RELATIONSHIP BETWEEN OWNERSHIP STRUCTURE AND DIVIDEND POLICY IN THE SUGAR INDUSTRY IN KENYA

BY

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DECLARATION

This research proposal is my original work and has not been presented for a degree in any other university.

Signature... Date...............................

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This research proposal has been submitted for examinations with my approval as the university supervisor.

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DEDICATION

To the Almighty for His Great plans for my life, my family members for their
support and strength and the University of Nairobi.

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LIST OF ABBREVIATION AND ACRONYM

CF   Cash flow

COMESA   Common Market for East and Southern Africa

NSE   Nairobi Securities Exchange

OS   Ownership structure

UK   United. Kingdom.

US   United. States.

ABSTRACT

The study sought to establish the scrutinize the link between ownership structures and disbursement policy in the sugar business in Kenya; to measure the link between government ownership and dividend policy amongst sugar establishments in Kenya; and explore the link between private dividend policy and ownership amongst sugar establishments in Kenya. To realize the objectives the study used descriptive study design. The target population was eleven operational sugar factories in Kenya. The study utilized secondary information that entailed time series data gathered over a period of approximately 5 years; from 2013-2017. The information collected comprised of dividend pay-out ratio, proportion of common shares of the state divided by cumulative common shares in issue; proportion of common shares of the institution divided by cumulative common shares in issue; percentage of common shares held by foreign investors divided by cumulative common shares in issue; ROE, Liquidity ratio. Normality test was measured by the Shapiro Wilk test, The Shapiro Wilk test pointed out that the data points contained in the sample were not normally distributed. Heteroscedasticity was measured by the Breusch-Pagan (BP) test which showed that there was no heteroscedasticity in the data set imply that there was equal variability in the data set. Multicollinearity was measured by variance inflation factor. VIF values of government ownership, institutional ownership, foreign ownership, liquidity and pay-out ratio are less than 10 showing have fair multicollinearity. Profitability has a VIF greater than 10 indicating strong multicollinearity. The variables under study were analysed for their descriptive statistics which were presented in the form of mean, standard deviation, maximum, minimum and skewness. The findings as per the descriptive statistics revealed that other than liquidity all other variables had standard deviation greater than the mean implying a high volatility in the sense that a change in the data values implies unpredictability of the variable. Correlation analysis was used to determine whether a change in another variable accompanies a change in another variable. From the correlation matrix above, the findings reveal that there is a weak positive correlation(r=0.035) between dividend pay-out and government ownership. There is a weak positive correlation (r=0.080) between dividend pay-out and institutional ownership. Foreign ownership and dividend pay-out were weakly negative correlated (r=-0.053) with dividend pay-out. There was a weak positive correlation (r=0.191) between ROE and divided pay-out. Liquidity was also weakly positive correlated (r=0.191) with dividend pay-out. From the model summary the study deduced that the coefficient of determination r-squared was 0.22861. This suggests 22.861% of the variation in dividend pay-out is accounted for by model or that the model is 22.861% efficient in estimating the relationship. The study concluded that all the five independent variables had a positive effect on dividend pay-out. The extent of the positive impact on dividend pay-out varied form one variable to another as indicated by different coefficients. Nonetheless, ROE was concluded to have had a stronger influence on dividend pay-out. The study was also conducted with the aim of establishing associations between dividend pay-out and government ownership, institutional ownership, foreign ownership, ROE and liquidity. It was concluded that government ownership, institutional ownership, ROE and liquidity had weak positive correlation with dividend pay-out while foreign ownership was weakly negatively correlated with dividend pay-out.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Dividend policy is one of the foremost decisions generally made by establishments. Brealy and Myers (2013) slated dividend policy as being among ten most significant concerns of corporate finance. Baker (2009) state dividend policy as the pay-out strategy that a company uses to establish the amount and form of cash allocations. Dividend policy hence deals with the distribution of dividends between disbursements to owners and re investment in the establishment and the pay-out may be constant, increasing, decreasing or non-existence over time (Bogonko, 2013). Dividend policy in any given firm depends on several aspects such as profitability, progress, size, assets and capital structure. Ownership structure (OS) of an establishment is the distribution of equity not only in terms of capital and votes (control) but also by the equity owners' identity (Ndiba, 2016). OSs are of key significance in commercial governance since they impact the motivation given to managers, and as a result affect the productivity of firms. OS decisions affect organization's amount of capital and productive resources and the decision as to whether the organization needs to be financed through debt or equity.

The study adopted different theories that explain the theory further for better understandings. The study relied on agency hypothesis by Jensen and Meckling (1976) which was used to emphasize the link between the shareholders and managers

in terms of access to investments of the firm. Information signalling effect theory by Lintner (1956) focuses on the relevance of information on dividend policy on the ownership structure of the firm. Dividend irrelevance theory by Miller and Modigliani (1961) is relevant to the study since it enables the firm owners to understand how not being concerned about paid dividends or receiving a higher stock value has an effect on the performance of the firm.

The ownership structure of the sugar industry in Kenya is accompanied by a variety of bodies that are essential for enabling the growth of the firm. The ownership structure of the sugar corporation entails the Kenyan government, for securing the Kenyan market, the AFFA which is a regulatory body, RSI (Research of Sugar Institute) and finally, KALRO (Kenya Agricultural Livestock and Research Organization). The shareholders of the firm work hand in hand to fulfill the firm's financial objective by using some of the dividend policies. These policies entail the government regulations, in ensuring that sugar imports may not affect the local market. Partaking various investments in ensuring the financial sustainability of the firm (Otieno, 2014).

1.1.1 Dividend Policy

Dividends policy are the set of rules and guidelines that help the company to know or to calculate how much it is supposed to pay to its shareholders as and the investors (Chen, 2019). According to Dhaval (2019) dividend policies are the parts or pieces of the profits to be alloted to owners of a business unit. They are that proportion of the establishment's earning that is given to owners as interest on their share. Pandey (2008) further defines dividend policy as the procedure that organisation uses in

establishing policies of dividend pay-out from a firm's earnings. This they do by calculating the share amount to reinvest and how much to disburse to shareholders. He contends that a dividend policy can be deemed perfect if it strikes an equilibrium between future growth and current dividends.

Dividend policy is a major corporate finance aspect since payments are usually considered a main cash expenditure for numerous firms. Dividends usually characterize the gains for the investors who risk their savings. There are three schools of thoughts that have emerged with regards to dividend pay-out. The first are the conservatives who see dividend payment as attractive hence a positive bearing on the share prices. Another viewpoint believes that dividend pay-outs adversely affect stock prices and the third group maintains that dividend pay-out has no particular influence on stock prices. Lintner (1956); Brealey et al. (2013) argue that owners are inclined towards stable payments and the market is usually optimistic about such stability. Fama (1991) also notes that payment policy is pertinent to the marketability and price of common stock.

In this section, two measures of dividend policies will be discussed. It includes divided payout and dividend yield. Dividend payout is the amount which is supposed to be paid to the shareholders concerning the company's outcome, instead of paying out the shareholders the money is used for debt repayment or for increasing the investments of the company for increasing the firms' profits hence achieving a dividend policy. It is important is assessing the number of profits that are gained by the shareholders. The dividend yield is the measurement for determining the earnings

of the investors from the dividend they have distributed. They are important since they provide a wide range for streaming the investments (Muchira, 2013).

1.1.2 Ownership Structure

It is the capital and the equity distribution regarding the votes that define the OS as well as the equity owner's identity (John, Makhija & Ferris, 2017). OS entails the organization's internals as well as the duties and rights of the individuals or the people holding any equitable or legal interests in the business (Clegg, 2017). In addition to the definition, Al-Najjar (2016) tells that the various forms of ownership include lone proprietorship, partnerships, cooperatives, limited liability companies, limited partnership profit and nonprofit cooperation's.

Characterized as one of the key pillars in corporate governance (CG), OS is extensively deemed to be determined by other aspects including the development extent of the stock market and the influence from the Government's regulations (La Porte et al., 2000). Additionally, several studies by La Porte et al. (2000) carried out on different countries around the world indicate that ownership of large corporations especially in the first world economies are concentrated with a holding company controlling other subsidiaries. Typically, shareholders of the holding company are involved in the management by sitting in the Board. However, show that they are relatively few in number and as such do not attract a lot of scrutiny in the corporate governance discourse. Therefore, it can be argued that OS in corporate governance has two main outcomes. Firstly, main shareholders have the both the muscle and

incentive to discipline management and secondly, the two sets of shareholders, the controlling and controlled will not have similar interests and this can pose a problem.

Numerous other empirical studies on OS have also revealed that it affects the firm's value. One such study by Tam et al. (2007) emphasizes on the notion that OS affects how a firm is run, which in turn influences its performance in an effort to realize its objectives, which in most cases is the maximization of its value. It is worth noting that that an establishment's shares can be owned by different persons who are accountable for the operational decisions of the firm on the overall.

In this section, two of the measures of ownership structure will be illustrated. The percentage of shared held and the composition of the stockholders are the measures of stockholders' structure. The concentration of ownership means that there are a lot of shareholders in the firm, which means that they are actively contributing to the firm's finances, hence increasing the profits. Increment of the firms, profits increase the dividend payouts without affecting the firm's performance. The composition of the shareholder is a measure of the ownership structure of the firm since it assesses who are the shareholders and what is the impact of their decision on the dividend payouts. The shareholder's interests contribute to the ownership structure, this is because they tend to invest where their interests are actively met (Okoth, 2008).

1.1.3 Ownership Structure and Dividend Policy

Various scholars present various findings on the OS and dividend policy. The researchers present findings that are quiet similar. According to Bob (2004) the

existence of solid block holder (s) for example, financial institutions has negatively affected the link between corporate earnings and the pay-out dynamics. Carter, Simkins and Simpsons (2003) argue that an establishment's ownership must be looked at as an internal result of choices that mirror the effect of owners and transacting on the share market. For instance, in a case where a private company's shareholders sell their shares and a publicly-held establishment consents to the new allotment, it means that the OS is reshaped and consequently shares traded will echo the wish of existing and would-be shareholders change their modify their establishment's ownership stakes.

Al-Shubiri, Talieb and Zoued (2012) scrutinized the link between OS and disbursement policy: An empirical analysis, they argued that the high the ownership, the more the dividends. The link amid the firm size and the dividends payout are inverse in such a way that, the bigger the establishment's the less likely they pay dividends and the smaller establishments are always willing to disburse the dividends out.

As per an investigation by Al-Najjar (2016) on the bearing of OS on dividend policy: evidence from Turkey' reveals that the OS can be foreign ownership or domestic ownership in structures. The foreign ownership structures not more associated with disbursing payments whereas some different ownership variables like internal financials and families as well as minority shareholders are expected to alter the probability of disbursing dividends. In most cases like in Turkish, the cash dividends are not used to determine the bonuses. A study from Pakistan that was conducted on

the bearing of OS on dividend disbursment in Pakistan non-financial sector' by Sindhu (2016). The study showed that there are benefits to shareholders and it is possible to ascertain benefits by changing the investment strategies. The study suggested that for the foreign financial management companies, they need to prove short-term benefits concerning the investors perspective.

1.1.4 Sugar Industry in Kenya

Kenya is one of the most leading exporters of sugar in East Africa. The sugar manufactured in Kenya is distributed both locally and globally. This is because of the large sugar plantation in the country, which is western and Nyanza regions. The following sugar industries in Kenya involve themselves in large scale companies include West Kenya Sugar Company, Sony Sugar, Nzoia Sugar Ltd, Chemilil, and Mumias sugar company (Gitau, 2019).

According to Mbogo(1980) Sugar industry was first established in Kenya in the 1920s in Miwani, Nyanza profit, where it was developed by a private firm in 1924 in Ramisi Coast Province. During colonialism in Kenya in 1963, the colonial power discouraged Africans from practicing in large scale investment, this discouraged the sugar industries from growth. In 1966, the government ventured into the sugar industry and ensured that it developed steadily since it underwent frequent expansion and production of sugarcane. In 1966, the Muhoroni sugar mill was established, followed by 1968 the Chemilil in Nyanza, in 1978 and Mumias Sugar company was established in Western province. The government developed full control of the sugar industry through its regulation on the local pricing, exportation among others. This happened

in 1977 to date, by doing this, it has ensured that the sugar industry earns the government foreign exchange which is used for infrastructural development in the area.

Over the years, the economic growth of the sugar industry has resulted in quite several economic impacts of the country. Among the contributions of the economic impact include the following, creation of employment for the local people along the sugar companies improves the living standards of the people. Sugar exportation from the local industries to international trade, earns the country revenue which facilitates the construction and maintenance of the infrastructure Through frequent importation and exportation of goods with various countries there is creation rapport among the countries, these steers the economic growth since the countries can be able to grow effectively (LMC, 2011).

1.2 Statement of the Problem

Evaluation of the ownership structure and dividend policy enables the firm to understand the position of the shareholders and management in assessing different growth of the company through investments and the payment of dividends. The ownership structure is important since it is the responsibility of the firm owners to ensure that there is an investment for increasing the profits of the company hence ease in payment of the dividends. Ownership structure cannot exist in isolation with the dividend policy, they have to work hand in hand in ensuring the economic growth of the company (Reyna & Manuel, 2017).

In recent years, there has been a problem of imported sugar which has made the local market fail, since they are facing massive competition. The government as one of the shareholders in the sugar industry, ensured the formulation and implementation of regulatory policies that discouraged the importation of cheap sugar in the country. Reduction of the taxation imposed on the farm output ensures that the farmers are encouraged in the production of sugar and both domestic and non-domestic consumption of sugar is enhanced. By doing this, the government can promote the increase in investment of the sugar company hence dividends are paid for the economic growth of the sugar industry (Kariuki, 2017).

Zhu, Qu, and Li (2019) researched on ownership structure in the disbursement of dividend policies in China. The findings of the outlined that, the ownership structure is responsible for surging the cash dividend disbursement level and even out dividend policy. Al-Najjar and Kilincarslan (2016) researched the effect of ownership structure on the dividend policy in Turkey. The findings indicated that there was governmental and foreign output were efficient in ensuring that the dividend was lowered. Setiawan, Bandi, Kee-Phua, and Trinugroho (2016) researched on ownership structure on the dividend of firms in Indonesia. The findings indicated that ownership structure directly impacts on the dividend payout. Finally, Crane, Michenaud, and Weston (2016) researched the effect of organization structure on the disbursement policies. The findings indicate that the bearing of organizational ownership on dividends is greater for establishments having greater projected agency costs.

Atieno and Adiema(2016) researched on dividend policies and the capital structures in Kenya, for seeking their relationship. The findings indicated that the dividend

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policy is responsible for affecting the capital structure. Samuel and Memba(2016) were assessing the effect of dividend policy on the corporate governance of the Credit co-operative societies in Kenya. The study aimed at evaluating the influences of dividend policy on the governance structure, they concluded that the board of governance directly affects the dividend policy. Wasike and Mutua(2017) researched the effect of the management ownership to the dividend policy, the study concluded that management is responsible for implementing the dividend payout through massive investment in Kenya. Finally, Sang and Shisia(2015) wanted to understand whether the capital structure is related to the dividend policy, the study found out that the dividend policy largely affects the capital structure due to investment.

Given the contextual changes in the sugar industry's operating environment, it is useful to establish the effect of the sugar manufacturing firm ownership structures on their respective dividend pay-out practice. In this study the researcher used government and private institutional types of ownership structures in Kenya's sugar industry in order to establish whether the existence of the particular groups of stockholders in the OS would had an effect on the process of determining the level of income being disseminated. This investigation therefore, sought to address the question; how did OS Impinge on dividend policy of sugar companies in the prevailing operating environment?

1.3 Objectives of the Study

The study was guided by the following objectives;

1. To scrutinize the link between ownership structures and disbursement policy in the sugar business in Kenya.

2. To measure the link between government ownership and dividend policy amongst sugar establishments in Kenya.

3. To explore the link between private dividend policy and ownership amongst sugar establishments in Kenya.

1.4 Value of the Study

The study was predicted to be of great value and significance to;

The study might provide a guideline on how other sugarcane millers should manage their firms. Therefore, it might help the administration with knowledge on how OS affect dividend policy. The findings might also assist the management in different ways since it helped them to understand the various bearings of Ownership structure.

The findings of this investigation would be appropriate to policy makers since it would guide in formulating policies for sugarcane firms and sugarcane industry as a whole. In particular, insight on the link between ownership structures on dividend disbursement would enable policy makers understand the basis of their decision when making dividend policies. The investigation was believed to increase the understanding of link between ownership structures on disbursement policies.

The outcome of the investigation might be key to the researchers since it might contribute to both practical and theoretical knowledge on the various effects of OS. Scholars and academicians might find it crucial as it might improve their knowledge

in this particular area. It might also help the researchers who intended to improve their knowledge in this field. The knowledge acquired from this study could serve as a foundation for planning as well as a point of references for students who wished to advance their studies within the field of capital structure.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This part reviewed works on ownership structure and dividend policy and spell out the empirical and theoretical foundations of the study by comparing and evaluating the OS and dividend disbursement relationship. Finally, the part illustrated the conceptual framework that guided the study.

2.2 Theoretical Review

This sub-section discussed the concepts that uphold the link between OS and dividend disbursement. These concepts included: agency theory, information signalling effect theory and dividend irrelevance theory.

2.2.1 Agency Theory

Jensen and Meckling coined the agency theory as discussed in their famous 1976 paper. The basis of the theory is a description of the OS of an entity, whereby executives who are equated to agents act for the owners and/or stakeholders who they refer to as the principals (Schmitz, 2013). They outlined the link as a convention whereby one or more individuals (the principal(s) involve another individual (the agent) to undertake a particular service for them which entails assigning certain rights to make decisions to the agent". The theory explained how agency problems are largely dependent on the ownership structure.

One key aspect noted by the scholars is the issue of information asymmetry whereby managers are deemed to have more information as the insiders in comparison to the shareholders or owners, the outsiders. This then meant that the shareholders cannot precisely assess the worth of the investment choices made by the managers and are thus caught up in a moral quandary. As a solution to the agency problem, many additional scholars such as Jensen (1986) are in support of the relationship between the existence of dividend pay-out policies vis-à-vis the OS alongside the view that the "Dividends incidentally offer the owners the opportunity of assessing the establishment." They argued that dividends could help lessen the problem of material asymmetry between the agent and the principal by limiting the power of the manager who would constantly refer to the capital market for resources. The value of constant monitoring was alluded to by Brealy, Stewart and Allen (2013) who asserted that institutional stockholders desire to own shares of entities that make steady payments since it was more appealing since there is a higher likelihood of regular monitoring as opposed to small stakeholders.

In addition, the payout of dividends was seen as a major means in curbing the uncertainty of having a huge free CF amount that may not necessarily be utilized for the best investment option of the owners. According to Gompers, Ishii and Metrick (2003) dividend pay-outs are usually affected by agency costs, which were linked to the power of the stakeholder's rights. Hence, there had to be a link between these stakeholders' power and the disbursement as this would mitigate agency costs.

2.2.2 Information Signalling Effect Theory

Some of the first scholars to propagate the Information Signaling Effect Theory was Lintner (1956). He viewed dividend policy as being determined by present, past, as well as imminent returns. This showed that an informational component exists in a disbursement. Another scholar Pettit (1972) studied whether the market considers change of dividend pronouncements in valuing securities. The thoery determined that market place are relatively effective in showing disbursement pronouncements in securities prices. Owing to this capability of the market, management delays increasing dividends until they feel assured of the level of prospective CFs. This theory proposed that stakeholders and managers have asymmetric information about the entity's forthcoming performance, and hence managers could use dividend policy to signal insider's information on CFs in future. Lintner (1956) suggest the management's motivation to use disbursement policy to reveal inside evidence to the market and align the problem concerning asymmetric information.

Other examples of studies done on information asymmetry and its effect on dividend pay-out include studies by Asquish and Mullins (1983) who established that market reaction depends on degree of dividend changes. Other scholars like Ghosh and Woolridge (1988) established that the percentage changes mattered while Healy and Palepu (1988) validated that increase in earnings before disbursement pronouncement, P/E ratio, leverage ratio, and extent of dividend variations all affect market response. Further studies showed that dividends are usually utilized for signal effect by managers. Petit (1972) for example advanced the hypothesis that the sum of dividends

paid seemed to hold a lot of information about how the firm is fairing on and this is demonstrated by the share price movement. Increasing disbursements would indicate positive news and optimistic forecasts. Miller and Rock (1985) also developed a financial-decision paradigm that incorporated asymmetric data between administrators and those that were outside. In the model, an indicating symmetry was attained whereby disbursements were the indicators.

2.2.3 Dividend Irrelevance Theory

Miller and Modigliani (1961) coined the dividend irrelevance concept proposing that the stockholders' value was not swayed by disbursement policy. They hypothesized that an entity's worth was determined by its earning, which arose from the firm's investment policy. This model showed that dividend pay-out policy was immaterial. Owners were unconcerned about being paid dividends or receiving a higher stock value. Some of the assumptions underlying this model included; rational investors, non-existence of taxes and other frictions and a flawless market with no information asymmetry. They contended that capital gain and dividend were the two focal means that could bring about profits of an entity to owners. When an entity decides to allocate its earnings as dividends to the stockholders (Miller & Modigliani, 1991).

In support of the dividend irrelevance theory, Hakansson (1982) alluded that dividends, whether instructive or not, did not matter to the worth of an entity when owners had consistent trust and the market was fully efficient. Given that an establishment could not surge its worth by simply altering the mix of dividends and reserved earnings, owners' concerns were to do with aggregate returns that they

collected, and not whether they obtained them as capital benefits or dividends. However, Miller & Modigliani's (1961) theory had heavily been criticized for being unrealistic in the real world, as we know it, investors pay taxes, firms encounter floatation costs while investors encounter transaction costs. This implies that payments of dividends and substituting with new issues were not the same.

2.3 Determinants of Dividend Payout

When assessing the association between the OS and disbursement policy, we looked at issues such as the nature and type of owners or shareholders and the ownership concentration. From the prevailing literature, we could hypothesize this relationship by looking at these various determinants.

2.3.1 Level of Ownership Concentration

It is argued that because of its ability to escalate agency problems, the issue of ownership concentration usually affects firm performance negatively leading to low dividend payouts. This argument is consistent with preceding works that record undesirable link between dividend payout ratios and ownership concentrration. A study by Mancinelli and Ozkhan (2006) on Italian firms for example, scrutinizes the association between their disbursement policy and OS and observes an adverse link between disbursements and the voting rights of the main stockholder. In another similar research by Harada and Nguyen (2011) of Japanese establishments, evidence was presented showing that entities with greater ownership concentration pay lesser dividends.

The main argument is that ownership concentration influences dividend policies because of its capability to outline the degree of agency problems within companies. The fact that companies with concentrated ownership allow controlling shareholders more power. These shareholders usually do not reveal all information thereby end up acquiring private benefits.

On the contrary however, several studies point out the existence of a positive connection between ownership concentration and disbursement ratios. Jensen (1986) for instance argues that higher disbursements reduce agency costs by decreasing free CFs that could be invested in loss-making projects. This means that paying higher dividends signals less agency problems (Grossman et.al, 1980).

2.3.2. Identity of the Largest Shareholder

Largest shareholders here refer to institutional investors, an industrial company, a foreigner, government or a family. In most emerging markets, it is argued that agency problems can be reduced through institutional investors as they have larger resources at their disposal and more significant proficiency to monitor managers to enable real disclosure of information pertaining to their investment resulting to higher dividend pay-outs (Thomsen, 2005). Hence it is argued that the identity of the largest shareholder would in most cases offer important information concerning the dividend policies of a company.

Research by Eckbo and Verma (1994) ascertained that institutional stakeholders favor disbursement distribution in a bid to lowered agency costs. A study by Short, Zheng and Keasay (2002.) on the other hand indicated that dividend payout ratios and

institutional ownership are directly correlated for the establishments in firms. On the flip side however, studies carried out in emerging markets reveal dissimilar outcomes. For example, researches conducted in Malaysia of 100 registered establishments on the Malaysian Stock Exchange and in Thailand of 287 registered establishments on the Thailand Stock Exchange both revealed a positive connection amid the level of ownership and disbursement plan. A related investigation by Kouki and Guizani (2009) also revealed that dividend distribution would be greater with more ownership concentration controlled by institutions.

2.3.3 Public Ownership

When dealing with public establishments, the benefits of the outside or smaller owners are usually protected to some extent. For instance, in the developed world, the US and UK, very stringent disclosure requirements are needed for listed companies under the Companies Act (Becht, Roell & Bolton, 2003). Research done by Michaely et. al, (2006) related the dividend pay-out policies of privately held companies and publicly traded firms to ascertain the factors affecting their particular dividend pay-out decisions. The research ascertained that private establishments are more expected to modify their dividend pay-out policy decisions than public entities who are largely opposed to large dividend increases. Fama and French (2001) noted that from 1978, publicly traded entities in the US have progressively shown the features of companies that have concentrated ownership.

2.3.4. Government Ownership

From past literature, it is noted that government ownership in emerging economies is linked with numerous problems. For instance, Thomsen et.al (2005) showed that adverse link between government ownership and establishment performance is usually caused by government playing a dual role as owner and watchdog. Moreover, establishments with huge ownership by government are associated with lack of innovation, bureaucracy, corruption, budget restrictions, and overemployment. Other negative issues associated with government ownership include lack of transparency and political interference also leading to poor performance (Jen, 2007). Ongore (2011) supports Jen's (2007) notion of the negative effects and in addition to bureaucracy in Kenya, there is also poor human resources policies, tribalism and disrespect for the law. Hence it can be argued that on the overall, bad performance of entities with government ownership translates to low dividend payout ratios.

It is argued that companies where the government owns a stake are able to give disbursements. This is because government ownership in itself can attract external capital without difficulty. Consequently, the firms experience less trouble to raise external capital to finance their investments as opposed to depending almost entirely on their retained earnings which would in effect reduce dividend payout (Gul, 1999).

A varied argument in terms of OS being concentrated in the government has to do with the overall objective of the said firms. Indeed, most institutional investors' main aim is to be profitable as opposed to a government investor who in addition to profit, has to strive to increase tax collection, stabilize the economy and reduce

unemployment (Borisova, Brockman, Salas & Zagorchev, 2012). Conflict usually grows when a government-owned entity strives to strike a balance between shareholder value as owners and other objectives as regulators. Indeed several researchers have alluded to the fact that most government-owned companies are politically affiliated with their citizens as the shareholders, with no direct claim to the residual income of those firms. These citizens end up abandoning their ownership rights to an administration that lacks incentives to advance corporate performance (Shleifer &Vishny, 1997).

2.3.5 Other Determinants

As cited in the study by Kapoor (2009) there is unanimity that no aspect could describe disbursement decisions. Hence, scholars have come up with other issues particular to firms regarding making dividend decisions (including the ownership structure). Bacon & Kania (2005) for instance measured the bearing of growth, earnings, liquidity, risk, and expansion on the establishment's disbursement decision. The research findings showed that the disbursement ratio is considerably swayed by all these factors mentioned above.

Fama and French (2001.) and Booth & Cleary (2001); separately empirically studied the importance of these factors and concluded that an establishment's disbursement policy is impinged on by earnings, debt, size, tangibility, risk and growth. Likewise, Ho (2003) carried out a comparative analysis of Japan's and Australia's disbursement policies, the results of which were in support of the Signaling Theory, Agency Theory, and Transactions Cost Theory of dividend policy. The specific industry of

operation was similarly ascertained to be an important aspect in both countries which emphasizes the significance of the business that a company does.

2.4 Empirical Review

Numerous empirical investigations have been undertaken both locally and internationally on OS and disbursement policy. International studies include: An investigation was done on the association between OS and disbursement policy by Al-Gharaibeh, Ziad, and Al-Harahsheh (2013) on Jordanian businesses in the industrial sector from 2005 to 2009. The findings indicated that understanding OS is very much significant to the understanding of dividend policy pay-out in Jordan. The findings indicated that there was a considerably negative connection between disbursement per share and institutional ownership, and a considerably negative connection between government ownership and the amount of disbursements to stockholders. The findings also indicated that the greater the ownership of the five biggest owners, the greater the disbursement ratio.

Crane, Michenaud and Weston (2016) explored the bearing of organizational ownership on disbursement policy. The study relied on the Russell index thresholds. The findings revealed that higher organizational ownership lead to establishments giving more disbursements. The approximations ascertain that a proportional surge in organizational ownership bring about a $7 million (8%) surge in disbursement. Other findings reveal that the dissimilarities in owner proposals and ways of election that point out that even non-activist bodies are key in assessment of establishment's

behaviour. The bearing of organizational ownership on dividends is greater for establishments having greater projected agency costs.

Setiawan, Bandi, Kee-.Phua and Trinugroho (2016) studied the Indonesian OS and disbursement policy. The study sought to measure the bearing of OS on disbursement in Indonesia. The investigation sampled firms that had announced dividend between 2006–2012 in the Indonesian Stock Exchange. It also focused on 710 company-year observation. The investigation findings revealed that OS directly impinges on dividend pay-out. State owned and foreign controlled firms directly have a bearing on the disbursements. Family companies are associated with lower dividends since they have a preference to control it themselves. Family controlled establishments earn gains from those resources, however to the detriment of minority owners.

Al-Najjar and Kilincarslan (2016) undertook an investigation on how OS affect disbursement policy in Turkey. The investigation sought to scrutinize the bearing of OS on dividend policy of registered companies in Turkey. Dividend policy indicators comprise of probability of paying dividends, dividend yield and disbursement ratio. Data was analyzed through logit and tobit models by collecting data of 264 Instabul Stock Exchange between 2003 – 2012. The research output indicate foreign and government controlled firms are associated with a lower possibility of paying dividends. Paying dividend was insignificantly affected by ownership variables; such as local financial institutions, family involvement and minority shareholders.

Zhu, Qu and Li (2019) empirically explored the beating of OS of registered establishments on disbursements policy. From OS perspective, the data of 2169 registered establishments in the China's stock market between 2014–2016 constituted the samples. From the multiple linear regression it was ascertained that, first, a substantial difference exists between the percentage of the first major stockholders, the percentage of non-circulation shares, the equity balance and cash dividend disbursement level. Linear association; second, the percentage of the first major shareholder positively linked with the cash dividend disbursement level, however the bearing is comparatively weak; third, the percentage of non-circulation shares and the balance of equity positively impinges on cash dividend disbursement level. Hence, recorded establishments ought to enhance the OS to surge cash dividend disbursement level and even out dividend policy.

Local studies in relation to OS and dividend policy are: an investigation by Samuel and Memba(2016) researched the impact of dividend policy on the corporate governance of the Credit co-operative societies in Kenya. The study adopted the explanatory research design, out of 60 firms in the SASRA, the study was able to select two respondents, that is the board members and either the manager or the accountant. The study utilized primary and secondary data collection method, multilinear regression was used in the comparison. The findings indicated that, for the determinant of the dividend payouts, the board governance structure is key, firms with higher board tenure are essential in determining the dividend payout in comparison to those with low board tenure. The study recommends that the firm should ensure that

they create a strong board of tenure in ensuring that they accomplish the dividend policy goal.

Atieno and Adiema(2016) researched on the dividend policies on the capital structure and the value of the shareholders in firms of NSE in Kenya. The study sought out to establish the effect of dividend policies and the effect they have on the shareholders of NSE. The study adopted a descriptive cross-sectional design whereby 32 respondents were selected through purposive sampling, they belonged to 11 banks whereby, they were both managers and investment department staff. It also adopted both the secondary and the primary data methodology, for data analysis, both descriptive and inferential statistics were used whereby SPSS version 7 was applied. The findings indicate that the dividend policies on capital structure, positively affects the shareholders, therefore the study reveals that it is the mandate of the bank to formulate flexible financial decisions for encouraging different investors.

Sang and Shisia(2015) researched on the assessment of whether the dividend policies are related to the capital structures in NSE which are in Kenya. The study sought out to establish if dividend policies are related to the capital structures of firms in which are listed in the NSE. The study adopted the secondary data collection method, whereby a total of 16 firms were involved in the study and finally, the regression analysis was used in data analysis. The findings show that there is a strong link amidst dividend policies and capital structure. The study recommends that the firm should research more on the dividend policy to gain knowledge on the handling of the dividend policy if it decreases.

Wasike and Mutua (2017) researched the effect of management ownership on the dividend policy of the Commercial Banks Of Kenya. The descriptive research design was used as and a total of 43 respondents were involved and the study and primary data was gathered via semi-structured questionnaires. Data was analyzed by the use of inferential statistics. The findings indicated that there is a direct link amidst the managers' ownership and the dividend policy, therefore it recommended that the manager should improve their ownership to increase investments of the firm.

Ochieng' (2016) reviewed the effect of dividend policy on the ownership structure of the firms that are listed by the NSE in Kenya. The study aimed at understanding the effect of the dividend policy on the ownership structure of the firms quoted on NSE. The study adopted the descriptive study design whereby the 65 firms were involved and the secondary data collection method was adopted. The financial records of the NSE were the source of data which was between 2011 to 2015. Data were analyzed through the correlation and regression analysis whereby SPSS version 21 was adopted. The findings indicate dividend policy had a positive impact on the ownership structure at a higher rate. The study recommended that the firm should come up with dividend policy which will encourage the investment of the firm through ownership structure.

2.5 Summary of Literature Review

The following study is limited to quite a several limitations which influenced the study, firstly, the usage of the findings of the listed firms at NSE and making a general conclusion is a problem since not all firms are listed, what about the firms

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which are not listed. Secondly, the fact that findings of the past five years are used, does not mean that the findings can apply to the current situation due to changes that happen over time like technological changes that influence the market behavior (Ochieng', 2016).

The study of Zhu, Qu, and Li (2019) used only a secondary data collection method which is five years older than the current time, this became a limitation since the study is not up to date based on making conclusions. Using those findings, one is likely to make errors since they are not appropriate for making general conclusions.

2.6 Conceptual Framework

Figure 1 below demonstrates the diagrammatic representation that will guide the investigation's objectives. It outlines the link between investigation variables. The predicted factor is the dividend disbursement. The predictor factor include factors such as ownership concentration, type of ownership as well as other factors that determine dividend payout such as the firm's profitability, growth opportunities in the establishment's type of business (in this study's case is the sugar sub-sector) as well as the firm's liquidity.
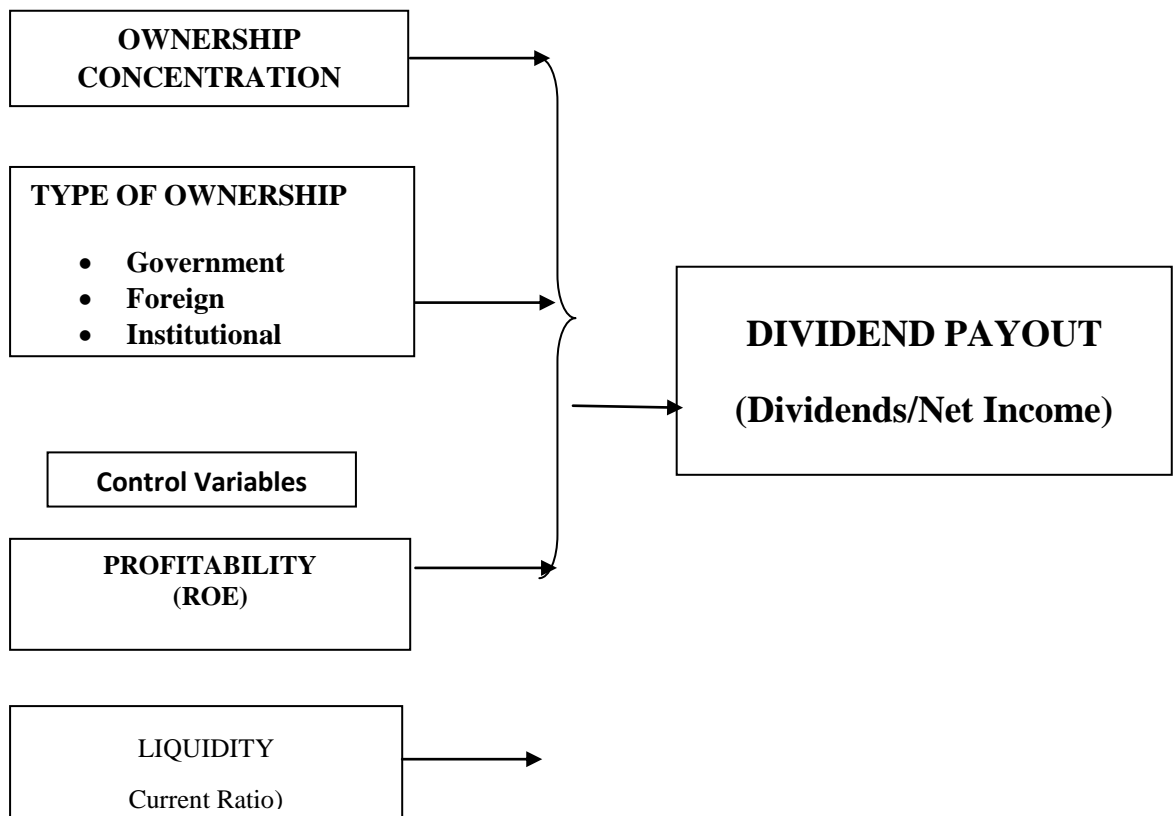
Independent Variables   **Dependent Variable**

(Source: Researcher, 2019)

Figure 1: Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section illustrated a discussion of the study methodology that the investigation adopted. It illustrated the research design vis-a-vis the method of data collection to help explain the investigation gap identified. The part also handled the population, research tools, in addition to data analysis techniques and data presentation methods that the investigation adopted.

3.2 Research Design

As per Kumar (2006) a research design is a laid down procedure, structure and strategy of analysis so considered in order to get responses to a research question or problem. Creswell and Clerk (2015) add that the research design provides a blueprint or plan for how researchers collect, analyze and report their data in a study. Hence, the research design for this investigation, hoped to allow the investigator to expect what the suitable investigation choices should be made, in order to gather and analyze data.

A descriptive study design was adopted to collect data so as to check whether and to what extent a connection exists between two or more quantifiable variables. Mugenda and Mugenda (1999) defined a descriptive design as a way of conduction research without interfering with the normal life of the respondents since it resonates down to observing and describing the behaviours with the respondents. The researcher used

this research design since it was not time-consuming, it facilitated both qualitative and quantitative research design and it produces a clear and precise analysis of data. The design also allowed one to deduce how numerous variables either on their own or in combination might affect a particular field of exploration.

3.3 Population of the Study

As stated by Royce, Singleton and Straits (2010) the term "population" was used to describe a group of persons, objects or events that fit in to a particular criterion which make them the centre of a study in which the researcher proposes to establish some features. Orodho (2010) defines population as any group of persons with at least one identical feature that are of importance to the researcher. It was a prearranged figure of suitable cases that the researcher assumes to be the sample which matches the population relevant. The target population was be the eleven operational sugar factories as listed in Appendix 1.

3.4 Data Collection

The primary source of information to be used was secondary information that entailed time series data. This was utilized in the background and literature review as well as a review of existing financial information gathered over a period of approximately 5 years; from 2013-2017. This in particular was from the companies' consolidated financial statements for the said period on dividend payout ratios as well as data on OS from the relevant authorities.

3.5 Diagnostic Tests

Diagnostic tests carried out comprised of normality test, heteroskadasticity tests and multicollinearity. Normality tests were conducted to establish whether data was normally distributed. ShapiroWilk was used to test if the data collected was normally distributed. Normality tests were meant to test normal distribution which was bell shaped. 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 mode. Multicollinearity 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/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

The information gathered from secondary sources was organized, coded and fed into the stastistical package for social sciences (SPSSv20) for the production of descriptive statistics and inferential statistics. Regression analysis was utilized to establish if the independent variable(s) envisage the particular dependent variable (Orodho, 2010).

3.6.1 Analytical Model

A multiple liner regression model was utilized to measure the link between OS and disbursement policy. Dividend policy represents the dependent variable while OS represents the independent factor.

The regression model is as follows:

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

Whereby: β_0 is the regression.n intercept; $\beta1$-.$\beta4$ are the regression coefficients;

Y was the predicted variable (Dividend policy); measured using dividend pay-out ratio

X_1 = Government ownership: evaluated as a proportion of common shares of the state divided by cumulative common shares in issue;

X_2 = Institutional ownership: evaluated as a proportion of common shares of the institution divided by cumulative common shares in issue;

X_3 = Foreign ownership: evaluated as a percentage of common shares held by foreign investors divided by cumulative common shares in issue

X_4 = Profitability evaluated by ROE (Annual Net Income/Shareholder Equity).

X_5 = Liquidity was measured by liquidity ratio (Current assets/Current Liabilities).

ε = Error term

3.6.2 Tests of Significance

Correlation was used to test the link of the variables in the study. The study also used ANOVA (model goodness of fit) to test the significance of the factors in under study in satisfying the set purpose, which was calculated using SPSS software.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The purpose of this study was to examine the relationship between ownership structure and dividend policy in the sugar industry in Kenya. Specifically the study sough to answer the question how do government ownership, institution ownership, foreign ownership, profitability and liquidity affect divided policy?

This chapter focused on data analysis, interpretation, and presentation by presenting a discussion of diagnostic tests, descriptive statistics, correlation analysis, regression analysis and a discussion of the findings.

4.2 Diagnostic Test

The following section discussed tests carried out on the study. These tests carried out comprised of normality test, heteroscadisticity tests and multicollinearity. Normality test was measured by the Shapiro Wilk test, heteroscadisticity was measured by the Breusch-Pagan (BP) test and multicollinerality was measured by variance inflation factor.

4.2.1 Normality test

Normality tests were conducted to establish whether data was normally distributed. Normality tests are meant to test normal distribution which was bell shaped. The study utilized the ShapiroWilk to test if the data collected was normally distributed.

The Shapiro Wilk test examines the variances of the data points to see if a sample comes from a normal distribution. To determine whether the sample is normally distributed we examine the p value of the Shapiro-Wilk Test if it greater than 0.05, the data is normal. If it is below 0.05, the data significantly deviate from a normal distribution.

Table 4.1 Shapiro Wilk

Shapiro-Wilk (W)	P-value
0.22511	2.2e-12

Source: (Secondary Data, 2019)

From the table 4.1 the p value of the Shapiro Wilk is indicated to be 2.2e-12. This p value (2.2e-12) < p value (0.05). This shows that the data points contained in the sample were not normally distributed.

4.2.2 Heteroscadisticity tests

Heteroscadisticity 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 heteroscadisticity. This test was used by assuming that heteroscadisticity is a linear function of independent variables (all) in a given mode. To determine whether

there is heteroscadisticity we examine the p value and conclude that for p values greater than 0.05 imply that there is no heteroscadisticity while p values less than 0.05 imply the presence of heteroscadisticity.

Table 4.2 Breusch Pagan

Breusch-Pagan	df	P-value
13.023	5	0.0879

Source: Secondary Data, 2019

The study established the p value of the Breusch Pagan test to be 0.0879. This p value (0.0879) > than p value (0.05). Thus, this shows that there was no heteroscadisticity in the data set imply that there was equal variability in the data set.

4.2.3 Multicollinearity

Multicollinearity 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/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.

Table 4.3 Multicollinearity

Variable	Variance Inflation Factor
Government Ownership	8.16602
Institutional Ownership	8.41470
Foreign ownership	3.51353
Profitability	11.1459
Liquidity	1.39085
Pay-out Ratio	1.21281

Source: Secondary Data, 2019

From the table 4.3 VIF values of government ownership, institutional ownership, foreign ownership, liquidity and pay-out ratio are less than 10 showing have fair multicollinearity. Profitability has a VIF greater than 10 indicating strong multicollinearity.

4.3 Descriptive Statistics

The variables under study were analysed for their descriptive statistics which were presented in the form of mean, standard deviation, maximum, minimum and skewness. The mean represented the average value of each variable, which variable

with high means considered to have a great influence. Standard deviation was used to measure variability by measuring how far each data point deviates from the mean. Variables with high standard deviation compared to the mean are considered highly volatile. Maximum was used to indicate the largest value a variable took while minimum indicated the lowest value any variable took. Skewness was used to measure the asymmetry a distribution which is the departure from horizontal symmetry. If the value of Skewness is positive then the data is skewed to the right, if it is negative it is skewed to the left and if it is zero then it's symmetric.

Table 4.4 Descriptive Statistics

Variable	Minimum	Maximum	Mean	Std. Deviation	Skewness
Dividend pay-out	-0.60	8	0.13	2.113	-14.114
Government	0	1	0.14	0.212	1.546
Institutional	0	1	0.23	0.309	2.103
Foreign	0	1	0.25	0.337	0.821
ROE	-0.17	1	-0.97	10.941	-11.431
Liquidity	0.7	3	1.83	.21	-.073

Source: Secondary Data, 2019

From the findings above dividend pay-out lowest value was -0.60 and highest value was 8. It had a mean of 0.13 and standard deviation of 2.113 and had a distribution that was skewed to the left. Government ownership had a minimum value of o and a maximum value of 1. The mean was established at 0.14 and the standard deviation was 0.212 and had a distribution skewed to the right. Institutional ownership had a low value of 0 and a high value of 1. Its mean was 0.23 and standard deviation was 0.309 and its distribution was skewed to the right. Foreign ownership had a minimum value of o and a maximum value of 1. It established a mean of 0.25 and a standard deviation of 0.337 and had a distribution skewed to the right. ROE had a minimum of -0.17 and a maximum of 1. Its mean was -0.97 and standard deviation was 10.941 and had a distribution skewed to the left. Liquidity had a low value of 0.7 and a high value of 3. Its mean was determined to be 1.83 and a standard deviation of 0.21 and had a distribution skewed to the left.

It is important to note that other than liquidity all other variables had standard deviation greater than the mean implying a high volatility in the sense that a change in the data values implies unpredictability of the variable.

4.4 Correlation Analysis

This study was guided by the aim of examining the relationship between ownership structure and dividend policy in the sugar industry in Kenya. Correlation analysis was used to determine whether a change in another variable accompanies a change in another variable. Pearson's coefficient of correlation measures the linear association between any two variables denoted by r and takes values from the range of -1 and 1.

Values greater than 0 indicate that a positive relationship exists between the two variables implying that as the value of one variable increases, the other variable increases as well. A value of 0 indicates no association between variables. A value less than 0 indicate a negative correlation. That is, as the value of one variable increases, the other decreases. Values less than -0.5 and 0.5 show weak negative and positive correlation respectively. While values greater than -0.5 and 0.5 indicate strong weak and positive correlation, respectively.

Table 4.5 Correlation

	Dividend payout	Government	Institutional	Foreign	ROE	Liquidity
Dividend pay-out	1.000					
Government	0.035	1.000				
Institutional	0.080	0.150	1.000			
Foreign	-0.053	0.398	-0.144	1.000		
ROE	0.103	0.092	-0.012	-0.089	1.000	
Liquidity	0.191	0.431	-0.015	-0.171	0.226	1.000

Source: (Secondary Data, 2019)

From the correlation matrix above, the findings reveal that there is a weak positive correlation($r=0.035$) between dividend pay-out and government ownership. There is a

weak positive correlation (r=0.080) between dividend pay-out and institutional ownership. Foreign ownership and dividend pay-out were weakly negative correlated (r=-0.053) with dividend pay-out. There was a weak positive correlation (r=0.191) between ROE and divided pay-out. Liquidity was also weakly positive correlated (r=0.191) with dividend pay-out.

4.5 Regression Analysis

Regression analysis was used to derive a linear model describing the relationship between each of the independent variables and dividend pay-out. In any regression analysis, an assumption is made that the independent variables should not influence each other since it will be difficult to isolate the impacts of one independent variable on the dependent variable. The results of the regression analysis are illustrated through the model summary and coefficient tables. The model summary explains the variation of the dependent variable that is caused by the model. On the other hand coefficients show the size of contribution of each independent variable towards the model.

Table 4.6: Model Summary

R	0.47813
R-squared	0.22861
Adj.R-squared	0.08424
F-statistic (4,209)	3.54958
P-value	0.01253

Source: Secondary Data, 2019

From the model summary the study deduced that the coefficient of determination r-squared was 0.22861. This suggests 22.861% of the variation in dividend pay-out is accounted for by model or that the model is 22.861% efficient in estimating the relationship.

Table 4.7: Model Coefficients

Dependent variable: Dividend pay-out

Variable	Estimate	Std. Error	t value	Sig.
(Intercept)	-5.740	2.177	-2.637	0.009
Government	3.137	0.746	2.133	0.073
Institutional	2.036	1.165	1.747	0.082
Foreign	2.144	1.247	1.322	0.075
ROE	6.733	3.543	1.900	0.059
Liquidity	0.770	0.276	2.793	0.006

Source: Secondary Data, 2019

From the findings above it can be deduced that, the model for predicting dividend pay-out based on government ownership, institutional ownership, foreign ownership, ROE and liquidity can be written as;

$Y = -5.740 + 3.317X_1 + 2.036X_2 + 2.144X_3 + 6.733X_4 + 0.770X_5$.

Where; Y will be the dependent variable (dividend pay-out);

X_1 = Government ownership

X_2 = Institutional ownership

X_3 = Foreign ownership

X_4 = Profitability evaluated by ROE

X_5 = Liquidity

Further deductions made from the findings indicate that the value of dividend pay-out when all other factors have been held constant is -5.740. This means that if government ownership, institutional ownership, foreign ownership, ROE and liquidity contributed zero towards dividend pay-out it would have a value of -5.740. Government ownership had a significant positive influence on dividend pay-out as indicated by the beta coefficient of 3.317. This implies that for every unit increase government ownership dividend pay-out increases by 3.317. Institutional ownership had a beta coefficient of 2.036 suggesting that it had a positive effect on dividend pay-out. This figure suggests that for a unit increase in institutional ownership dividend pay-out goes up by 2.036. Foreign ownership also had a positive influence on dividend pay-out indicated by a beta coefficient of 2.144 implying that a unit increase in foreign ownership is accompanied by a rise of 2.144 in dividend pay-out. ROE had a beta coefficient of 6.733 revealing that it had a positive effect on dividend pay-out. This means that dividend pay-out will increase by a value of 6.733 for every unit increase in ROE. Also, liquidity had a positive impact on dividend pay-out as shown

by the beta value of 0.770. This figure suggests that for a very additional increase in a unit of liquidity dividend pay-out increases as well by a value of 0.770.

4.6 Discussion of the Research Findings

The findings illustrate that that there is a weak positive correlation(r=0.035) between dividend pay-out and government ownership. There is a weak positive correlation (r=0.080) between dividend pay-out and institutional ownership. Foreign ownership and dividend pay-out were weakly negative correlated (r=-0.053) with dividend pay-out. There was a weak positive correlation (r=0.191) between ROE and divided pay-out. Liquidity was also weakly positive correlated (r=0.191) with dividend pay-out.

From the regression analysis the study determined that government ownership, institutional ownership, foreign ownership, ROE and liquidity affected dividend pay-out. A model fitted with these variables account for 22.861% of the total variation in dividend pay-out. Further, the research found out that the coefficient of government ownership was 3.317 implying that it positively influenced dividend pay-out. The coefficient for institutional ownership was 2.036 implying that it had a positive effect on dividend pay-out. Foreign Ownership had a coefficient of 2.144 also implying that it had a positive effect dividend pay-out. The coefficient of ROE was 6.733 which also suggested that it had a positive impact on dividend pay-out. Liquidity also had a positive influence on dividend pay-out as indicated by the coefficient of 0.770.

These findings were in agreement with those of Kanuga (2014) who found out that ownership structure of firms' influenced a dividend pay-out of various firms listed in the Nairobi stock exchange.

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The findings of this study further concur with those of Rahab (2012) who found out that state ownership, private ownership and public ownership were positively related with dividend policy. Rahab (2012) further provided evidence that the ownership structure does not influence dividend pay-out policy uniformly. The impact changes over the change in size of the holdings as well as their identity. However, the study disagrees with her findings that whereas the institutional ownership structures were found to be negatively related to dividend pay-out.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the findings of the study. Conclusions related to the study objective which was to examine the relationship between ownership structure and dividend policy in the sugar industry in Kenya are also drawn, with recommendations being offered to various stakeholders. The chapter further presents limitations of the study and suggestions for further research.

5.2 Summary of Findings

The study sought to explore the relationship between ownership structure and dividend policy in the sugar industry in Kenya. Findings revealed that the variables under study were not normally distributed. This was confirmed by the descriptive statistics of the various variables that showed the departures from symmetry as each of the variables were skewed either to the left or to the right. The descriptive statistics also revealed that dividend pay-out had a mean of 0.13 and standard deviation of 2.113. Government ownership had a mean established at 0.14 and the standard deviation was 0.212. Institutional ownership had a mean of 0.23 and standard deviation was 0.309. Foreign ownership had a mean of 0.25 and a standard deviation of 0.337. ROE had a mean of -0.97 and standard deviation of 10.941. Liquidity had mean determined to be 1.83 and a standard deviation of 0.21.

The study determined that various correlations both positive and negative existed between dividend pay-out and the independent variables under study. It was clear that that there is a weak positive correlation(r=0.035) between dividend pay-out and government ownership. There is a weak positive correlation (r=0.080) between dividend pay-out and institutional ownership. Foreign ownership and dividend pay-out were weakly negative correlated (r=-0.053) with dividend pay-out. There was a weak positive correlation (r=0.191) between ROE and divided pay-out. Liquidity was also weakly positive correlated (r=0.191) with dividend pay-out.

Findings from the regression analysis showed that government ownership had a significant positive influence on dividend pay-out as indicated by the beta coefficient of 3.317. Institutional ownership had a beta coefficient of 2.036 suggesting that it had a positive effect on dividend pay-out. Foreign ownership also had a positive influence on dividend pay-out indicated by a beta coefficient of 2.144. ROE had a beta coefficient of 6.733 revealing that it had a positive effect on dividend pay-out. Also, liquidity had a positive impact on dividend pay-out as shown by the beta value of 0.770.

5.3 Conclusion

The study was conducted with the primary aim of establishing of government ownership, institutional ownership, foreign ownership, ROE and liquidity had an effect on dividend payout. Through regression analysis it was concluded that all the five independent variables had a positive effect on dividend pay-out. It was concluded that the extent of the positive impact on dividend pay-out varied form one variable to

another as indicated by different coefficients. Nonetheless, ROE was concluded to have had a stronger influence on dividend pay-out.

The study was also conducted with the aim of establishing associations between dividend pay-out and government ownership, institutional ownership, foreign ownership, ROE and liquidity. It was concluded that government ownership, institutional ownership, ROE and liquidity had weak positive correlation with dividend pay-out while foreign ownership was weakly negatively correlated with dividend pay-out.

5.4 Recommendations

The findings of the study suggest that ownership structures influenced dividend policy in the sugar industry in Kenya. Thus, for investors who would like to venture in firms where the owners have an influence on the dividend policies then the sugar industry would be an excellent choice to venture into. Since dividends policies are core decisions that the owners of the firms decide what to redistribute and what to re-invest investors are cautioned to understand the various ownership styles and how they stuck out their balance on dividend pay-outs.

The study also recommends that the investors seek to understand the information provided by owners on dividends. This is because dividend policies often share information that was missing on a firm and also allows estimation of the firm current performance in the market.

5.5 Limitations of the Study

The study faced various limitations among them being finances needed for the research. The researcher required a bit more funds than expected to print out of materials and gathering of data. However, despite the constraints, the process was successful.

The researcher also faced time constraints. The amount put aside to collect and analyze the data was not enough. If more time were set aside, the researcher would have been able to collect information on dividend payouts from more sugar companies.

5.6 Suggestions for Further Research

The researcher concentrated on government ownership, institutional ownership, foreign ownership, ROE, and liquidity as major factors that contributed to dividend pay-outs. Through the study it was established that these factors accounted only for 22.861 of the variation in dividend pay-outs. This implies that there are other, there are a possible abundant number of variables that can be used to examine the dividends pay-outs and for which they account for 77.184 % of the variation of pay outs.

In addition, the study focused on the ownership structure among sugar companies and used the variables that were repeatedly identified as key in measuring dividend pay-outs. Besides, future research may also increase the observation by incorporating companies listed in other sectors that are not included in this study as well as Second Board listed companies. Also, the study suggests a more extended period of study may also enhance the predictability model of the research.

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APPENDIX: LIST OF SUGARCANE FIRMS IN KENYA

1. Muhoroni Sugar Factory

2. Mumias Sugar Factory

3. Chemelil Sugar Factory

4. Kibos Sugar and Allied Factories

5. South Nyanza Sugar Factory

6. Nzoia Sugar Factory

7. Soin Sugar Factory

8. Sukari Industries Limited

9. Butali Sugar Factory

10. Transmara Sugar Factory

11. Kabras Sugar Factory