

**THE EFFECT OF DIVIDENDS ANNOUNCEMENTS ON STOCK PRICES AMONG
COMMERCIAL BANKS IN KENYA LISTED AT NAIROBI SECURITIES
EXCHANGE**

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DECLARATION

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



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Abstract

The study evaluates dividend announcement effects on stock prices among commercial banks in Kenya, particularly those listed in the Nairobi Securities Exchange (NSE). The study demonstrates different theories and analyses the effects of dividends on stock prices: the Efficient Market Hypothesis, the information Content of dividend hypothesis, dividend irrelevance theory and bird-in-hand theory. Furthermore, the study aimed at three objectives; 1) to establish whether the announcement of dividends leads to abnormal stock returns among commercial banks listed at NSE, 2) to give a theoretical explanation of the effect of stock prices, and 3) to identify the different commercial bank's dividend announcement and their effect on their stock prices. To realize the mentioned objectives, the study hypothesized; that 'dividend announcement impacts the stock prices of commercial banks in Kenya.' An event study is applied as a research design, demonstrating the statistical techniques on how stock prices are affected by dividend prices. Data collection involved both secondary data and historical datasets of the banks stock prices extracted from the NSE. Furthermore, the analysis involved descriptive analysis of the dataset, and the scatter plot analysis demonstrated the stock trends before and after the dividend announcement. The analysed banks show a similar trend; most of the stock prices of the analysed bank indicated an increase after the dividend announcement.

TABLE OF CONTENTS

DECLARATION.....	ii
ABSTRACT.....	iii
CHAPTER I: INTRODUCTION	7
1.1 Background of the Study.....	7
1.1.1. The Concept of Dividend and Dividend Announcement.....	8
1.1.2 Stock Price Dynamics	9
1.1.3 Dividend Announcement and Stock Price Change	11
1.1.4 Nairobi Securities Exchange	12
1.2 Research Problem	12
1.3 Research Objectives.....	14
1.4 Research Questions	14
1.5 Hypothesis.....	14
1.6 Value of the Study	14
CHAPTER II: LITERATURE REVIEW	16
2.1. Introduction.....	16
2.2. Theoretical Review.....	16
2.2.1. Efficient Market Hypothesis	16
2.2.2. The Information Content of Dividends Hypothesis (ICH).....	17
2.2.3. Dividend Irrelevance Theory	17
2.2.4. Bird-in-hand Theory.....	18
2.3. Determinants of Stock Prices in Commercial Banks.....	18
2.3.1 Earnings and Future Returns	18
2.3.2. Bank Risks	19
2.3.3. Enterprise Growth Prospects.....	19
2.3.4. Current Stock Earning and Anticipated Future Returns	19
2.3.4. Significant Announcements.....	19

2.4. Empirical Literature.....	20
2.4.1. Global Studies.....	20
2.4.2. Local Studies.....	20
2.5. Summary of the Literature Review.....	21
2.6. Conceptual Framework.....	21
CHAPTER III: METHODOLOGY.....	23
3.1. Introduction.....	23
3.2. Research Philosophy.....	23
3.3 Research Design.....	23
3.4. Research Population.....	24
3.5. Data Collection.....	24
3.5. Data Analysis.....	25
3.6 Ethical issues.....	25
CHAPTER IV:.....	27
RESULTS, ANALYSIS AND DISCUSSION.....	27
4.1. Introduction.....	27
4.2. Descriptive statistics.....	27
4.3 Analysis of the Standard Chartered Bank Kenya Limited.....	27
4.4 Analysis of the Stanbic Holding PLc.....	31
4.5 Analysis of Kenya commercial Bank.....	34
4.6 Analysis of ABSA Kenya.....	37
4.7.....	40
Analysis of Diamond Trust Bank.....	40
4.8 Discussions.....	44
CHAPTER V: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	46
5.1. Introduction.....	46
5.2. Summary of Findings.....	46

5.3. Conclusion	46
5.4. Recommendations	47
5.5. Study Limitations.....	47
5.6. Suggestions for Further Research	47
References.....	49

CHAPTER I: INTRODUCTION

1.1 Background of the Study

The stock market is an important segment of the capital markets in Kenya. It plays a crucial role in streamlining enterprise cash flow and improving stockholder value. Precisely, the investor contributions to the stock exchange markets finance various industries (Rambo, 2013). The prospects of profits shape the stock trading behaviours. Profits are gained when the selling price of stocks is higher than the buying price. However, the volatility of stocks is a significant issue for traders. There is a collective belief that stock price movements are stochastic (follow random walk), but agents rely on the available information to decide on buying and selling. When access to accurate information about an enterprise is hard, traders' dividend capture mentality can inspire people to buy stocks (Jakob and Ma, 2007). The behaviour explains the numerous puzzles in the debate about the impact of the ex-dividend date on share prices, especially the mix of stock price falls after the declaration of dividends.

Various theories have been proposed to explain trader behaviour in the market. The efficient market hypothesis (EMH) theory argues that stock prices reflect all the underlying market information (Timmermann and Granger, 2004). If the theory holds, traders are unlikely to gain by purchasing stocks after events that influence the market. When dividends are announced, the price of the stocks should incorporate the dividend value, and the stock price fall after a payout should be equal to the dividend paid. Then again, there are times when a stock falls the price that is less than the stock dividend, implying the possibility of arbitrage opportunity for traders. Notably, arbitrage entails buying assets at lower prices in one market and selling at a different market at high prices simultaneously to make profits (Jakob and Ma, 2007). The other theory that explains stock behaviours in such an event is the Information Content of Dividends Hypothesis (ICH). According to this theory, in a perfect capital market with zero taxes and rational actors, the firm's value is not affected by the announcement of the dividend, which implies that dividend announcement cannot inspire trading (Olweny, 2012). The Dividend Irrelevance theory contends that dividend decisions are extraneous and have no effect on the firm's value or capital (DeAngelo and DeAngelo, 2006), while the Bird in hand theory alleges that investors tend to be risk-averse and seek capital gains advantage through extensive research on the enterprise, market, and macroeconomics research in the stock markets (Hussainey *et al.*,

2011). From the conjectures of these theories, it is evident that the behaviour of stock traders tends to be different and are shaped by numerous factors.

The history of NSE dates back to 1954. The market was opened through the London Stock Exchange. The NSE performance is measured in two indices. Studies conducted between 2001 and 2011 indicate that the market has a weak form of inefficiency. Gain of above-average returns is common among traders with insider information such as the exit of CEOs, and business restructuring in NSE, which subjects the market's efficiency to question (Odhiambo, 2018b, Odhiambo, 2018a). Secondly, commercial banks listed on Nairobi Stock Exchange are unique; they have thrived in challenging economic times and interest rate capping. The information concerning the behaviour of stocks in the leading banks when dividends are announced in such a situation is the basis of this study.

1.1.1. The Concept of Dividend and Dividend Announcement

A dividend refers to the money paid annually by publicly listed companies to shareholders out of profits. In other words, it refers to the retained earnings paid out by a company to shareholders. Ideally, dividends are rewards for putting money into a venture. Ngoc & Cuong (2016) claim that dividend announcement is one policy that shapes corporate finance to enhance company value. According to Investinganswers.com, four key dates are essential to investors; the declaration date is when boards of directors announce the subsequent payable dividends payable; the record date is a deadline for holding the stock to receive the dividend. The ex-date is when the full settlement of stock trading occurs, while the payment date is the time of depositing the distributions into investors' accounts. Economic Times.com defines dividends as the residual profits that companies give to shareholders regularly. That said, Inestopedia.com alleges that the dividend announcement date is when the company managers declare the dividends to be paid to shareholders upon shareholder approval. Therefore, a dividend announcement can be defined as when companies declare the dividends payable to people listed as company shareholders by the record date.

Enterprises whose dividends are positive and stable tend to attract new investors and, in turn, affect the value of their stocks. After the dividend announcement, buying stocks is perceived as unprofitable because the stock price reduces the same dividend amount on the ex-dividend date (Bali, 2003). When the market opens on the ex-dividend date, the security price will drop by the dividend amount. That said, large volumes of stocks of a company that has just announced dividends will be traded because investors hope to earn the dividends and sell them at a high price after the payout, making profits. Though, this is often viewed as irrational and cannot guarantee a quick profit as the fall in stock price is equal to the dividends. Besides this, the trader must pay brokerage fees for every transaction, which implies that buying stocks on the ex-date can eventually result in losses. However, precise and clear-cut information about the impact of payment of dividends on shareholder decisions in the stock markets is scanty. The view of market inefficiency and the possibility of arbitrage in third world stock markets such as NSE, as suggested by Odhiambo (2018a), can inspire stock trading when dividends are announced.

Various scholars unanimously pay attention to paid to the share earnings for stocks traded when companies announce dividends. The number of stocks sold before and after the date is noted and used for analysis. Dividends in this study will be measured as = explicitly reported on the cash flow statements. If not reported, they will be calculated using balance sheet and income statements in the enterprise's annual report. In the latter approach, the record of the assets and liabilities of the enterprise will be used to calculate how much the company has kept in the books in retained earnings. The retained earnings are numerical and typically illustrate the enterprise's earnings in a year that have not been returned to the shareholders through dividends. The dividends for the given year will be calculated by first establishing the net change in retained earnings of the year. This is done by subtracting the retained earnings at the end of the year from those at the beginning of the year. The net change in the retained earnings is then subtracted from the year's net earnings to determine a rise or fall. A rise in the retained earnings is indicated by a less than the year's earnings and vice versa and represents the total amount of dividends paid.

1.1.2 Stock Price Dynamics

The key issues that inspire this study are the behaviours of market agents to new information when there is a limit on the activities of banks. According to Corporate Finance Institute, the

stock price refers to the current monetary value attached to a stock. Concerning price dynamics, Investopedia.com, stock price change is an upward or downward shift of the value of a security or asset. It also defines it as the difference in the closing price of a stock on a trading day and the previous one. Investing answers.com states that stock price change is the difference in trading prices from one period to the other or between the closing prices in a day. Therefore, Stock price change is the difference of stock's closing prices between two successive trading days.

Changes in stock prices are expressed numerically. The use of market data to determine the value of stock prices has been widespread in the past. People rely on stock trends and events to speculate the changes in stock price and potential gains because EMH is not practical (Borges, 2010). Therefore, observation of various factors, including the previous price and return trends, volatility, exchange rates, taxes, and anticipations for future growth when making investment decisions (Aglietta, 2000, Dimitrova, 2005). Some events can trigger a chain of under-reaction and overreaction, leading to a significant negative or positive cumulative abnormal return (Kadiyala and Rau, 2004, Brown *et al.*, 2008). Schuster (2006) avers that when there is a rise in the volumes of stocks, there is an impression of an upswing in stock demand due to anticipation of stocks' future prices to increase. Jakob and Ma (2004) and Dubinsky and Johannes (2006), and Carlson *et al.* (2002) contend that at the primary level, investors focus on the fundamental factors such as the profits and earnings of an enterprise after selling goods and services to determine the stock price.

Baker *et al.* (2002) allege that when a company announces a lower dividend than the expected ones or no dividend at all, investors can interpret it as a sign of financial difficulties in the company and sell its stocks, leading to downward pressure on the company's stocks and vice versa. Khurana and Lippincott (2000) oppose the approach of using fundamental to make market decisions with an assertion that unrelated events such a business restructuring, such as the sale of subsidiaries, can inflate earnings because of the influx of money from the sale in the short term, thus, making predictions growth of the enterprise using the P/E ratio is significantly complicated. For this reason, the price per earnings growth ratio is applied more than P/E for determining overvaluation and undervaluation (Bradshaw, 2002, Campbell and Shiller, 2001).

Notably, almost all stock price scholars linking dividend announcement with stock reactions including Ngoc, & Cuong (2016), Abbas (2015), and Legenzova *et al.* (2017), explore the topic from the perspective of abnormal returns before, during and after dividend announcement. The announcement date is assigned day zero, and the opening and closing stock prices are analysed over the entire study period. The scholars proceed to calculate the actual return for each stock and the market indices.

1.1.3 Dividend Announcement and Stock Price Change

Various theories explain the changes in stocks traded. The Efficient Market hypothesis, Dividend Irrelevance Theory, and Information Content of Dividend hypotheses contend that stock prices reflect all the market information. A decline in stock price is equivalent to dividends paid, which implies that an announcement of dividends cannot have a significant impact on the demand and price for stocks as trading in these stocks since there is no anticipation for abnormal returns (Timmermann and Granger, 2004, Olweny, 2012, DeAngelo and DeAngelo, 2006). On the other hand, the Bird in hand theory asserts that shorter terms than long-term gains more entice investors. For this reason, they are on a constant lookout for any market information that signals a possibility of gaining in the market without ignoring the possibility of failing to make such gains or losing in the process Hussainey et al., 2011).

On the other hand, the empirical studies indicate that sometimes the markets can be imperfect, leading to the undervaluation of stocks. Investors understand this possibility and analyse stocks to determine those that can generate abnormal returns in the future. When dividends are announced, the investors assess the possibility of arbitrating by buying stocks bore hand (Jacob & Ma, 2012). Though enforcement of an interest rate cap is in force, banks' profitability is likely to reduce as these institutions cut on lending (their main avenue of income) (Safavian and Zia, 2018). The anticipation for abnormal returns might, therefore, be lower when caps are in force and vice versa. However, for large banks, the possibility of diversifying investments to generate new revenue streams is higher than for small banks. That is to say, the capping of interest rates might not affect the stock returns of larger banks like those of smaller ones.

1.1.4 Nairobi Securities Exchange

Nairobi Securities Exchange is the market for securities in Kenya and is licenced under the Capital Markets Act. The history of NSE dates back to 1954. Today, there are more than 60 listed companies listed in the market. NSE is a member of the African Stock exchange association and ranks among the top four in terms of market capitalization in the continent (Odhiambo, 2018a). The NSE performance is measured in two indices; the NSE20 Share index, which is based on 20 blue-chip firms from various sectors and with solid fundamentals, and the NSE and All-share index that measures the performance of the entire market. The listed companies are categorized into different sectors of the economy among which, one is banking. The banking firms listed in the stock market are Absa Bank Kenya PLC, Stanbic Holdings Limited, Diamond Trust Bank, National bank of Kenya, BK Group Holdings, I&M Holding Ltd, NCBA Group, Equity Group holdings, and KCB.

According to Messo, Yugi Tibbs and Nyaruhanga (2020), after enacting the interest rate cap, the bank share index in the NSE 20 continued to decline. In 2016 and 2017, the stock market recorded a decline of 21% and 12%, respectively, indicating that the market expectations were revised downward. Like other parts of the world, the Kenya commercial banking system has faced multiple challenges, including intensive competition in the industry and a general decline in the economy. Interest rate capping was a significant setback to the industry because it limited the operations of the enterprises. Despite this, some of the top banks recorded gains in stocks when interest rate capping was in force and in the context of challenging economic times, according to the Kenyan Wall Street. The persistent performance can be attributed to their competitiveness and capability to diversify their revenue streams. Thus, the Kenyan banks are unique because they have exhibited outstanding endurance during the interest rate cap. Some of them even recorded profits during such challenging economic times when their capitalization was threatened by the increased tendency of the investors to sell their shares.

1.2 Research Problem

The misunderstanding of the impact of dividend day on stocks' prices has triggered numerous debates for a long time. Scholars such as Dimitrova (2005) assert that stock prices have a

stochastic property (random walk), which implies that it is hard to predict future stock prices based on past information. Theories such as EMH, ICH, and dividend irrelevance state that buying stocks after the dividend announcement cannot enhance gains, but the Bird-in-Hand states that the traders can use any form of information that appears meaningful to purchase or dispose of stocks.

Commercial banks' performance declines with interest rate caps since the enterprises rely on lending for profit. This research is inspired by studies describing stock trading dynamics in weak markets like Odhiambo (2018a). The scholars hold that the weak efficiency of third world markets, including NSE, compel traders to rely on events and inside information to analyse stocks before trading. The interest rate cap, which affects the profits of commercial banks, is the most conspicuous event that can be used to test this phenomenon.

When interest rate caps came to force in 2016, banks' risky lending process reduced, as suggested by Safavian and Zia (2018). To minimize risk and enhance stockholders' value, it was vital to cut off riskier customers from the lending process. Such market challenges have necessitated innovation for survival among microfinance institutions. Interest rate caps are likely to discourage traders from buying bank stocks since the speculated revenues are low. However, larger banks can diversify their business and generate new revenue streams compared to their smaller counterparts. That is to say, the demand for stocks of larger commercial banks in NSE is likely to be more stable than the smaller ones.

Notably, since third-world stock markets' efficiency is likely to be low, an event such as a dividend announcement can influence stock trade. Then again, optimism for bank stock performance declines with the introduction of interest rate caps. Again, the pessimism is likely to be lower on larger banks than smaller ones because larger banks can guarantee value by diversifying their investments to generate revenue. Additionally, the optimism for profiteering from trading stocks whose dividends have just been announced can differ significantly due to the prevailing macroeconomic environment. The anticipation for abnormal returns from stocks when the interest cap is in force can be higher than when the cap is removed. Research on trader reactions in such an environment is therefore vital. This research study has attempted to answer

the question, do the stocks of banks listed in NSE exhibit abnormal returns due to increased demand after the announcement of dividends?

1.3 Research Objectives

- To establish whether the announcement of dividends leads to abnormal stock returns among commercial banks listed at NSE
- To give a theoretical explanation of the effect of stock prices.
- To identify the different commercial bank's dividend announcement and their effect on their stock prices.

1.4 Research Questions

- In what way does a further dividend announcement of different commercial banks in Kenya impact stock prices?

1.5 Hypothesis

- Dividend announcement has an impact on the stock prices of commercial banks in Kenya

1.6 Value of the Study

This research has built on the understanding of price and volume changes after the dividend announcement to the education sector. The educators can understand market participants' behaviour in third world stock markets that tend to be less efficient. It is novel research demonstrating how investor decisions are influenced by factors other than historical stock data. By assessing the bank stock dynamics after the dividend announcement, it is possible to determine whether investors are pushed by arbitrage insight to make decisions in the presence and absence of an interest rate cap for bank stocks.

To investors, the study contributes to understanding the general behaviour of peers when trading commercial bank stocks during and after an interest rate cap. As stated earlier, Kenya's banking sector has survived periods of economic decline and intense competition from nonbanking financial institutions. By understanding stock behaviours in this environment, their decision-making process can be enhanced.

This research creates a foundation for understanding the impact of interest rate caps in economies at different stages of development on policymakers. The market is inefficient, and when some

monetary policies are in force. Governments can use the information to formulate laws that enhance stock markets' performance and make agile moves to foster vital financial objectives for their respective economies.

CHAPTER II: LITERATURE REVIEW

2.1. Introduction

In the first section of this chapter, the theories concerning this topic are addressed. It incorporates the factors that affect the changes in stock prices and volumes are addressed. The contemporary studies follow the section that addresses the relationship between the announcement of dividends and stock prices. After this section, a conceptual framework addresses the relationship between this research's dependent and independent variables. The final section is a summary of the review of the literature.

2.2. Theoretical Review

This research contributes to the documented literature about stock market dynamics concerning commercial banking in Kenya. Investors and brokers can use it to determine the impacts of dividend announcements on stock prices to make informed stock purchases and sales decisions. The research also contributes to various theories that are associated with stock markets. In particular, this research will contribute to stock market literature by casting new light on the following models' insight.

2.2.1. Efficient Market Hypothesis

The most popular model is the efficient market hypothesis, an investigative strand for the modern finance theory. The approach has been hailed for its theoretical perspectives and real-life application in the market. EMH model was formalized in the 1960s to represent how the stock time series prices behave (Sewell, 2011). Its proponents argue that stock prices are too random to present predictable behaviour patterns that can facilitate successful forecasting using past values (Timmermann and Granger, 2004).

This model alleges that periodical events such as surprising economic news, ads, abrupt changes in the exchange or interest rates and fines received for audits, and insider information affects stock prices. EMH scholars such as Malkiel (2003) contend that the more the current stock price reflects on the previous one, the weaker the market. When market information such as annual earnings, forthcoming dividend announcements, stock splits, and press releases are available, the market is considered weak. In strong markets, the prices instantly adjust to reflect public and private information critical to traders. Strong markets do not give investors a chance to

outperform using the available information. Opponents of this theory, such as Baker & Ricciardi (2014), cite flaws such as overreaction, overconfidence and biases. Despite this, the theory is relevant to this research because it reveals how the stock trader reactions are shaped by market information.

2.2.2. The Information Content of Dividends Hypothesis (ICH)

ICH is the hypothesis that is most referred to when assessing the impact of dividend announcements on the prices of stocks. The hypothesis was developed by Mogdliani & Miller in 1958 (Olweny, 2012). The model postulates that when the capital market is perfect, and when there are zero taxes and actors behave rationally, the firm's value is not affected by the dividend announcement. The model was questioned by Duran (1959), who posed whether the existing evidence supports the conclusion. To the scholar, the existing evidence consists of strong positive cross-sectional correlations with price dividends. In response, Mogdliani & Miller claimed that the enterprise's current market value depends on the expected future value (Watts, 1973, Chowdhury *et al.*, 2014). In particular, if the value of the firm, that is determined by the market performance, comprises of permanent and transitory components and the value of the dividend depends on the former announcement of the dividend (serving as a surrogate for the anticipated future value), the surrogate relationship can explain the results of the cross-sectional studies.

2.2.3. Dividend Irrelevance Theory

Dividend Irrelevance Theory, founded by Mogdliani & Miller in 1961, contends that dividend decisions are extraneous since they hardly affect the firm's value or capital (DeAngelo and DeAngelo, 2006). Precisely the announcement of dividends does not affect the stock price of a firm. The value depends on the number of earnings generated from its assets rather than the dividend and retained earnings or its ability to earn profits and grow. When this holds, the decline in the stock price is equal to the dividend amount. The theory's critics allege that most of the assumptions are unrealistic since enterprises and investors must pay income tax. The presence of transaction and floatation costs also affects the behaviour of investors. This implies that an enterprise's dividend policy can affect the company's value, capital structure, and behaviour of the investors.

2.2.4. Bird-in-hand Theory

Myron Gordon formulated the theory to counter Modigliani & Miller's dividend irrelevance theory. This theory contends that investing in capital gains tends to be predicated on conjecture. Investors tend to be risk-averse in their quest for capital gains advantage. Thus, extensive research on enterprise, market and macroeconomics research is standard (Hussainey et al., 2011). Hence the investors chase capital gains since they anticipate that such gains might be significant without the possibility of losing or gaining nothing at all. Thus, they prefer the current dividend income as opposed to the uncertain future capital gains and dividends. In other words, investors are highly reluctant to take risks for future dividends. Instead, they put a positive premium on the current dividend income. For the proponents of this theory, stocks have a high probability of losing value when firms retain earnings rather than paying dividends. This is the critical reason for the reduced emphasis on future dividends. Modigliani and Miller questioned this theory by claiming that the dividend policy does not affect the cost of capital. Investors tend to have a higher interest in the total return.

2.3. Determinants of Stock Prices in Commercial Banks

Investors use a variety of factors to determine whether the stock is undervalued or overvalued. The factors vary, but others are universally used. Such factors include risks, expected growth, costs of capital, and earning potential.

Each of the factors is explained below;

2.3.1 Earnings and Future Returns

The primary goals of investors are to enhance their value. Hence, in the stock markets, they tend to review price to earnings ratio and price to book ratio to determine its fair value. Arkan (2016) asserts that when the ratios are high, the share prices tend to be high too because they reflect anticipations for increased earnings in the future. The reviews enable them to discover the undervalued stocks that can be bought at a relatively low price and sold at a high price.

2.3.2. Bank Risks

The banks' stocks tend to be influenced by counterparty risk, regulatory risk, and interest rate risk. Bank liabilities and assets of firms are sensitive to interest rates. The institutions must generate interest on money loaned out and minimize interest on money they owe investors. Counterparty risk refers to the possibility of a debtor defaulting on a loan. Notably, the health of a banking business depends on the type of borrowers it transacts with. Marshall (2009) argues that when traders have sufficient knowledge that the risks of a bank are high, the stock price is likely to be low due to anticipation of losses and vice versa.

2.3.3. Enterprise Growth Prospects

Investors pay attention to the growth rate and the sustainability of that growth to make stock decisions (IMA, 2012). This is established through reviews of income statements and making comparisons of top-line and bottom-line growth. High prospects for growth improve the depositor demand for the company's stock since investors believe that the growth will eventually increase its value.

2.3.4. Current Stock Earning and Anticipated Future Returns

According to Marshall (2009), the decision-making processes can involve a detailed review of the price per earnings ratio and price to book ratios to determine their values. When the price per earnings ratio is high, investors expect high future earnings, purchasing more of that stock and vice versa. Such assessments are vital to understanding the overvalued and undervalued stocks.

2.3.4. Significant Announcements

Warren & Sorescu (2017) assert that new information on the public domain can affect the price of shares. For example, positive news releases on earnings and profits and estimated future earnings, excellent product introduction or recall of an inferior one, employee layoffs, anticipated takeovers, and mergers are likely to increase stock prices. Organizational change can positively or negatively affect the stocks, while scandals can significantly adversely impact share value.

2.4. Empirical Literature

2.4.1. Global Studies

A study by Abdullah et al. (2002) assessed stock announcements' impacts on stock returns of 120 companies listed in the Kuala Lumpur stock exchange market in Malaysia using a standard event study approach. The study was conducted for sixty days of announcement. They established that dividend declarations lead to positive abnormal returns.

Another research by Vazakidis & Stergios (2010) examined how traders in the Athens Stock exchange reacted following an announcement of dividends between 2004 and 2008. The scholars established that the stock market was abnormally active before and after the dividend announcement, a spectacle that changed significantly after the announcement. In particular, the reaction was optimistic before the information and significantly pessimistic after it. The scholars concluded that market agents wait for such notifications to adjust their portfolios accordingly.

Abdullah et al. (2002) and Vazakidis & Stergios (2010) give insights into the investor behaviour during and after dividend announcements. According to these studies, the reaction before the stock announcement differs significantly from the response after the announcement.

Matharu & Changle (2015) examined the sensitivity of shares of 25 companies listed in the Bombay Stock Exchange for 2013. They used the capital asset pricing model and Paired t-test to assess the abnormal stock returns. In their findings, there was a significant difference in the stock returns before and after dividend declaration, thereby reinforcing the idea that dividend announcements lead to increased stock trading.

2.4.2. Local Studies

Mugo & Atieno (2015) examined the impacts of dividend change announcements on stock returns and the levels of reactions to the dividend declarations. Their study spanned between 2005 and 2012. A 40-day event methodology was used to examine the relevant variables. The scholars established a significant change in stock returns following the declaration of dividends. Similar results were confirmed by Muga (2014) research on nonfinancial firms listed in NSE. Ideally, the studies of Mugo & Atieno (2015) and Muga (2014) is relevant in this research

because it indicates that traders can respond significantly to announcements of dividends in the stock market.

Ndung'u (2016) conducted research to determine how dividend policies affect companies' stock prices at NSE. The scholar used a sample of 30 companies consistently quoted at NSE between 2007 and 2010. He established that companies consider various factors such as the payments of their rivals, the net earnings, investment prospects, and net reserves before issuing dividends. He also established that the value of shares improves after announcements of high dividends. The research is relevant here because it demonstrates that shares' issuance is a significant factor to companies. As a result, various considerations are made before announcing dividends. The study also confirms a positive response among NSE investors to the announcement of dividends.

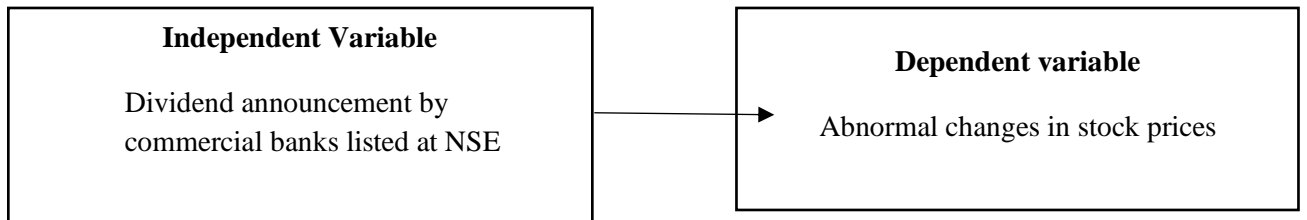
2.5. Summary of the Literature Review

In this chapter, relevant theories and factors affecting stock prices and trader behaviour are captured. The relevant theories are the efficient market hypothesis (EMH), the Information Content of Dividends Hypothesis (ICH), and the dividend irrelevance theory that stock trade in an efficient market is likely to remain unaffected by dividend announcement. On the other hand, the Bird in hand theory suggests that traders are continuously searching for information that can enable them to decide on buying shares that can enhance their value. The section describes the factors that affect the value of commercial bank stocks. In the empirical literature section, the outcomes of dividend announcements on the company value and stocks are described. The review of literature enhanced the formulation of the conceptual framework that describes variable relationships in this research.

2.6. Conceptual Framework

The conceptual framework presents the variable relationships as presented by the study. The independent variable for this study is the announcement of dividends by commercial banks, while the dependent variable is the trader response. The research predicts an increase in the trading rate and, consequently, abnormal returns following dividend announcement. However, the market responses can be influenced by other factors. The latter is signalled by the rate of stock returns in the stock market. Notably, similar to other listed companies, the performance of commercial

banks is affected by information on the public domain, including management changes, business restructuring, and announcement of dividends, retrenchment and positive reputation. Other actors such as expectations of bank growth and potential returns in the future can also affect trading. Thus the following conceptual framework will be used in the analysis



The proposed framework is a glance at the connections of the study variables. In particular, it indicates the interactions of dividend announcement with changes in stock prices that can signify returns. The independent variable, in this case, is the announcement of dividends by commercial banks, while the dependent one is the change in the price of stocks. Positive or negative news by the respective banks before and after the announcement of the dividends can affect the value of stocks; hence they must be controlled in the study.

CHAPTER III: RESEARCH METHODOLOGY

3.1. Introduction

The methodology chapter affirms the techniques adopted by the researcher in proving or refuting the hypothesis. This chapter gives a roadmap of how the research is conducted. It shows the quantitative approaches applied, indicating the philosophical perspective, data collection, data analysis, design, and ethical consideration concerning the study. Thus, the methodology used in this research demonstrates below the importance of using multiple techniques to arrive at objectivity.

3.2. Research Philosophy

The study applies a positivist approach in explaining the impact of dividend announcements on stock prices. The positivist approach can be achieved through testing and observation (Clarke, 2016). For example, looking at how different events such as dividend announcement affects stock prices. Additionally, knowledge is acquired through observing the trustworthiness of the measurements. Positivist philosophy projects that the role of the investigator is to interpret the data collected, and such interpretation is made through quantitative methods, looking at different patterns of numbers that gives statistically significant explanations (BRM, 2021). Therefore, the positivist approach follows logical reasoning (Russell, 1950) and hypotheticodeductive reasoning (Siponen and Klaavuniemi, 2020).

3.3 Research Design

The study investigates the existence of abnormal returns to commercial banks stocks at NSE following an announcement of dividends. Thus, an event study methodology was applied in this research. An event study design is a statistical technique that assesses the impact of a particular event and how such impact affects an outcome (Borusyak and Jaravel, 2017, Freyaldenhoven *et al.*, 2019). The design is accounting/economic/finance research which analyzes the statistical significance of the financial markets (Freyaldenhoven *et al.*, 2019, Borusyak and Jaravel, 2017). For example, looking at how the market behaviour affects prices. In this case, the dividend announcement of banks on the stock prices from the year 2017 to 2019. According to Mateev (2019), the methodology investigates the effects of an event on a particular dependent variable in a separate window. The study predicts that stocks will register abnormal returns around this

event as investors respond positively to the news. The research was quantitative since it sought to evaluate the average returns for listed banks after announcement of dividends.

3.4. Research Population

The study population captured the observation of interest within a whole set of groups or proceedings. The target population for this research were NSE- listed commercial banks as of 31 December 2016. At the time when research was being conducted, there were 38 banks in the country. However, among these, only 5 of the Banks were chosen for the analysis because after the evaluation of the impact of dividend announcement as shown in the result section, most of the banks demonstrated a similar trend of the effect of dividend announcement. Therefore, the chosen banks were as follows; Standard Chartered Bank, Diamond Trust Bank, KCB Group, Barclays Bank and CFC Stanbic Bank. These are the banks of interest in this research, hence the population of the study. Commercial banks were selected because they were the first institutions to be affected by the interest rate cap. When dividends are announced, the presence of an interest rate cap can suppress the demand for commercial bank stocks because the anticipation for supernormal earnings is lower and vice versa.

3.5. Data Collection

The approach for collecting data was critical since it ascertains the results' validity. The data was collected from the Nairobi Securities Exchange (NSE), gathering historical data of stock prices from the year 2017 to 2019. As demonstrated above, the targeted data was from commercial banks in Kenya. Furthermore, literature was gathered from sources such as Scopus and Web of science with the help of research questions. Keywords such as 'dividend announcement effect' and "stock prices" were used with the help of Boolean operators such as 'AND' and 'OR' were used to expand the search and gather more data from the secondary sources.

Dividend announcement dates were obtained from the bank's reports because the market's regulatory body, Capital Markets Authority, demands all banks to report their values frequently. The dividend announcement is the date the banks' board of directors meets and approves, after that announcing the dividend of the company. The daily stock indices were collected from NSE for the yearly period from 1st January 2017 to 31st December 2019. Furthermore, the trend was checked over the three years when the cap was in force to determine consistency. Table 1 shows the 12 banks and the dividend announcement dates.

No.	Bank Name	2017 Announcement	2018 Announcement	2019 Announcement
1	Standard Chartered Bank Kenya limited	29 th august 2017	22 nd August 2018	26 th August 2019
2	Stanbic Holding PLc	5 th May 2017	12 th June 2018	9 th May 2019
3	KCB	29 th April 2017	27 th April 2018	30 th May 2019
4	ABSA	28 th April 2017	25 th May 2018	29 th May 2019
5	Diamond Trust Bank	25 th May 2017	24 th May 2018	23 May 2019

3.5. Data Analysis

With the application of excel spreadsheet formulas, the study applies descriptive analysis and scatter plot analysis. The descriptive analysis identifies the average and the variance of the stocks per year and per firm. The variance was done to identify how the stock's daily returns varied to the average, identifying if the stocks were extraordinarily high or low. A scatter plot is created to identify the trend from the date of the announcement to the end of the year. The scatter plot is suitable to visualize the relationship, showing a graph demonstrating the trends (Wang *et al.*, 2017).

Furthermore, the scatter plot compares the dates before and after the dividend announcement. The adjusted closing stock price is calculated and identify the stock returns, which is calculated as today's price divided by yesterday's price minus 1. This is presented in the following formula;

$$\left(\frac{\text{Today's Stock Price}}{\text{Yesterday's stock price}} \right) - 1 = \text{Stock Return}$$

3.6 Ethical issues

Since the study uses secondary data, their credibility was interrogated in terms of their peer review and publication, and each given academic recognition in the study. Morrow *et al.* (2014) point those ethical issues may arise when secondary data has some default. However, the study applied credibility and trustworthiness by carefully interrogating the sources and reporting the authorities to claim. Some of the ethical challenges of secondary data, especially

those online, come with data protection, confidentiality, informed consent, and anonymity; furthermore, what counts as accurate information, data ownership, and context.

Carusi and Jirotko (2009) point out limited guidelines and policies behind secondary data usage and the moral ground behind its usage. Therefore, individuals risk others using their information and interpreting it differently, making researchers and institutions vulnerable. Thus Charlesworth (2012) points out a potential liability between the researcher and their affiliated institutions. The dataset identified from NSE was a trusted source with financial information, which was a robust and comparable data source of listed companies.

CHAPTER IV: RESULTS, ANALYSIS AND DISCUSSION

4.1. Introduction

This chapter presents data analysis and interpretation of the research findings. Notably, the study sought to establish whether the NSE listed commercial banks have abnormal returns when the dividends are announced. It also tests whether the returns of stocks for the financial institutions are persistent over time. The results presented in this chapter captures these statistics from 2017 through 2019.

4.2. Descriptive statistics

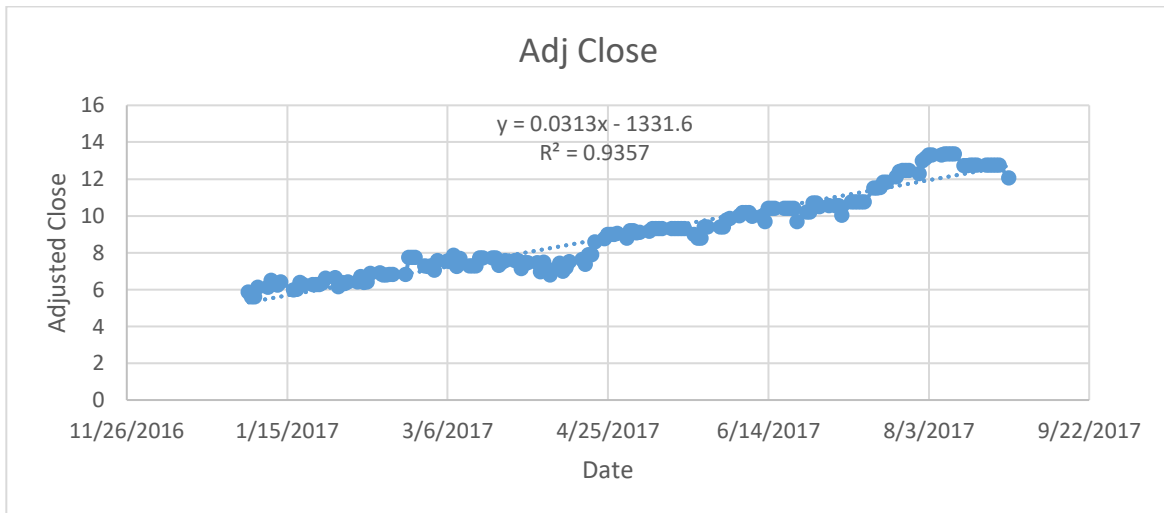
This study utilized the daily stock prices for 5 commercial banks listed at NSE, and the analysis was done for three years; 2017, 2018, 2019. Independent analysis was done for each bank. The average returns (AR) was calculated by summing up the daily stock returns for all the years. The variance returns were calculated to identify how the daily stock returns varied concerning the average. A Scatter plot was plotted to show the trend of these statistics over the event window, demonstrating when the interim announcement was made and comparing it with the time the final announcement of the dividend was made. The graphs demonstrating stock prices' behavior after the dividend announcement is presented below, and each bank is analyzed separately.

4.3 Analysis of the Standard Chartered Bank Kenya Limited

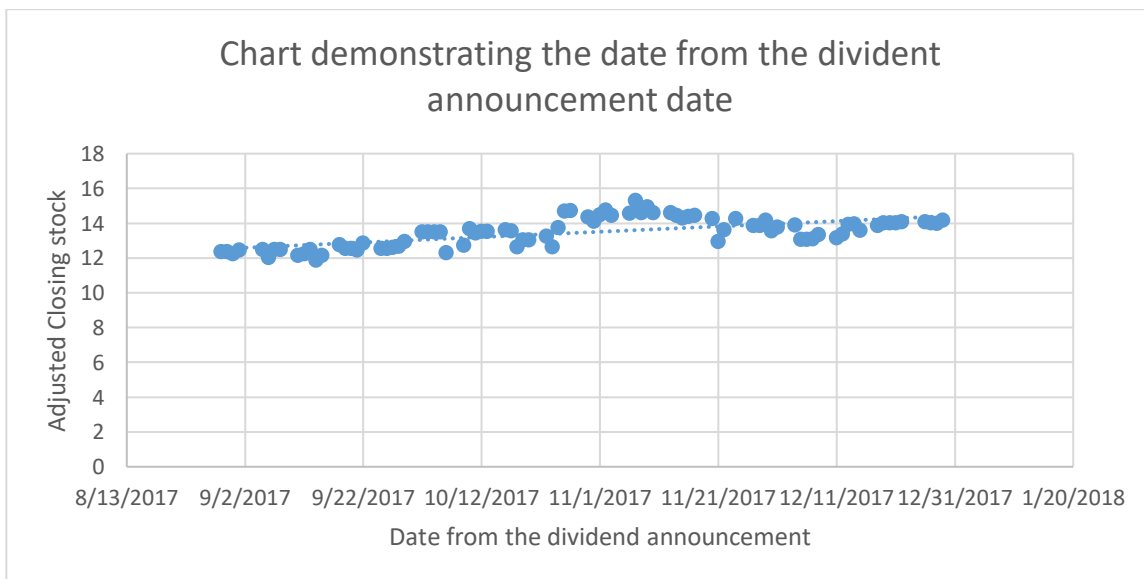
The Standard Chartered Bank (SCB) indicated an average of 0.0041 and a higher variance of 0.0042, and the formula assumes that if the variance is high, there is much divergence from the average stock price daily. Thus, the variance of the Standard Chartered Bank demonstrates a slightly higher variance, meaning there is much deviation from the means' stock prices.

Furthermore, the standard chatters interim announcement of 2017 was made on 29th August 2017 (SCB, 2017), and a comparison of scatter plot 1 demonstrate the trend before the announcement and scatter plot 2 demonstrate the trend after the dividend announcement of SCB. Scatter plot 2 shows there was a relatively slow increase in the stock prices after the announcement of the dividend as compared to the period before the announcement. The scatter plot 1 has a steeper slope compared to that of scatter plot two because before the

announcement, the trading before the 2017 announcement had a dividend of Kenya Shillings (KShs) 20 per year, while after the 2017 announcement, it was KShs 17 per share (SCB, 2017). Such indication means that the dividend announcement impacted the stock prices trend; thus, a trend of slow increase.



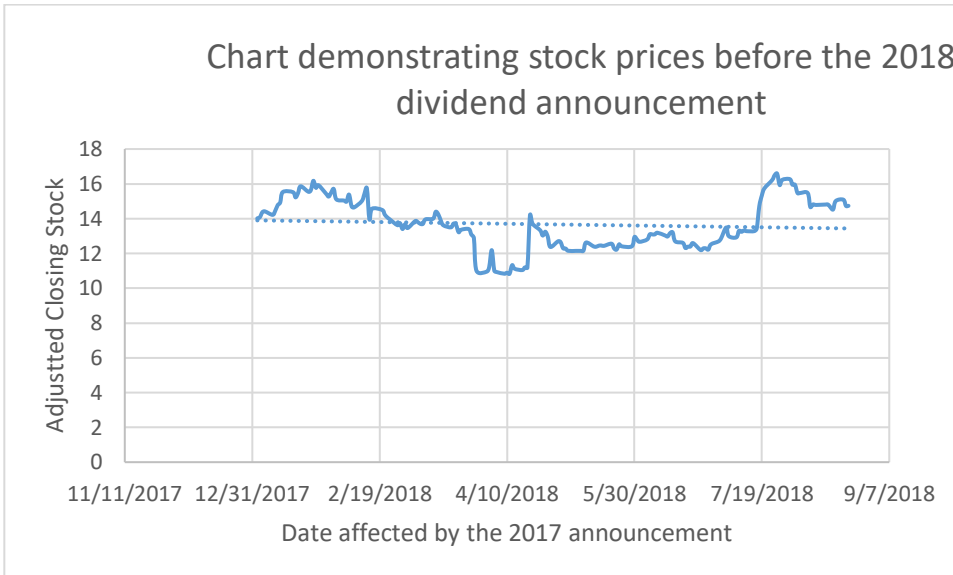
Scatter plot 1



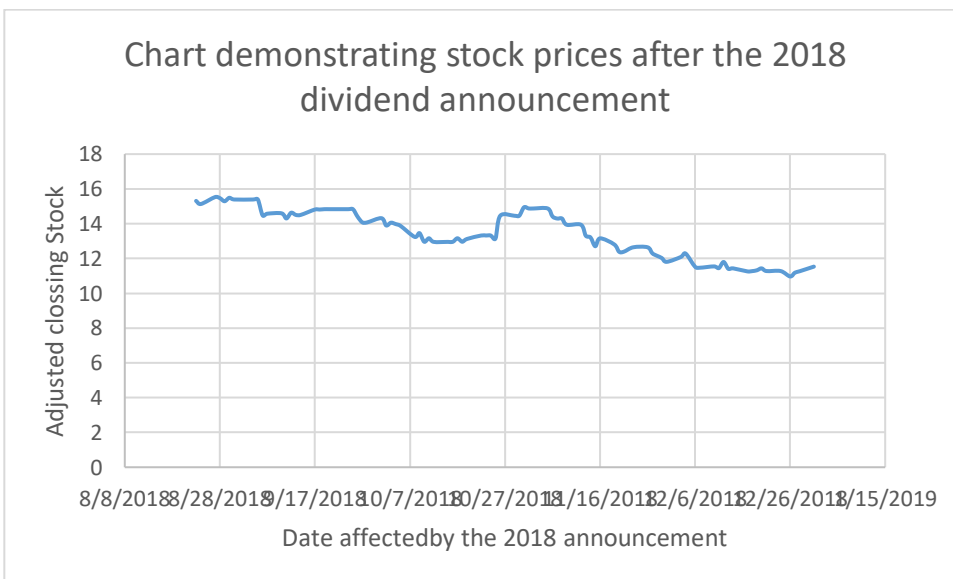
Scatter plot 2

The SCB 2018 dividend announcement was made on the 22nd August 2018, and the announcement had a total dividend of KShs 19 for every share, an increased dividend compared to the previous year (SCB, 2018). Such announcement impacts the stock prices, as demonstrated in the Scatter plots 3 and 4 below. Scatter plot 3 has a relatively straight-line

trend, while after the announcement on the 22nd August 2018, scatter plot 4 show a straight line but a decreasing stock price as the year comes to an end. Therefore, the plots demonstrate a negative impact on the low dividend announcement on the stock prices.



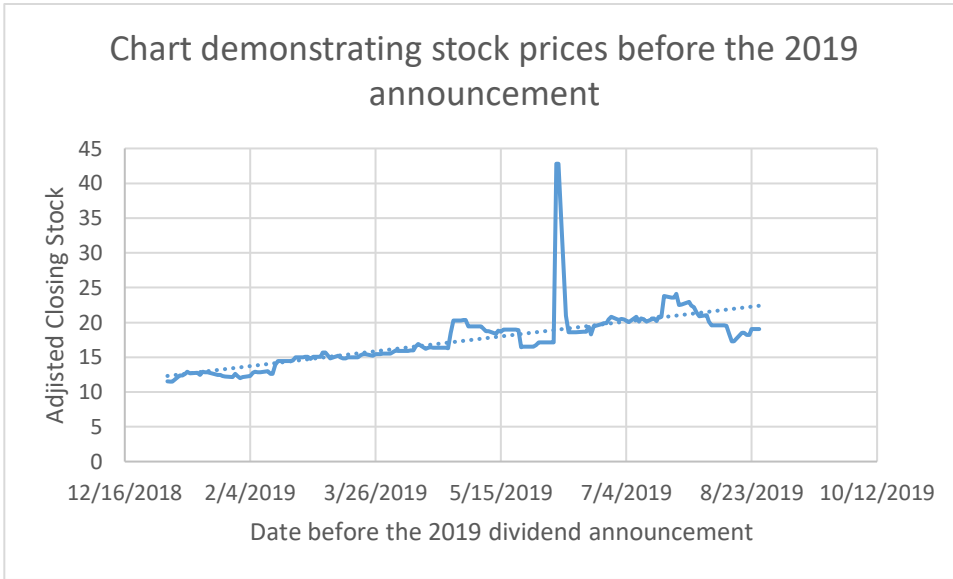
Scatter plot 3.



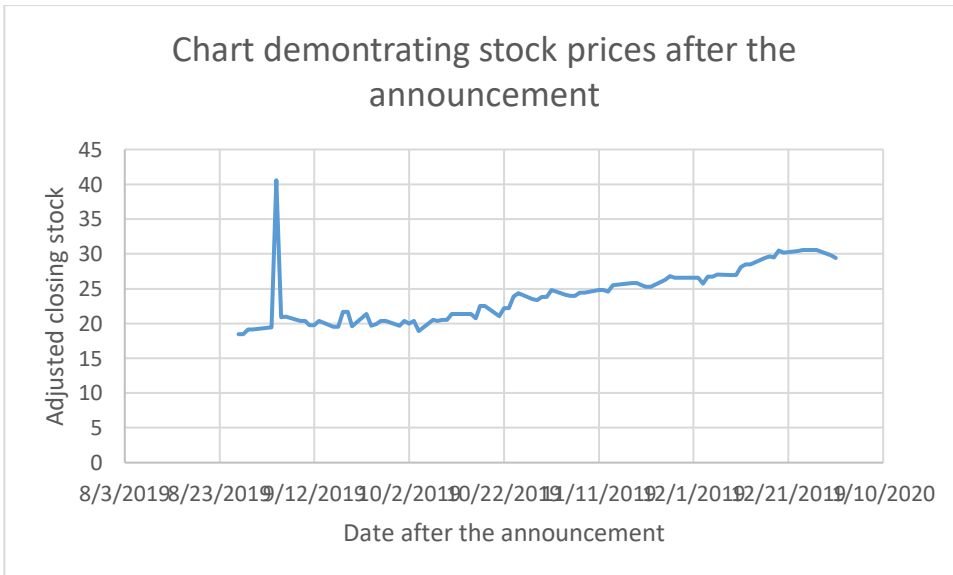
Scatter plot 4

Furthermore, the 2019 SCB annual report demonstrate that the dividend was announced on the 26th of August 2019, and the total dividend was at KShs 20 (SCB, 2019), a higher price compared to that of 2018, which was Kshs 19. Scatter plots 5 and 6 demonstrate a different comparison trend as opposed to the comparison of scatter plots 1 and 2, and that of 3 and 4

because the dividend announcement for the year 2019 increased as opposed to the previous years. After the dividend announcement in 2019, there was an increase in the stock prices trend, indicating more buying than the period before the announcement on the 26th of August 2019 (see scatter plots 5 and 6 below). Thus, a positive impact on the high dividend announcement on the stock prices.



Scatter plot 5



Scatter plot 6

4.4 Analysis of the Stanbic Holding PLC

Stanbic Holding PLC indicated an average of 0.0008 and a more considerable variance of 0.0004; the formula assumes that if the variance is high, there is much divergence from the average stock price daily. Thus, the variance of the Stanbic Holding Plc demonstrates a slightly higher variance, meaning there is much deviation from the means' stock prices. Furthermore, the bank's dividend announcement was made on 5th May 2017 (Stanbic Holding PLC, 2017). The announcement demonstrates an effect on the stock prices in the scatter plots 7 and 8 below. Scatter plot 7 demonstrate a decrease in prices before the announcement, while scatter plot 8 demonstrate an increase in the stock prices after the dividend announcement on the 5th of May 2017. Therefore, a slight increase in the stock prices after the increased dividend announcement.

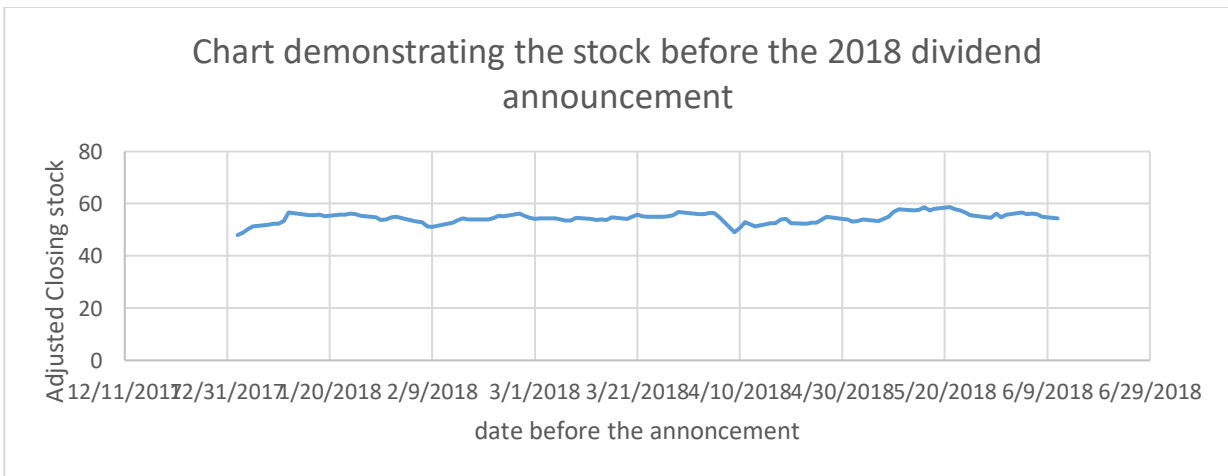


Scatter plot 7

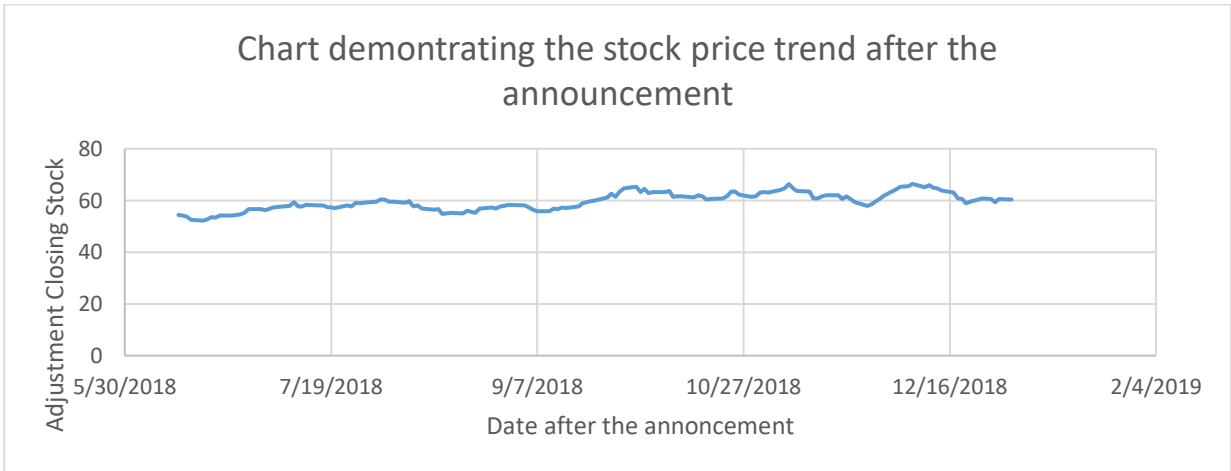


Scatter plot 8

The 2018 dividend announcement was made on the 12th of June 2018, and both scatter plots 9 and 10 demonstrate such a trend. Both scatter plots are parallel to each other; however, scatter plot 10 demonstrates a slight increase compared to scatter plot 9. Such a slight difference is due to a slight increase in dividend price during the announcement (see , for example, Stanbic Holding Plc, 2018).

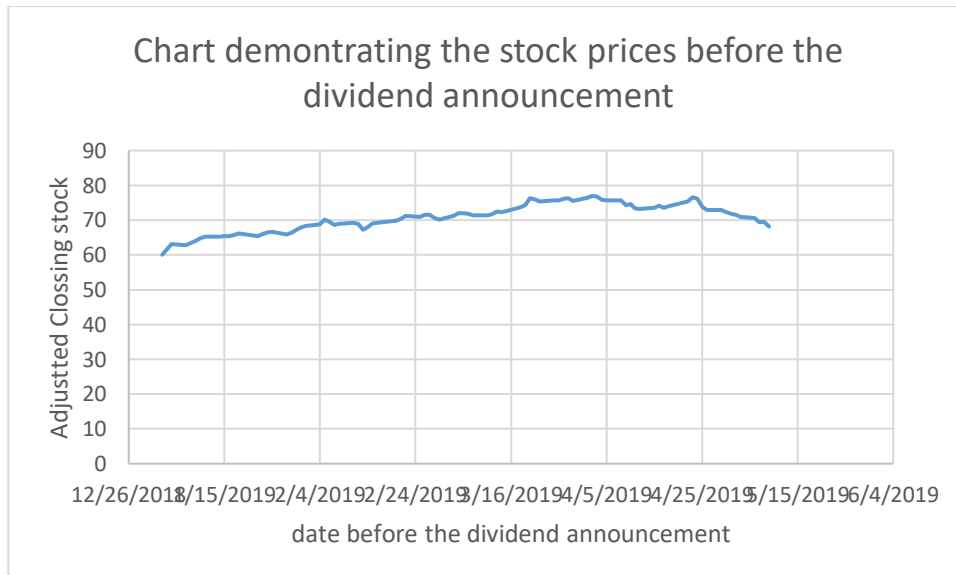


Scatter plot 9

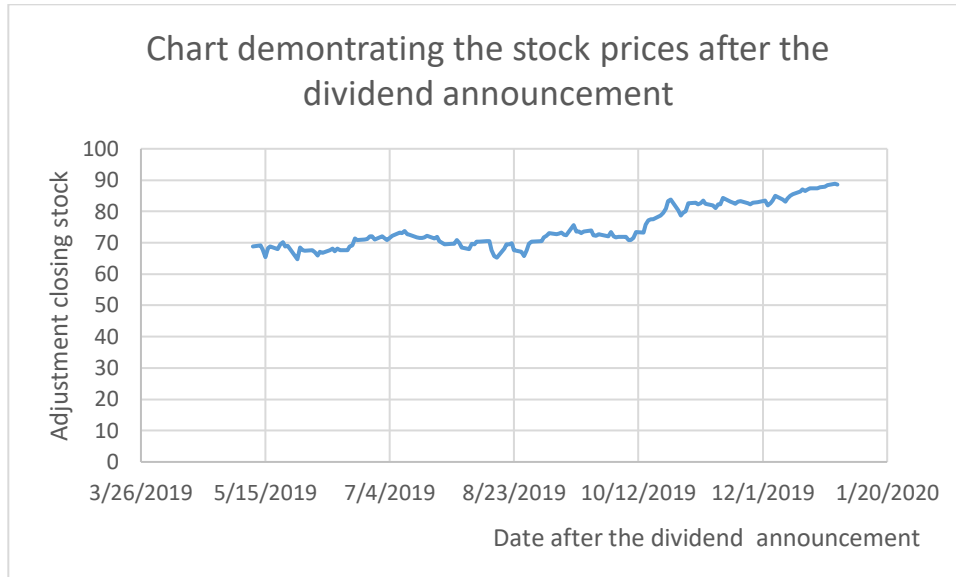


Scatter plot 10

Furthermore, the analysis of the 2019 impact on dividend announcement demonstrates a positive trend. Stanbic Holding Plc dividend announcement for 2019 was made on the 9th of May (Stanbic Holdings Plc, 2019), and graphs 11 and 12 demonstrate an increase or rather a positive trend. Chart 11 demonstrate that before the dividend announcement, there was a decrease in the stock prices. However, after the announcement on the 9th of May 2019, there was a positive trend in the stock prices. Thus, a positive effect on the stock prices (see scatter plots 11 and 12).



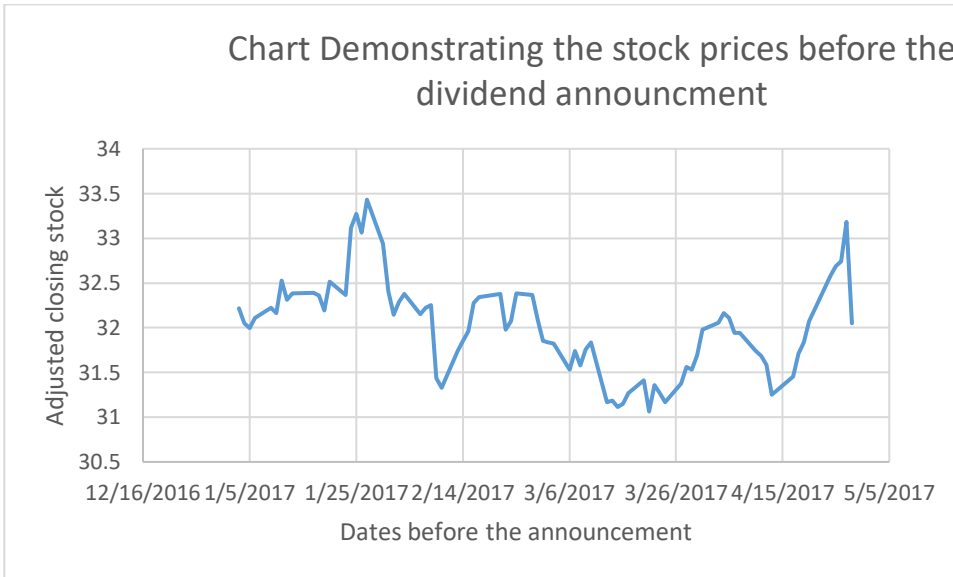
Scatter plot 11



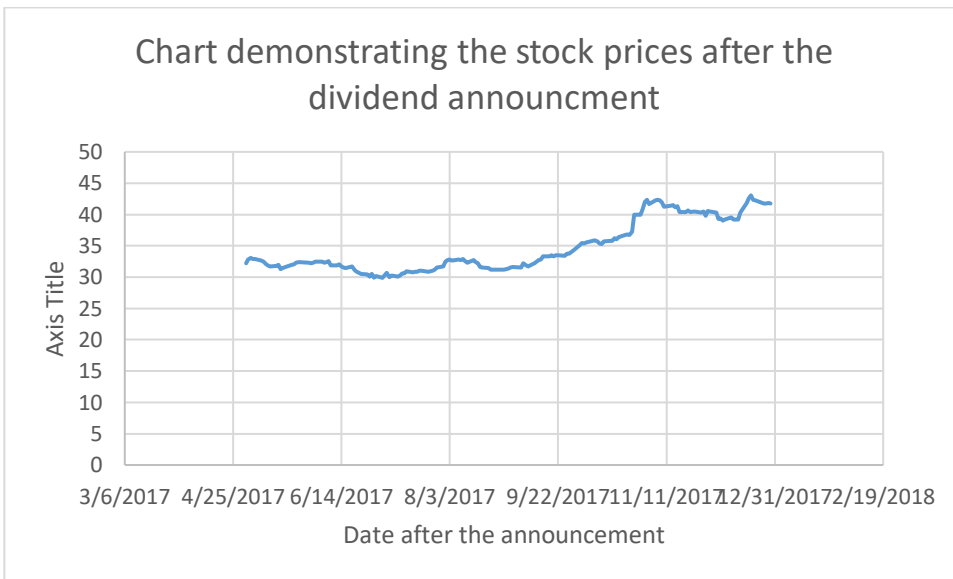
Scatter plot 12

4.5 Analysis of Kenya commercial Bank

The Kenya Commercial Bank (KCB) indicated an average of 0.0006 and a more considerable variance of 0.0005, and the formula assumes that if the variance is high, there is much divergence from the average stock price daily. Thus, the variance of the KBC demonstrates a slightly higher variance, meaning there is much deviation from the means' stock prices. The KCB dividend announcement was made on April 29th 2017 (KCB, 2017). Additionally, the chart in scatter plot 13 below demonstrates fluctuating stock prices before the announcement. The fluctuation can be analyzed from the 2016 and the 2017 announcements, which had the same rates per share (KCB, 2020). However, after the 2017 announcement, there was an increase in the stock prices, and scatter plot 14 below indicates such a trend. Thus, an effect of the stock prices after the dividend announcement.

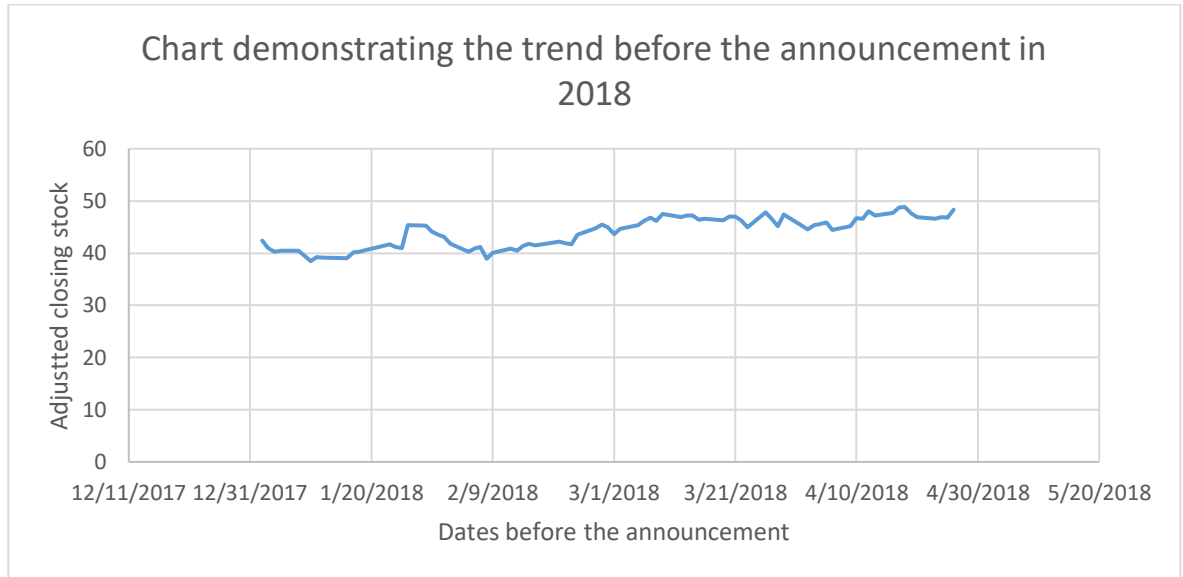


Scatter Plot 13

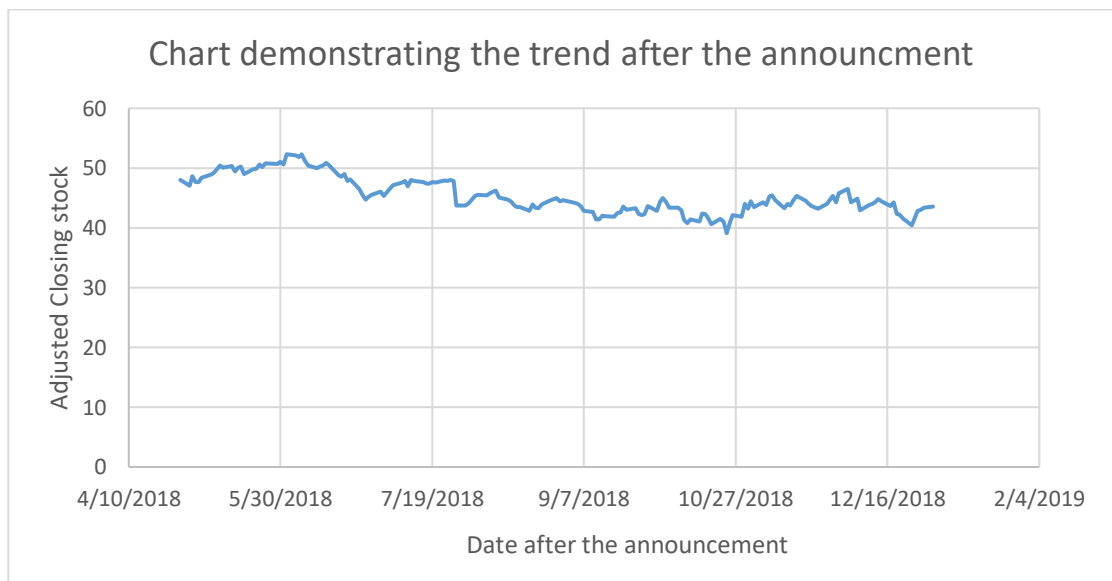


Scatter plot 14

2018 indicates that the dividend was announced on the 27th of April 2018 (KCB, 2018). Scatter plot 15 demonstrate an increasing trend as compared to scatter plot 16. The scatter plot 16 indicate a decrease in the prices after the announcement of the dividend, which led to the negative trend. Despite the 2018 announcement having an increase in rate per share, there was a slight decrease in stock prices (KCB, 2020). Such a decrease indicates an abnormal trend as compared to the analysis of the previous banks indicated above. A comparison of scatter plot 15 and 16 below demonstrate such facts.

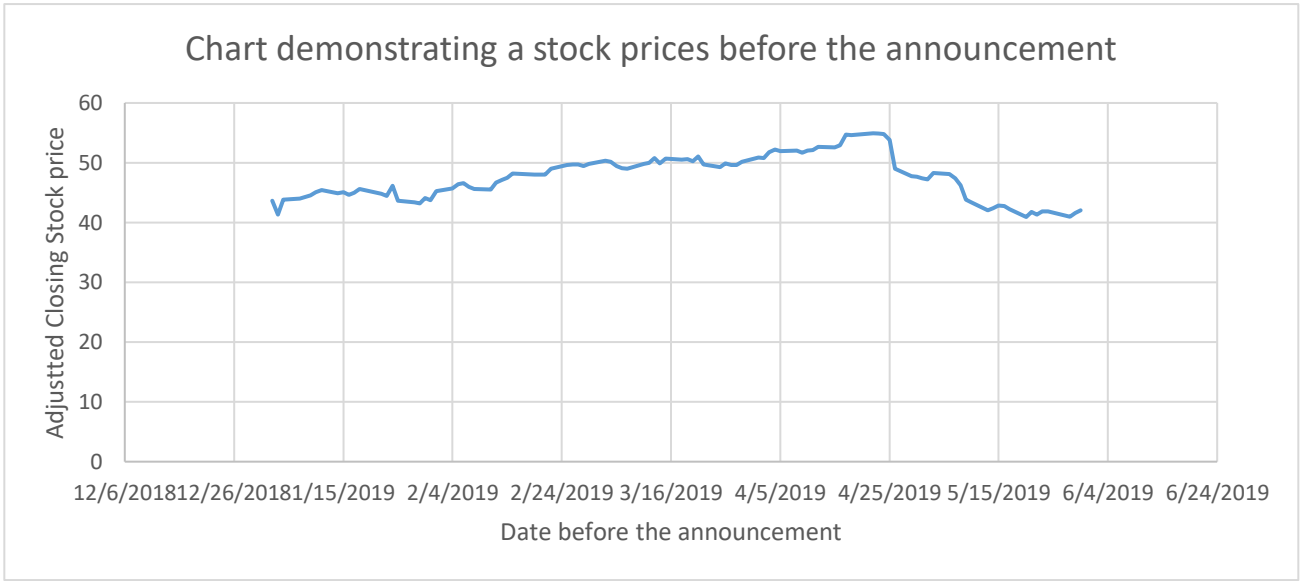


Scatter plot 15

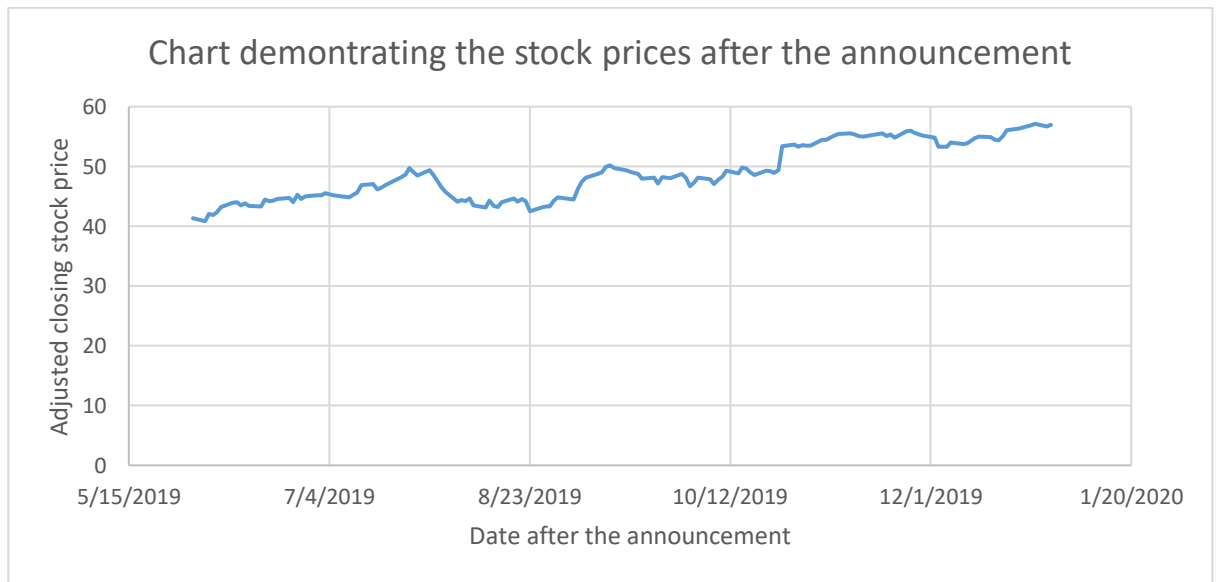


Scatter plot 16

The 2019 announcement was made on 30th May, and both scatter plots 17 and 18 demonstrate such a trend (KCB, 2019). Scatter plot 17 below shows the effect before the announcement in 2019. However, after the announcement, there was an increase; see the scatter plot 18 below. The prices of the shares went up, indicating a positive trend. Thus, the announcement of dividends impacted the stock prices positively.



Scatter plot 17

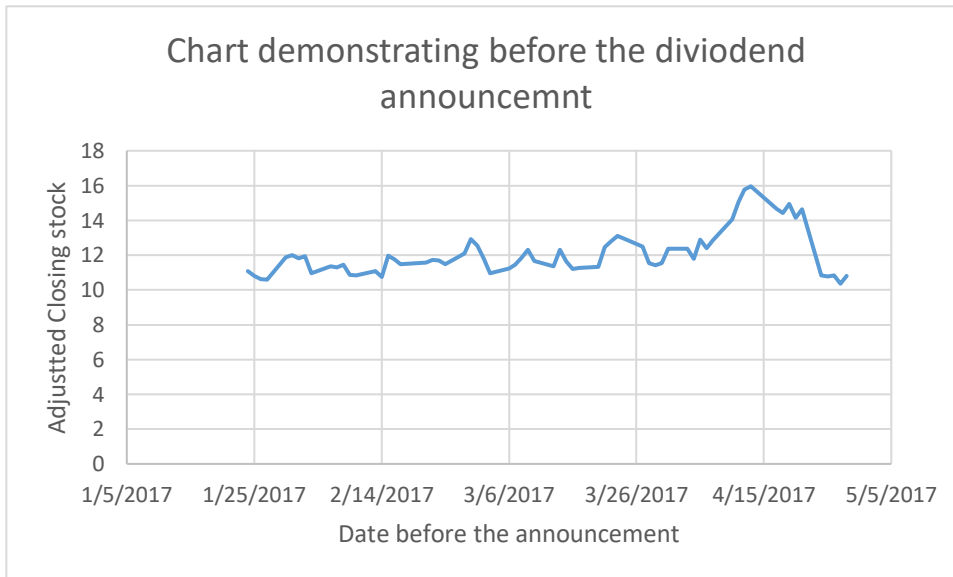


Scatter plot 18

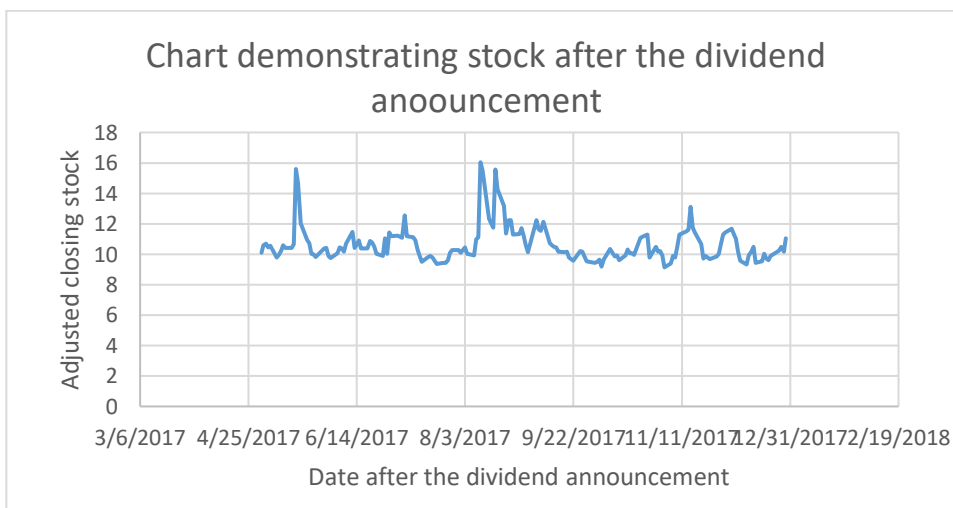
4.6 Analysis of ABSA Kenya

The ABSA Kenya indicated an average of 0.0041 and a more considerable variance of 0.0084, and the formula assumes that if the variance is high, there is much divergence from the average stock price daily. Thus, the variance of the ABSA Kenya demonstrates a higher variance, meaning there is much deviation from the means' stock prices. The banks dividend was announced on the 28th of April 2017 (Barclays Bank of Kenya, 2016). Before the

announcement of the dividend, ABSA stock prices were shifting, going up and coming low, and the prices dropped further just before the dividend were announced (see, scatter plot 19 below). However, after the announcement, the stock prices went up abnormally but kept on fluctuating, moving in a straight but with abnormal higher prices up to December 31 in 2017 (see, scatter plot 20 below).



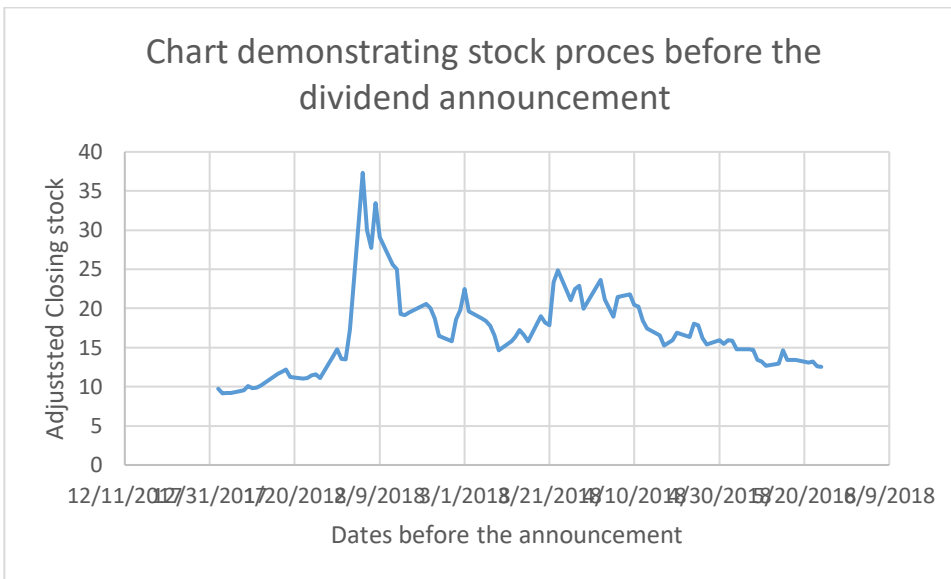
Scatter plot 19



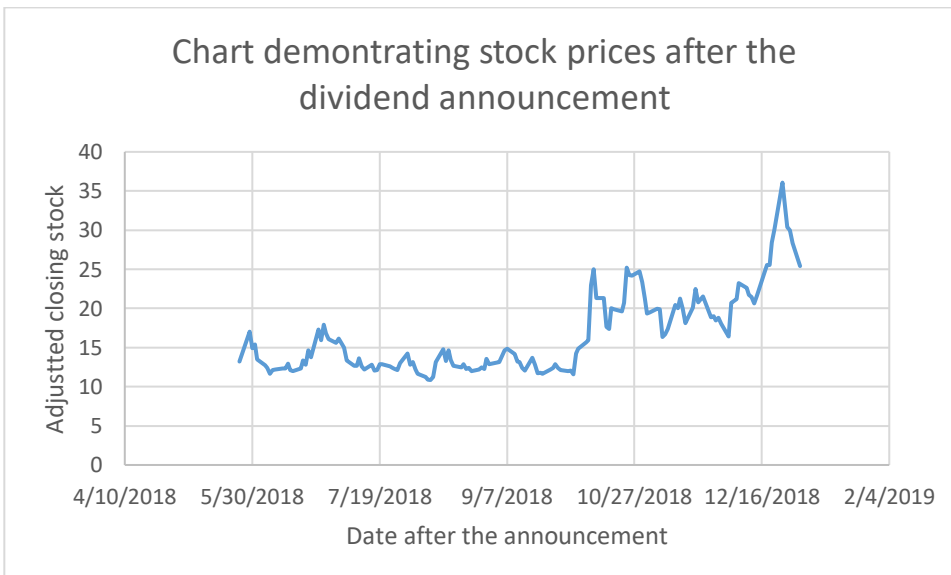
Scatter plot 20

The bank dividend was announced on the 25th May 2018 (Barclays Bank of Kenya, 2017). Scatter plot 21 below demonstrate a fluctuating price but a decrease in stock prices before the dividend announcement on the 25th May. While scatter plot 22 below demonstrate an increase

trend of the stock prices after the announcement. Therefore, the year 2018 demonstrate that Barclays Bank’s stock prices were affected by the dividend announcement from 25th may 2018.



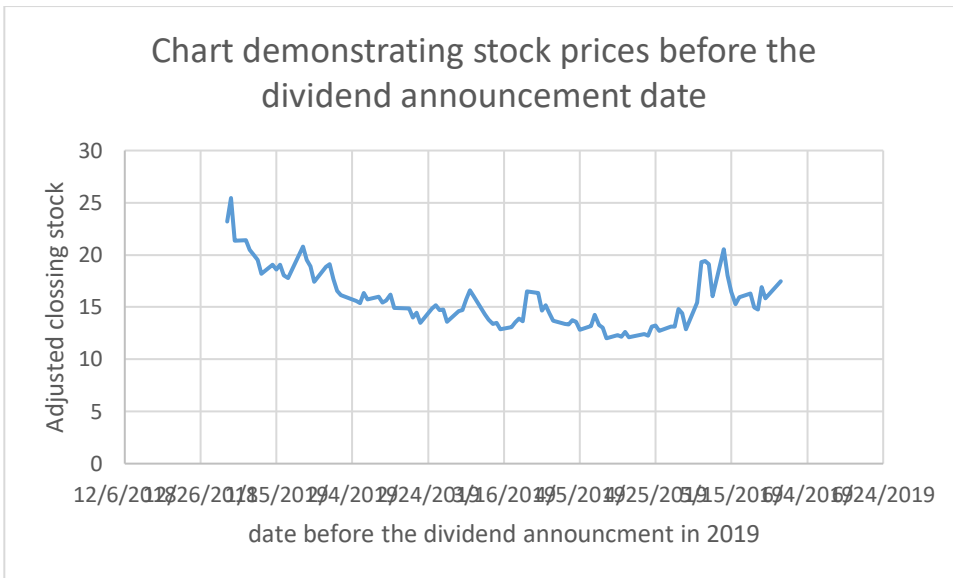
Scatter plot 21



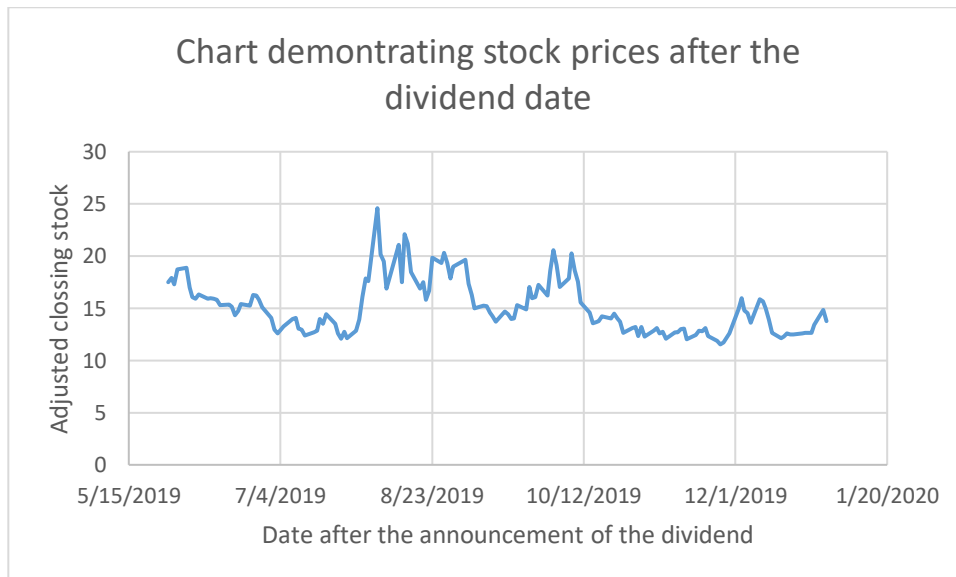
Scatter plot 22

The 2019 dividend announcement was made on the 29th of May (Barclays Bank of Kenya, 2018), An abnormal trend happened in 2019 which is not in line with the effect of dividend announcement as explained. The ABSA prices went down for a about 4 months after the dividend announcement. However, the prices also went high abnormally after the four month of dividend announcement. The scatter plot 23 below demonstrates a decreasing stock price before the

announcement. However, scatter plot 24 below demonstrates a fluctuation of ups and down trend, and much higher prices four months after the announcement.



Scatter Plot 23

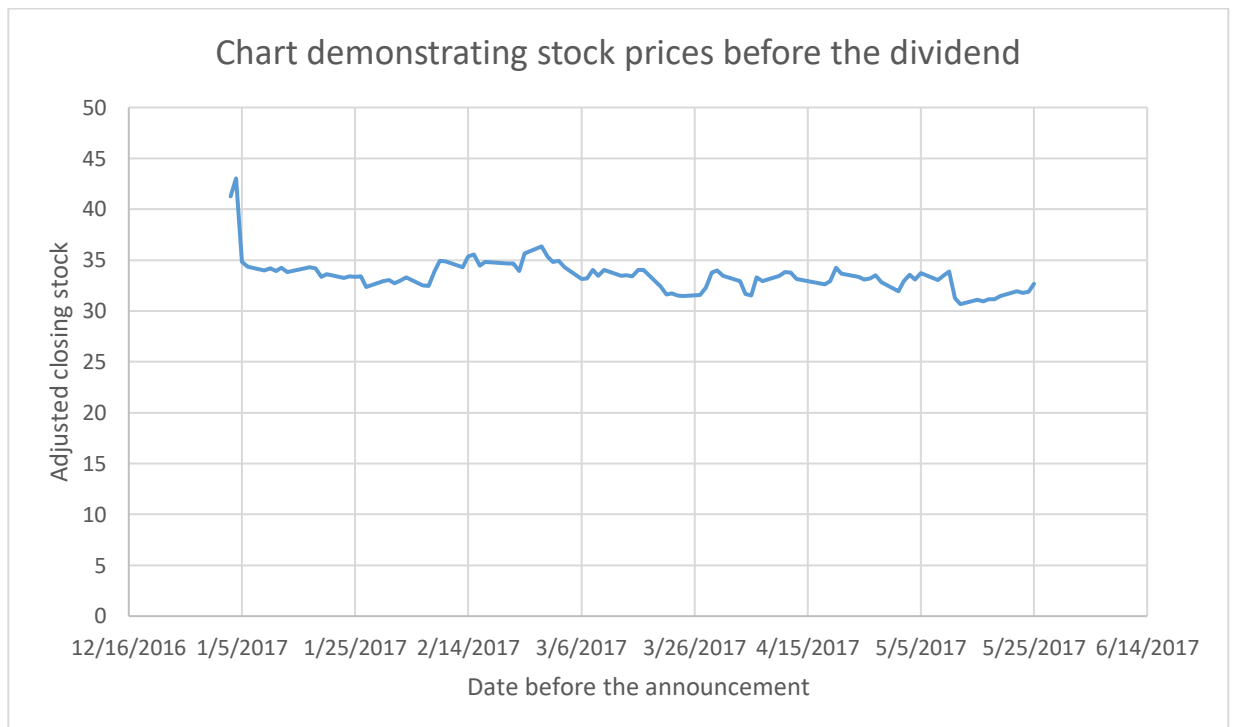


Scatter plot 24

4.7 Analysis of Diamond Trust Bank

The Diamond Trust Bank (DTB) indicated an average of 0.0009 and a more considerable variance of 0.0013, and the formula assumes that if the variance is high, there is much divergence from the average stock price daily. Thus, the variance of the DTB Kenya demonstrates a higher

variance, meaning there is much deviation from the means' stock prices. The bank's dividend announcement of the year 2017 was made on May 25th (DTB, 2016), and the scatter plot 25 below demonstrate the trend of the stock before the dividend announcement that year. The chart shows a relatively straight line but with a down trend, meaning there was a decrease of stock prices before the announcement (see, scatter plot 25). However, after the announcement on the 25th of May 2017, there was a higher increase in the stock prices as scatter plot 26 demonstrates below. Thus, the year 2017 show that the diamond trust bank shares were affected by the bank's dividend announcement.

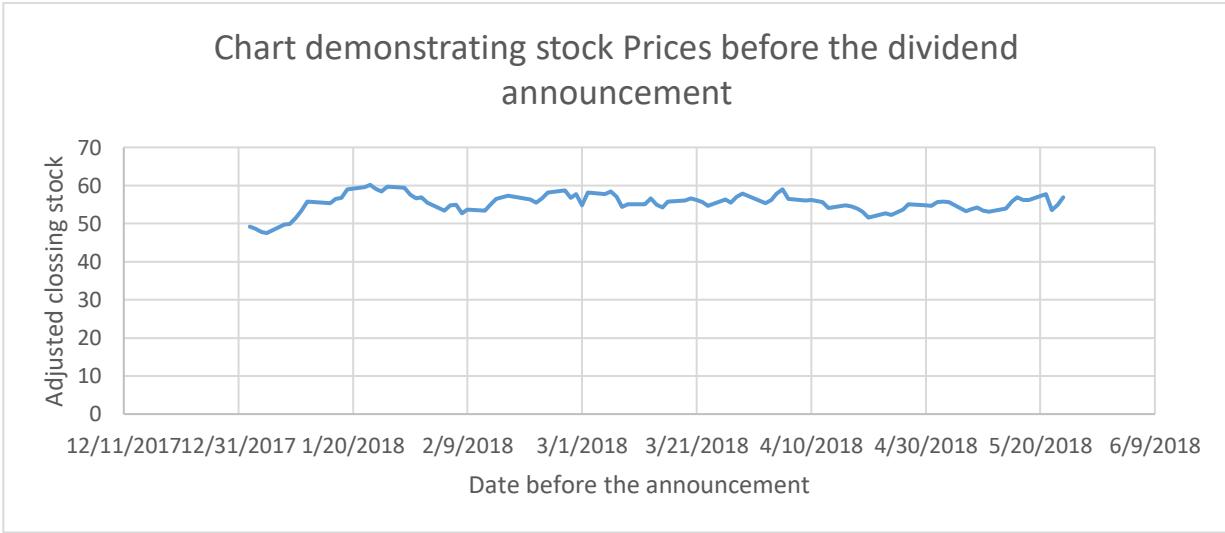


Scatter plot 25

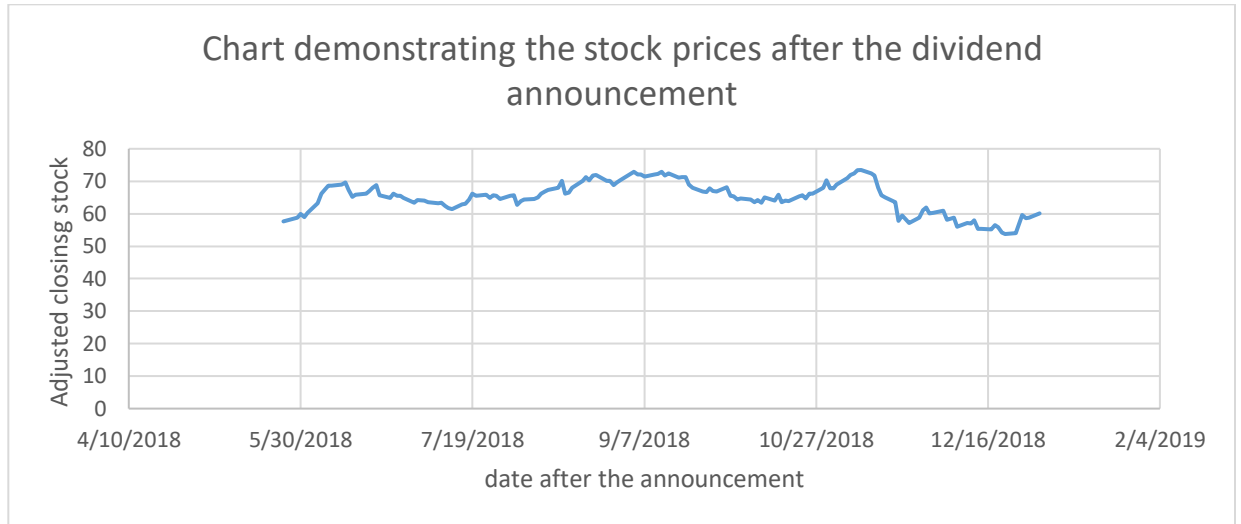


Scatter plot 26

Furthermore, Diamond trust bank annual general meeting announced the dividend on 24th May 2018 (DTB, 2017). Such announcement had an impact on a slow upward trend of the stock prices. Scatter plot 27 below demonstrate a relatively straight line; however, the announcement changed the shape of the line with a slight increased slope meaning the increase of the prices (see, scatter plot 28 below).

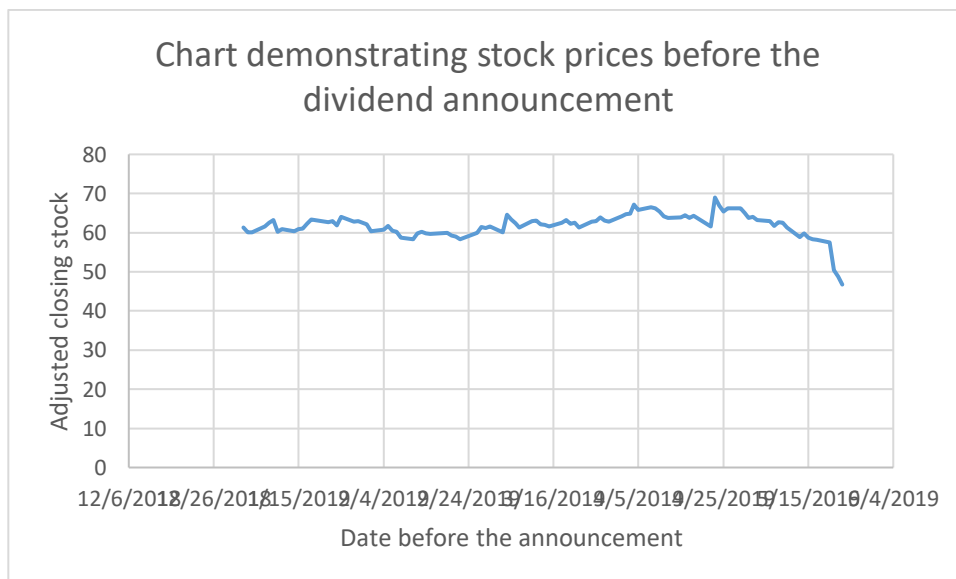


Scatter plot 27

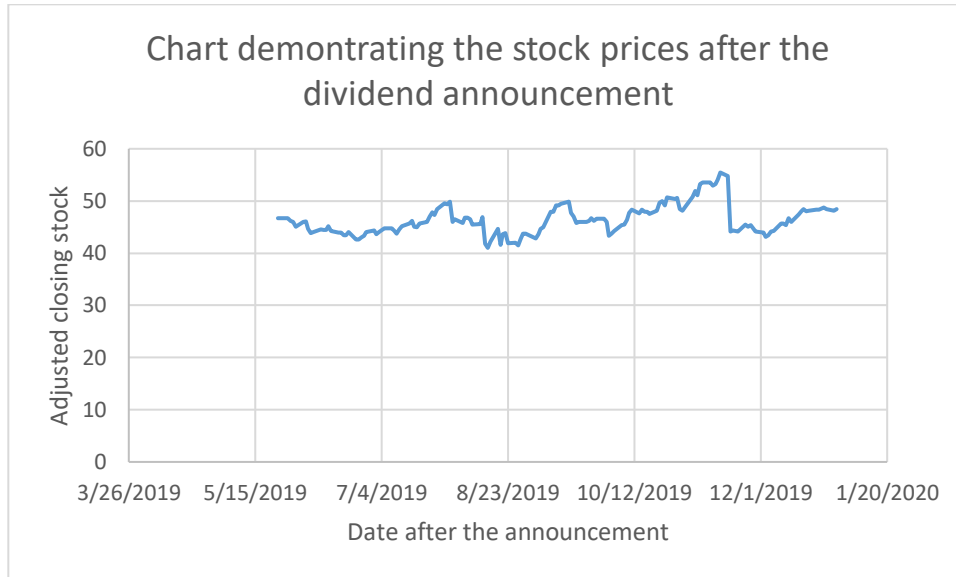


Scatter plot 28

Finally, the diamond trust bank had the dividend announcement on the 23rd May 2019 (DTB, 2018), and such announcement has an impact on the stock prices as the other analysis demonstrated above. The scatter plot 29 demonstrate that before the announcement, the stock prices were having a downward trend. However, after the announcement on the 23rd May 2019, there was an upward trend on the stock prices as demonstrated in scatter plot 30 below.



Scatter plot 29



Scatter plot 30

4.8 Discussions

Most of the banks presented a similar trend regarding the effect of dividend announcements on stock prices behaviour. The descriptive analysis demonstrated a relatively same trend to all the five banks; the variable of most of the returns was higher than the average returns, meaning that the daily stock prices of the analyzed banks have a divergence tendency. The prices tend to be a distance away from the mean price.

The dividend announcements of the banks differed due to their different annual general meetings. The standard SCB indicated that announcements are made in august every year. While that of DTB was also constantly announced in the month of May. The KCB and ABSA varied in April and May, while that of Stanbic Holdings Plc also varied in the month of May and June. However, the analysis demonstrates a similar trend of the stock prices after the announcement of the dividends. All the banks' analysis shows that after the dividend announcement, the behaviour of the stock prices tends to go upwards, meaning traders tend to buy the stock after every announcement, mainly when the dividend per share tends to be a higher price compared to the previous price. Such behaviour confirms the EMH (Sewell, 2011) and Malkiel (2003) thought on dividend announcements that affect stock prices.

The standard bank indicated a slower increase in the stock prices after the announcement of the dividends in August 2017 (SCB, 2017). The 2018 stock prices of SCB demonstrate a different trend after the announcement because the announcement of the dividend per share was lower than the previous year. The year 2017 had a total of KShs 20 (SCB, 2017), while 2018 indicated a low price of KShs 19 (SCB, 2018). The year 2019 recorded an increase of the dividend per share (SCB, 2019), and such an announcement led to an upward trend in the stock after the dividend announcement that year.

The Stanbic bank holding demonstrates a slightly same trend in the analysis of the three years. The years indicate a more stable increase in the stock prices over the period after the dividend announcements. The KCB prices indicated fluctuating stock prices after the announcement on April 29th 2017 (KCB, 2017). More stable and increasing stock prices were recorded in 2017. The year 2018 stock prices of KCB indicated an abnormal trend instead of the other analysis of the four banks. After the announcement on the 27th of April 2018 (KCB, 2018), the prices went up slightly. However, an immediate downward trend was witnessed the month after the announcement, and the decrease persisted towards the end of the year. Nevertheless, after the announcement on the 30th of May 2019 (KCB, 2019), there was a usual trend of increased stock prices.

Despite an increase, The ABSA bank analyses show fluctuating prices after the 28th of April 2017 (Barclays Bank of Kenya, 2016). This is the same for 2019 after the announcement on the 25th of May 2018 (Barclays Bank of Kenya, 2017). In 2019 there was an abnormal stock price after the announcement on the 29th of May (Barclays Bank of Kenya, 2018). A higher increase occurred four months after the dividend announcement, but a downwards trend and fluctuation of the stock prices was witnessed in that year. Lastly, the DTB analysis indicated a similar trend of a higher value of the stock prices after the dividend announcement. After the announcement on May 25th, 2017 (DTB, 2016), 24th May 2018 (DTB, 2017), and 23rd May 2019 (DTB, 2018), the stock prices increased and the trend lasted as towards the financial year. Most of the banks' analyses confirmed the information content of the dividend hypothesis. With the Modigliani & Miller claims (Watts, 1973, Chowdhury *et al.*, 2014).

CHAPTER V: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

The primary objective of this study was to establish the impact of dividend announcement on the returns of stock of the commercial banks listed at NSE with emphasis on market returns, current stock earnings, aggregate earnings and cumulative aggregate earnings. The summary of the results, conclusions and recommendations presented in this section is founded on these objectives. The chapter also suggests the areas for further research.

5.2. Summary of Findings

Upon the completion of this project, the following were the observations made. First, the study established that dividend announcement influences the return of commercial banks stocks at NSE. This was indicated by an increase in the stock price on the event day for all the banks based on the stock price findings for each bank for the three years, as shown on the charts. Ideally, this indicates that the demand for commercial bank stocks changed for the selected institutions during the event window across the selected banks for 2017, 2018 and 2019. The trend of the increase can be attributed to behavioural differences among traders. Notably, most of the analyses from the banks indicate a similar trend on the stocks before and after the dividend announcement. After every dividend announcement year, there is an increase in stock prices, meaning traders become active immediately after the Banks annual general meeting, which announces the dividend per share.

5.3. Conclusion

The study hypothesized that the announcement of dividends is one of the critical determinants of abnormal stock returns in this market. The challenging macro environment harms stock trading at this period. The findings established that trading decisions are impacted positively by the announcement of dividends owing to the increase in prices of a majority of the commercial bank stocks on the event day. The study established a significant positive relationship between earnings per share on the returns of commercial banks listed at NSE. However, the significance of the earnings per share on the abnormal returns declines as the negative perception of the challenging economic times on stocks declines. Nonetheless, there was a significant change in

the stock return indicators across the period of study. Thus, the study confirms that macroeconomic policies such as interest rate risk significantly impact the trading process. However, their highest impact occurs immediately after enactment, and this effect fades with time.

5.4. Recommendations

The study confirms that some macroeconomic policies have a substantial impact on the performance of stocks among enterprises listed at NSE. The unfavourable policies directly or indirectly harm the respective institution significantly, and the effect is highest immediately after enacting the policy. Despite the potential improvement of the results with time, the harm caused by the guidelines can last for long and cause enormous damage to the Economy. In this regard, the government should establish the potential short-term and long-term impacts of various economic policies before formulating and enacting them. If implementing the policies is necessary, measures of offsetting the adverse effects on the performance of the institutions should be established and implemented alongside the policy enactment.

5.5. Study Limitations

The study findings are limited for various reasons. First, data collection was a significant challenge. Most of the data were obtained by assessing the company reports and inspecting graphs available on various websites and online resources to obtain the market statistics for various banks. The gaps in the data necessitated simulation using the available statistics. In this regard, the accuracy of the findings of this research might be lower than those that could be obtained if the researcher stood a chance of using the actual data.

Secondly, the market model was utilized because it was hard to obtain data about other factors affecting stock returns on the event window. The impact of other factors was thus, speculated than actual.

5.6. Suggestions for Further Research

Future research should focus on obtaining the actual data about the selected variables. The future scholars on this topic should also establish ways of accessing, recording and analyzing other relevant variables such as anticipated future returns, significant announcements and counterparty

risk. By including the details on this, a comprehensive understanding of the research topic can be achieved.

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