (2003), note that data analysis uses logic to internalize collected data to determine uniformity and trend among other important details in a study. Inferential statistics such as regression and correlation analysis were applied for analysis. Mean and standard deviation was utilized in data presentation to find out the trends, patterns and the relationships between the variables.

3.6.1 Analytical Model

A regression equation was employed; it consisted of four independent variables (Size of the firm, profitability, financial leverage, ownership structure) and a dependent variable which is dividend pay-out.

It was expected that the structure of ownership will influence pay-out of dividends of all listed firms. This study sought to extend the model adopted by Mukonyi et al. (2016) who utilized a regression equation in establishing the link between variables.

The regression equation that was employed in this study was as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \varepsilon$$

Where;

Y = Dividend policy that was evaluated using the ratio of dividend pay-out

X₁ = Managerial ownership was measured as a proportion of common shares held by the management divided by cumulative common shares in issue

X₂ = State ownership was measured as a proportion of common shares held by the state divided by cumulative shares in issue.

X₃ = Institutional ownership was measured as the proportion of common shares held by institution divided by cumulative common shares in issue.

X₄ = Foreign ownership was measured as the proportion of common shares held by foreign investors divided by cumulative common shares in issue.

X₅ = Profitability was evaluated using return on equity

X₆ = Firm size was evaluated using natural logarithm of assets.

X₇ = Financial leverage was evaluated using non-current liabilities to total debt

α = Regression constant

ε = Error term

$\beta_1 \beta_2 \dots \beta_n$ = coefficients of variation

3.7.2 Tests of Significance

F-test and T-test was carried out. In the F-test, when computed F-statistics was bigger compared to F-value, the researcher rejected null hypothesis. P-value was determined using F-statistic which was an indication that the findings were as a result of chance. T-tests were carried out to find out whether the coefficients in the regression equation are significant.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

Descriptive statistics help the researcher to visualize the trend of the variables and meaningful presentation of data. This way, the researcher is able to generalize the wider population. The chapter presents the results of the diagnostic tests of statistical assumptions of the regression analysis and correlation analysis, as well as descriptive statistics of different types of ownership structures and dividend pay-out. Measures of central tendency including mean and standard deviation have also been presented.

4.1.1. Diagnostic Tests Results

Breusch-Pagan test was conducted to find out whether the model had constant variance, this was rejected (studentized Breusch-Pagan test).

Table 4.1: Breusch-Pagan Test

Breusch-Pagan	df	P-value
12.024	7	0.09976

A test on multicollinearity showed that managerial ownership, state ownership and foreign ownership had a high variance inflation factor (VIF). A VIF of more than 5 is considered problematic and is likely to cause multicollinearity.

Table 4.2: Variance Inflation Factor

Variable	Variance Inflation Factor
Managerial ownership	9.660207
State ownership	9.147270
Institutional ownership	2.153588
Foreign ownership	10.495896
ROA	1.090865
Logarithm of assets	1.321281
Long-term debt	1.069878

After dropping the variables (managerial ownership, state ownership and foreign ownership) that had high levels of multicollinearity, the model was insignificant (5%, 0.006253). Residual standard error: 3.429 on 209 degrees of freedom (106 observations deleted due to missingness) Multiple R-squared: 0.06606, Adjusted R-squared: 0.04819 F-statistic: 3.696 on 4 and 209 DF, p-value: 0.006253. None of the variables had a VIF of more than 1.5 which implied that none of the variables caused multicollinearity after dropping managerial ownership, state ownership and foreign ownership which had high levels of VIF as shown in Table 4.3.

Table 4.3: Variance Inflation Factor

Variable	Variance Inflation Factor
Institutional ownership	1.005770
ROA	1.051600
Logarithm of assets	1.051874
Long-term debt	1.011427

Model residuals are not normally distributed p-value < 0.05

Table 4.4: Shapiro-Wilk

Shapiro-Wilk (W)	P-value
0.21552	2.2e-16

Panel model with all variables and these selected variables not significant (but log of assets is significant and is selected).

4.2 Descriptive Statistics

Descriptive statistics entailed measures of mean, standard deviation, maximum, minimum and skewness. Mean is a measure of central tendency that is used in describing typical values in a set of values. Standard deviation is the spread of values in a given sample. Skewness measures symmetry or lack of it (symmetry).

Table 4.5: Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Skewness
Dividend pay-out	214	-0.50	7	0.11	2.907	-16.466
Managerial	214	0	1	0.50	.302	-.109
Institutional	214	0	1	0.21	.212	1.932
State	214	0	1	0.13	.282	1.847
Foreign	214	0	1	0.23	.333	.820
Logarithm of assets	214	0	10	7.06	1.397	-2.150
ROA	214	-0.140	1	-0.86	11.049	-12.403
Long-term debt	214	0	1	0.43	.240	-.093

The results in Table 4.7 showed that profitability and dividend pay-out recorded the highest increases with margins of -1.14% and -7.5%, respectively. These imply that many listed firms increased recorded high profits and hence increased payment of dividends during the study period. Similarly, assets and debt recorded a significant increase with a margin of 10 (log of assets).

Managerial, institutional, state and foreign ownerships also recorded increases in their ownership structures from 0% to 1%, which was an indication that most listed firms recorded better performances in the study period. Dividend pay-out, managerial ownership, logarithm of assets and profitability were negatively skewed other than institutional, state and foreign types of ownership structures. These imply that observations for these variables were minimally spread out.

4.3 Pearson Product Moment Correlation Coefficient

Pearson's r measures linear relationship between two ratio parameters, these parameters possesses values between -1 and 1. The results are shown in Table 4.6.

Table 4.6: Pearson Product Moment Correlation Coefficient

	Dividend payout	Managerial	State	Institutional	Foreign	ROA	Log assets	Long-term debt
Dividend pay-out	1.000							
Managerial	-0.027	1.000						
State	0.035	-0.406	1.000					
Institutional	0.080	0.150	0.345	1.000				
Foreign	-0.053	-0.580	0.398	-0.144	1.000			
ROA	0.103	0.202	0.092	-0.010	-0.089	1.000		
Log assets	0.191	-0.227	0.431	-0.135	-0.177	0.226	1.000	
Long-term debts	-0.163	-0.091	0.139	-0.015	0.169	0.026	0.025	1.000

In Table 4.6, the results showed non-existence of correlation between managerial, state, institutional and foreign ownerships with dividend pay-out (-0.027, 0.035, 0.080 & -0.053, respectively). It was further discovered that there lacked a correlation between ROA, logarithm of assets and financial leverage with dividend pay-out (0.103, 0.191 & -0.163, respectively).

4.3.1 Regression Analysis

A regression analysis was utilized to test the hypothesis for this study which was to establish the relationship between ownership structures and dividend pay-out of listed firms.

Table 4.7: Model Summary

R-squared	0.066061
Adj.R-squared	0.048187
F-statistic (4,209)	3.69585
P-value	0.006253

The findings depict that the coefficient of determination was 0.066 implying that ownership structure only explained 6.6% variance in dividend pay-out. The results show that p-value was less than 5%, (0.000), implying that the regression model was significant, in forecasting the link between ownership structure and dividend pay-out.

Table 4.8: Model Coefficients

Dependent variable: Dividend pay-out				
Variable	Estimate	Std. Error	t value	Pr(> t)
(Intercept)	-5.740	2.177	-2.637	0.009
Institutional	2.036	1.165	1.747	0.082
ROA	6.733	3.543	1.900	0.059
Log Assets	0.770	0.276	2.793	0.006
Debt	-1.353	0.946	-1.431	0.154

The regression equations got from the above results is as follows:

$$\text{Dividend pay-out} = -5.740 + 2.036X_1 + 6.733X_2 + 0.770X_3 - 1.353X_4 + \varepsilon$$

Institutional ownership, ROA and log of assets were positively associated to dividend pay-out (2.036, 6.733 & 0.770, respectively). This meant that a unit increase in each of these variables resulted into a corresponding increase in dividend pay-out.

Financial leverage was negatively associated to dividend pay-out (-1.353) implying that a unit decline in this variable resulted into a corresponding decline in dividend pay-out. Logarithm of assets only was significantly related to dividend pay-out because its p-value was less than 5%, (0.006). Contrary to this, institutional ownership, ROA and financial leverage were insignificantly related to dividend pay-out because their p-values exceeded 5%, (0.082, 0.059 & 0.154, respectively).

4.4 Discussion of Findings

From descriptive results, dividend pay-out and firm profitability recorded the highest increase within the study period of -7.5% and -1.14%. Increase in dividend pay-out could be attributed to an increase in profitability over the study period. Firm size also increased rapidly with a significant margin of 10. These results coincide with the observations made by Chai (2010) who noted that dividend pay-out and firm profitability documented the highest increase in the study period. Ownership structures (managerial, institutional, state and foreign) increased from 0 to 1, these imply that majority of listed firms performed well in the study period. These results coincide to Mutisya (2015) who noted that ownership structures (state, managerial and institutional) rose during the study period.

Non-existence of a correlation amongst different types of ownership structures (institutional, state, managerial and foreign) and dividend pay-out was revealed (0.080, 0.035,-0.027 & -0.053, respectively). These findings are supported by Mutisya (2015) who found lack of correlation amongst ownership structure and ROA.

Further, there was no correlation amongst profitability and dividend pay-out (0.103) as well as firm size and dividend pay-out (0.191). In line with these are the observations by Setiawan et al. (2016) who found existence of no correlation amongst profitability and dividend pay-out. Debt lacked any correlation with dividend pay-out (-0.163). Regression analysis depicted coefficient of determination to be 6.6%, which meant that the equation for regression used was not a good predictor thus unreliable. These findings contradicted the findings by Hamid et al. (2012), who found coefficient of determination to be a good predictor. Analysis of variance was statistically significant because its probability value was less than 5% (0.0063), these findings conformed to those of Ongore (2011).

Institutional ownership, size of the firm and profitability were related positively to dividend pay-out (2.036, 0.770 & 6.733, respectively). Consistent to these observations is the findings by Mukonyi et al. (2016) who discovered that size of firm and institutional ownership were associated positively to dividend pay-out. On the other hand, financial leverage was inversely associated to dividend pay-out (-1.353). Size of firm was linked significantly to dividend pay-out (0.006). These findings support observations by Mutisya (2015) who noted the existence of a significant connection amongst size of firm and dividend pay-out. Similarly, institutional ownership, firm profitability and financial leverage attained an insignificant connection to dividend pay-out. These findings support the comments by Basil and Erhan (2016) who concluded that institutional ownership and firm profitability attained an insignificant connection to dividend pay-out.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents results of diagnostic tests, descriptive statistics and inferential statistics and their interpretations. The findings have been discussed in line with the main objective for this study which was determining the effect of ownership structure on dividend pay-out of listed firms at NSE. The sections discussed in this chapter include conclusion, recommendations, limitations and areas for further research.

5.2 Summary of the Findings

The descriptive results showed that profitability and dividend pay-out attained highest increases with -7.5% and -1.14% margin. The increase in dividend pay-out can well be explained by increased profits in the study period. Assets also increased with rapidly by a margin of 10. These findings are consistent to Chai (2010) who found that firm profitability and dividend pay-out recorded the highest increases in the study period.

Managerial, institutional, state and foreign ownership structures reported increases from 0% to 1%; this signaled that most listed firms performed well during the study period. These findings are consistent to Mutisya (2015) who reported that ownership structures (managerial and institutional) increased over the study period. Managerial ownership, profitability, dividend pay-out and firm size were inversely skewed; these imply that these variables were slightly spread-out unlike foreign, institutional and state ownership structures.

The correlation results discovered that there lacked a correlation between ownership structures (managerial, state, institutional and foreign) and dividend pay-out (-0.027, 0.035, 0.080 & -0.053, respectively). These results conform to the observations made by Mutisya (2015) who discovered that there was no correlation between ownership structure and ROA. Similarly, there lacked existence of correlation between ROA and firm size with dividend pay-out (0.103 & 0.191, respectively). These results are consistent to Setiawan et al. (2016) who found no correlation amongst profitability and dividend pay-out. The findings further indicated that financial leverage lacked any correlation with dividend pay-out (-0.163).

From the regression analysis, the coefficient of determination was found to be 6.6%, these implied that the equation for regression used was not a good fit for the data. Hence, it was not reliable thus a poor predictor. These results contradict the observations made by Hamid et al. (2012) who found that the coefficient of determination was a reliable predictor. Overall regression equation was found to be significant since its p-value was less than 5%, (0.0063). These results are consistent to Ongore (2011).

Profitability, firm size and institutional ownership were positively related to dividend policy (6.733, 0.770 & 2.036, respectively). These results abide by the observations of Mukonyi et al. (2016) who found that institutional ownership and firm size were positively linked to dividend policy. Financial leverage was negatively linked to dividend pay-out (-1.353).

Firm size was related significantly to dividend pay-out. These findings are Mutisya (2015) who disclosed a significant association amongst firm size and dividend pay-out (0.006) In the contrary, profitability, debt and institutional type of ownership structure were insignificantly linked to dividend pay-out (0.059, 0.154 & 0.082). Consistent to these, are observations by Basil and Erhan (2016) who established that firm profitability and institutional ownership were insignificantly associated to dividend pay-out.

5.3 Conclusions

The study concludes that dividend pay-out and firm profitability recorded the highest level of increase over the study period. Increase in dividend pay-out was as a result of a corresponding increase in firm profitability. Moreover, size of the firm and debt increased by significant margins while ownership structures (managerial, institutional, state and foreign) recorded slight increases implying that most of the listed firms performed relatively well in the study period.

Correlation results showed non-existence amongst ownership structures (managerial, institutional, state and foreign) and dividend pay-out. Equally, there lacked a correlation amongst ROA, financial leverage and firm size with dividend pay-out. Regression results showed that the coefficient of determination was unfit for the data and a poor predictor. Analysis of variance indicates that the overall regression model adopted in the study was significant. Firm profitability, institutional ownership and size of the firm were positively associated with dividend pay-out while debt was negatively associated to dividend pay-out. Size of the firm was significantly related to dividend pay-out while firm profitability, institutional ownership and debt were insignificantly related.

5.4 Recommendations

It is recommended that listed firms should consider corporate shareholding structures as critical benchmarks towards achieving effective sound dividend policies that can mitigate conflicts that may arise between firm owners and managers. Being a matter of policy input, managers, policy makers among other stakeholders should observe that different interests by firm owners are considered. This goes along with reducing agency problems that might be present amongst firm owners and managers.

The study further recommends that listed firms should attract and encourage more shareholdings by institutions and block-holders to minimize opportunistic practices through dividend policy.

5.5 Limitations for the Study

All the necessary precautions were taken to counter limitations below. However, in research it is impossible to completely deal with these limitations. The study used secondary data; that comprises of general purpose reports which are historical and easily to manipulate. This type of data may not be accurate and reliable thus, it could negatively impact on the reliability of findings.

This study utilized a descriptive form of research design because it had a clearly specified research question. The limitation of this design is that it cannot detect causality amongst variables. Although the study established the nature of relationships amongst variables, it did not establish the causal effects amongst variables.

The study considered four types of ownership structure, three determinants of dividend policy and dividend pay-out. The findings obtained under this research are limited to these variables and attributes. There are other factors and attributes of variables that can potentially impact on the tested relationships but they were not availed because of confidentiality of that information by listed firms.

This study covers five years; it is advisable for future researchers to execute a comparative study covering a longer period of time like 20 years. This way, researchers can be able to establish the nature of existing relationships between study variables more accurately.

Finally, the study was limited to listed firms. A comparable study should be carried out focusing on firms that are not listed. This will enable researchers to compare findings upon which a more plausible and reliable conclusion will be drawn.

5.6 Suggested Areas for Further Research

This study has limited itself to ownership structure and dividend policy and completely ignored the concept of corporate governance that is critical in setting the firm's strategic goals, supervision of business management and overall firm leadership. Thus, future researchers should consider doing further research on the effect of corporate governance on dividend policy behaviour.

A replica of this research ought to be conducted using other measures of dividend pay-out with a combination of other types of ownership structures such as family ownership structure that have not been covered in this study.

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