

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


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FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD  
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## DECLARATION

I, the undersigned, declare that this is my original work and has not been presented to any institution or university other than the University of Nairobi for examination.

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## **DEDICATION**

To my dad Julius Kirera Waithaka and my mum Doris Mwikali Waithaka for their encouragement and moral support throughout this journey, May the Almighty God, reward them.

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## **LIST OF ABBREVIATIONS**

<b>AGM</b>	Annual General Meeting
<b>ANOVA</b>	Analysis of Variance
<b>ARM</b>	Athi River Mining
<b>CMA</b>	Capital Markets Authority
<b>DPR</b>	Dividend Payout Ratio
<b>DPS</b>	Dividend Per Share
<b>EA</b>	East Africa
<b>EPS</b>	Earnings Per Share
<b>NSE</b>	Nairobi Securities Exchange
<b>OLS</b>	Ordinary Least Square
<b>SPSS</b>	Statistical Package for Social Sciences
<b>VIF</b>	Variance Inflation Factors

## ABSTRACT

Dividend payment has been more popular in the past half-century as companies seek to increase their value in today's interconnected society. There have been claims in regard to paying dividend does not impact valuation of company, however this argument has been debunked since it is based on the premise of perfect markets. Other proponents of dividend payments argue that paying dividends may increase the value of a company. This study aimed to ascertain if dividend payout impact on the valuation of NSE-listed companies. The study's population consisted of all 63 NSE-listed businesses. Dividend payout was evaluated using the dividend payout ratio, leverage was measured using the debt ratio, managerial efficiency was measured using the ratio of total revenue to total assets, and company size was calculated using the natural logarithm of total assets. The dependent variable was firm value, which was calculated by dividing book valuation of equity and market valuation of equity. Secondary data was collected yearly throughout a five-year period (January 2016 to December 2020). The study used a descriptive cross-sectional research methodology, with multiple linear regression used to determine the connection between the variables. The data was analyzed using the SPSS program. The analysis yielded an R-square value of 0.138, indicating that the independent variables studied can explain 13.8 percent of the changes in the value of listed firms on the NSE, while the remaining 86.2 percent of the changes in firm value is attributed to variables outside the scope of this study. It was also discovered that the study's independent variables were modestly associated with the business value ( $R=0.371$ ). The F statistic was significant at the 5% level with a  $p<0.005$  in the ANOVA results. As a result, the model proved adequate in explaining the relationship between the variables. Dividend payout, company size, and management efficiency all produced positive and statistically significant results, while leverage produced positive but not statistically significant results for this research. This research suggests that listed companies should increase their dividend payment, asset levels, and managerial efficiency since these factors have a substantial beneficial impact on company value. Future research should concentrate on the variables that affect dividend payments among publicly traded companies, according to the report.

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

The debate during the past half century is whether dividend payment issues have been a major subject of discussion in financial academia. The works of Miller and Modigliani (1958, 1961) showed that as a result of restrictive circumstances, such as a constant policy of investments, the dividend payout of a firm does not have an effect on shareholders' wealth since more dividends means lesser capital gains and retained earnings leaving the shareholders' wealth unchanged. Dividend payment is a critical element in evaluating a company's worth, while Gordon (1963) says the significance of dividend payout is often overlooked. Payments of dividends lowers uncertainty, thereby increasing the value of shares hence making current dividend preferable over future dividends. Even if a future dividend or capital gain is higher, assured dividends are better than capital gains or dividends in the future. As a result, dividend payout is relative to the firm's value.

Theory of information signaling, bird in hand theory, and Dividend irrelevance theory are some of the most important theories that control successful dividend payouts. A company's worth is unrelated to its dividend strategy, as shown by Modigliani and Miller (1961). They also believe that a company's worth is dependent on the overall risk level and the ability to generate profit. Information signaling theory proposed by Ross (1977) argues that an announcement of dividends informs shareholders facts that were only known by management. Hence, the shareholders have the ability to assess the direction taken by a firm based on dividend announcement made by the management. Gordon's (1963) theory of bird in hand theory says that policies related to dividend impacts the long-term company's valuation. Dividend payments lower

uncertainty, thereby increasing the value of shares and they are preferred presently as opposed to the future. A guaranteed current dividend is preferable to forecasted future dividends or capital gain even though it may be larger. Thereby dividend policy holds relevance.

The context of this study was Nairobi Securities Exchange (NSE) listed firms. Because of this, many businesses on the NSE delay dividends and incentives, which frustrates their owners. In 2020, only banks have managed to increase their dividend. Equity raised its dividend from Sh2.0 a share to Sh2.5 or a total of Sh9.4 billion. Co-op Bank brought forward its Sh1.0 per share or Sh5.8 billion dividend to protect shareholders from COVID-19 effects. BAT, Kenya Re and NSE marginally cut dividends. Safaricom reduced its dividend from Sh74.9 billion in 2019 to Sh56.0 billion in 2020. NCBA Group and Nation Media Group offered bonus shares and suspended cash distributions to shareholders, citing the need to preserve money (NSE report, 2020). As a result, there is a need to examine the impact this trend will have on a firm's value.

### **1.1.1 Dividend Payout**

According to Fumey and Doku (2013), dividends as a percentage of total profits paid out to stockholders equals the proportion of regular dividends paid out to shareholders. The policy can be stable, constant or residual. A Dividend Per Share (DPS) to Profits Per Share (EPS) ratio was defined by Brockington (2013) as the proportion of dividends given to shareholders as percentage of earnings, measured as the company's Dividend Per Share (DPS) to Earnings Per Share (EPS) ratio (EPS). According to Petit (2017), dividend payout ratio implies that proportion of income paid to shareholders in dividends. The optimal law relating to dividends is the one that

is able to strike a balance on what the firm is able to pay at the current period and future growth of an entity which improves the price of the firms.

Cash dividends are the most popular dividend payment type among corporations, and they enable a company having a sufficient cash reserve to cover dividends upon their declaration. It is allowed for a company to raise money by borrowing to pay declared dividends if it does not have sufficient capital. Declaring and paying dividends leads to a reduction in a company's reserve and cash accounts as well as a decrease in the company's total assets and net worth. In fact, the stock price of securities continues to fall by the volume of cash paid as dividends (Petit, 2017). When it comes to implementation, dividends may be implemented in the following three ways: as a payout ratio, as a dividend yield, or as dividend coverage. Dividend yield is the percentage of a shareholder's total return that comes from dividends only. To calculate the dividend yield, divide the dividends per share by the stock price. When a company has negative earnings, dividend payment is meaningless since dividends represent a proportion of profits, and profits are zero. The formula used to find out a company's dividend-per-share dividend is taking the company's dividends per share and dividing it by the company's earnings per share a safety margin for dividend payments in the case of a drop in profits is determined by dividend per share and dividing earnings per share to find the dividend cover (Menamin, 2000). This research estimated the annual dividend payout ratio as the DPS divided by the EPS in the study.

### **1.1.2 Firm Value**

Modigliani and Miller (1961) suggested that financial value as defined by a firm's market value was a measure of firm worth. All investor claims, including secured and unsecured creditors, preferential and ordinary stock holders, are added together to

form the aggregate. Growth and assets may be used to determine the worth of the business (Damadoran, 2002). A business' aim is to make as much money as possible for stockholders (Berle & Means, 1932). According to Dalborg (1999), a company's value is generated by the amount that its shareholders make and the amount of dividends and capital gains, which are then represented in share price of an organization and level of dividends paid, which exceeds the rate of return needed for stock exchange. The return on investment generates market value (Copeland, 2000).

The value of a company explains its history, current, even future success; it is also committed to its stakeholders and shareholders' long-term objectives. Before making monetary investments in a business, investors and financial institutions evaluate its worth. When a company is unable to make a profit, the financial worth of such a business isn't created by investors. Prior to the modern finance era, stock price was used to describe company worth; however, financial professionals nowadays mostly utilize firm value research to estimate firm value (Oladele, 2013).

Paid-up capital, capital employed, net profits, Total assets and other factors may all be used to determine the firm's value (Sharma, 2011). The value of the company is expected to be a representation of its assets. Tobin's Q is a widely used valuation technique for businesses. This represents a percentage of a company's market valuation as a fraction of the net worth of the assets they might have if they were discarded. In other words, book value serves as a worthy indicator of financial strength than market value. According to the metric, a company can generate more profit if the investment's returns exceed its cost (Taslim, 2013). Tobin Q was used to calculate firm value in this analysis since it has been commonly used in previous research (Oladele, 2013; Umar & Musa, 2013).

### **1.1.3 Dividend Payout and Firm Value**

Modigliani and Miller (1961) being the primary contributors to the theory which attempts to explain the dividend phenomenon formulated the dividend irrelevancy theory which assumes that in perfect market characterized by free information flow between market participants, and no transaction costs and taxation, dividend pay-out has no meaning since it adds no value to a business. Additionally, the theory argues that upon the issuance of dividends by a firm, the worth of a company declined by the percentage of the funds issued and which can be inversely reversed through the issuance of new shares of the same quantity. The theory then concludes that power over dividends is in the hands of shareholders who have the freedom to purchase or sell off shares as they see fit (Brigham & Houston, 2011).

Information signaling theory supposes that the dividend might be used to communicate information, which opposed to profits themselves, influences the price of shares. Dividend payment conveys the strength and health of the company in economic terms. It therefore causes the demand of the firm to raise share, leading to increase in stock prices. Investors often believe that companies that change their dividend payment ratio are reacting to projected profitability, which may endure long. Payment ration increases, signal shareholders of an increase in firm expected earnings (Musiega et al., 2013).

Clientele theory as developed by Jensen and Meckling (1976) assumes that different investors are attracted to different company policies and when the policies change they adjust their shareholdings accordingly. Preferences of investors differ and agency is bound to try and accommodate both their needs in order to avoid withdrawal of shareholders whose interests are neglected. In specific the aged rely on dividend as a



source of income for livelihood hence a prudent manager needs to analyze type of shareholders the company constitutes and make a moderate conclusion on how dividend should be paid (Shefrin & Thaler, 1988).

#### **1.1.4 Nairobi Securities Exchange**

The Nairobi Securities Exchange is the company that has the power to list Kenyan firms on the stock exchange. The institution was established in 1954 and is now East and Central Africa's largest exchange. The most commonly traded instruments are bonds (debt/leverage instruments) and shares (equity), security investments are financial products that trade in financial markets. By allowing borrowers and lenders to connect, the institution promotes investment as well as savings. At the moment, a total of sixty-five firms have obtained a listing with the firm spread among different market segments (NSE, 2019).

Among the listing requirements by the institution is that companies should adhere to a steady dividend policy and the total debt should be under four hundred per centum of firm value, with a debt ratio of 4:1 (NSE manual, 2013). To be eligible for listing on the exchange, one must meet certain criteria as contained in Legal Notice No. 60 (2002) stating that companies that intend to be quoted should clarify their dividend policy. In Kenya most of the quoted companies pay dividend semi-annually. No legal requirements recommend firms to employ a particular divided payment schedule. Nevertheless, dividend distribution is monitored through legal avenues like the dividend should not be issued from capital unless during liquidation.

To increase their value, NSE listed firms should develop effective policies that will ensure increased profitability in order to enhance their dividend payments and shareholder wealth maximization which is the key firm objective. Dividend decisions

are an essential part of a company's overall strategy for maximizing shareholder capital (Siddique, Khan, Shaem & Mahmud, 2009). Dividend payment conveys the strength and health of the company in economic terms. It therefore causes the demand of the firm to raise share, leading to increase in stock prices. Investors often believe that when a firm changes its dividend payout ratio, it is reacting to anticipated company profitability, which could last long. Payment ration increases, signal shareholders of an increase in firm expected earnings (Musiega et al., 2013).

## **1.2 Research Problem**

The payment of dividends is very controversial. According to Brealey and Myers (2005) there is no universally accepted notion of how a business distributes dividends. Munyua (2014) argued that dividend payment is a crucial factor in every organization and care must be taken by management to meet shareholders' needs. There are many theories of dividend payment determination, and some of them are included here, more so the proportion of earnings that should be distributed in form of dividends and how it affects firm value. In spite of the many theories and models explaining the relation between the variables, their association still remains unresolved (Brigham & Ehrhardt, 2011).

In the setting of the NSE, dividend pay-out among listed companies has fluctuated over time. Business Beat (2017) did an analysis on NSE listed firms and found that about a third of the companies (20%) the last time dividends were paid was in 2014. Also, 15 other businesses have recently reduced the dividend payments per share. According to Cytonn report (2019), 35 firms with a listing (greater than half) have plunged investors into a dividend drought or reduced the amount of money paid out on every share held. A lot of conflicting information exists on due to numerous

companies on the NSE that have fallen in value for eight years in a row declined to announce dividends or issue bonuses to capital owners. As a result, it's important to look into whether dividend payouts affect the valuation of NSE-listed companies.

Global empirical literature reveals mixed results on dividend payout and firm value. According to Umar and Musa (2013), companies with a higher dividend payout ratio have lower stock value. According to Oyinlola and Ajeigbe (2014), dividend payments and retained profits both influence the stock market value of listed firms in Nigeria. Khan et al. (2015) discovered that ratio of dividend payout has a substantial impact on the effectiveness of Karachi-listed non-financial businesses. Attah-Botchwey (2014) investigated how dividend payments affect the prices of many Ghanaian listed stocks. Results indicated that a rise in dividends is linked with share price rises. The researchers, Hooi et al. (2015), found that volatility of stock price and dividend policy are linked. Investing in dividends, in addition to the yield, increased the price of a stock significantly.

In the locale of Amollo (2016), dividend payment has been examined and shown to be related to the NSE-listed commercial banks' worth. The main emphasis of the research was on banks and a significant impact was discovered between the studied variables. NSE-listed businesses' values rise as the result of dividend policy, as discovered by Yuko (2016). In 2016, Githinji (2017) examined the link between company valuation and dividend policy at the NSE and concluded that it is favorable. Anyim (2017) researched how policies related to dividend affect the value of NSE-listed corporations and came to the conclusion that there is a substantial connection among the variables examined. The study concluded a high dividend policy increased the value of NSE listed firms. Although these studies were carried out in the same context

as the proposed study, they did not establish whether the effect of dividend policy varies from sector to sector and if so, which sectors are affected the most. In addition, the study findings are inconsistent and therefore the influence of dividend payout on firm value remains unresolved.

Although research done in Kenya have examined how dividend payout impacts firm value, there are differences in terms of conceptualization, context, and methodology. Theoretically, both dividend payout and firm value have been operationalized differently by the previous researchers and this might explain the differences in findings. Contextually, none of the previous local studies has classified the listed firms according to their segment to establish whether firms in different sectors are affected differently depending on their sector. Further, the firms listed at the NSE has been reducing their dividend payments and therefore the need for a current investigate to ascertain whether indeed payout of dividend influences the value of listed firms. Methodologically, most of the previous studies have considered a few firms (mostly less than 15) which might not be adequate to determine how dividend payout impacts value. Despite the many studies in both international and local context, the effect of dividend payout on firm valuation remains unresolved. The present study intended to fill the gaps by answering this research question; what is the effect of dividend payout on value of NSE listed firms?

### **1.3 Research Objective**

The primary objective was to assess the effect of dividend payout on value of NSE listed firms.

#### **1.4 Value of the Study**

The study's conclusions will add to theories on dividend payout as well as firm value. Development of the theory of free cash flow, tradeoff theory as well as operating cycle theory will be aided by the findings of this study. Findings will be beneficial to future research work in working capital management and provide the relevant literature that will build the course. It will be helpful to students in finance who will use it for academic prospects.

The study will help investors and practitioners understand the relationship among factors, which is crucial for providing robust team of management with a variety of viewpoints and capabilities for dividend management and operations streamlining, as well as for building trust among business stakeholders, which will ultimately optimize firm value. The results of this analysis will help to understand how listed companies pay out dividends.

This study will assist the government as well as other policymakers on what rules and procedures should be formulated that will guide listed entities on the NSE in implementing dividend payout practices that will boost their performance, resulting in increased firm value.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

General reviews of theoretical approaches that underpin this research are presented in this chapter. It also reviews previous empirical work on the thematic areas as well as other areas connected to it. In addition, the determinants of firm value were examined, and a conceptual structure outlining the relationship between the variables developed.

### **2.2 Theoretical Framework**

This is a summary of various proposed to describe the observed phenomena. Information signaling theory, dividend irrelevance and the bird in hand theories are among the theoretical reviews covered.

#### **2.2.1 Dividend Irrelevance Theory**

Modigliani-theory Miller's was established (1961) and it posits that under perfect capital markets; dividends do not impact the firm's worth or capital structure, since they do not impact the capital cost and corporation's stock. The investment policy of the firm dictates a firm's value which determines how earnings are categorized into retained earnings and dividends. This argument is anchored on various assumptions: The first assumption holds that the capital markets are perfect; where no transactional costs and taxes exist, implying that a single seller or buyer has little impact on market prices, and that free access to market information exists; it further makes the assumption that the investors are rational and use the discounted future cash flows in the valuation of securities. It also assumes that great certainty exists about the firm's investment policy, with great awareness of the future cash flows and that manager's act as the shareholders' best agents (Stulz, 2000).

Theoretically, all the dividend streams offered by corporations can be replicated through shareholder dividend streams paid by the corporations through selling a portion of the available shares to attain the acquired deposit in case the dividends are below the desired amount and utilizing the when the dividends are more than your preferred level, then dividends may be received in addition to what you requested. Since home-made payouts and corporate dividends are perfect replacements, there are no additional costs for the companies thus irrelevant.

Modigliani-Miller theory has received many criticisms since it is not applicable in the real world due to the many imperfections that exist (Dhanani, 2005). Modigliani and Miller (1963) expanded their prior by integrating duty welfares as elements of capital structure of companies. A crucial element of tax policy is that interest is tax-deductible. A company which has debt in its capital structure obtains tax shield benefit of debt which can improve its net worth. Consequently, as Modigliani and Miller (1963) argue, companies should expense equally considering debt capital as possible means of determining their worth. The irrelevance theory also posits that dividends do not affect a firm's worth, if taxes and transaction costs are not present in the business environment. This theory has relevance to this study since it ascertains relevance of dividend on value of a firm. It hence assisted in investigating whether dividend payout is relevant in determining firm valuation.

### **2.2.2 Information Signaling Theory**

The theory originated in the first place by Ross (1977). It is mainly based on the issue of information asymmetry among the many market players particularly between shareholders and managers. Under such scenarios, the management takes advantage of pricey dividend payments to demonstrate features about the organization's potential in

marketplace. Strong desire of the investors to meet their needs may lead to the undervaluation of the firm (John & Williams, 1985). If the investors dispose their holdings upon the undervaluation of the firm, then wealth will be transferred to the new shareholders from the old ones.

Criticism against this theory is on the basis that for it to hold, managers must be in possession of private information on the prospects of a firm and should have incentives that would make available to the market such information. A legitimate signal is one in which an enterprise whose growth outlook are dismal is unable to copy and send incorrect market providing valuable indications to the market payment of dividend. Unlike commonly held beliefs by Miller & Modigliani (1961) that investors and executives have differing goals that serve to counteract each other in management decision-making in regard to in possession of perfect knowledge on the firm in the real market, there exists information asymmetry since managers who operate in the firm tend to be in possession of more timely information compared to investors hence gap creation. Dividends are a tactic utilized by managers to bridge the gap between releasing inside information about a company's potential prospects and investors using tangible cash flows to equity in valuing the company. An announcement of cash dividends will provide investors with useful knowledge about management's evaluation of a company's potential prospects, reducing informational asymmetries (Al-Makawi, 2007).

Dividends, according to the theory, act as a proxy for management's evaluation of the firm's success and prospects. Grinblatt and Titman (1996) made an agreement that a rise in payment of dividends indicates confidence by the management on corporate profitability in the long term hence the prices of its shares will be positively impacted



upon by it although dividend reduction may be a sign of company's financial well-being financial difficulties hence the share price will show an unfavorable movement. Ross (1977) and Petit (1972) concluded that the amount of dividend payments carries a lot of information on the future firm prospects; increases in dividends is often accompanied by stock price increases while dividend decline causes a fall in prices of stocks. In spite of this, management is hesitant to lower dividends in cases where of the corporations' earning dampen and raise the status of dividends when an upward trend in earnings is predicted (Lintner, 1956). Therefore, payment of dividends has relevance since raising dividend payouts would increase the overall financial worth of a company.

### **2.2.3 Bird in Hand Theory**

This was proposed by Gordon (1963) and Lintner (1956) who confirm the relevance of dividends on firm value. The key drivers of equity costs outlined by Gordon's model include predicted rate of growth, the current share price as well as the expected dividend in the future, because of this, both the dividend yields and rate of growth reward shareholders.. It states that in the measurement of return on equity, dividend yield ranks superior to cost. Using the Gordon's model to valuing firms, dividends forecasted, cost of equity projected rate of growth, as well as current share price are all factors that affect a company's valuation. Even though the model notes that dividend yield is greater than expected dividend growth rate, dividend yield and expected rate of growth in dividends are used to forecast return on equity.

The model has been criticized because it gives no guarantee of growth, therefore, capital gains cannot be estimated accurately and the total market value of a stock can be lost thereby causing bankruptcy. Firms that do not issue dividends have an

uncertain future market value if investors gain predicted capital benefits. The following information is subject to supposition like unavailability of external funding should be obtained, which means all money should be obtained from reserve profits, and a persistent capital cost. The hypothesis claims that companies' stock prices and dividend payouts are correlated. The theory's underlying assumption is that equity investors are risk averse thereby their preference is on current dividends (Lintner, 1962).

Gordon (1963) stated that investors prefer dividends as opposed to anticipated earnings because these are uncertain. Payment of dividends lowers uncertainty hence increasing value of shares. This is in the instance where the present is more preferable than the future. Even if it may be considerably higher, advance and regular dividends are more desirable than capital gains or dividend promises. Dividend policy is important, since it informs dividend payment policies. The theory of the bird in the hand is important to this research since it outlines returns on investment and how the investors perceive dividends. It clearly indicates that dividend-paying companies are a great source of new investors. as opposed to investing in stocks that are retaining earnings in order to pay dividends later. Thus, firms too factor in individual investor preferences to be able to come up with an optimal decision concerning implementation of dividends payout policy.

### **2.3 Determinants of Firm Value**

The worth of a company is shaped by a range of factors. Such factors are typically found in a variety of industries. Market sentiments, business news and results, a company's liquidity status, dividend payout, management effectiveness, macro-

economic, firm age and financial leverage variables are just a few of them (Athanasoglou et al., 2005).

### **2.3.1 Dividend Payout**

Theory of dividend irrelevance, as proposed by Miller and Modigliani (1961), shows that under a number of assumptions, the dividend rule adopted by a company has no influence on its worth hence it is not relevant. Contrarily, Ross (1977), Lintner (1963) and other researchers state that policy on dividend has an impact on firm value hence it is relevant. Deeptee and Rosan (2009) stated that the choice of dividend policy by a company is substantial and hence, the manner in which management creates a dividend policy and the manner in which they monitor specific policies or plans to adopt these policies will have an impact on firm value.

Khan (2012) also stated that from the point of a business, the selection of an appropriate dividend policy is paramount to the company because the attractiveness of investing in future project is reliant on dividends. Because of this, when companies design their dividend policies a number of features were considered like decision-making and behavioral environment, the productivity of the firms, and the company willingness.

### **2.3.2 Firm Size**

The economies of scale value a company earns is proportional to its size. The larger the business, the low the average producing size and the higher the productivity in operation actions emanating from huge economies of scale. Regardless of the size, huge corporations can lose focus of their strategy as well as operations, resulting in a decrease in productivity (Burca & Batrinca, 2015).

Big companies have more market leverage and can diversify their portfolios more. They are extra probable to suffer from operational slack as the company grows rapidly. The quantity of cash flow that may be invested is directly proportional to the size of the business. The employees number, property owned, as well as sales volume are all important factors to consider when deciding the firm's size (Almajali, 2012).

### **2.3.3 Firm Leverage**

Leverage is a measurement of debt used in approximating equity capital. Difference between these measures might have a bearing on the company's capital costs as well as its market value (Pandey, 2010). The quantity of debt that a business owes determines the success of that company. Jensen (1986) stated that financing a company using debt lowers moral hazard behavior by limiting the amount of cash flow held by the managers. This in turn increases performance pressure hence improves firm's financial performance. This therefore implies that companies with greater debt will be more financially successful. The connection between business success and leverage has been studied in many research, concluding that high leverage reduces conflicts of interest between management and shareholders, resulting in improved performance.

Baker (1973) studied the relation between benefits of the industry and its influence and assessed the impact of hazards on industrial productivity. Using data from a 10-year period, impact was given as the percentage of value compared to aggregated resources. In a low leverage level, more of the capital devoted to debt will be in the form of debt to value rather than debt to resources as a whole. The profitability was calculated using net profits. The research implying a firm's decision to influence is

affected by industry conditions. It also implied that firms with more debt capital were more productive.

#### **2.3.4 Management Efficiency**

According to Kusa and Ongore (2013), managers' capacity to efficiently use resources, optimize financing, and employ money is all useful methods to evaluate management success. Qualitative measurement of operational efficiency is a demonstration of management structure effectiveness, personnel quality, controls efficacy and efficiency and organizational discipline (Athanasoglou, Sophocles & Matthaois, 2009). The operating costs of a company are influenced heavily by its management, which ultimately has an influence on the financial results of the business. As a result, management productivity has a significant impact on firm efficiency (Kusa & Ongore, 2013).

#### **2.4 Empirical Review**

The findings have been contradictory across local and international research in order to establish a link between dividend payment and company value.

##### **2.4.1 Global Studies**

Parsian et al., (2013) studied how forecasted raise in earnings can be forecasted by the payout ratio on Iranian listed companies. From 2004 to 2010, 102 companies were studied. The hypothesis was tested using the OLS and multivariate regression approaches. The outcome variable was earnings growth whereas response variables included leverage, past earnings growth, dividend payout ratio, EPS, scale, and ROA. There was a strong correlation between potential earnings growth as well as dividend payouts.

Oyinlola and Ajeigbe (2014) examined how dividend policy impacts prices of stock of Nigerian listed firms. The study sampled 22 firms using listed share prices obtained from two Nigerian magazines, and other informational data on the firms given by annual financials between 2009 to 2013. On 110 samples, Granger Causality, Regression analysis, together with correlation analyses were used to this study to examine the relationship, test the hypothesis and findings showed that dividend payout and retained earnings were relevant.

Attah-Botchwey (2014) looked at how dividend payments affect the stock prices of many Ghanaian Listed Companies. AngloGold Ashanti Cal Bank and Ecobank with 60 respondents, chosen from among the 36 firms for the research. Primary data was gotten using questionnaires and information on dividend policy was obtained from the availed fonts. Results showed that prices of shares increased with increase in dividends.

Dividend policy is associated with a higher profits per share on the Nigerian bank stock prices according to the research by Anike (2014). An ex-post-facto design together with panel data from 2006-2010 was obtained from the banks' financials. Findings showed that dividend yield significantly and negatively impacted the banks' share prices. Earnings yield also showed an impact that is negative and significant to the price of bank shares and the ratio of divided payment has a detrimental impression on share prices, obstructing investors' ability to buy additional shares. Additionally, findings from the study showed that payout ratio, dividend yield and earnings yield do not impact price of shares but the size had a well-defined impact on prices of shares.

The relationship between dividend policies framework and dynamism of prices of stock was investigated by Hooi et al. (2015). On the Kuala Lumpur stock exchange, a

random sample of 319 corporations was obtained. Dividend pay-out and dividend yield indicated a substantial inverse effect on prices of shares, according to the findings. However, it was found that a substantial relation existed between long-term loans to earnings insecurity to market volatility. A weak relation was also found between price volatility and asset market growth. This research was performed in a unique setting, and thus its results can't be applied in a uniform manner.

In Nigeria, academic economists Duke, Ikenna and Nkamare (2015) investigated the influence of dividend policy on commercial banks. There were just two participants in the study: United Bank of Africa and GT Bank. Price of share was considered as outcome variable and dividend yield and retention percentage as predictor factors. The study applied correlation design to investigate the relationship. Since the data was panel in nature, several diagnostic tests such as ordinary least squares test, unit root tests and Augmented Dickey Fuller test were conducted through use of e-views. Findings revealed a positive substantial relation between price of shares and yields associated with dividend. The study depicted that retention ratio had significant negative effect on share prices.

Jalloh (2017) studied how dividend policy impacts the wealth of shareholders in Nigeria's agricultural industry. The investigation relied on secondary financial data drawn from listed businesses in the industry on the Nigerian Stock Exchange that were in operation between 2009 and 2015. We used multiple regression analysis to do our design and analysis after the fact. These results revealed that using multiple regression and OLS makes an accurate prediction, dividend policies were significant factor in determining the value of shares. Findings also showed that the dividends paid were significant to investors and decisions by shareholders.

### **2.4.2 Local Studies**

Musyoka (2015) conducted an examination whose primary goal was to find how dividend policy impacted the performance. Analysis revealed that primary factors affecting listed companies' success were; DPR, payments form as well as their timing impacted performance. The overall assets and leverage of a company have a limited impression on the success of an organization.

NSE-listed corporations, in turn, are studied by Yuko (2016) on how dividend policies affect their market capitalization. In answering the study questions a quantitative design was utilized. The study's population consisted of 65 NSE listed firms as at December 2015. Secondary data from the firms' financials from 2011 to 2015 was obtained. Correlations and regressions have been used to analyze the data obtained.

The outcome demonstrated dividend payouts and firm size both exhibit significantly effect on company worth. Results showed that dividend payments have a favorable impact on the value of the business if they are paid at the appropriate time and in the right manner. However, although a higher debt ratio negatively impacts firm value, paying dividends on time and in the proper manner increases firm value.

Dividend policy was examined by Ng'ang'a (2016) with a focus on the performance of the NSE-listed companies. The study examined a number of dividend policy elements such as; dividend pay-out ratio, form, timing, and DPS. The performance was given by ROA. Control factors include size and firm leverage. The 10-year research period began in 2006 and ended in 2015. The study selected all the NSE listed firms. A connection was discovered between company success and the payout ratio: Those who made more strides on their journey in terms of company performance were those that raised the percentage of dividends paid out. Firm performance and the method of



dividend distribution were also shown to be linked to each other, resulting in a strong and significant connection.

Githinji (2016) studied how dividend policy impacts the shareholders' value in NSE listed companies. A survey with a very thorough description was used in the research. A significance test was done at 95% confidence level. A variance analysis determined that the regression representation was substantial. Findings showed that a weak positive relation between payment rate, dividend yield and growth rate with shareholder value. It was also established that profitability as a variable was positive and substantial to shareholder value. A thorough examination of the dividend policy concluded that it is a significant financial choice that companies should take into consideration when they are planning to increase shareholder value.

In this study, researcher Mogere investigated the market values of shares after they had been subjected to dividend policy. A descriptive survey was utilized to evaluate publications on dividend policy and market price. 61 NSE listed companies in which additional data was collected was chosen. A multiple regression model was utilized in which cash dividend and stock dividend policy was selected as independent variables. The response variable in this case was the volatility of the stock price. Specifically, it was discovered in the study that dividend policy had no substantial effect on the fluctuation of the stock market. In an attempt to discover how dividend decisions impacts the share price returns of companies listed on the Nairobi Securities Exchange, we conducted a study, Wanjiru (2018) surveyed the population. A descriptive analysis on a population of 65 NSE organizations was done. The sample period lasted five years, beginning in 2011 and ending in 2015. In the research, secondary quantitative data were used. The results of this study were inferred and

described in this research. This study established that although dividend payout ratio positively contributed to share returns for firms listed at NSE in 2011-2015 period, this contribution was not statistically significant. The same case applies to capital structure. The size of the firm had a favorable influence on share price growth and this connection was shown to be statistically significant. Also, there was a correlation between share price growth and inflation.

Akinyi (2018) studied the value of NSE-listed insurance companies based on their dividend payment ratio. The investigation covered all the 6 firms in the sector. Secondary data for 10 years was extracted from 2008 to 2017 annually. The design utilized for this project was a descriptive cross-sectional study, and statistical analysis was performed to test if the two variables were related. The findings showed that liquidity was positive and substantial, dividend payout ratio, leverage and age had substantial values in the investigation.

Maosa (2018) examined how dividend payout influenced value of NSE listed companies. All 6 insurance with a listing were selected. Secondary data from 2008 to 2017 as obtained. In order to examine the connection between variables, a descriptive cross-sectional design and a multiple linear regression analysis were used. The size of the company and liquidity were shown to be positively and significantly associated with firm value. Dividend payout ratio and the firm capital structure were also substantial in the investigation.

In this research paper, Chege (2018) researched how dividends influence financial performance of non-financial corporations listed on the NSE. Descriptive research design was used for the study. There were over fifty-three institutions registered on the NSE, all of which were financial institutions. The sampling period is 5 years from

2013 to 2017. The study revealed that dividend payouts are important and they actually affect the firms' performance positively. The findings show that the study's conclusion holds true as well, which is that capital structure (debt equity ratio) and company liquidity have a favorable impact to a business's financial performance for NSE-listed companies.

## **2.5 Summary of the Literature Review and Research Gaps**

The predicted relationship between dividends paid and firm value has been clarified by several theories. Dividend irrelevance theory, information signaling theory, and the bird in hand theory are the three theories. A variety of important factors that influence the valuation of a company have been discussed. Various studies on dividend payment and firm value have been conducted globally and locally, with the results discussed in this chapter. From the empirical studies discussed in the previous section a number of gaps linked to the concept, methodology and context have been revealed.

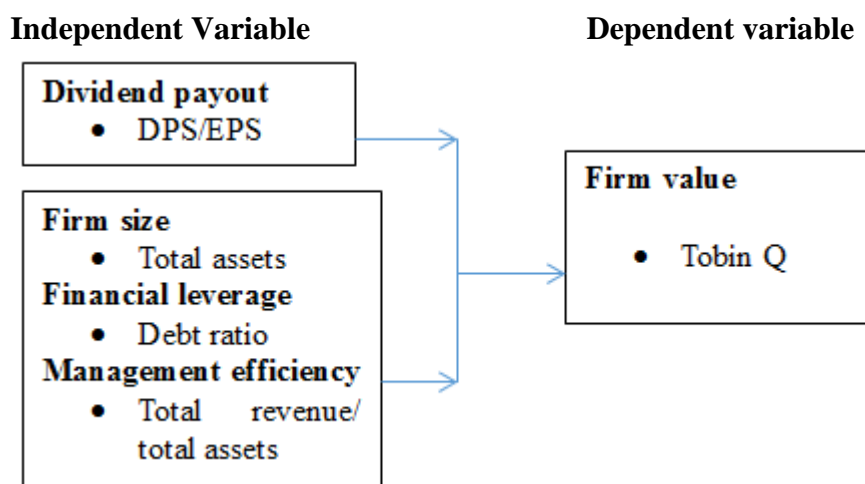
Conceptually, the differences in findings from previous studies results from the operationalization of dividend payout and firm value. Dividend payout was operationalized in different ways by different researchers together with firm value. From the review of literature, gaps related to the methodology were demonstrated through limited consensus in adoption of study method. A number of the methodologies like; OLS regressions, generalized momentum model, cross-sectional regression models, correlation tests were used. These differences methodologies might explain the differences in findings.

The gaps related to the context were highlighted through the study settings. Most of the work reviewed was done in other contexts whose social and economic setting is different from the one in Kenya. Secondly, the studies conducted locally did not

establish how the effect of dividend policy varies from one segment to another. The current research was motivated by these conceptual, contextual, as well as methodological knowledge gaps to investigate how dividend payout on value of NSE listed firms by classifying the firms according to their segment.

## 2.6 Conceptual Framework

The following framework depicts predicted relationship among study variables. Dividend payout, expressed by dividing dividends per shares over earning per shares, was the study's independent variable. It was hypothesized that increasing dividend payout increases firm value as investors prefer current earnings to promise of future earnings as argued in the bird in hand theory. The control variables were financial leverage, management efficiency and firm liquidity which have all been found to have an influence on firm value from review of previous literature. An increase in financial leverage is hypothetically expected to increase firm value due to the tax shield benefit of debt. Efficient managers are likely to invest firms' resources optimally leading to an increase in firm value while liquidity enables firms to meet recurrent expenditures when they fall due giving the firm to meet demand and in essence enhance firm value.



**Control Variables**  
 Figure 2.1: The Conceptual Model  
 Source: Researcher (2021)

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

To evaluate the effect of dividend payout on company value, a research technique is required. This methodology outlines how the research was conducted. The design, analysis, diagnostic examination, data collection methodology are all covered in this chapter.

### **3.2 Research Design**

A descriptive, cross-sectional study design was utilized in this investigation. In order to track the most recent changes to the variables (Khan, 2008). Since the researcher was attempting to explain the nature of circumstances as they were, the design was relevant. While it is certainly true that the nature of the phenomena being researched and how they interact is of significant interest to the study, it is also correct to say that the reason for studying it was to a large extent because of this nature. Cooper and Schindler (2008) asserted that descriptive study is also capable of correctly and properly representing factors that contributed to a response to the research inquiry.

### **3.3 Population and Sample**

A population, in regards to Burns and Burns (2008), is total number of noteworthy observations inside a group, for instance, event and individuals that a study has specified. All 63 NSE-listed corporations are a part of the population. Because the population was so tiny, the study was conducted as a census survey.

### **3.4 Data Collection**

For the period between January 2016 and December 2020, Annual financials of the businesses under investigation were retrieved from the CMA, and each company's

annual report was checked for financial data, providing secondary data that were reported in a data collection sheet. Book as well as Market value of equity, EPS, total revenue, total assets, DPS, EPS and total debt were among the relevant data obtained.

### **3.5 Data Analysis**

Data was analyzed with aid of SPSS version 24. The outcome was reported by quantifying the data by use table and graphs. Descriptive statistics was used to summarize the data obtained from the firms. In reporting the data, which was in tabulated form, frequencies, central tendency measures, percentages, as well as dispersion were used. Coefficient of determination, ANOVA, multiple regressions and Pearson correlation were also applied.

#### **3.5.1 Diagnostic Tests**

Several diagnostic tests were performed to investigate the study model's viability, including the stationarity, normality, the autocorrelation, Hausman specification and homogeneity, multicollinearity,. The normalcy assumption is based on skewness, kurtosis, and the Shapiro Wilk test, and it presupposes normalization of the data. Using the logarithmic transformation, the value of one of the variables was transformed and normalized when it was found to be non-normal.

The Levene test and residual plots were used to evaluate the homogeneity of variance assumption. The research utilized resilient standard errors in the model in case the data failed the test. The term "stationarity" refers to a situation in which the data's mean is not affected by time. Unit root testing was used to find it among all the variables. It was feasible for the estimations to change over time if non-stationary variables were found. This ingredient leads to erroneous estimations. As a consequence, if non-stationary variables were found, the effective differencing

technique was employed to correct the bias. In this instance, the null hypothesis was that the variable in question was non-stationary. In order to assess the feature, the LL-Chu test was employed (Khan, 2008). If the data failed this test, it was subjected to differencing.

The relationship between many correlated variables is best described by multicollinearity, which is characterized by correlation measurements like the correlation matrix and VIFs over 10 indicating multicollinearity. Any multicollinear variables were removed from the analysis, and a new measure was chosen to replace the colinear variable. Finally the Durbin Watson Statistic assessed serial correlation (autocorrelation) with values of 1.5 and 2.5 which indicate lack of autocorrelation. If the assumption was violated, robust standard error was incorporated in the model.

### 3.5.2 Analytical Model

The following model has been used:

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

Where: Y = Firm value provided yearly to the book value of the equity.

$\alpha$  = y regression intercept.

$\beta_1 \dots \beta_4$  = are the coefficients

$X_1$  = annual basis, dividend payout is determined by the ratio of DPS to EPS

$X_2$  = Firm size expressed annually by total assets represented as a natural logarithm

$X_3$  = Firm leverage provided by total debt to total assets annual ratio

$X_4$  = Management efficiency expressed by total revenue to total assets

$\varepsilon$  = error term

### **3.5.3 Tests of Significance**

To discover whether the model has statistical power as well as parameters, the researcher performed parametric tests. Using the F-test, the significance of the overall model was assessed by using ANOVA; whereas the significance of the individual coefficients was measured by running a t-test.



## **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION**

### **4.1 Introduction**

This chapter set out to examine the data gathered in so as determine the effect of dividend payout on the value of listed companies. The discoveries were represented in tables using regression analysis, correlation and descriptive statistics, as demonstrated in the following sections.

### **4.2 Descriptive Analysis**

The standard deviation, average and maximum of the variables, as well as minimum are provided in this study. The outcome for the chosen research variables are demonstrated in Table 4.1. For all of the companies listed on the NSE whose data was available for the research, SPSS was used to examine the variables across a five-year period (2016 to 2020). The values of the variables of the study are given in the following table.

**Table 4.1: Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
Firm value	270	.0071	.5700	.077671	.0836145
Dividend payout	270	.0000	2.5743	.174370	.2972294
Management efficiency	270	.3431	11.6481	2.214063	1.7710874
Firm size	270	6.8455	11.5766	9.277405	1.1563445
Leverage	270	.0246	1.4193	.502789	.2503334
Valid N (listwise)	270				

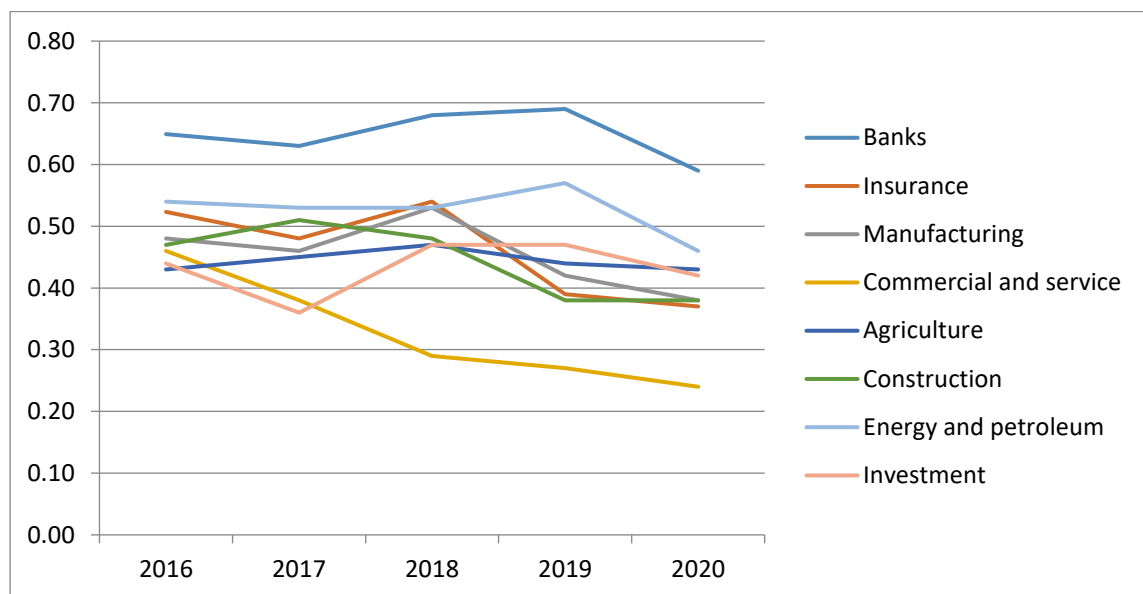
**Source: Research Findings (2021)**

### 4.3 Trend Analysis

Trend analysis was conducted for dividend payout, firm size, leverage, management efficiency and firm value. The analysis presented firms based on their segment. The following subsection provide trend analysis.

#### 4.3.1 Dividend Payout

The research attempted to identify the trend in the dividend payouts of companies throughout the study period. The analysis was conducted by classifying the firms in sectors (banks, insurance, manufacturing, commercial and service, agriculture, construction, energy and petroleum and investment). Banks were found to have the highest dividend payout followed by energy and petroleum firms. Commercial and service firms had the lowest dividend payout. The results also revealed an average decline in dividends in the year 2020. The findings are presented in Figure 4.1 below.

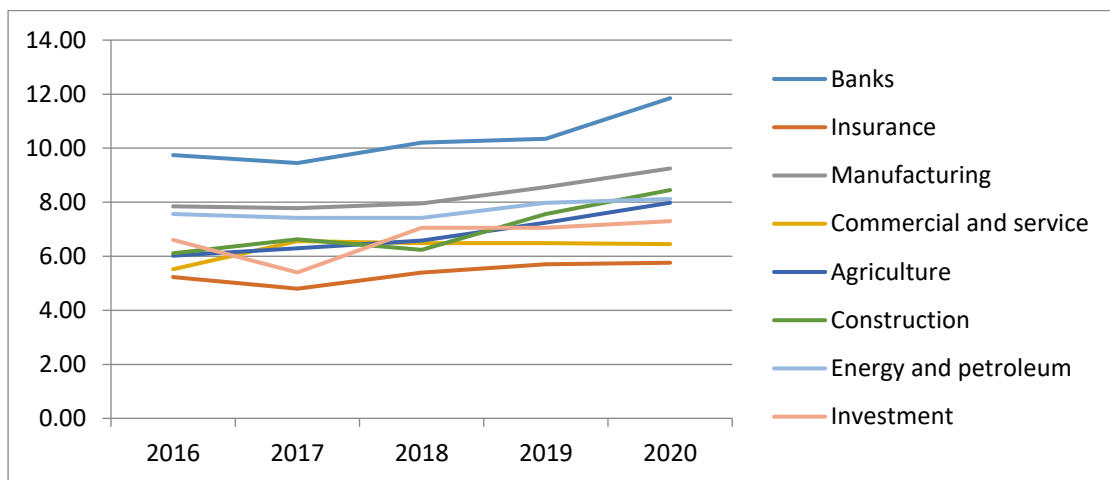


**Figure 4.1: Dividend Payout**

#### 4.3.2 Firm Size

The research attempted to determine the company size trend during the study period. The analysis was conducted by classifying the firms in sectors (banks, insurance,

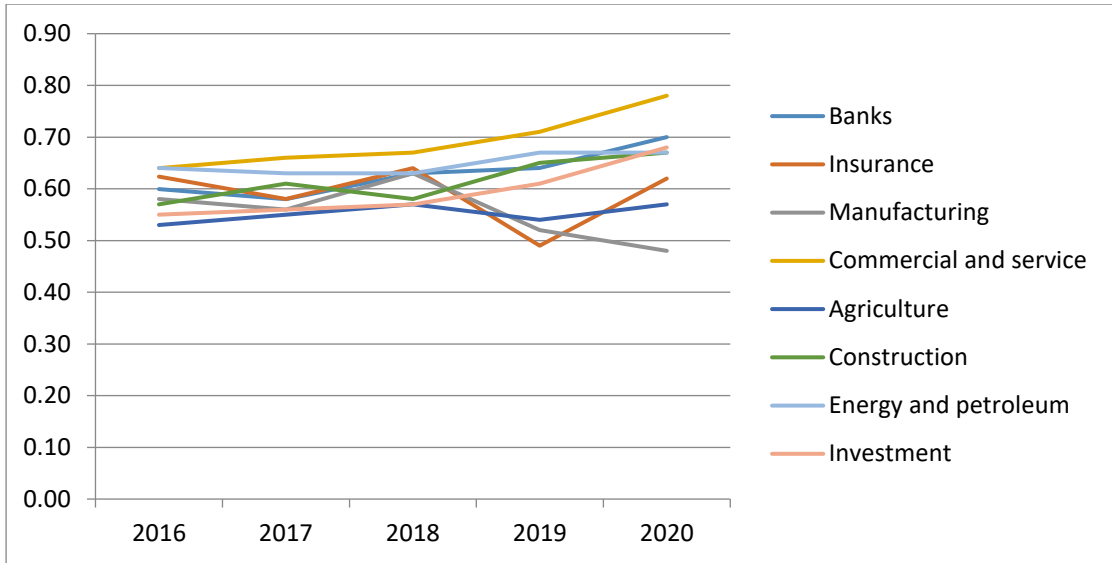
manufacturing, commercial and service, agriculture, construction, energy and petroleum and investment). From the analysis it is very obvious that manufacturing firms and commercial banks are bigger than the other listed firms. Energy and petroleum firms are third in terms of size while insurance firms are the smallest. The findings also reveal that on average, the size of listed firms have been on the rise over the years. Figure 4.2 shows the findings.



**Figure 4.2: Firm Size**

### 4.3.3 Financial Leverage

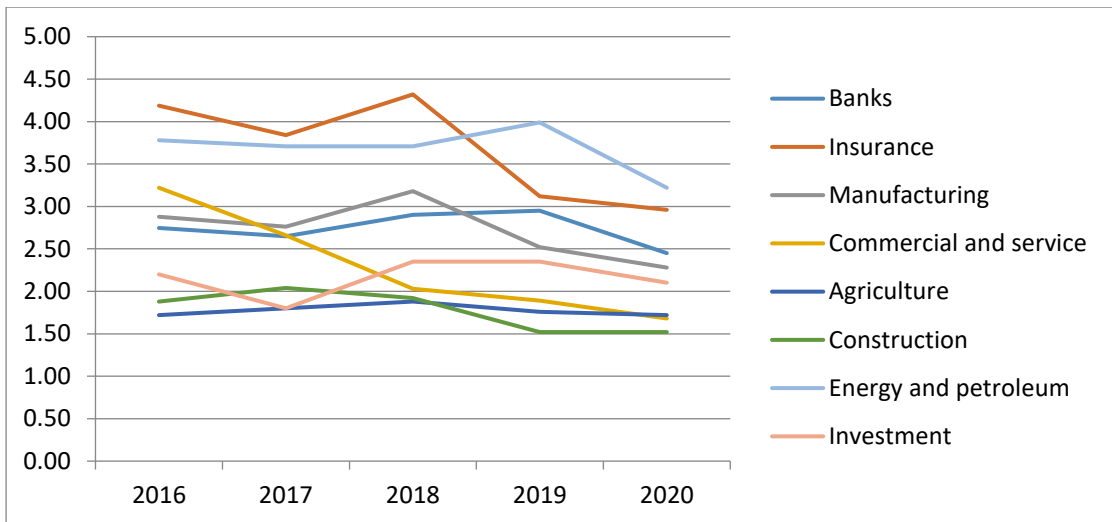
This research wanted to determine whether or not listed companies trended towards increased financial leverage throughout the duration of the study. The analysis was conducted by classifying the firms in sectors (banks, insurance, manufacturing, commercial and service, agriculture, construction, energy and petroleum and investment). To calculate financial leverage, you divide total debt by total assets. Commercial and service firms had the highest debt. The results also reveal that on average, the financial leverage of listed firms has been on the rise. The results are presented in the figure 4.3 below.



**Figure 4.3: Financial Leverage**

#### 4.3.4 Management Efficiency

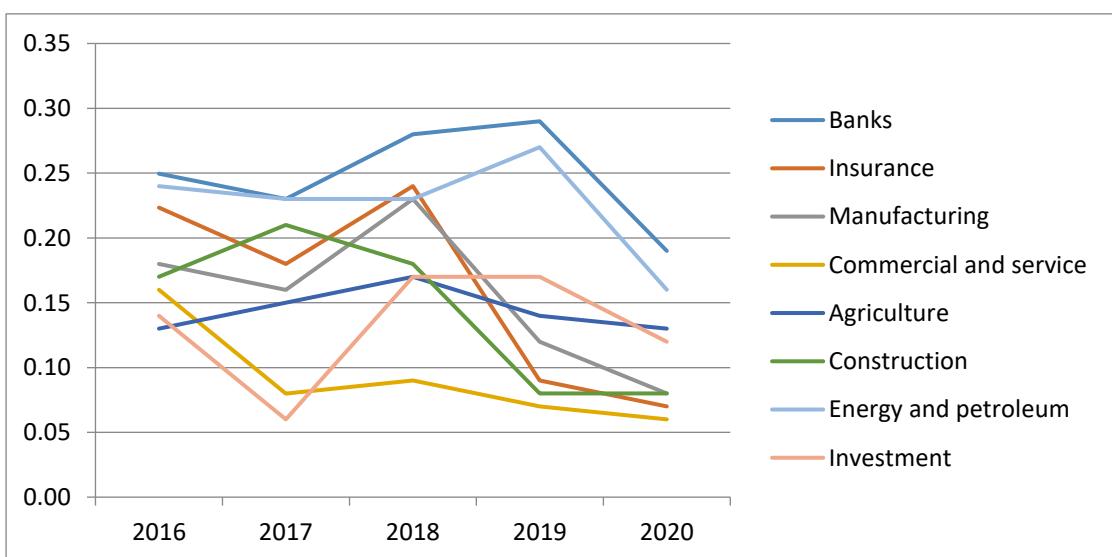
The researchers aimed to find out how the company's overall efficiency had evolved throughout the course of the study. The analysis was conducted by classifying the firms in sectors (banks, insurance, manufacturing, commercial and service, agriculture, construction, energy and petroleum and investment). As shown in the trend analysis, in 2016 insurance firms had the highest management efficiency followed by energy and petroleum firms while agricultural firms had the least management efficiency. In 2020, energy and petroleum firms had the highest management efficiency while construction and allied firms had the least management efficiency. The findings are as shown in Figure 4.4 below



**Figure 4.4: Management Efficiency**

#### 4.3.5 Firm Value

The study aimed on determining the trend in the value of listed firms throughout the study's time span. The analysis was conducted by classifying the firms in sectors (banks, insurance, manufacturing, commercial and service, agriculture, construction, energy and petroleum and investment). The firm value of commercial banks was the highest throughout the 5 years. Investment firms had the least value in 2016 while commercial and service firms had the least value in 2020.



**Figure 4.5: Firm Value**

#### 4.4 Diagnostic Tests

Diagnostic tests were run before performing the regression model. This research centers on the diagnostic tests used in connection to the present investigation, including the Stationarity testing, autocorrelation testing, multivariate collinearity, normality test, , heteroscedasticity testing and Hausman specification test.

##### 4.4.1 Multicollinearity Test

In statistics, multicollinearity is the situation in which several predictor variables are strongly linked. Strong correlations between independent variables are a bad thing. Perfect multicollinearity occurs when there are more than one linear relationship between a number of variables.

**Table 4.2: Multicollinearity Test for Tolerance and VIF**

Variable	Collinearity Statistics	
	Tolerance	VIF
Dividend payout	0.503	1.988
Financial leverage	0.310	3.226
Firm size	0.380	2.632
Management efficiency	0.706	1.416

**Source: Research Findings (2021)**

The data was subjected to a multicollinearity test. The VIF values were combined with the variable's Tolerance. Multicollinearity is present when the tolerance value is 0.2 or more, and the VIF value is less than 10. There was no multicollinearity, as indicated by a tolerance value of above 0.2 and a VIF value of less than 10.

##### 4.4.2 Normality Test

Tests of Kolmogorov-Smirnov and Shapiro-Wilk were utilized to determine normalcy. The alternative hypotheses and null hypotheses are listed below.

H<sub>0</sub>: the secondary data was not normally distributed.

H<sub>1</sub> the secondary data was normally distributed

A p-value of 0.05 or above would indicate that the null hypothesis should be rejected, whereas a p-value of less than 0.05 means the null hypothesis should be accepted.

Below, you'll find a summary of the results, shown in table 4.3.

**Table 4.3: Normality Test**

	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	Df	Sig.
Firm value	.161	270	.300	.869	270	.853
DPR	.173	270	.300	.918	270	.822
Firm size	.178	270	.300	.881	270	.723
Leverage	.175	270	.300	.874	270	.812
Management efficiency	.176	270	.300	.892	270	.784

a. Lilliefors Significance Correction

**Source: Research Findings (2021)**

When analyzing the data, a p-value larger than 0.05 was observed, meaning that the null hypothesis was not supported, hence the data was normally distributed since the alternative hypothesis was supported. Use of this information may now be applied for parametric tests like ANOVA, Pearson's correlation and regression analysis.

#### 4.4.3 Heteroskedasticity Test

Cross-sectional units tend to exhibit homoskedastic error processes; however, unit-specific variances are more common and are referred to as group-wise heteroscedasticity. The command with the heftiest weight is used in computing the Breuch Pagan group wise Heteroscedasticity when residuals are utilized. The null hypothesis states that  $\sigma_i^2 = \sigma^2$  for  $i = 1 \dots Ng$ , where Ng is the number of cross-sectional units.

**Table 4.4: Heteroskedasticity Test**

---

**Modified Wald test for group wise heteroscedasticity  
in fixed effect regression model**

---

H0:  $\sigma(i)^2 = \sigma^2$  for all i

chi2 (270) = 320.28

Prob>chi2 = 0.0629

---

**Source: Research Findings (2021)**

When we computed the p-value for this table, we found that the null hypothesis of Homoskedastic error terms was not rejected with a p-value of 0.0629.

#### **4.4.4 Autocorrelation Test**

The researchers were concerned that the introduction of serial correlation into their model would cause inaccurate results and required a test to detect this kind of serial correlation, the Breusch-Godfrey autocorrelation test.

**Table 4.5: Test of Autocorrelation**

---

**Wooldridge test for autocorrelation in panel data**

**H0: no first-order autocorrelation**

---

F( 1, 269) = 0.324

Prob> F = 0.5660

---

**Source: Research Findings (2021)**

According to Table 4.5, because the p-value of 0.5660 is significant, the null hypothesis of no serial connection is not rejected.

#### **4.4.5 Stationarity Test**

The test results for the Levin-Lin Chu unit root are shown in Table 4.6. Panels with unit roots were discarded because the p-values for all variables were less than 0.05. With this, the panel data for all the variables became stationary.



**Table 4.6: Levin-Lin Chu unit-root test**

<b>Levin-Lin Chu unit-root test</b>			
<b>Variable</b>	<b>Hypothesis</b>	<b>p value</b>	<b>Verdict</b>
Firm value	Ho: Panels contain unit roots Ha: Panels are stationary	0.0000	Reject Ho
Dividend payout	Ho: Panels contain unit roots Ha: Panels are stationary	0.0000	Reject Ho
Firm size	Ho: Panels contain unit roots Ha: Panels are stationary	0.0000	Reject Ho
Financial leverage	Ho: Panels contain unit roots Ha: Panels are stationary	0.0001	Reject Ho
Management efficiency	Ho: Panels contain unit roots Ha: Panels are stationary	0.0000	Reject Ho

**Source: Research Findings (2021)**

#### 4.4.6 Hausman Specification Test

**Table 4.7: Hausman Test**

<b>Firm value</b>				
<b>Column1</b>	<b>(b)</b>	<b>(B)</b>	<b>(b-B)</b>	<b>sqrt(diag(V_b-V_B))</b>
	Fixed	Random	Difference	S.E.
Dividend payout	6.154319	2.368167	3.786152	4.642177
Firm size	-9.42823	-15.33	5.901754	5.092194
Financial leverage	-4.61644	-2.01704	-2.599398	1.847248
Management efficiency	-33.2721	-17.7489	-15.52319	22.66803
chi2(4)	5.60			
Prob>chi2	0.2312			

**Source: Research Findings (2021)**

Because the resulting p-value of 0.2312 is greater than the traditional p-value of 0.05, the null hypothesis is accepted and the results of the experiment are upheld. In a random effects model, the design effects  $E(\mu_i/x_{it})$  are equal to zero, which indicates that the model is more suitable.

#### 4.5 Correlation Analysis

To investigate if there was a relationship between two variables, a correlation study was conducted. The correlation coefficient indicates a negative link if the correlation is negative, but a positive connection if the correlation is positive. In order to determine the connection between business value and the study's independent variables, the Pearson correlation test was employed. The worth of a business is positively and significantly correlated with the amount of dividends it pays and the company's size, as shown by ( $r = .244$ ,  $p = .000$ ) and ( $r = .292$ ,  $p = .040$ ) according to the results of correlation research. Other study also found a small but non-statistically significant relationship between leverage and the value of a business (the correlation coefficient was  $r = .006$ , with a p-value of  $.925$ ). According to the correlation coefficient of  $r = .137$ , and  $p = .024$ , there was a moderate positive and significant correlation between management efficiency and the value of the business.

**Table 4.8: Correlation Analysis**

		Firm value	Dividend	Firm size	Leverage	Manage
Firm value	Pearson	1				
	Sig. (2-tailed)					
Dividend payout	Pearson	.244**	1			
	Sig. (2-tailed)	0.000				
Firm size	Pearson	.292**	.190**	1		
	Sig. (2-tailed)	0.000	0.002			
Leverage	Pearson	0.006	-0.095	-0.044	1	
	Sig. (2-tailed)	0.925	0.120	0.467		
Management efficiency	Pearson	.137*	0.014	0.063	0.010	1
	Sig. (2-tailed)	0.024	0.821	0.301	0.865	

\*\* . Correlation is significant at the 0.01 level (2-tailed).  
 \* . Correlation is significant at the 0.05 level (2-tailed).  
 c. Listwise N=270

Source: Research Findings (2021)

#### 4.6 Regression Analysis

Dividend payout, company size, leverage, and management efficiency were regressed against four predictor variables for firms listed on the NSE. Table 4.9 summarizes the findings. R-squared was utilized in the research to assess the relationship between a company's selected predictor variables and the effect on the company's worth. The R-square value found in the research was 0.138, which means that the predictor variables identified in the study account for 13.8% of variations in business value. The R-square column illustrates the predictive power of the predictor variables. A R value of 0.371 indicates that there is a weak relationship between the independent variables and the dependent variable.

**Table 4.9: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.371 <sup>a</sup>	0.138	0.125	0.0782289

a. Predictors: (Constant), Management efficiency, Leverage, Firm size, Dividend payout

**Source: Research Findings (2021)**

In the table below, you can see the result of the ANOVA. Even though the P value was equal to or below the threshold p value of 0.05, the model was still statistically significant since the F statistic was equal to or greater than 10.578, which indicates that the selected explanatory variables are important determinants of firm value.

**Table 4.10: Analysis of Variance**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.259	4	.065	10.578	.000 <sup>b</sup>
	Residual	1.622	265	.006		
	Total	1.881	269			

a. Dependent Variable: Firm value  
b. Predictors: (Constant), Management efficiency, Leverage, Firm size, Dividend payout

**Source: Research Findings (2021)**

A significant relationship between each variable and the overall business value was discovered by using the T-test. The importance of the connection between the variables was shown by the P value in the Sig. column. An established statistic, such as a P - values of just under 0.05, is required together with a confidence level greater than 95% in order to say something is significant. When the p value is more than 0.05, however, because the response variable and the predictor variables seem to have zero correlation, it may be deduced that they do not significantly influence each other.

Table 4.11 presents the findings.

**Table 4.11: Model Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.092	.041		-2.238	.026
	Dividend payout	.056	.016	.198	3.403	.001
	Firm size	.018	.004	.249	4.270	.000
	Leverage	.011	.019	.034	.600	.549
	Management efficiency	.006	.003	.119	2.076	.039

a. Dependent Variable: Firm value

**Source: Research Findings (2021)**

The study findings found that dividends payout and business size had a t-value of 3.403 and a t-value of 4.270, respectively, both with P-values just under 0.05, which

means that both were significant. A p value that is equal to or greater than 5% means that leverage generated statistically significant and favorable outcomes. It is demonstrated that managerial efficiency has a positive and significant effect on company value as measured by a p-value just under 0.05. The below regression equation was formed:

$$Y = -0.092 + 0.056X_1 + 0.018X_2 + 0.006X_3$$

Where,

Y = Firm value

X<sub>1</sub> = Dividend payout

X<sub>2</sub> = Firm size

X<sub>3</sub> = Management efficiency

The constant is equal to -0.092 in the above-mentioned regression model shows that if certain independent variables (firm size, dividend payment, leverage, and management efficiency) is assigned a value of zero, the value of NSE listed companies would be -0.092. A 0.056 increase in the firm value of companies listed on the NSE would result from an increase in dividend payment with a unit. Firms listed on the NSE will see a 0.018 rise in firm value associated with a one-unit increase in company size, while management efficiency will contribute to a 0.006 increase in firm value.

#### **4.6 Discussion of Research Findings**

The goal of the study was to determine the impact of dividend payment on the valuation of NSE-listed companies. Dividend payout, which was measured using

DPR, was the independent variable. Firm size, leverage, and managerial efficiency were used as control variables in this study. Tobin Q calculated the firm value of the NSE's listed companies. The degree and direction of each predictor variable's influence on the dependent variable was examined separately.

A positive coefficient of 0.244 indicated a positive and moderate connection between dividend payment and company value as assessed by DPR. The link is likewise substantial, as shown by p values of less than 0.05. The study showed that the size of a business has a significant positive connection with the reported market value of the organization. Finally, management efficiency has a substantial and positive link with business value, whereas financial leverage does not.

According to the results of the regression study, the model could predict 13.8 percent of changes in company value. The remaining 86.2 percent, on the other hand, would be due to variables not included in this model. The connection was significant since the alpha value was more than the crucial value, according to the study. The null hypothesis was rejected since the estimated value of F was greater than the F statistic. In conclusion, the research found that the chosen independent factors had a substantial impact on firm value.

The results of the research agree with those of Jalloh (2017), who looked at how dividend policy affects shareholder wealth in Nigeria's agriculture sector. Between 2009 and 2015, the research utilized secondary data from the financials of five firms in the industry that were listed on the Nigerian Stock Exchange. Using the multiple regression technique, an ex-post facto design and analysis were used. Dividend policies were a major influence in influencing the value of shares, according to the results of multiple regression and OLS. The findings also revealed that the dividends

paid were important to investors and shareholder choices.

In addition, this research concurs with Yuko (2016), who looked at how dividend policies affect the value of NSE listed firms. As of December 2015, the study's population included 65 NSE-listed companies. Secondary data was gathered from the financial statements of the companies from 2011 to 2015. Correlation and regression were used to analyze the gathered data. The findings revealed that dividend payment and company size had a significant beneficial effect on firm value. The timing of dividend payments, as well as the method in which they were delivered, had a favorable effect on the firm's worth, according to the findings.

This finding further concurs with Githinji (2016) who studied NSE listed companies' dividend policy impacts the shareholders' value. A significance test was done at 95% confidence level. A variance analysis determined that the regression representation was substantial. Findings showed that a weak positive relation between payment rate, dividend yield, growth rate and with shareholder value. It was also established that profitability as a variable was positive and substantial to shareholder value. The conclusion drawn from the study was that policies on dividend are a substantial financial choice that should be taken into account when firms intend to raise the value of shareholders.

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

The outcomes of the previous chapters are examined in this chapter, and it goes on to make summaries of the findings, conclusions and evaluate the study's shortcomings. In addition, it makes policy recommendations that may be implemented to increase a company's anticipated firm value. The chapter ends with a list of possibilities where further study may be done.

### **5.2 Summary**

The researcher aimed to examine whether or not the valuation of companies listed at NSE is affected by dividend payout. Dividend payment, company size, leverage, and management efficiency were all independent factors. The research was carried out in a descriptive cross-sectional manner. The secondary data in all CMA reports was retrieved as the sources for a comprehensive search and the SPSS program 22 was employed to perform an analysis on it. For the 63 listed companies, the research included a five-year period from 2016 to 2020.

The Pearson correlation revealed a positive and moderate connection between dividend payment and company valuation, as shown by a positive coefficient. In statistical parlance, p values below 0.05 are interpreted as demonstrating the importance of the association. Also, according to the study, business size has a significant positive and sizable connection with reported firm valuation. Furthermore, managerial efficiency has a substantial and positive connection with company value, whereas as far as financial leverage's contribution to company value is concerned, the value is positive but still not statistically meaningful.



After analyzing the results from linear regression, it was discovered that the four selected variables were correlated with the outcomes as they accounted for 13.8 percent of variations in firm value of entities. Other variables beyond the scope of this research are thought to account for 86.2 percent of changes in the value of companies trading on the NSE. The model was affirmed to be substantial as the value of P was below 0.05. It suggests that registered entities with the NSE rely largely on the independent variables selected.

The regression model also found that payout of dividend has a substantial influence on listed entity company value, implying that increasing dividend payout has a optimistic and substantial impact on firm value. It was additionally shown that size of company has a substantial optimistic bearing on quoted firm valuation, implying that arise in a business's assets would result in a rise in firm value. Study has demonstrated that the amount of effort expended by management efficiency has an optimistic and optimistic effect on its worth, inferring that companies with more efficient managers would have greater value on average than companies with less efficient managers.

### **5.3 Conclusion**

By analyzing each of these variables, it was discovered that payout, business size, and management efficiency are all linked to a company's overall worth. Dividend payment has been shown to have a substantial optimistic impact on the worth of publicly traded firms, thus this research indicates that dividend payout has a substantial connection with the impact on listed firm valuation, suggesting that value of a firm is influence by its size.

Evidence suggests that leverage may lead to increased company value, although this relationship is not scientifically proven for companies listed on the NSE, It insinuates

that as debt financing grows, it results to a small but substantial increase in company value. As a result, this research indicates that companies with more debt on their books do not always have a greater firm value than those with less debt. Managerial efficiency has led to a demonstrable increase in company value that is statistically significant, implying that when it comes to managerial efficiency, a substantial influence is made on the worth of the firm.

Based on the research outcome, it seems that the predictor factors for listed companies' share price; and management efficiency, dividend payment, leverage, company and size all substantially impact the share price of listed firms. In addition, ANOVA summary's p-value may serve as further evidence to conclude that these variables have impacted company valuation substantially. Because this research has shown that independent variables account for 13.8% of listed firm value in the NSE, it can be assumed that 86.2% of total value fluctuation is therefore explained by factors not addressed in this study.

#### **5.4 Recommendations**

The payment of dividends has been shown to have a noteworthy beneficial impression on the valuation of publicly traded firms. The research recommended that businesses, whether publicly traded or not, should aim to pay dividends, since this has been shown to be a major contribution to achieving a company's main goal, to achieve the most value for shareholders. The size of a company has been shown to have a beneficial effect on its valuation on the NSE.

This research suggests that managers of these companies take appropriate steps to increase their asset base and so improve their firm's value growth. Generally, firms should concentrate on increasing their assets, whether or not they are publicly traded.

This will increase company value and ultimate aim of increasing shareholder value eventually results in company success.

The findings show that company management efficiency has a considerable impact on the valuation of the sampled listed companies. The research therefore recommends that firms need to higher efficient managers to boost their firm value. In addition, there should be control mechanisms such as corporate governance to ensure that managers pursue the objectives of the firm. To guarantee that the ultimate objective of increasing shareholders' wealth is achieved, this strategy must be implemented.

### **5.5 Limitations of the Study**

It was a 5-year research (starting in 2016 and ending in 2020). This isn't evidence that a lengthier research period would provide comparable findings. Furthermore, there is no guarantee that the same results will remain true after 2020. A longer time would be more trustworthy since it would account for significant occurrences that were not taken into account in this research. Data quality is one of the study's shortcomings. It is impossible to know if the investigation's conclusions reflect true facts about the issue.

It is assumed that the information is correct. Based on current circumstances, the readings may vary from one year to the next. Although primary data offers the opportunity to get first-hand expertise, secondary data which is already in the public sphere and which was previously collected is used in this research. The research only looked at a few factors that influence the value of publicly traded companies, not all of them.

To study the data, a regression model was applied. The model's shortcomings, such as inaccurate and completely wrong when figures vary depending on the situation,

prevent researchers from concluding that their findings are true across all situations. The anticipated relationship between the variables may fail to hold when additional data is added to the model.

### **5.6 Suggestions for Further Research**

The study intended to find out if dividend payout had an effect on share value, and secondary data was utilized. It is suggested that a larger research study be conducted using primary data such as surveys and interviews, and that it include all of the listed companies. More factors such as company age, industry practices, corporate governance, growth prospects and other macro-economic variables are recommended since the research made an effort to include all independent factors, but did not completely investigate all of them.

By determining how each element affects the value of publicly traded companies, policymakers will be able to identify the instruments that will maximize shareholder wealth. Because the data was just recent, the research only looked at the last five years. Additional research may employ a broader spectrum, which could help validate or refute the findings. Finally, since regressions are unable to accurately represent a relationship, alternative models might be employed to explain that relationship.

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## APPENDICES

### Appendix I: Firms Listed at the NSE

	<b>COMPANY</b>	<b>SECTOR</b>	<b>YEAR OF LISTING</b>
1	<u>Deacons (East Africa)</u>	Consumer Services	2016
2	<u>Nairobi Business Ventures</u>	Consumer Services	2016
3	<u>Stanlib Fahari I-REIT</u>	Financials	2015
4	<u>Atlas African Industries</u>	Industrials	2014
5	<u>Flame Tree Group Holdings</u>	Basic Materials	2014
6	<u>Kurwitu Ventures</u>	Financials	2014
7	<u>Nairobi Securities Exchange</u>	Financials	2014
8	<u>Home Afrika</u>	Financials	2013
9	<u>I&amp;M Holdings</u>	Financials	2013
10	<u>CIC Insurance Group</u>	Financials	2012
11	<u>Umeme</u>	Utilities	2012
12	<u>Britam (Kenya)</u>	Financials	2011
13	<u>TransCentury</u>	Industrials	2011
14	<u>Co-operative Bank of Kenya</u>	Financials	2008
15	<u>Safaricom</u>	Telecommunications	2008
16	<u>Kenya Re-Insurance Corporation</u>	Financials	2007
17	<u>Liberty Kenya Holdings</u>	Financials	2007
18	<u>Equity Group Holdings</u>	Financials	2006
19	<u>Eveready East Africa</u>	Consumer Goods	2006
20	<u>KenGen Company</u>	Utilities	2006
21	<u>WPP Scangroup</u>	Consumer Services	2006
21	<u>WPP Scangroup</u>	Consumer Services	2006
22	<u>Mumias Sugar Co</u>	Consumer Goods	2001
23	<u>ARM Cement</u>	Industrials	1997
24	<u>TPS Eastern Africa</u>	Consumer Services	1997
25	<u>Kenya Airways</u>	Consumer Services	1996
26	<u>National Bank of Kenya</u>	Financials	1994
27	<u>Sameer Africa</u>	Consumer Goods	1994
28	<u>Longhorn Publishers</u>	Consumer Services	1993
29	<u>Crown Paints Kenya</u>	Basic Materials	1992
30	<u>HF Group</u>	Financials	1992

21	<u>WPP Scangroup</u>	Consumer Services	2006
22	<u>Mumias Sugar Co</u>	Consumer Goods	2001
23	<u>ARM Cement</u>	Industrials	1997
24	<u>TPS Eastern Africa</u>	Consumer Services	1997
25	<u>Kenya Airways</u>	Consumer Services	1996
26	<u>National Bank of Kenya</u>	Financials	1994
27	<u>Sameer Africa</u>	Consumer Goods	1994
28	<u>Longhorn Publishers</u>	Consumer Services	1993
29	<u>Crown Paints Kenya</u>	Basic Materials	1992
30	<u>HF Group</u>	Financials	1992
31	<u>Uchumi Supermarkets</u>	Consumer Services	1992
32	<u>KCB Group</u>	Financials	1989
33	<u>Standard Chartered Bank Kenya</u>	Financials0	1988
34	<u>Total Kenya</u>	Oil & Gas	1988
35	<u>Barclays Bank of Kenya</u>	Financials	1986
36	<u>Jubilee Holdings</u>	Financials	1984
37	<u>Express Kenya</u>	Consumer Services	1978
38	<u>Olympia Capital Holdings</u>	Industrials	1974
39	<u>East African Cables</u>	Industrials	1973
40	<u>Nation Media Group</u>	Consumer Services	1973
41	<u>Carbacid Investments</u>	Basic Materials	1972
42	<u>Diamond Trust Bank Kenya</u>	Financials	1972
43	<u>Eaagads</u>	Consumer Goods	1972
44	<u>East African Breweries</u>	Consumer Goods	1972
45	<u>East African Portland Cement</u>	Industrials	1972
46	<u>Kapchorua Tea Kenya</u>	Consumer Goods	1972
47	<u>Kenya Power &amp; Lighting</u>	Utilities	1972
48	<u>Williamson Tea Kenya</u>	Consumer Goods	1972
49	<u>NIC Group</u>	Financials	1971
50	<u>Unga Group</u>	Consumer Goods	1971
51	<u>Bamburi Cement</u>	Industrials	1970
52	<u>Stanbic Holdings</u>	Financials	1970
53	<u>B O C Kenya</u>	Basic Materials	1969
54	<u>BAT Kenya</u>	Consumer Goods	1969
55	<u>Centum Investment</u>	Financials	1967
56	<u>Limuru Tea</u>	Consumer Goods	1967
57	<u>Sasini</u>	Consumer Goods	1965

58	<u>Sanlam Kenya</u>	Financials	1963
59	<u>KenolKobil</u>	Oil & Gas	1959
60	<u>Kenya Orchards</u>	Consumer Goods	1959
61	<u>Standard Group</u>	Consumer Services	1954
62	<u>Kakuzi</u>	Consumer Goods	1951
63	<u>Car &amp; General (K)</u>	Consumer Services	1940

## Appendix II: Research Data

Company	Year	Firm value	Dividend payout	Management efficiency	Firm size	Leverage
Athi river mining	2020	0.1600	0.6494	1.7659	10.6304	0.5125
	2019	0.0600	0.6452	2.9085	10.7081	0.4556
	2018	0.1500	0.7353	5.9581	10.7155	0.6756
	2017	0.0400	0.7813	11.6481	10.5672	0.7448
	2016	0.0500	0.8029	7.5035	10.4728	0.7232
Bamburi	2020	0.1400	0.2959	2.1231	10.6604	0.2742
	2019	0.1500	0.3463	3.2366	10.5285	0.3254
	2018	0.1200	0.3030	1.0823	10.6222	0.2887
	2017	0.0900	0.4020	2.2792	10.6033	0.2953
	2016	0.1100	0.4587	1.3029	10.6336	0.2754
Car & General	2020	0.0100	0.1095	1.5945	9.9731	0.6428
	2019	0.0200	0.1024	1.4376	9.9870	0.6662
	2018	0.0200	0.0965	1.0129	9.9537	0.6639
	2017	0.0400	0.1096	0.9113	9.9113	0.6526
	2016	0.0600	0.1087	2.3548	9.8389	0.6372
Carbacid	2020	0.1300	0.5983	3.0471	9.5194	0.1158
	2019	0.1200	0.5072	3.0008	9.4888	0.1323
	2018	0.1300	0.4762	2.8067	9.4726	0.1656
	2017	0.1700	0.4516	2.9726	9.4037	0.1472
	2016	0.2200	0.3627	2.8340	9.3433	0.1270
Crown Berger	2020	0.0400	0.0400	3.2485	9.7688	0.7007
	2019	0.0500	0.0500	6.2517	9.7041	0.6912
	2018	0.0100	0.0100	2.0761	9.6570	0.7020
	2017	0.0100	0.0100	2.0507	9.5858	0.6503
	2016	0.0700	0.0700	2.6737	9.4691	0.5377
East Africa Cables	2020	0.1000	0.0000	1.9401	9.8475	0.7331
	2019	0.0800	0.0000	1.0225	9.8779	0.6613
	2018	0.0200	0.0200	0.7213	9.9235	0.5954
	2017	0.3900	0.3900	0.6988	9.8970	0.6081
	2016	0.0600	0.0600	0.8031	9.8331	0.5497
E.A Portland	2020	0.0400	0.0000	1.0523	10.4371	0.3826
	2019	0.1500	0.1500	2.3571	10.4447	0.3554
	2018	0.3100	0.3100	2.2968	10.3638	0.4025
	2017	0.0200	0.0000	2.6813	10.1964	0.5734
	2016	0.1100	0.1100	2.3480	10.2077	0.5605
Eveready	2020	0.3500	0.0000	2.6204	8.8880	0.2890
	2019	0.1800	0.7874	1.3164	9.0346	0.5506
	2018	0.3900	0.0000	1.1960	9.1795	0.4309

Company	Year	Firm value	Dividend payout	Management efficiency	Firm size	Leverage
	2017	0.1900	0.0000	1.1739	8.9685	0.7651
	2016	0.0500	0.0000	1.2056	8.9734	0.5803
Kakuzi	2020	0.1000	0.1000	1.2276	9.7594	0.2478
	2019	0.1100	0.1100	1.0562	9.7045	0.2405
	2018	0.1200	0.1200	1.0962	9.4807	0.3577
	2017	0.0400	0.0400	1.1120	9.5863	0.2284
	2016	0.0500	0.0500	1.1601	9.5703	0.2211
Kengen	2020	0.0200	0.0200	1.1233	11.5766	0.5144
	2019	0.0200	0.0200	4.5106	11.5650	0.5296
	2018	0.1900	0.1900	6.2963	11.5347	0.5866
	2017	0.0200	0.0200	10.0893	11.3983	0.6934
	2016	0.0300	0.0300	4.2579	11.2757	0.6071
Kenolkobil	2019	0.0900	0.0900	1.1065	10.3838	0.5924
	2018	0.1000	0.1000	1.1464	10.2400	0.5076
	2017	0.0400	0.0400	1.3815	10.3787	0.6935
	2016	0.0200	0.0200	1.5359	10.4490	0.7629
KPLC	2020	0.0200	0.0200	1.4639	11.5336	0.7952
	2019	0.0200	0.0200	1.2832	11.4735	0.7848
	2018	0.0300	0.0300	1.1679	11.4401	0.6970
	2017	0.0400	0.0400	1.3048	11.3442	0.6677
	2016	0.0300	0.0300	1.1971	11.2484	0.6829
KQ	2020	0.0600	0.0000	1.1606	11.1648	1.3073
	2019	0.1900	0.0000	1.5853	11.1922	1.2291
	2018	0.1900	0.0000	0.9464	11.2602	1.0328
	2017	0.0200	0.0000	1.0851	11.1722	0.8101
	2016	0.0400	0.0000	1.0237	11.0888	0.7456
Safaricom	2020	0.3000	0.5688	1.4691	11.2087	0.1556
	2019	0.2400	0.9460	0.9836	11.2019	0.1738
	2018	0.2000	0.7737	1.3339	11.1958	0.3356
	2017	0.1700	0.8656	1.5404	11.1290	0.3222
	2016	0.1400	0.8229	1.2591	11.1101	0.3771
Sameer	2020	0.0099	0.3888	1.1154	9.4727	0.3930
	2019	0.2000	0.4301	4.1442	9.5173	0.4443
	2018	0.0100	0.4566	6.6570	9.5742	0.3845
	2017	0.0200	0.4000	7.9538	9.5863	0.3275
	2016	0.1200	0.3810	8.4745	9.5645	0.2696
Sasini	2020	0.0200	0.0200	3.3451	10.1204	0.1425
	2019	0.0300	0.0300	0.9506	10.2258	0.1037
	2018	0.1300	0.1300	1.0966	10.2053	0.0904
	2017	0.3800	0.3800	1.4218	10.1740	0.1881
	2016	0.0100	0.0100	1.4858	9.9569	0.2950

<b>Company</b>	<b>Year</b>	<b>Firm value</b>	<b>Dividend payout</b>	<b>Management efficiency</b>	<b>Firm size</b>	<b>Leverage</b>
Standard Group	2020	0.0500	0.0000	1.7358	9.6493	0.5820
	2019	0.0500	0.0500	1.2374	9.6439	0.5287
	2018	0.0700	0.0000	0.9502	9.6390	0.5689
	2017	0.0500	0.0500	0.9346	9.6129	0.4618
	2016	0.0500	0.0500	0.9684	9.6194	0.5065
Total Kenya	2020	0.0700	0.0700	1.2242	10.5799	0.4366
	2019	0.0600	0.0600	1.6434	10.5585	0.4653
	2018	0.0500	0.0500	1.0320	10.5343	0.4858
	2017	0.0400	0.0400	0.9226	10.5124	0.4953
	2016	0.0300	0.0300	0.8973	10.6019	0.6154
TransCentury	2019	0.2100	0.0000	1.1574	10.2728	1.0060
	2018	0.0500	0.0000	0.5021	10.2767	0.7975
	2017	0.0500	0.0000	0.4648	10.2767	0.9662
	2016	0.0800	0.0000	0.5627	10.3388	0.3658
	2015	0.0300	0.0300	1.4005	10.3773	0.4455
Uchumi	2018	0.5700	0.0000	0.6245	9.6992	1.4193
	2017	0.5300	0.0000	0.7402	9.8071	0.8674
	2016	0.0800	0.0800	0.6930	9.8379	0.5202
Unga Group	2020	0.0600	0.1477	0.6361	10.0115	0.4664
	2019	0.0600	0.6623	2.2050	9.9638	0.3808
	2018	0.0700	0.2315	2.5238	9.9381	0.3826
	2017	0.0600	0.1898	3.3740	9.9045	0.3937
	2016	0.0400	0.2055	2.8332	9.9089	0.4708
Nation Media	2020	0.1200	0.1200	3.0200	10.0539	0.2786
	2019	0.1300	0.1300	4.4016	10.0854	0.2851
	2018	0.1600	0.1600	2.3280	10.1037	0.2948
	2017	0.2000	0.2000	1.7710	10.0772	0.2659
	2016	0.2300	0.2300	1.8952	10.0586	0.2797
BOC Kenya	2020	0.0200	1.5476	2.1309	9.3480	0.2771
	2019	0.0600	2.5743	0.9554	9.3471	0.2403
	2018	0.0600	0.8037	1.2192	9.3657	0.2615
	2017	0.1000	0.6833	1.1561	9.3618	0.2405
	2016	0.0800	0.4422	1.1158	9.4205	0.2165
EABL	2020	0.1200	0.7650	1.0780	10.8239	0.8202
	2019	0.1600	0.5664	1.5236	10.7906	0.8878
	2018	0.1400	0.4508	1.4882	10.8257	0.8005
	2017	0.1100	0.6625	1.2774	10.7984	0.8552
	2016	0.1100	0.6691	1.2997	10.7613	0.8684
Eaagads Ltd	2019	0.1700	0.1700	1.1003	8.9651	0.0783
	2018	0.0500	0.0500	0.6298	8.8815	0.0910

<b>Company</b>	<b>Year</b>	<b>Firm value</b>	<b>Dividend payout</b>	<b>Management efficiency</b>	<b>Firm size</b>	<b>Leverage</b>
	2017	0.0100	0.0100	1.5950	8.6334	0.1478
	2016	0.0900	0.0000	1.4871	8.6491	0.1914
Williamson Tea	2020	0.1000	0.1000	1.2846	9.9780	0.2388
	2019	0.0300	0.0000	1.4099	9.9224	0.2651
	2018	0.0500	0.0500	0.3431	9.9509	0.2212
	2017	0.0100	0.0100	0.6717	9.9324	0.2289
	2016	0.0900	0.0900	2.9726	9.9314	0.2535
Kapchorua Tea	2020	0.0300	0.0000	2.8340	9.3076	0.3028
	2019	0.0500	0.0500	3.2485	9.3313	0.2939
	2018	0.0100	0.0000	6.2517	9.2974	0.2801
	2017	0.0700	0.0700	2.0761	9.2854	0.2843
	2016	0.0900	0.0900	2.0507	9.3177	0.3822
Limuru Tea	2020	0.0700	0.0000	2.6737	8.4183	0.2833
	2019	0.0800	0.0000	2.8280	8.4505	0.2710
	2018	0.0100	0.0100	2.9102	8.4966	0.2674
	2017	0.0100	0.0000	3.4630	8.5297	0.2358
	2016	0.0800	0.0800	3.6012	8.5353	0.2410
Express	2020	0.0700	0.0000	4.3590	8.5741	1.1388
	2019	0.2500	0.0000	1.7659	8.5793	0.9389
	2018	0.1400	0.0000	2.9085	8.6453	0.7282
	2017	0.1600	0.0000	5.9581	8.6794	0.6733
	2016	0.0100	0.0000	11.6481	8.6817	0.5869
TPS	2020	0.0100	0.0100	7.5035	10.2427	0.4759
	2019	0.0100	0.0000	2.1231	10.2300	0.4368
	2018	0.0300	0.0000	3.2366	10.1991	0.3876
	2017	0.0100	0.0100	1.0823	10.2025	0.3467
	2016	0.0300	0.0300	2.2792	10.2078	0.3458
Scan Group	2020	0.0400	0.0400	1.3029	10.1386	0.3484
	2019	0.0300	0.0300	1.5945	10.1299	0.3469
	2018	0.0200	0.0200	1.4376	10.0958	0.3099
	2017	0.0400	0.0400	1.0129	10.1233	0.3569
	2016	0.0600	0.0600	0.9113	10.1053	0.3686
Business Venture	2020	0.2300	0.0000	2.3548	8.1575	0.6834
	2019	0.0300	0.0300	3.0471	8.1915	0.6793
	2018	0.0300	0.0300	3.0008	8.0483	0.5936
	2017	0.1000	0.1000	2.8067	7.9003	0.7626
	2016	0.0300	0.0300	2.9726	7.6541	0.7537
Home Africa	2020	0.0400	0.0000	2.8340	9.6511	1.0875
	2019	0.0400	0.0000	3.2485	9.5944	1.0535



Company	Year	Firm value	Dividend payout	Management efficiency	Firm size	Leverage
	2018	0.1000	0.0000	6.2517	9.5868	1.0108
	2017	0.0300	0.0000	2.0761	9.5704	0.9063
	2016	0.0300	0.0300	2.0507	9.4864	0.8892
Kurwitu	2020	0.0800	0.0000	2.6737	8.1475	0.5301
	2019	0.0300	0.0000	2.2713	8.7080	0.5264
	2018	0.0300	0.0000	1.8378	8.7810	0.5370
	2017	0.0100	0.0000	2.3583	8.7119	0.4524
	2016	0.1100	0.0000	2.5221	8.1094	0.4029
NSE	2020	0.1000	0.1000	1.3097	9.3239	0.0457
	2019	0.0900	0.0900	1.1747	9.3040	0.0748
	2018	0.1600	0.1600	1.1699	9.2829	0.0748
	2017	0.1900	0.1900	1.1666	9.2266	0.0843
	2016	0.2300	0.2300	1.1380	9.0604	0.3640
BAT	2020	0.1900	0.8568	0.4479	10.2506	0.5597
	2019	0.2600	0.7794	1.0423	10.2672	0.5245
	2018	0.2700	1.1691	1.0590	10.2714	0.5261
	2017	0.2300	0.8541	1.1121	10.2613	0.5548
	2016	0.2200	0.9988	1.1251	10.2301	0.0246
Mumias	2018	0.0600	0.0600	1.1587	10.4282	0.7179
	2017	0.2300	0.0000	1.1441	10.3103	0.7097
	2016	0.1200	0.0000	1.1447	10.3722	0.6361
Longhorn Publishers Limited	2020	0.0600	0.0600	1.0332	9.2692	0.4912
	2019	0.0500	0.0500	1.2705	9.2711	0.4925
	2018	0.0900	0.0900	1.2776	8.8384	0.4482
	2017	0.1300	0.1300	1.1715	8.8765	0.4229
	2016	0.1700	0.1700	1.1658	8.8357	0.4367
Deacons (East Africa) PLC	2018	0.1200	0.0000	1.5582	9.3583	0.4861
	2017	0.0400	0.0400	1.6234	9.3955	0.3917
	2016	0.0300	0.0300	1.6385	9.2927	0.2804
ABSA	2020	0.0498	0.0498	1.5050	8.2674	0.4680
	2019	0.0389	0.0389	1.2653	8.3160	0.4500
	2018	0.0387	0.0387	1.2875	8.3543	0.4420
	2017	0.0360	0.0360	1.2781	8.3823	0.3410
	2016	0.0284	0.0284	1.2225	8.4142	0.2830
Diamond Trust Bank	2020	0.0498	0.0498	1.0468	8.2674	0.4000
	2019	0.0389	0.0389	1.1691	8.3160	0.3180
	2018	0.0387	0.0387	1.1254	8.3543	0.3990
	2017	0.0360	0.0360	1.0996	8.3823	0.4000

Company	Year	Firm value	Dividend payout	Management efficiency	Firm size	Leverage
	2016	0.0284	0.0284	1.0417	8.4142	0.3350
Standard Chartered Bank Kenya Ltd	2020	0.0449	0.0449	1.2396	8.2908	0.3260
	2019	0.0446	0.0446	1.1984	8.3432	0.3380
	2018	0.0471	0.0471	1.1591	8.3473	0.3760
	2017	0.0278	0.0278	1.1483	8.3692	0.3370
	2016	0.0374	0.0374	1.0814	8.3988	0.4600
NCBA	2020	0.0417	0.0417	2.0954	8.0348	0.6790
	2019	0.0414	0.0414	2.3650	8.0830	0.4140
	2018	0.0427	0.0427	2.5203	8.1637	0.7370
	2017	0.0386	0.0386	2.2533	8.2195	0.5460
	2016	0.0364	0.0364	2.3134	8.2291	0.3900
National Bank	2018	0.0140	0.0140	2.9412	7.9661	0.4400
	2017	0.0074	0.0074	2.3810	8.0894	0.4200
	2016	0.0096	0.0000	2.6316	8.0964	0.3800
KCB Bank	2020	0.0378	0.0378	4.9505	8.4839	0.2020
	2019	0.0396	0.0396	2.7174	8.5088	0.3680
	2018	0.0454	0.0454	3.0211	8.5763	0.3310
	2017	0.0391	0.0391	3.2468	8.6700	0.3080
	2016	0.0407	0.0407	3.5714	8.7031	0.2800
I&M Bank	2020	0.0400	0.0400	4.7393	7.2905	0.2110
	2019	0.0420	0.0420	2.1739	8.0426	0.4600
	2018	0.0230	0.0230	2.9412	8.1377	0.3400
	2017	0.0410	0.0410	3.2895	8.1698	0.3040
	2016	0.0410	0.0410	3.4364	8.2152	0.2910
HFCK	2020	0.0189	0.0189	2.9674	7.6094	0.3370
	2019	0.0185	0.0185	2.6596	7.6698	0.3760
	2018	0.0162	0.0162	1.4728	7.7817	0.6790
	2017	0.0212	0.0212	2.4155	7.0011	0.4140
	2016	0.0113	0.0113	1.3569	7.0000	0.7370
Equity Bank	2020	0.0560	0.0560	1.8315	8.3341	0.5460
	2019	0.0560	0.0560	2.5641	8.3769	0.3900
	2018	0.0670	0.0670	2.9412	8.4411	0.3400
	2017	0.0520	0.0520	2.2727	8.5332	0.4400
	2016	0.0420	0.0420	1.6556	8.5795	0.6040
Co-operative Bank	2020	0.0400	0.0400	2.0833	8.3003	0.4800
	2019	0.0420	0.0420	2.5000	8.3596	0.4000
	2018	0.0330	0.0330	2.9412	8.4513	0.3400
	2017	0.0340	0.0340	4.1667	8.5309	0.2400

<b>Company</b>	<b>Year</b>	<b>Firm value</b>	<b>Dividend payout</b>	<b>Management efficiency</b>	<b>Firm size</b>	<b>Leverage</b>
	2016	0.0380	0.0380	4.3478	8.5441	0.2300
Stanbic	2020	0.0233	0.0233	4.9505	7.6698	0.2020
	2019	0.0290	0.0290	2.7174	7.7817	0.3680
	2018	0.0320	0.0320	3.0211	8.2339	0.3310
	2017	0.0254	0.0254	3.2468	8.2979	0.3080
	2016	0.0219	0.0219	3.5714	8.3115	0.2800
Jubilee	2020	0.0212	0.0212	1.1971	6.8455	0.7143
	2019	0.0097	0.0097	1.1606	6.8953	0.8333
	2018	0.0330	0.0330	1.5853	7.7397	0.8750
	2017	0.0340	0.0340	0.9464	7.8129	0.8750
	2016	0.0290	0.0290	1.0851	7.8152	0.8750
Pan Africa	2020	0.0265	0.0265	1.0237	6.9446	0.8750
	2019	0.0171	0.0171	1.4691	6.9849	0.7143
	2018	0.0126	0.0126	0.9836	7.0103	0.7143
	2017	0.0162	0.0162	1.3339	7.0192	0.7143
	2016	0.0105	0.0105	1.5404	7.0159	0.7500
Kenya Re	2020	0.0546	0.0546	1.2591	7.0138	0.8750
	2019	0.0489	0.0489	1.1154	7.1349	0.7778
	2018	0.0411	0.0411	4.1442	7.2366	0.7778
	2017	0.0493	0.0493	6.6570	7.3015	0.7778
	2016	0.0375	0.0375	7.9538	7.3503	0.7500
Liberty	2020	0.0269	0.3604	8.4745	7.2804	0.7500
	2019	0.0219	0.3634	3.3451	7.2931	0.7500
	2018	0.0126	0.3731	0.9506	7.3312	0.8889
	2017	0.0123	0.3900	1.0966	7.3436	0.7778
	2016	0.0071	0.3787	1.4218	7.3507	0.7500
Britam	2020	0.0330	0.3920	1.4858	7.6641	0.9091
	2019	0.0410	0.3983	1.7358	7.7162	0.9091
	2018	0.0390	0.4046	1.2374	7.7920	0.8889
	2017	0.0310	0.4109	0.9502	7.8336	0.8750
	2016	0.0390	0.4172	0.9346	7.9186	0.8750
CIC	2020	0.0498	0.7917	0.9684	8.2674	0.8750
	2019	0.0389	0.8041	1.2242	8.3160	0.8750
	2018	0.0387	0.8085	1.6434	8.3543	0.4000
	2017	0.0360	0.8195	1.0320	8.3823	0.5000
	2016	0.0284	0.3580	0.9226	8.4142	0.5714