

Relationship between inflation and dividend payout for companies listed at the Nairobi Securities Exchange

Abstract:

Earlier studies conducted have a mixed opinion on the effect of inflation on dividend payout. Due to the nominal increase in the volumes of money, which result from the increase in inflation, at least for a short run, some studies have concluded that inflation has a positive effect on dividend payout. However, in the long run, studies in general seem to show that the inflation rate and stock returns are negatively related. This study, which considers a sample of all the firms that consistently paid dividend between the year 2002 to 2011 and were listed at the Nairobi Security Exchange showed that, inflation rate has no impact on the dividend payout. However, other variables considered, that is, the spot Dollar exchange rate to Kenya Shillings, the Volumes of Money Supply and the T-Bill rate (91 day rate) show mixed results. The study reveals that, the exchange rate and the T-Bill rate have a positive correlation with dividend payout, while volume of money supplied has no impact on the dividend payout.