

# **The effect of liquidity on dividend payout by companies listed at the Nairobi securities exchange**

Kimutai, Pius Kibet

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## **Abstract**

Liquidity management is a critical component in every organization. It refers to a firm being able to meet its current obligations on business as and when they arise. It entails the elimination of default chances on obligations as they fall due and balancing between short term assets and liabilities. The aim of the study was to determine the effect of liquidity on dividend payout by companies listed at the NSE. The study considered thirty four companies out of fifty six listed firms at the NSE in the period 2007 to 2011. Secondary data was collected from the financial statements of individual companies and analyzed using multivariate regression analysis. Dividend payout was considered as dependent variable while liquidity, leverage, profitability, cash flow, corporate tax, sales growth, industry and earnings per share as independent variables. The findings revealed that there is a positive effect of liquidity on dividend pay out. The findings also revealed that all other independent variables except cash flow had a positive association with dividend payout. This study harmonizes with other studies done in developing countries that portray a positive association between liquidity and dividend pay out.