

**THE EFFECT OF EARNINGS AND DIVIDENDS ON SHARE PRICES OF FIRMS
LISTED AT THE NAIROBI SECURITIES EXCHANGE**

BY

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DECLARATION

I hereby declare that this research project is my original work; it has not been presented to any other institution of higher learning for academic purposes.

Signed

Date

This research project has been submitted for examination with my approval as the University Supervisor.

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God Bless

DEDICATION

I dedicate this project to my parent Ms. Salo Tache for passionanate love, support and sacrifice made during my entire life. To my wife, Elema Wako, Daughter Summayah. All my brothers and sisters (Wako Tache, Roba Tache, Amina Shariff, Elema Tache, Sukhe Galgallo and Qabale) for the unrelenting support during the noble course of my study.

ABSTRACT

Firms quoted on the NSE usually declare their dividends and shareholders on the firm's share register as at a given cut-off date become eligible to receive a dividend once it is paid out. Once a dividend is declared, the stock prices commence trading cum-dividend until the dividend payment is made to shareholders. Shares trading cum dividend tend to sell at higher prices as they are expected to factor the proposed dividend component. This study was guided by efficient market hypothesis and random walk theory and signaling supposition theories. The study sought to examine the influences of incomes and dividends on stock prices of corporations registered under the NSE. The study employed descriptive research design. The populace of the research included all firms listed at the Nairobi Securities Exchange. The people of all the listed corporations as at December 31, 2015, stood at 61. The study utilized secondary data. Data including share prices of stocks was gathered from the Nairobi Securities Exchange (NSE). The data analysis involved correlation analysis using a multiple linear regression model. Data analysis was carried out using computer software, SPSS, to run the regression model. The study further concludes that earnings and dividends affect the value of shares of a firm in the long run and that the association is significant and constructive. Therefore, it is a depiction that earnings and dividend policy are pertinent and impact the share price of a corporation hence its worth incomparable to the hypotheses that view dividend policy as extraneous. The study recommends that Investors' who invest in stocks for short term or long term purposes need to take into account EPS and DPS ratios when investing in shares. This is because a higher EPS and DPS ratios leads to a higher share price. Therefore, investors should include counters with high EPS and DPS ratios in their portfolios. Such a portfolio would increase the value of the investor's wealth. In addition, investors should take into account previous EPS and DPS ratios when structuring their portfolio. Companies who need to show an increase in share price are also advised to declare high dividends and earnings for any given level of earnings. Such an action will be interpreted positively by investors and this will boost demand for the shares. Hence share prices will rise.

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LIST OF ABBREVIATIONS

| | |
|-------|-------------------------------------|
| ANOVA | Analysis of Variance |
| APT | Arbitrage Pricing Theory |
| DPS | Divends per share |
| EPS | Earnings per Share |
| SPSS | Software Package for Social Science |

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The Impact of announced Earnings per Share (EPS) on stock prices is something that has been at the core of interest to investors and shareholders. And this owes to the fact that EPS is a crucial instrument that evaluates a company's performance in the long run, (Seetharaman and John 2011). The EPS is one of the crucial investment factors that help in the evaluation of the health of any company as well as how it influences the buying tendency in the market that results to the fluctuation of particular stock prices. A company's EPS are significant as it is a good indicator of the financial health and performance of the company. Gordon (2009) pointed out that shareholder when buying shares usually pay for the earnings and the dividends. Multiple practical research has ascertained that, within corporate finance, one most crucial evaluation is linked to whether a firm's revenue should be allocated to shareholder bonuses or it must be reinjected back to the business through new investment prospects, and if it is to be spread among the two, what percentage of the revenue ought to be owed to shareholders and what amount ought to be allocated to corporate ventures (Dawar, 2012; Kouki & Guizani, 2009).

This study was guided by efficient market hypothesis and random walk theory and signaling supposition theories. Efficient market hypothesis affirms that an industry is considered efficient if security prices instantaneously and completely respond to changes in prices so as to echo the existing data. Efficiency, in this context refers to informational efficiency and not

the operational efficiency. Therefore, if a market echoes the data, the knowledge of that data cannot allow someone to profit from it since the security prices incorporate the data itself (Dolvin et al, 2012). Random walk is a theory affirming that the former direction of price or stock movement and/or overall market cannot be adopted in the prediction of its future movement. Signalling theory, in turn, puts forth that stockholders consider dividends as tools of managing the forecast of earnings. For example, if investors or stakeholders anticipate a firm's dividend to increase by 5 percent, then it is expected that, on general terms, the stock price will not vary considerably on the moment of dividend announcement.

In general terms, the security prices are an indication of a company's performance. Both Economic and non-economic elements consistently influence the behavior of stock return. As Cootner (1964) claims that "security prices are normally sensitive and responsive to all real and imagined events". As well, a major factor behind the variation of returns is speculative foreign institutional investors sales and purchases. The NSE is the major Kenyan Stock exchange. It is also a part of the African Stock Exchanges Association. In addition, it ranked number four among Africa's largest firm dealing with stock trading when considering trading volumes. It is, however, ranked, among the top five when it comes to market capitalization as a part of GDP. The NSE performs its business closely with the Ugandan Securities Exchange along with the Dar es Salaam Stock Exchange, counting the cross-listing of numerous parities such as EABL and Kenya Airways. One of the major requirements that companies must fulfill if they want to get listed in the NSE is having an unblemished impending dividend policies (Kenya Gazette Legal Notice No. 60 May, 2002). In this manner, it creates earnings and dividends policy commendable of profound administration consideration.

1.1.1 Earnings

A firm's earnings paint a picture of the degree of the alteration in the worth of the firm to individual shareholders (Nichols & Wahlen, 2010). Earnings are given by revenues less the cost of sales, taxes and operating expenses over a specific period. In this research, we will evaluate the earnings as annual earnings per share due to the essence of comparability. Basu (2007) in the earnings multiplier model (P/E) supposed that earnings are one of the most crucial factors that establishes both the real value and health of a firm. Investors make decisions depending on public data such as earnings, which are perceived as indicators of a company's financial health and future expectations, therefore, determining the share price (Al-Malkawi, 2007). Incomes are considered as pointers of a firm's efficiency of management and profitability.

Empirical studies suggest that earnings per share (EPS) is one of the most significant factors that influence the price of a share (Sharma, 2011). The pioneers of the studies on elements and determinants of share price were Gordon (1959) and Collins (1957). In their independent studies, both identified earnings as one of the dynamics influencing share prices. Beaver (2009), further, put forth that current period revenue present data to predict future periods' profits. The future periods' earnings, further, provide data that helps in the development of prospects in future. This gives data that enables a firm determine the share price. Firms need to carry out effective earnings management and at the same time the executive needs to understand the effect of the firm's policies so that they can make the best possible decisions for the company (Lev, 2008).

1.1.2 Dividends

Dividend is the distribution of past or present earnings in terms of real assets among company shareholders proportionally as per their ownership (Sujata, 2009). They are thus, distributions

made out of the firm's profits/revenues and the decision to pay out dividends is rooted on the dividend policy of the company. A dividend per Share (DPS) is the summation of all dividends declared by a company divided by the issued outstanding ordinary shares.

According to Hashim, Shahid, Sajid and Umair (2013), there are varied reasons why firms allocate dividends. It may either be a way to lower the rise in agency cost between shareholders and managers or to reduce investor's insecurity. It could be the aim of an investor to receive dividends continuously, preferring to invest in companies that pay dividends. The research also concludes that firms paying more dividends have no trouble when accessing capital markets and dividends also influence the valuation of stock.

Dividends are mostly paid out by companies that are in a better cash position and whose earnings can be said to be best able and sound (Kania & Bacon, 2005). According to Denis and Osobov (2008), large, mature and more profitable firms are thought to be highly probable to pay dividends as they can even source for such funds to pay out dividends from cheap external debt sources at their disposal. Erick (2010) also establishes that the firm's liquidity position, its earnings and leverage, the profitable opportunities available and its debt to equity ratio are important determinants of dividend payments by firms from the financial sector listed at the Nairobi Securities Exchange (NSE).

1.1.3 Share Price

A share price is defined as the price of one share among a number of commercially viable stocks of a firm. A share cost or price at a particular time represents the balance that buyers and sellers strike among themselves. The price reflects the collective knowledge and wisdom concerning the market (Sharma, 2011). On the other hand, the alteration of a stock price

determines the return on investment on that particular stock. Thus the share price among the most important factors that influence investment decisions made by investors. This factor is majorly controlled by the supply and demand forces of a certain security (Zakir and Khanna, 1982). Specialists can hotspot at share costs from the stock market exchange.

The share cost of a particular organization is plainly detectible from the stock trade, a portion of the capital market's security fragment (Seitz, 2010). The most well known securities are alternatives, bonds, and stocks. Securities market permit demanders and providers of assets to carry out exchanges. They likewise permit less demanding and quicker exchanges at sensible costs (Feldstein & Green, 2013).

1.1.4 Effect of Dividends and Earnings on Share Price

Gordon (1959) pointed out that investors pay three things when paying for the shares listed namely: both the dividends and the earnings, the dividends, and the earnings. The shareholders interest in the company earnings is represented by the portion of the earning per share hence to understand the effect of the EPS on the Stock price is vital as the EPS is an important consideration when investors buy the shares of a company. An investigation by Patel and Wolfson (1984) showed how swiftly prices can fluctuate if data is available to the market; they established that when a company updates its earnings data, or dividend changes, main part of the variation occurs between 5-10 minutes of the announcement. Similar studies by Bernard and Thomas (1989) on stock performance following the declaration of sudden good or bad news in the period 1974 to 1986 in the US found out that stocks with best earnings news do better than those with worst news. There definitely appears to be an impact over the stock prices following the announcement of company's earnings.

The linkage between earnings and dividends remains an issue that is not attended to. According former finance literature studies, it is possible to use dividends to predict future earnings. Miller and Modigliani (2008) utilized intelligent examination method to clarify firms' profit approaches. The two specialists guaranteed that in an impeccable market, the organization esteem ought to be novel as far as its profit arrangement. They included that a modification in profit arrangement can show an adjustment in the administration's point of view of future income. Benartzi, Michaely, and Thaler (2011) discovered restricted support for the point of view that profit modifications have information content an association's future income .They expressed that "while there is a vigorous past and simultaneous connection between profit changes and income, the prescient esteem that accompanies adjustments in profits are apparently insignificant." Mozes and Rapaccioli (2010) contemplated the linkage between corporate income and profits. They continued by giving confirmation that critical increments of profits can normally prompt increments in future income. Then again, a little increment in benefit qualities can foresee an expansion in future income. They promote inferred that if an organization reported misfortunes, the profit decline would need to outperform a specific edge before it could be utilized as a part of the report of a misfortune. Mozes and Rapaccioli (2010) assumed that the linkage between the decrease of profits and future income cannot be direct and positive.

1.1.5 Nairobi Securities Exchange

The Nairobi Securities Exchange is the central Kenyan stock exchange. It was established in 1954 as a foreign bod with Kenya as a British colony then. It was constituted with authorization of the London Stock Exchange. There are two indices are primarily employed in the measure of performance. Since 1964, the NSE 20-Share been used in the measure of performance of 20 blue-chip firms. It is based on strong fundamentals, which have echoed

positive results continuously. Back in 2008, the NSE All Share Index (NASI) was launched as a substitute index. As of today, 61 firms are listed on the NSE (www.nse.co.ke, June, 2015).

With Kenya as a prominent emerging market in Africa, the NSE is Africa's biggest stock trade as respects exchanging volumes, and fifth on the subject of market capitalization as a rate of GDP. The stock market can almost always correctly predict the status of an economy. This is because the capital market plays a crucial role in the economic development process (www.cma.com). It is essential, therefore, to address matters concerning the capital market in Kenya. Since NSE is the primary and stock market in Kenya, most research work in the past has been based on it. To date, no study has involved the linkage between earnings and share price in regard to the NSE. Consequently, there is a growing necessity to explore this relationship based on this market.

Capital Market Authority (CMA) is the body that regulates the NSE. It works through a system of rules and regulations combined with several relevant acts of parliament (www.nse.co.ke, June, 2013). Being the only stock market in Kenya, it means that most of the research work that has been carried out within the country is based on this market. The NSE was picked as the chief source of data for this research because it provides real time and historical listed debt securities along with equity securities data including: instrument code, ask price, bid price, ask quantity, trade quantity, bid quantity, low price, high price, trade price, close price, total turnover, price change, total trade, and total volume (www.nse.co.ke, June, 2013).

In Kenya most of the quoted companies pay dividend semi-annually. No legal requirements recommend firms to employ a particular dividend payment schedule. Nevertheless, dividend

distribution is monitored through some legal restrictions for instance the dividend should not be paid out of capital unless during liquidation. Financial signalling 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. When a business alters its dividend policy, investors frequently assume that it is responding to expected company profitability, which could last long. Payment ration increases, signal shareholders of an increase in firm expected earnings. In accordance this dividend payment consequently affects the share prices.

1.2 Research Problem

Earnings per share forms an important tool in the evaluation of company's performance in the eyes of investors as it reflects the portion an investor has or how much earnings he gets per share held. Since the investors own shares which are represented by the EPS on the company's announced earnings there is ground to believe that the EPS has an effect on the stock prices. Income declarations are a portion of the pivotal flagging instruments utilized by directors to pass on data to people in general about the status of a company as well as its future expectations (Lonie et. al., 1996).

Firms quoted on the NSE usually declare their dividends and shareholders on the firm's share register as at a given cut-off date become eligible to receive a dividend once it is paid out. Once a dividend is declared, the stock prices commence trading cum-dividend until the dividend payment is made to shareholders. Shares trading cum dividend tend to sell at higher prices as they are expected to factor the proposed dividend component. The shares start

trading ex-dividend immediately the dividend is paid and the share prices tend to come down on the NSE (CMA, 2015).

Various empirical studies have been undertaken to seek an understanding of the factors influencing the stock market prices. Mohammed (2010) studied on the effect of earnings announcements but did not identify the impact of specific items in the announcements; Paul and Brown (1968) on the Post Earnings Announcement Drift noted the momentum changes afterwards but didn't identify the variables behind the movements. Oyinlola & Ajeigbe, (2014) investigated the effects of dividend policy on prices of stock in Nigeria and established that dividend payout as well as retained earnings have a positive significant influence on market price per company share. Umar & Musa, (2013) unveiled an insignificant correlation between firms EPS and stock exchange. Attah-Botchwey, (2014) examined the effects of Dividend Payment on the prices of shares of several Listed Companies on the Ghanaian Stock Exchange. The findings revealed that share price rose as the company's dividends increased. Hooi et al., (2015) examined the relationship between dividend policy instruments and stock price volatility. The study established that Dividend pay-out and dividend yield were figuratively significant and adverse to share price volatility.

Locally, Odumbe (2010) investigated the influence of bonus announcements on the stock prices, although we also need to understand the effect of the earning per share. Njoroge (2001) studied the linkage between dividends pay-out and some financial ratios such as return on assets. The result obtained were that the most significant variable in making dividends decision is return on assets. Ngunjiri (2010) investigated the relationship between stock price volatility and payment policies found that that payment systems had a great influence on the stock price volatility. Mbuki (2010) studied factors that determined dividend pay-out ratio

among SACCOs in Kenyans. He found out that the dividends payout ratio rested on various factors including the availability of investments opportunities, the availability of cash to pay the dividend as well as the sustainability of the dividend in the future. Kalama (2013) studied the relationship between the prices of shares and earnings for companies listed at the NSE and coincidentally established that earnings and dividends are among the strongest predictors of share price.

Though various research efforts have been done to grasp the behaviour of stock prices, not many works have been done in the area of understanding the effect of the earnings per share on the stock prices. Most of the studies have centered on the general aspects of the stock price patterns rather than on the impact of individual variable like EPS and DPS. It therefore goes without saying that there is still a gap to explain on the effect the earnings per share and dividends per share bears on the on the stock market price movements at NSE. Understanding this effect of the gains and dividends on the NSE share prices will add to the available body of knowledge on behaviour of share prices, help investors on the NSE understand the variables behind stock prices and motivate managers to maximize earnings for maximization of shareholders wealth. This is the ground justifying the cause for this study. In seeking to understand this problem of predicting stock market price movements with the focus on the effect of the earnings and dividends, the study was on the shares of companies listed on the Nairobi Securities Exchange.

1.3 Objective of the study

To examine the effect of earnings and dividends on stock prices of firms listed at the NSE.

1.4 Value of Study

Academic researchers may use the findings of this study to encourage more research. It will therefore form a foundation to carry out further research. Researchers and scholars of universities and colleges of finance and accounting will find this study valuable in understanding the theoretical underpinnings on the effect of the earnings and dividends on the shares of companies.

The study is important to managers to enable them to know the effect of some of their decisions that affect a company's earnings and dividends. This will allow them to make such decisions as to avoid unfavourable price reactions which negatively affect the value of the firm. Using the findings from this study companies will also be able to make decisions so as to maximize the market value of their shares.

Fund managers are charged with the responsibility of identifying viable projects on behalf of the investors. Findings from the study will help them gauge the performance of the stock market and hence assist in making buying and selling decisions. The study is paramount to investors to enable them to anticipate price movements and therefore, make right investment decisions to maximize their wealth.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter describes the works on theories and models about earnings, dividends and other determinants of full share price. The section also examines the empirical findings both internationally and locally and gives the measures of the primary variables used in the study.

2.2 Theoretical Review

This section contains theories and models about earnings and dividends on share prices. They show the relationship between gains and dividends on stock prices. They include: efficient market hypothesis, random walk theory and signaling hypothesis.

2.2.1 Efficient Market Hypothesis

Fama acquired the efficient market hypothesis theory during the 1970s. according to the theory, a market is productive if its security change instantly completely to reverberate all the accessible information. Effectiveness, in this unique circumstance and hypothesis translates to productivity and not really operational proficiency. Thus, if a market completely shows data, the knowledge of that very information won't permit any person to benefit from it in light of the fact that the security cost is attached to it. A capital market delineating qualities of with such uniqueness prompts security costs that generally and completely reverberate all the accessible information in an unprejudiced and quick way. In this manner, it winds up giving impartial appraisals of the essential qualities (Basu 1977). Supporters of this hypothesis

assume that it is insignificant to search for underestimated stocks or rather endeavor foresee drifts in the market by utilizing major or specialized investigation.

Market efficiency, is the latitude of the information that values reproduce as well as the scale by which capital market values respond swiftly to new value-relevant data/ information. For example, predicted fluctuations in incomes. Usually, market efficiency does not rest on the assumption that capital markets are omniscient. And neither does it assume that prices are prescient. In simple terms, market efficiency is not an absolute. Instead, it rests more on the scope, which indicates the amount of data costs reverberate and how quickly the costs respond and achieve new harmony levels. Very effective markets in terms of accounting earnings numbers would respond in a quick and complete manner when new earnings-related data avails itself (Nichols & Wahlen, 2004).

Fama (1991) supposes that market efficiency can be present in weak form, strong form, or semi-strong form. Weak form type of effectiveness occurs when prices echo only the historical share prices information. Semi-strong form efficiency, on the other hand, occurs when prices reflect all publicly accessible information like and earnings forecasts and dividend payment announcements. Strong form efficiency happen when the market prices under manipulation of not only public and historical information but also private and confidential information, accessed by some investors.

If the efficiency of market is of weak form, historical data analysis will not allow investors to receive abnormal returns. If it is in semi-strong form, historical data analysis as well as the generally accessible one will not aid investors in acquiring extraordinary profits. Finally, if the efficiency is in the strong form, knowledge regarding confidential data will not bring

forth abnormal returns (Fama, 1991). This theory will be relevant for the current study as it will enable the researcher to know how the security prices guarantee investments in the market. It will also give the researcher precise information of the type of the market whether in any of the three forms and the various price security associated with them.

2.2.2 The Random Walk Theory

The theory was advocated by Fama (1965) in the journal on stock market prices. In his finding he advocates that the random walks in the prices of stock is pivoted on the premises that the successive price changes typically independent and that the price fluctuations are consistent with some form of probability distribution. He established in his argument that variations in stock prices seem to follow a stable Paretian distributions. The random walk theory developed the proposition that previous stock prices can therefore not be used to predict the expected future prices. Godwin (2010) while studying on the applicability of the random walk theory on the Nigeria Stock Exchange proved that theory applies though in a weak form of market efficiency by the substantiation that data conveyed in the past pattern of the prices of shares is compounded in the current prices.

In Statistical terms, the price changes in period are not related to the price changes in the successive periods. However, Fama and Kenneth (1998) on their studies on dividend yields and expected stock returns established that the power of dividend yields to forecast stock returns increases with horizon. Thus on long periods of Horizon the dividend yield is a good predictor of stock market returns. This theory will be relevant for the current study in that it will inform the researcher on how changes in the stock prices and whether they depend on other factors. The researcher will be able to ascertain the trend in which changes in the stock

prices follow. As a result the researcher can be able to determine the prices of stock at specified duration of time.

2.2.3 Signaling Hypothesis

Litzenberger & Ramaswamy (1979) came up with a theory that claimed that that investors have a preference for lower pay-out firms due forestalling current taxation. The contention depends on the assumption that profits are liable to higher taxes contrasted with capital additions. While the administration charges profits in the year they are gotten by the shareholders, the instance of capital additions is distinctive. Ordinarily, capital additions, assuming any, are forced when stock is sold. Administration dependably has exact data about the organization than outside financial specialists. In this way, there exists a data asymmetry amongst financial specialists and administrators of the firm. To cross over any barrier, administration utilizes profits and income as an instrument of conveying private data to shareholders (Al-Malkawi, 2007).

Earnings announcements are just an example of marketing tools that managers use to convey information to the firm's investors and shareholders concerning the financial health of the company and its future expectations (Lonie et. al., 1996). Earnings announcements are fundamental component carrying out tests in regard to market efficiency. Therefore, earnings are just like a yardstick that can be employed in the market in the assessment of the profitability and wealth of a company.

According to John and Williams (1985), dividends might expose the characteristics of a firm to outsiders, either complete or partial terms, regardless of the existence of dissipative costs. Optimally smooth dividend payments over time made by a company to its shareholders may

be interpreted by the outsiders to mean a good firm and management reputation. Many investors will be tempted to invest in the company's shares and hence improving on the stock price and the ultimate market value of the firm as the company will be seen to be making continual positive earnings/income (even if this isn't the case).

According to Miller and Modigliani (1961), a dividend reduction conveys a message that future earnings prospects are poor. They based this on the assumption that the signaling effect of dividends conveys information about future earnings. The changes in dividend policies therefore give the message about the direction of the firm's future cash flows. Almalkawi (2007) also points out that there exists information asymmetry between the managers and outsiders contrary to MM assumptions of information being costless and available to all and the management normally uses earnings and dividends as an instrument to indicate private information to shareholders. According to Mwaura, Ganesh and Waweru (2012), investors use dividends as a signal about the firm's future prospects. These findings were established in their study on the signaling hypothesis by examining the displacement properties of dividends. This brings the findings into a local/Kenyan perspective.

Lipson et. al. (1998) also observed that in many cases, managers do not introduce dividends until they are assured that the dividends can be replaced by future revenue. Dividends are, consequently regarded as a credible signaling tool that influence market value, because of the dissipative costs involved hence the theory is relevant in this study. The theory will be important for the current study since it provides information on the involvement of all stakeholders in acquisition of data concerning an organization's forecasts and recital, which will enable them to make right decisions with regard to performance.

2.3. Empirical Review

Various studies have been done to understand the behaviour of stock prices both on the local context of the Nairobi Securities Exchange and others abroad, however most studies have been centered on other aspects and not many have been focused specifically on the effect of earning and dividends. We discuss some of these studies, with their findings and conclusions. The previous empirical studies are important in order to understand the context of our study and identification of the research gaps in the area.

2.3.1 International Studies

Zaredadeh et. al. (2011) There is notably a negative correlation between DPS and P/E to a company. This is as attained after examining the co-existing relationship between EPS, DPS and P/E as independent variables of a specific company using the multiple regression model. There is, however, a significant positive insight to the relationship pertaining stock price of the company and EPS.

Umar and Musa, (2013) applied a simple linear regression model on 140 out of 216 Nigerian firms that were controlled by the Nigerian Stock Exchange. The result unveiled a trivial correlation between firm EPS and stock exchange. More so, it was discovered that firm EPS has no analytical power on stock prices. It was therefore recommended that stock prices should not be predicted depending on firm EPS.

Oyinlola and Ajeigbe, (2014) conducted a research on the effect of dividend policy on prices of stock in Nigeria. The study was carried out on 22 firms enumerated on the Nigerian Stock Exchange using ultimate quoted share prices attained from two Nigerian magazines-The Guardian and The Punch, as well as ancillary data on their firm's rudiments as availed on

their annual reports from 2009 through 2013. Granger Causality test, Correlation and Regression analysis were used to examine research hypothesis on 110 observations and the outcome unveiled a significantly relevant dividend payout as well as retained earnings in the market price per company share.

Attah-Botchwey, (2014) Examined the effects of Dividend Payment on the prices of shares of several Listed Companies on the Ghanaian Stock Exchange. Out of 36 companies, Cal Bank, Eco bank and AngloGold Ashanti along with sixty of their respondents were selected by chance for the study. The use of questionnaires was applied as the primary source of data where as information pertaining dividend policy was extracted from available fonts. The findings revealed that share price rose as the company's dividends increased.

Sulaiman and Migiro (2015) examined the impact of dividend judgement pertaining stock price changes in Nigeria. The panel-data approach was applied to 15 selected companies and cuts within nine sectors of their economy from 2003 through 2012. The pragmatic outcome of this study revealed that the earnings per share and dividend per share outline a massive positive correlation with stock price.

Hooi et al., (2015) examined the relationship between dividend policy instruments and stock price volatility. The research was done on 319 randomly selected companies from Kuala Lumpur stock exchange in the Malaysian Market. It was discovered that Dividend pay-out and dividend yield were figuratively significant and adverse to share price volatility. There was, however, a hypothesized substantial statistical relationship between long term debt and

earning instability to price instability. Nonetheless, no significant relationship between price volatility and growth in assets was noted in the Malaysian Market.

2.3.2 Local Studies

Ndinyo (2011) studied the effect of P/E ratio on the performance of common stocks at the NSE covering the period 2006 to 2010. It involved testing whether high/low P/E ratio results in high/low value of common stocks. The P/E results were compared with the return of respective stocks and comparisons made between the share returns of both low and high P/E ratio stocks with those of average stocks. One way ANOVA analysis was used to test the relationships. Results showed that high P/E portfolios seem to have earned higher rates of return as compared to the average stock. Low P/E portfolios earned less return than the average stock.

Murekefu and Ouma (2012) did a research on the linkage from firms performance to dividend payout. The study concentrated on firms enumerated in the Nigerian Stock Exchange from 2002 through 2010. The outcome predicted a solid relationship between the two, hence their conclusion that dividend policy significantly affects firm performance. They also unveiled that among the factors affecting performance ,revenue and total assets top the list.

Kalama (2013) studied the relationship between the prices of shares and earnings for companies listed at the NSE and coincidentally established that earnings and dividends are among the strongest predictors of share price. In sense, policy and need for companies to pay regular dividends. In maximizing returns and paying regular dividends, the share price takes a positive trajectory which is a price of concern for shareholders. Allied for the need of

investors to make investment decisions that maximize their returns and at the same time, the company managers make decisions that enhance earnings and recommended a liberal dividend.

Kipronoh (2014) examined the reaction of prices to earnings information at the Nairobi securities exchange earnings announcements. He applied event study methods to undertake the research on five selected firms in the 20-share index. The researcher noted abnormal price response pertaining earnings statement durations which suggest that earnings announcements contain significant information.

Munyua (2014) did a study on the Effect of dividend policy on firm's stock prices. The firms were listed at the NSE. The study used a descriptive research design from a census analysis of the 61 listed firms at the NSE in the ten years between 2004 and 2013. The study used secondary data available for all firms at the NSE. The regression model used in the study has the share price as a function of dividends, profitability and leverage. The study found a convincing positive correlation between dividend per share and the share prices and that share prices are affected by the dividends per share paid out.

Njeru (2015) carried out a study on the effect of dividend payout on the share prices of firms listed at the NSE. A census of all the 64 listed companies was examined for five-year-period years from 2010 to 2014. The investigation made the use of event study methodology with a 21-day event window, 10 days prior to the dividend payment date and 10 days after the payment date, day 0 being the dividend payment date. From the test of importance, dividend payment had a statistically noteworthy effect on on share prices in all the 5 years, therefore,

confirming the presence of a negative effect of dividend payout on share prices of the listed companies at the NSE.

2.4. Determinants of the Share Price

Economists believe that prices of commodities are dependent on supply and demand forces in a free economy. In the Securities market, several factors affect the prices of shares. They include the firm's value, price earnings ratio, dividends per share, the earnings per share as well as dividend cover (Gompers, Ishii & Metrick, 2003).

The simplest element that influences share prices is tied to the forces of demand and supply. For instance, if many people start buying a particular share then its demand goes up and so will the prices and if people start selling the share then its demand goes down and prices drop accordingly. Government policing, the performance of both the industry and the firm as well as their potentials have an impact on the demand tied to the investor. The share price is therefore determined by both Macro and Micro Economic factors.

2.4.1 Macro Economic Factors

Almost certainly, the linkage between macroeconomic variables and the prices of stock is clearly demonstrated by the Dividend Discount Model (DDM), which was recommended by Modigliani and Miller (1961) more specifically compared to the theoretical stock valuation model. The standard stipulates that current equity price share is the same as the present value of protected cash flows to the share. As a result, the required rate of return and prospected cash flows are the primary determinants of the prices of stock. Tessaromatis, (2003) and Arnott and Hansen,(1989) suggested that economic factors that affect the anticipated cash flow in future and the required rate of return can influence the share cost.

proposing that monetary elements that impact the normal future income and required rate of return influence the share cost.

Fama and Gibbon (1982) found that the foreseen genuine returns attached to bills and also the normal swelling rates are contrariwise related. This emerges from the way that there is a postive connection between expected genuine returns in money related resources alongside the genuine movement. By using the multi-figure APT framework, another researcher, Hamao (1988) demosntrated that swelling influenced Japanese stock returns extensively. An examination of the connections between's genuine activity and stock costs, cash and expansion conveyed in 1981 by Fama demonstrated that there existed a solid relationship between the genuine variable and sommon stock returns.

2.4.2 Micro Economic Factors

Rosenberg et al. (1985) discovered that average stock returns have a positive linkage to the proportion of a company's book value of common equity to its market value in the United States market. Bhandari (1988), in another case, found that projected common stock returns have a positive correlation to the ratio of debt to equity, manipulating the beta and the size of the firm. This linkage is not sentitive to alterations in the market proxy and estimation technique. The data signifies that the "premium" linked with the debt/equity ratio is not responsible to be just a risk premium.

2.4.3 Other Determinants of Share Price

There are other specific factors that affect share prices. Below are the basic factors that influenced share prices.

A firm's profit focuses on a measure of the adjustment in the estimation of the firm to normal value shareholders amid a period (Nichols and Wahlen, 2004). Income is given by incomes short cost of offers, working costs and duties over a given period. In this study, profit will be assessed as yearly income per share for motivations behind likeness.

Gordon (1959) conjectured that profit had an impact on stock cost. In spite of the fact that his discoveries were that profits had more impact. Seetharaman and Raj (2011) found a solid positive connection between profit per share and stock costs. However, there was also a significant impact of earnings announcements on stock prices. Sare, Akuoko and Esumanba (2013) observed earnings announcements carried weight when it came to investors making decision on share prices.

Higher current profit lessened instability about future money streams consequently a high payout proportion would decrease the cost of capital along these lines would prompt an expansion in stock esteem (Gordon, 1959). This had suggestions on stock returns. Habib, Kiani and Khan (2012) saw that the profit yield and share costs emphatically relate however, payout proportion was adversely related. Profit approach affected share value unpredictability and that profit flagging impact was likewise significant in deciding the share value instability which influenced stock returns. Munyua (2014) found a strong positive correlation amongst dividend per share and the share prices were affected by the dividends per share paid out.

Shwert (1983) stated that the 'size effect' is an anomaly that affected stock returns. Kazemi and Kazemikhasragh (2012) found out that firm size had a positive significant association with stock returns. Banz (1981) found that small corporations had an increased risk adjusted returns, on average, than larger firms. According to Chaibi, Alioui and Xiao (2014) small firms generally generated greater returns than large firms. Their studies supported this. Also

firm size in the Pakistani stock market had an effect on stock returns, (Tahir et al., 2013). This is also supported by Fama and French (1992).

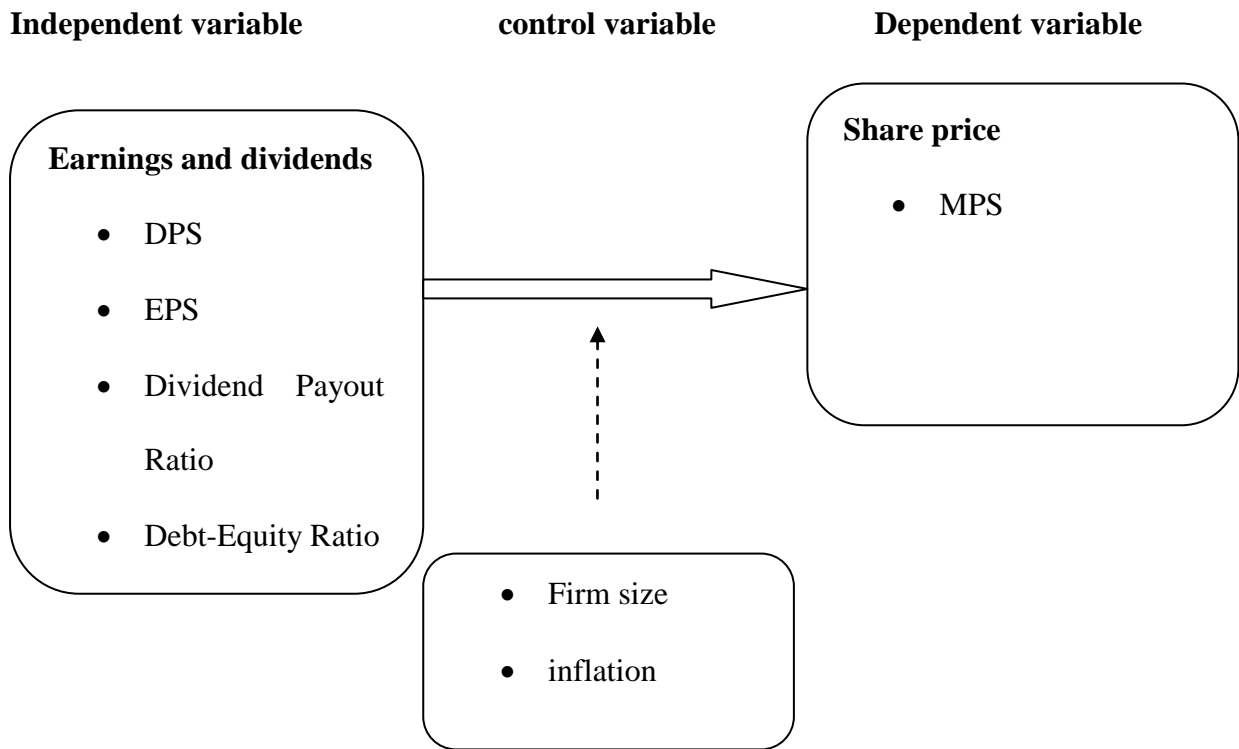
Muriuki (2010) study revealed that announcement of a dividend by a firm had a short term influence on share prices. In a semi strong form market efficiency, stock prices reflected all publicly available information (Fama et al., 1969). This would lead to an adjustment to stock price when a dividend announcement was made. Vazakidis and Athianos (2010) observed a positive market reaction during the period before the dividend announcements, while negative abnormal returns were observed in the first days of post announcement period. Mukora (2014) found a positive effect of dividend announcement on stock returns for firms listed at the Nairobi Securities Exchange. Andres et al. (2009) showed that stock market returns were affected by unexpected dividend changes. According to Gurgul and Majdosz (2005), dividend announcements do affect stock returns in the Polish stock market.

2.5 Conceptual Framework

This framework offers an illustration of how variables are linked to each other. These variables, in this case, are the independent (explanatory) along with the dependent variable (response). Notably, an independent variable affects and determines the effect of another variable. The independent variable in this study is earnings, dividends, dividend payout ratio and debt-equity ratio. On the other hand, the dependent variable is the observable and measurable factor that regulates the influence of the independent variable. The response, in our case variable is share price, and therefore, is the dependent variable. Control variables are extraneous factors, conceivably affecting the investigation, that are kept continuous to reduce their effects on the outcome. In this research the control variables are the firm size and

inflation. The study expects that the independent variables will have a significant positive relationship on dependent variable.

Figure 2.1. Conceptual Model



Source: Researcher

2.6 Summary of the Literature Review

Mwaura, Ganesh and Waweru (2012) outlined the current consensus perspective when they concluded that even though several theories have been laid out in the literature explaining the powerful presence of dividends and earnings, they still remain some of the thorniest puzzles in business finance. The dilemma goes on and on since various schools of thought conflict in their interpretation and believe on whether investors prefer capital gains or cash dividends. It is in this case that we realize that empirical studies have in the past failed to give real signal

in the support of the naturally appealing earnings and dividend relevance argument (Gordon, 1963).

From the empirical review one can draw the difference between Miller and Modigliani perceptions of what primarily builds up the value of a firm and what the company's stakeholder's view as the value of the shares they are holding. The market changes in stock prices because of increased demand that may result from dividend announcement, which further contributes to adding shareholders wealth and, ultimately, value. While on the other hand this change does not reflect on the company's books. The above studies were done in different business environments that are not reflective of the current Kenyan setting. This research therefore aimed at investigating the existing association between earnings, and dividends on share prices of firms listed at the Nairobi securities exchange.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter contains information on the study including the research design, the target population of the study, data collection method and analysis techniques, sampling method applied in the research and measures of key variables.

3.2 Research Design

The study employed descriptive research design. Cooper and Schindler (2011), defines descriptive study design as a model used to describe behaviour or characteristic of a population being studied. The design fits the proposed study to determine the relationships between variables that is earnings and dividends and share price. Further, the design is dependable, valid and generalizable in this kind of a research in that it is suitable for the purpose of data collection and analysis.

3.3 Target Population of Study

The populace of this research included all companies listed at the Nairobi Securities Exchange. The population of all the listed companies as at December 31, 2015, stood at 61 (Appendix I). Quoted companies were employed since they are easily available in terms of information. This, further, owes to the disclosure requirements that are put in place by the Capital Markets Authority (CMA).

3.4 Data Collection Method

The study utilized secondary data. Data including share prices of stocks was collected from the Nairobi Securities Exchange (NSE). The share prices of stocks were obtained from NSE website and licensed stock brokers. Data from financial statements including income statements and statements of financial position from Capital Markets Authority (CMA) and company websites were used. The financial statements were employed in obtaining the EPS and DPS. All businesses which were actively trading between 2011 and 2015 were studied

3.5 Data Analysis

The data analysis involved correlation analysis using a multiple linear regression model. Data analysis was carried out using computer software, SPSS, to run the regression model. SPSS was preferred because it has the ability to cover a broad scope of graphical and statistical, not mentioning that it is more systematic. The regression model used was:

$$P_t = \beta_0 + \beta_1 EPSt_{-1} + \beta_2 DPSt_{-1} + \beta_3 DPR_{t-1} + \beta_4 DE_{t-1} + \beta_5 FSt_{-1} + \beta_6 IF_{t-1} + \varepsilon$$

Where: P_t = Share price for the period t .

$EPSt_{-1}$ = Earnings per share for period $t-1$.

DPS_{t-1} = Dividends per share for period $t-1$

DPR_{t-1} = Dividend Payout Ratio for period $t-1$

DE_{t-1} = Debt-Equity Ratio for period $t-1$

FSt_{-1} = Firm size for period $t-1$

IF_{t-1} = Inflation for period $t-1$

β_0 = regression constant.

ε = random error term that represents the combined effect of omitted variables.

The β coefficient from the equation represented the strength and direction of the relationship between the variables.

3.6 Measurement of Key Variables

This section gives the key variables that were used in this study and shows how the variables were determined or calculated

3.6.1 Earnings per Share

Due to the efforts and processes associated with statistical analysis, the price of shares in the market became the dependent variable. Earnings per share, on the other hand, Earnings per Share as the independent variable. In a bid to explain the share price in the year 't', the collected data was used to calculate the values of independent variables related to the year (t-1), that is preceding the year 't' (t denotes the year the share price). This was based on the supposition that earnings a company obtained in an year and other variables are capable of affecting the price of the shares in the market in the next year, when the data is announced.

The earnings per share was given by:

$$\text{Earnings per share (EPS)} = \frac{\text{Total earnings for the year}}{\text{Number of equity shares outstanding}}$$

3.6.2 Dividend per Share

Dividend is a part of the revenue that is obtained after taxation. Profits are distributed to shareholders of a firm according to their contribution and their investment. The earnings allocation is also subject to the risk of each shareholder to the company. However, the magnitude of profit distribution depends on the particular dividend policy that the company pursues. Therefore, the dividend policy has a considerable influence on the company and on

the market price of a share (Gordon 1959). To arrive at the Divided Per share, the following procedure was carried out:

$$\text{Dividend per share (DPS)} = \frac{\text{Total amount of dividend paid to equity shareholders}}{\text{Number of equity shares outstanding}}$$

3.6.3 Share Price

The price of a stock at a specific time exemplifies the balance between the sellers and buyers (Zakir & Khanna, 1982). Daily price changes come about because of alterations in the selling and buying pressure. In present studies, arithmetic means of low and high market share prices within the firm's financial year were recorded, just like it had been done by Sharma (2011). It was calculated mathematically as:

$$\text{Share price (P)} = \frac{\text{PH} + \text{PL}}{2}$$

Where PH is the greatest market price, PL is the lowest market price for the year which relates to the 't' period.

3.6.4 Dividend Pay-out Ratio

The dividend payout ratio is the measure of profits paid to stockholders in respect to the measure of aggregate net pay of an organization. The sum that is not paid out in dividends to stockholders is held by the organization for development.

It was calculated mathematically as:

$$\text{Dividend Payout Ratio} = \text{Dividends} / \text{income}$$

3.6.5 Debt-Equity Ratio

Debt/Equity Ratio is a debt ratio used to measure a company's financial leverage, calculated by dividing a company's total liabilities by its stockholders' equity.

Debt-Equity Ratio=Debt/ shareholders' equity

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The main objective of the study was to determine the effects of earnings and dividends on stock prices of firms listed at the NSE. The data was analyzed using SPSS Version 21. Data has been presented by use of tables. The findings with regards to the objectives of the study have been described using inferential statistics

4.2 Descriptive Statistics

Descriptive statistics are the measures that define the general nature of the data under study. They define the nature of response from primary data and/or secondary data. Descriptive statistics for this study were: mean, standard deviation, minimum and maximum. Descriptive data analysis was performed on the share prices, EPS, DPS, Dividend pay-out ratio, Debt-Equity ratio, Firm size as well as the Inflation. The descriptive statistics results are tabulated below

Table 4.1 Share prices

| | Minimum | Maximum | Mean | Std. Deviation |
|------|----------------|----------------|-------------|-----------------------|
| 2011 | 3.00 | 178.00 | 83.3421 | 48.29171 |
| 2012 | 5.55 | 276.86 | 100.0575 | 95.96355 |
| 2013 | 3.80 | 246.00 | 82.5634 | 82.25718 |
| 2014 | 3.20 | 493.00 | 50.9575 | 78.63607 |
| 2015 | 3.90 | 600.00 | 72.2554 | 99.74533 |

Source: Research Findings

From the table, it is construable that between 2011 and 2012 the share prices showed an upward trend from Kshs. 83.34 to Kshs.100.05. From 2012 the prices reflect a downward trend from Kshs. 100.05 to Kshs.50.96 but after that period, the trend goes upward from Kshs.50.96 in 2014 to Kshs.72.26 in 2015.

Table 4.2: EPS

| | Minimum | Maximum | Mean | Std. Deviation |
|------|----------------|----------------|-------------|-----------------------|
| 2011 | -8.85 | 40.76 | 8.0033 | 9.08696 |
| 2012 | -.79 | 30.57 | 7.5644 | 7.73514 |
| 2013 | -6.47 | 32.69 | 7.6387 | 8.68881 |
| 2014 | -14.79 | 32.71 | 2.7236 | 7.39076 |
| 2015 | -6.35 | 37.24 | 4.3292 | 6.38110 |

Source: Research Findings

On average the EPS of the companies was sh.8.003 in 2011 and decreased to 4.3292 in 2015 over the period under review, however the EPS was widely dispersed with a high standard deviation. With a maximum sh.40.76 of and a minimum of sh.-14.79 it shows that while some companies were doing extremely well, others were doing very badly.

Table 4.3: DPS

| | Minimum | Maximum | Mean | Std. Deviation |
|------|----------------|----------------|-------------|-----------------------|
| 2011 | .00 | 17.03 | 4.3297 | 4.55155 |
| 2012 | .00 | 29.08 | 4.7190 | 6.05665 |
| 2013 | .00 | 30.50 | 4.3611 | 5.38789 |
| 2014 | .00 | 32.50 | 3.4579 | 5.40024 |
| 2015 | .00 | 37.00 | 4.7598 | 7.69693 |

Source: Research Findings

Based on the Table 4.3 above, an irregular pattern of dividend per share for all the firms listed at NSE over the five periods under study with the highest being 4.75 in year 2015, while the lowest being 3.46 in year 2014. Additionally the standard deviation figures are high for DPS, indicating that the data points are spread out over a wide range of values, meaning that there is high level of variability in the data.

Table 4.4: Dividend Pay-out Ratio

| | Minimum | Maximum | Mean | Std. Deviation |
|------|----------------|----------------|-------------|-----------------------|
| 2011 | .00 | 1.00 | .4326 | .26513 |
| 2012 | .00 | .99 | .4974 | .26616 |
| 2013 | .00 | 1.00 | .4700 | .28103 |
| 2014 | -.65 | .99 | .3067 | .38898 |
| 2015 | .00 | .99 | .4346 | .28997 |

Source: Research Findings

The study further determined the trend of the dividend pay-out ratios under the study from 2011-2015 shown in Table 4.4 above. The analysis has established that the average dividend

pay-out ratios increased from 43% in 2011 to 49% in 2012. The year 2013 and 2014 witnessed a drop to 47% and 30% respectively followed by increase to 43% in 2015.

Table 4.5: Debt-Equity Ratio

| | Minimum | Maximum | Mean | Std. Deviation |
|------|----------------|----------------|-------------|-----------------------|
| 2011 | .51 | .97 | .7257 | .12921 |
| 2012 | .49 | .93 | .6968 | .12401 |
| 2013 | .47 | .89 | .6688 | .11907 |
| 2014 | .45 | .86 | .6421 | .11436 |
| 2015 | .43 | .82 | .6164 | .10959 |

Source: Research Findings

On average the debt-equity ratio have been decreasing over the five year period under review with the highest being 0.726 in year 2011 and the lowest being 0.616 in 2015. A lower obligation to value proportion more often than not infers an even more fiscally stable business. Organizations with a higher obligation to value proportion are viewed as more hazardous to loan bosses and financial specialists than organizations with a lower proportion. Therefore, this decrease in Debt-Equity Ratio will boost investors confidence in investing in companies listed at NSE. This yield was narrowly dispersed as indicated by the low standard deviation values.

Table 4.6: Firm size

| | Minimum | Maximum | Mean | Std. Deviation |
|------|----------------|----------------|-------------|-----------------------|
| 2011 | 9.12 | 13.06 | 11.2997 | .91824 |
| 2012 | 9.13 | 13.04 | 11.3046 | .90551 |
| 2013 | 8.88 | 13.31 | 11.4672 | .96314 |
| 2014 | 8.70 | 13.72 | 11.6966 | 1.05833 |
| 2015 | 8.68 | 13.63 | 11.6677 | 1.03176 |

Source: Research Findings

Table 4.6 presents the findings on the descriptive statistics for the size of listed firms at NSE (measured by the natural log of total assets) for the years 2011-2015. The means portray a steady increase in the size of listed firms at NSE in Kenya with the lowest being 11.29 in the year 2011 and the highest being 11.69 in 2014. Additionally the standard deviation figures are low for size, indicating that the data points are spread out over a small range of values, meaning that there is low level of variability in the data.

Table 4.7: Inflation Rate

| | Minimum | Maximum | Mean | Std. Deviation |
|------|----------------|----------------|-------------|-----------------------|
| 2011 | 5.42 | 19.72 | 13.9758 | 4.85383 |
| 2012 | 3.20 | 18.31 | 9.6400 | 5.44780 |
| 2013 | 3.67 | 8.29 | 5.7158 | 1.67463 |
| 2014 | 6.02 | 8.36 | 6.8842 | .71336 |
| 2015 | 5.53 | 8.01 | 6.5758 | .74991 |

Source: Research Findings

The study also determined the trend of the inflation rate in Kenya from 2011 to 2015 as indicated in Table 4.7 above. The mean analysis has established that there was a decrease in

inflation rate between 2011 and 2013 from 13.9% to 5.7% while between the years 2013 to 2014 there was an increase from 5.7% to 6.9%, a further decline from 6.9% to 6.6% the year 2014 and 2015 was noted

4.3 Correlation Analysis

The study utilized Karl Pearson's coefficient of correlation with a specific end goal to measure the quality of the relationship between the factors. The Pearson item minute connection coefficient decides the quality of a direct relationship between two factors and is meant by r which can take a scope of qualities from +1 to - 1. An estimation of 0 demonstrates that there is no relationship between the two factors. Estimation more noteworthy than 0 shows a positive affiliation, that is, as the estimation of one variable builds so does the estimation of the other variable. An esteem under 0 demonstrates a negative affiliation, that is, as the estimation of one variable builds the estimation of the other variable reductions.

Table 4.8: Correlation Matrix

| | Share Prices | EPS | DPS | Dividen d pay- out ratio | Debt- equity ratio | Firm size | Inflatio n |
|-------------------|-----------------|-------|-------|--------------------------------|--------------------------|--------------|---------------|
| Share Prices | 1 | | | | | | |
| EPS | 0.708 | 1 | | | | | |
| DPS | 0.752 | 0.681 | 1 | | | | |
| Dividend pay-out | 0.661 | 0.46 | 0.819 | 1 | | | |
| Debt-equity ratio | -0.584 | 0.366 | 1.074 | 0.132 | 1 | | |
| Firm size | 0.532 | 0.462 | 0.028 | 0.014 | 0.123 | 1 | |
| Inflation | -0.428 | 0.021 | 0.044 | 0.344 | 0.038 | 0.259 | 1 |

Source: Research Findings

Results of the Pearson's correlation coefficient (as illustrated in Table 4.8) depicts that there is a positive relationship between DPS ($r=0.752$), EPS ($r=0.708$), Dividend pay-out ratio ($r=0.661$), as well as firm size ($r=0.532$) and share prices. On the other hand, the study found a negative relationship between debt-equity ratio ($r=-0.584$) as well as inflation ($r=-0.428$) and share prices. Therefore, it can be implied that an increase in DPS, EPS, dividend pay-out ratio, and firm size, is associated with enhanced share prices, while a decrease in debt-equity ratio and inflation is associated with enhanced share prices.

4.4 Regression Analysis

In determining the association between the study variables, the researcher conducted a regression analysis whose results were as follows:

4.4.1 Model Summary

Coefficient of determination (R square) discloses the degree to which change in the reliant variable can be clarified by the adjustment in the free factors or the rate of variety in the needy variable that is clarified by the autonomous factors. From the study discoveries, the four free factors concentrated on (that is, EPS, DPS, Dividend pay-out proportion, Debt-value proportion, firm size and expansion), clarify 77.79% of fluctuation in share costs in the organizations recorded at NSE in Kenya as spoke to by the R^2 . This implies different components not examined in this exploration contribute 22.21% of difference in the needy variable.

Table 4.9 Model summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .882 ^a | .7779 | .756 | 0.0221 |

Source: Research Findings

a. Predictors: (Constant), EPS, DPS, Dividend pay-out ratio, Debt-equity ratio, firm size and inflation

b. Dependent Variable: Share Prices

4.4.2 Analysis of Variance

Analysis of Variance (ANOVA) comprises of counts that give data about levels of changeability inside a relapse model and frame a reason for trial of essentialness. From the study findings in Table 4.10, the significance value is 0.012, which is less than 0.05, thus the model is statistically significant in predicting how EPS, DPS, Dividend pay-out ratio, Debt-equity ratio, firm size and inflation influence the share prices process in the listed firms at NSE in Kenya. The F statistic was significant (as was =7.32) and this showed that the model had a good fit.

Table 4.10 Analysis of Variance

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|------|-------------------|
| 1 | Regression | 19.152 | 6 | 3.192 | 7.32 | .012 ^a |
| | Residual | 23.544 | 54 | .436 | | |
| | Total | 42.696 | 60 | | | |

Source: Research Findings

a. Predictors: (Constant), EPS, DPS, Dividend pay-out ratio, Debt-equity ratio, firm size and inflation

b. Dependent Variable: Share Prices

4.4.3 Coefficient of Correlation

Table 4.11: Coefficient of Correlation

| | Unstandardized | | Standardized | | |
|------------------------|----------------|------------|--------------|-------|-------|
| | Coefficients | | Coefficients | | |
| | B | Std. Error | Beta | t | Sig. |
| (Constant) | 6.182 | 4.826 | | 1.28 | .0000 |
| EPS | 0.764 | 1.25 | 0.648 | 0.61 | .0068 |
| DPS | 0.810 | .938 | 0.613 | 0.86 | .0014 |
| Dividend pay-out ratio | 0.661 | 1.56 | 0.615 | 0.42 | .0261 |
| Debt-equity ratio | -0.609 | 1.603 | 0.673 | -0.38 | .0342 |
| Firm size | 0.519 | 1.123 | 0.452 | 0.46 | .0412 |
| Inflation | -0.419 | 1.213 | 0.531 | -0.34 | .0526 |

Source: Research Findings

The study findings showed that there is a significant positive relationship between EPS and share prices ($\beta=0.764$ and P value < 0.05). Therefore, a unit increase in EPS leads to an increase in share prices by 0.764. Results of the study showed that there is a significant positive relationship between DPS and share prices ($\beta=0.810$ and P value < 0.05). Therefore, a unit increase in DPS would lead to an increase in share prices by 0.810. Results of the study showed that there is a significant positive relationship between use of Dividend pay-out ratio and share prices ($\beta=0.661$ and P value < 0.05). Therefore, a unit increase in use of Dividend pay-out ratio would lead to an increase in share prices by 0.661. Results of the study showed that there is a significant negative relationship between Debt-equity ratio and share prices

($\beta=-0.609$ and P value < 0.05). Therefore, a unit increase in the Debt-equity ratio would lead to a decrease in share prices by 0.609. Results of the study showed that there is a significant positive relationship between use of firm size and share prices ($\beta=0.519$ and P value < 0.05). Therefore, a unit increase in firm size would lead to an increase in share prices by 0.519. Finally, Results of the study showed that there is a significant negative relationship between inflation and share prices ($\beta=-0.419$ and P value < 0.05). Therefore, a unit increase in the Debt-equity ratio would lead to a decrease in share prices by 0.419

Hence based on the above regression results, the study's regression model became;

$$P_t = 6.182 + 0.764 \text{ EPSt-1} + 0.810 \text{ DPSt-1} + 0.661 \text{ DPR t-1} - 0.609 \text{ DE t-1} + 0.519 \text{ FSt-1} - 0.419 \text{ IFt-1} + \varepsilon$$

4.5 Discussion of Findings

The study findings showed that there is a significant positive relationship between EPS and share prices ($\beta=0.764$ and P value < 0.05). Results of the study showed that there is a significant positive relationship between DPS and share prices ($\beta=0.810$ and P value < 0.05). Results of the study showed that there is a significant positive relationship between use of Dividend pay-out ratio and share prices ($\beta=0.661$ and P value < 0.05). Results of the study showed that there is a significant negative relationship between Debt-equity ratio and share prices ($\beta=-0.609$ and P value < 0.05). Results of the study showed that there is a significant positive relationship between use of firm size and share prices ($\beta=0.519$ and P value < 0.05). Finally, Results of the study showed that there is a significant negative relationship between inflation and share prices ($\beta=-0.419$ and P value < 0.05).

The findings concur with Linter (1956) who checked on the distinctive determinants of corporate profit strategy and its effect on company's reasonable worth by leading the meeting of top administration of 28 firms. Impact of his examination showed that Firm Market Value depends on the Dividend Payout. The discoveries additionally mirror those of Jahnke (1975)

who reasoned that profit payout proportion is one of the absolute most determinants of stock costs. His study watched that stock costs and profit pay are the acknowledged pay for owning stocks and utilized the profit markdown model to show the relationship between profit arrangement and stock qualities. The concentrate additionally found that arrival on resources influences share costs in the market. This is in accordance with AL-Shubiri (2010) who found that out that there is an exceedingly positive noteworthy relationship between market cost of stocks and net resource esteem per share; stock profit rate; GDP and a negative critical relationship on swelling and loaning rates.

The study further revealed a negative relationship between debt equity ratio and share price. This means that an increase in the debt equity ratio leads to a decrease in the share price. This therefore leads to the conclusion that companies are not willing to source funds externally when the share price of a company is on the increase. This study confirms the pecking order theory. The pecking order hypothesis predicts that organizations will utilize maintenances to begin with, then obligation and value issues if all else fails. The request of inclinations mirrors the relative expenses of different financing choices. Less productive firms confronting a positive NPV speculation opportunity will be all the more eager to utilize outside assets if money streams are powerless. In this way, there will be a negative relationship amongst influence and gainfulness. Fama and French (2002) and Myers (1984) both archived a negative relationship amongst influence and productivity.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMENDATIONS

5.1 Introduction

The chapter gives the rundown of the discoveries from section four, and it additionally gives the conclusions and suggestions of the study in light of the targets of the study. The goals of this study were to examine the impacts of corporate administration and the monetary execution of the organizations listed in Nairobi Security exchange.

5.2 Summary

The study revealed that there is a strong positive relationship between DPS ($r=0.752$), EPS ($r=0.708$), Dividend pay-out ratio ($r=0.661$), as well as firm size ($r=0.532$) and share prices. On the other hand, the study found a negative relationship between debt-equity ratio ($r=-0.584$) as well as inflation ($r=-0.428$) and share prices. Therefore, it can be implied that an increase in DPS, EPS, dividend pay-out ratio, and firm size, is associated with enhanced share prices, while a decrease in debt-equity ratio and inflation is associated with enhanced share prices.

The study findings showed that there is a significant positive relationship between EPS and share prices ($\beta=0.764$ and P value < 0.05). Therefore, a unit increase in EPS leads to an increase in share prices by 0.764. Results of the study showed that there is a significant positive relationship between DPS and share prices ($\beta=0.810$ and P value < 0.05). Therefore, a unit increase in DPS would lead to an increase in share prices by 0.810. Results of the study showed that there is a significant positive relationship between use of Dividend pay-out ratio

and share prices ($\beta=0.661$ and P value < 0.05). Therefore, a unit increase in use of Dividend pay-out ratio would lead to an increase in share prices by 0.661. Results of the study showed that there is a significant negative relationship between Debt-equity ratio and share prices ($\beta=-0.609$ and P value < 0.05). Therefore, a unit increase in the Debt-equity ratio would lead to a decrease in share prices by 0.609. Results of the study showed that there is a significant positive relationship between use of firm size and share prices ($\beta=0.519$ and P value < 0.05). Therefore, a unit increase in firm size would lead to an increase in share prices by 0.519. Finally, Results of the study showed that there is a significant negative relationship between inflation and share prices ($\beta=-0.419$ and P value < 0.05). Therefore, a unit increase in the Debt-equity ratio would lead to a decrease in share prices by 0.419

5.3 Conclusions

The study concludes that there is a positive relationship between DPS, EPS, Dividend pay-out ratio, as well as firm size and share prices. On the other hand, the study found a negative relationship between debt-equity ratio as well as inflation and share prices. The study further concludes that an increase in DPS, EPS, dividend pay-out ratio, and firm size, is associated with enhanced share prices, while a decrease in debt-equity ratio and inflation is associated with enhanced share prices.

The study further concludes that earnings and dividends affect the value of shares of a firm in the long run and that this relationship is critical and positive. It in this manner demonstrates that profit and profit strategy are applicable and along these lines influences the share cost of a firm subsequently its esteem in opposition to speculations that view profit arrangement as superfluous.

5.4 Recommendations for Policy and Practice

Investors who invest in stocks for short term or long term purposes need to take into account EPS and DPS ratios when investing in shares. This is because a higher EPS and DPS ratios leads to a higher share price. Therefore, investors should include counters with high EPS and DPS ratios in their portfolios. Such a portfolio would increase the value of the investors' wealth. In addition, investors should take into account previous EPS and DPS ratios when structuring their portfolio. Companies who need to show an increase in share price are also advised to declare high dividends and earnings for any given level of earnings. Such an action will be interpreted positively by investors and this will boost demand for the shares. Hence share prices will rise.

The study also recommends that firms should focus on improving their earnings and dividends in as this will translate to a positive share prices. Strategies to improve firm earnings and dividends should, therefore, be the focus of firms if they need to maintain a stable and a higher share prices.

The study also recommends that policy makers should incorporate the role of EPS and DPS in assessing the share returns of firms. As such, policies that help improve the earnings and dividends of firms should be encouraged to enhance share prices for listed firms as well as for other organizations.

Further, the study concludes that companies should balance the different components of their capital structure (debt and equity) to ensure harmony in their operations by avoiding over dependency on debt. This affects their performance by way of high cost of capital. Further, companies should therefore, establish a target debt ratio, which is based on various trade offs between the costs and benefits of debt versus equity.

5.5 Limitations of the Study

The study encountered the challenge of privacy with regard to disclosure of information on the listed firms at NSE as only a few disclosures are given in financial statements to comply with statutory requirements. The management are hesitant when it came to exposing information to the public which it considered as a top secret. The researcher surmounted the challenge by way of assuring them that the study was purely academic and their identity would always remain confidential.

The study only focused on 5 years (year 2011 to year 2015). It is feasible that there are a variety of factors like economic boom, terrorism, trade laws and practices that can influence the economic and political environment for a period of five years and even longer. The pattern of such environmental factors might influence the findings of a study conducted over a short span of time. Perhaps using a longer time series would have yielded different trends and results. One may therefore, ask do the relationships apply over a 20 year span period?

5.6 Suggestions for Further Research

The study recommends that more studies need to be carried out in this area to examine other determinants of share prices other than EPS, DPS, dividend pay-out ratio, debt-equity ratio, firm size and inflation. Such studies will help improve the understanding on how share prices in organizations are shaped.

The study also suggests that a similar study be done using a panel data analysis technique in order to assess whether the results from such studies would give a different kind of results from the ones employing linear regression methods such as the one used in this study.

Further studies should also include more control variables in the model keeping in mind the end goal to enhance the model's prescient capacity and exactness on how income and profits influences the share costs of the organizations recorded at the NSE.

The concentrate likewise prescribes an incorporation of other open restricted organizations in Kenya not recorded at the NSE. Facilitate, inquire about additionally ought to be done to build up how non-numerical factors ought to be incorporated in such an investigation of firms recorded on the NSE in Kenya.

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APPENDICES

Appedix I: Listed firms at NSE

| No. | FIRM | INDUSTRY |
|-----|-------------------------------|---------------------------|
| 1. | Barclays Bank | Banking |
| 2. | CFC Stanbic of Kenya Holdings | Banking |
| 3. | Diamond Trust Bank | Banking |
| 4. | Equity Bank | Banking |
| 5. | Housing Finance Co. | Banking |
| 6. | Kenya Commercial Bank | Banking |
| 7. | National Bank of Kenya | Banking |
| 8. | NIC Bank | Banking |
| 9. | Standard Chartered | Banking |
| 10. | Co-operative Bank | Banking |
| 11. | Eaagads | Agricultural |
| 12. | Kakuzi | Agricultural |
| 13. | Kapchorua Tea Co. | Agricultural |
| 14. | Limuru Tea Co. | Agricultural |
| 15. | Rea Vipingo Plantations | Agricultural |
| 16. | Sasini Ltd | Agricultural |
| 17. | Williamson Tea Kenya | Agricultural |
| 18. | Car & General (K) | Automobiles & Accessories |
| 19. | CMC Holdings | Automobiles & Accessories |
| 20. | Marshalls (E.A.) | Automobiles & Accessories |
| 21. | Sameer Africa | Automobiles & Accessories |
| 22. | Express ltd | Commercial & Services |
| 23. | Hutchings Biemer | Commercial & Services |
| 24. | Kenya Airways | Commercial & Services |
| 25. | Longhorn Kenya | Commercial & Services |
| 26. | Nation Media Group | Commercial & Services |
| 27. | ScanGroup | Commercial & Services |
| 28. | Standard Group | Commercial & Services |
| 29. | TPS EA (Serena) | Commercial & Services |
| 30. | Uchumi Supermarket | Commercial & Services |
| 31. | Athi River Mining | Construction & Allied |
| 32. | Bamburi Cement | Construction & Allied |
| 33. | Crown Paints Kenya | Construction & Allied |
| 34. | E.A.Cables | Construction & Allied |
| 35. | E.A.Portland Cement | Construction & Allied |
| 36. | KenGen | Energy & Petroleum |

| | | |
|-----|-----------------------------|--------------------------------|
| 37. | KenolKobil Ltd | Energy & Petroleum |
| 38. | KP&LC | Energy & Petroleum |
| 39. | Total Kenya | Energy & Petroleum |
| 40. | Umeme Ltd | Energy & Petroleum |
| 41. | British American Investment | Insurance |
| 42. | CIC Insurane Group | Insurance |
| 43. | Jubilee Holdings | Insurance |
| 44. | Kenya Re Corporation | Insurance |
| 45. | Liberty Kenya Holdings | Insurance |
| 46. | Pan Africa Insurance | Insurance |
| 47. | Centum Investment Co. | Investment |
| 48. | City Trust | Investment |
| 49. | Olympia Capital Holdings | Investment |
| 50. | Trans-Century | Investment |
| 51. | B.O.C Kenya | Manufacturing & Allied |
| 52. | A.Baumann & Co. | Manufacturing & Allied |
| 53. | BAT Kenya | Manufacturing & Allied |
| 54. | Carbacid Investment | Manufacturing & Allied |
| 55. | East African Breweries | Manufacturing & Allied |
| 56. | Eveready EA | Manufacturing & Allied |
| 57. | Kenya Orchards | Manufacturing & Allied |
| 58. | Mumias Sugar Co. | Manufacturing & Allied |
| 59. | Unga Group | Manufacturing & Allied |
| 60. | Access Kenya | Telecommunication & Technology |
| 61. | Safaricom | Telecommunication & Technology |

Source: Nairobi Securities Exchange

Appendix II: Share price

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|-------------------------------|--------|--------|--------|--------|--------|
| Barclays Bank | 11.10 | 17.90 | 14.75 | 17.00 | 28.00 |
| CFC Stanbic of Kenya Holdings | 6.05 | 13.30 | 12.05 | 10.95 | 13.30 |
| Diamond Trust Bank | 8.05 | 7.80 | 3.90 | 3.50 | 3.90 |
| Equity Bank | 19.75 | 60.00 | 32.25 | 13.95 | 10.95 |
| Housing Finance Co. | 118.00 | 167.00 | 140.00 | 222.00 | 314.00 |
| Kenya Commercial Bank | 45.00 | 62.50 | 13.05 | 15.75 | 17.60 |
| National Bank of Kenya | 20.50 | 21.75 | 16.85 | 29.75 | 47.25 |
| NIC Bank | 161.00 | 258.00 | 160.00 | 235.00 | 304.00 |
| Standard Chartered | 178.00 | 270.00 | 246.00 | 493.00 | 600.00 |
| Co-operative Bank | 151.00 | 181.00 | 193.00 | 227.00 | 290.00 |
| Eaagads | 6.00 | 12.85 | 7.15 | 6.10 | 4.20 |
| Kakuzi | 156.00 | 187.00 | 125.00 | 185.00 | 210.00 |
| Kapchorua Tea Co. | 14.55 | 17.10 | 13.55 | 8.60 | 15.15 |
| Limuru Tea Co. | 8.95 | 19.00 | 12.25 | 12.60 | 17.75 |
| Rea Vipingo Plantations | 146.00 | 200.00 | 21.50 | 15.10 | 14.50 |
| Sasini Ltd | 14.50 | 14.50 | 11.40 | 15.90 | 19.90 |
| Williamson Tea Kenya | 3.00 | 5.55 | 3.80 | 3.20 | 6.00 |
| Car & General (K) | 14.35 | 26.75 | 16.40 | 19.25 | 30.75 |
| CMC Holdings | 50.00 | 10.00 | 9.95 | 13.55 | 10.10 |
| Marshalls (E.A.) | 111.00 | 183.00 | 158.00 | 44.50 | 90.00 |
| Sameer Africa | 61.50 | 12.30 | 12.24 | 16.67 | 12.42 |
| Express Ltd | 136.53 | 225.09 | 194.34 | 54.74 | 110.70 |
| Hutchings Biemer | 75.65 | 15.13 | 15.05 | 20.50 | 15.28 |
| Kenya Airways | 167.93 | 276.86 | 239.04 | 67.32 | 136.16 |
| Longhorn Kenya | 93.04 | 18.61 | 18.52 | 25.21 | 18.79 |
| Nation Media Group | 161.21 | 265.79 | 229.48 | 64.63 | 130.71 |
| ScanGroup | 89.32 | 17.86 | 17.78 | 24.21 | 18.04 |
| Standard Group | 154.77 | 255.15 | 220.30 | 62.05 | 125.49 |
| TPS EA (Serena) | 85.75 | 17.15 | 17.06 | 23.24 | 17.32 |
| Uchumi Supermarket | 148.58 | 244.95 | 211.49 | 59.56 | 120.47 |
| Athi River Mining | 82.32 | 16.46 | 16.38 | 22.31 | 16.63 |
| Bamburi Cement | 142.63 | 235.15 | 203.03 | 57.18 | 115.65 |
| Crown Paints Kenya | 79.03 | 15.81 | 15.73 | 21.42 | 15.96 |
| E.A.Cables | 136.93 | 225.74 | 194.91 | 54.89 | 111.02 |
| E.A.Portland Cement | 75.87 | 15.17 | 15.10 | 20.56 | 15.32 |
| KenGen | 131.45 | 216.71 | 187.11 | 52.70 | 106.58 |
| KenolKobil Ltd | 72.83 | 14.57 | 14.49 | 19.74 | 14.71 |
| KP&LC | 126.19 | 208.05 | 179.62 | 50.59 | 102.32 |
| Total Kenya | 69.92 | 13.98 | 13.91 | 18.95 | 14.12 |

| | | | | | |
|-----------------------------|--------|--------|--------|--------|--------|
| Umeme Ltd | 121.14 | 199.72 | 172.44 | 48.57 | 98.23 |
| British American Investment | 67.12 | 13.42 | 13.36 | 18.19 | 13.56 |
| CIC Insurane Group | 116.30 | 191.74 | 165.54 | 46.62 | 94.30 |
| Jubilee Holdings | 64.44 | 12.89 | 12.82 | 17.46 | 13.02 |
| Kenya Re Corporation | 111.65 | 184.07 | 158.92 | 44.76 | 90.52 |
| Liberty Kenya Holdings | 61.86 | 12.37 | 12.31 | 16.76 | 12.50 |
| Pan Africa Insurance | 107.18 | 176.70 | 152.56 | 42.97 | 86.90 |
| Centum Investment Co. | 59.38 | 11.88 | 11.82 | 16.09 | 12.00 |
| City Trust | 102.89 | 169.64 | 146.46 | 41.25 | 83.43 |
| Olympia Capital Holdings | 57.01 | 11.40 | 11.34 | 15.45 | 11.52 |
| Trans-Century | 98.78 | 162.85 | 140.60 | 39.60 | 80.09 |
| B.O.C Kenya | 54.73 | 10.95 | 10.89 | 14.83 | 11.06 |
| A.Baumann & Co. | 94.83 | 156.34 | 134.98 | 38.02 | 76.89 |
| BAT Kenya | 52.54 | 10.51 | 10.46 | 14.24 | 10.61 |
| Carbacid Investment | 91.03 | 150.08 | 129.58 | 36.50 | 73.81 |
| East African Breweries | 50.44 | 10.09 | 10.04 | 13.67 | 10.19 |
| Eveready EA | 87.39 | 144.08 | 124.40 | 35.04 | 70.86 |
| Kenya Orchards | 48.42 | 9.68 | 9.64 | 13.12 | 9.78 |
| Mumias Sugar Co. | 83.90 | 138.32 | 119.42 | 33.63 | 68.02 |
| Unga Group | 46.48 | 9.30 | 9.25 | 12.60 | 9.39 |
| Access Kenya | 80.54 | 132.78 | 114.64 | 32.29 | 65.30 |
| Safaricom | 91.57 | 139.17 | 138.47 | 188.58 | 140.56 |

Source: field Data

Appendix III: Earnings per Share

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|-------------------------------|-------|-------|-------|-------|-------|
| Barclays Bank | 2.48 | 1.12 | 7.79 | 6.34 | 7.37 |
| CFC Stanbic of Kenya Holdings | 2.34 | 4.36 | 1.97 | -0.30 | 0.54 |
| Diamond Trust Bank | 0.43 | -0.79 | -6.47 | 0.37 | 0.01 |
| Equity Bank | -8.85 | 4.41 | 7.66 | 3.60 | -6.35 |
| Housing Finance Co. | 7.85 | 9.79 | 7.66 | 15.98 | 13.40 |
| Kenya Commercial Bank | 4.49 | 7.80 | 1.49 | 1.61 | 1.40 |
| National Bank of Kenya | 1.84 | 2.76 | 3.72 | 4.11 | 4.82 |
| NIC Bank | 16.45 | 18.58 | 19.28 | 26.60 | 29.42 |
| Standard Chartered | 14.78 | 17.67 | 30.98 | 32.71 | 37.24 |
| Co-operative Bank | 8.71 | 9.08 | 9.31 | 13.46 | 8.83 |
| Eaagads | 1.05 | 1.03 | 1.26 | 1.32 | -1.09 |
| Kakuzi | 18.32 | 14.02 | 14.45 | 12.17 | 9.55 |
| Kapchorua Tea Co. | 0.94 | 1.49 | 0.95 | 1.28 | 2.39 |
| Limuru Tea Co. | 40.76 | 3.00 | 2.16 | 2.36 | 2.23 |
| Rea Vipingo Plantations | 2.78 | 4.81 | 1.47 | 1.03 | 1.35 |
| Sasini Ltd | 0.26 | 0.38 | 0.33 | 0.32 | 0.44 |
| Williamson Tea Kenya | 1.14 | 1.93 | 2.79 | 3.26 | 3.59 |
| Car & General (K) | 0.85 | 1.31 | 1.53 | 1.84 | 2.20 |
| CMC Holdings | 8.80 | 1.30 | 2.22 | -4.27 | 0.38 |
| Marshalls (E.A.) | 6.52 | 10.86 | 11.61 | 2.52 | 2.74 |
| Sameer Africa | 10.35 | 10.55 | 11.33 | -1.25 | 1.14 |
| Express Ltd | 3.42 | 5.92 | 1.81 | 1.27 | 1.66 |
| Hutchings Biemer | 0.32 | 0.47 | 0.41 | 0.39 | 0.54 |
| Kenya Airways | 1.40 | 2.37 | 3.43 | 4.01 | 4.42 |
| Longhorn Kenya | 1.05 | 1.61 | 1.88 | 2.26 | 2.71 |
| Nation Media Group | 10.82 | 1.60 | 2.73 | -5.25 | 0.47 |
| ScanGroup | 8.02 | 13.36 | 14.28 | 3.10 | 3.37 |
| Standard Group | 12.73 | 12.97 | 13.93 | -1.53 | 1.40 |
| TPS EA (Serena) | 4.21 | 7.28 | 2.22 | 1.56 | 2.04 |
| Uchumi Supermarket | 0.39 | 0.57 | 0.50 | 0.48 | 0.67 |
| Athi River Mining | 1.72 | 2.92 | 4.22 | 4.93 | 5.43 |
| Bamburi Cement | 1.29 | 1.98 | 2.31 | 2.78 | 3.33 |
| Crown Paints Kenya | 13.31 | 1.97 | 3.36 | -6.46 | 0.57 |
| E.A.Cables | 9.86 | 16.43 | 17.56 | 3.81 | 4.15 |
| E.A.Portland Cement | 15.66 | 15.95 | 17.13 | -1.88 | 1.72 |
| KenGen | 5.17 | 8.95 | 2.74 | 1.92 | 2.51 |
| KenolKobil Ltd | 0.48 | 0.71 | 0.61 | 0.60 | 0.82 |
| KP&LC | 2.12 | 3.59 | 5.19 | 6.07 | 6.68 |
| Total Kenya | 1.58 | 2.44 | 2.85 | 3.42 | 4.09 |

| | | | | | |
|-----------------------------|-------|-------|-------|--------|-------|
| Umeme Ltd | 16.38 | 2.42 | 4.13 | -7.95 | 0.71 |
| British American Investment | 12.13 | 20.21 | 21.60 | 4.69 | 5.10 |
| CIC Insurane Group | 19.26 | 19.62 | 21.07 | -2.32 | 2.11 |
| Jubilee Holdings | 6.36 | 11.01 | 3.36 | 2.36 | 3.09 |
| Kenya Re Corporation | 0.60 | 0.87 | 0.76 | 0.73 | 1.01 |
| Liberty Kenya Holdings | 2.61 | 4.42 | 6.39 | 7.46 | 8.22 |
| Pan Africa Insurance | 1.95 | 3.00 | 3.50 | 4.21 | 5.04 |
| Centum Investment Co. | 20.14 | 2.98 | 5.08 | -9.77 | 0.87 |
| City Trust | 14.92 | 24.86 | 26.57 | 5.77 | 6.27 |
| Olympia Capital Holdings | 23.69 | 24.14 | 25.92 | -2.85 | 2.60 |
| Trans-Century | 7.83 | 13.54 | 4.14 | 2.90 | 3.80 |
| B.O.C Kenya | 0.73 | 1.07 | 0.93 | 0.90 | 1.24 |
| A.Baumann & Co. | 3.21 | 5.43 | 7.85 | 9.18 | 10.11 |
| BAT Kenya | 2.39 | 3.69 | 4.31 | 5.18 | 6.19 |
| Carbacid Investment | 24.77 | 3.66 | 6.25 | -12.02 | 1.07 |
| East African Breweries | 18.36 | 30.57 | 32.69 | 7.09 | 7.71 |
| Eveready EA | 29.14 | 29.69 | 31.88 | -3.51 | 3.20 |
| Kenya Orchards | 9.63 | 16.66 | 5.09 | 3.57 | 4.67 |
| Mumias Sugar Co. | 0.90 | 1.32 | 1.14 | 1.11 | 1.52 |
| Unga Group | 3.95 | 6.68 | 9.66 | 11.29 | 12.43 |
| Access Kenya | 2.94 | 4.54 | 5.30 | 6.37 | 7.62 |
| Safaricom | 30.47 | 4.50 | 7.69 | -14.79 | 1.32 |

Source: field Data

Appendix IV: Dividend Per share

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|-------------------------------|-------|-------|-------|-------|-------|
| Barclays Bank | 0.50 | 0.80 | 1.10 | 1.10 | 0.00 |
| CFC Stanbic of Kenya Holdings | 0.40 | 0.50 | 0.80 | 0.75 | 0.25 |
| Diamond Trust Bank | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Equity Bank | 1.00 | 1.00 | 1.50 | 0.81 | 0.00 |
| Housing Finance Co. | 5.00 | 8.00 | 8.00 | 10.00 | 10.00 |
| Kenya Commercial Bank | 2.50 | 5.45 | 1.50 | 1.00 | 0.70 |
| National Bank of Kenya | 1.00 | 1.25 | 1.85 | 1.90 | 2.00 |
| NIC Bank | 12.00 | 13.50 | 11.00 | 12.50 | 14.50 |
| Standard Chartered | 14.75 | 17.50 | 30.50 | 32.50 | 37.00 |
| Co-operative Bank | 8.05 | 8.75 | 8.75 | 8.75 | 7.75 |
| Eaagads | 0.40 | 0.40 | 0.50 | 0.50 | 0.00 |
| Kakuzi | 11.00 | 8.50 | 10.00 | 10.50 | 11.00 |
| Kapchorua Tea Co. | 0.50 | 0.50 | 0.50 | 0.60 | 0.60 |
| Limuru Tea Co. | 8.00 | 8.00 | 0.45 | 0.50 | 0.00 |
| Rea Vipingo Plantations | 1.25 | 0.00 | 0.00 | 0.30 | 0.30 |
| Sasini Ltd | 0.10 | 0.20 | 0.20 | 0.22 | 0.31 |
| Williamson Tea Kenya | 3.00 | 5.55 | 3.80 | 3.20 | 6.00 |
| Car & General (K) | 0.40 | 0.80 | 0.80 | 1.25 | 1.50 |
| CMC Holdings | 0.20 | 0.40 | 0.40 | 0.50 | 0.50 |
| Marshalls (E.A.) | 3.25 | 0.52 | 1.00 | 0.00 | 0.10 |
| Sameer Africa | 1.50 | 1.75 | 2.00 | 0.50 | 0.60 |
| Express ltd | 3.69 | 6.83 | 4.67 | 3.94 | 7.38 |
| Hutchings Biemer | 0.49 | 0.98 | 0.98 | 1.54 | 1.85 |

| | | | | | |
|-----------------------------|-------|-------|-------|-------|-------|
| Kenya Airways | 0.25 | 0.49 | 0.49 | 0.62 | 0.62 |
| Longhorn Kenya | 4.00 | 0.64 | 1.23 | 0.00 | 0.12 |
| Nation Media Group | 1.85 | 2.15 | 2.46 | 0.62 | 0.74 |
| ScanGroup | 4.54 | 8.40 | 5.75 | 4.84 | 9.08 |
| Standard Group | 0.61 | 1.21 | 1.21 | 1.89 | 2.27 |
| TPS EA (Serena) | 0.30 | 0.61 | 0.61 | 0.76 | 0.76 |
| Uchumi Supermarket | 4.92 | 0.79 | 1.51 | 0.00 | 0.15 |
| Athi River Mining | 2.27 | 2.65 | 3.03 | 0.76 | 0.91 |
| Bamburi Cement | 5.58 | 10.33 | 7.07 | 5.95 | 11.17 |
| Crown Paints Kenya | 0.74 | 1.49 | 1.49 | 2.33 | 2.79 |
| E.A.Cables | 0.37 | 0.74 | 0.74 | 0.93 | 0.93 |
| E.A.Portland Cement | 6.05 | 0.97 | 1.86 | 0.00 | 0.19 |
| KenGen | 2.79 | 3.26 | 3.72 | 0.93 | 1.12 |
| KenolKobil Ltd | 6.87 | 12.70 | 8.70 | 7.32 | 13.73 |
| KP&LC | 0.92 | 1.83 | 1.83 | 2.86 | 3.43 |
| Total Kenya | 0.46 | 0.92 | 0.92 | 1.14 | 1.14 |
| Umeme Ltd | 7.44 | 1.19 | 2.29 | 0.00 | 0.23 |
| British American Investment | 3.43 | 4.01 | 4.58 | 1.14 | 1.37 |
| CIC Insurane Group | 8.45 | 15.62 | 10.70 | 9.01 | 16.89 |
| Jubilee Holdings | 1.13 | 2.25 | 2.25 | 3.52 | 4.22 |
| Kenya Re Corporation | 0.56 | 1.13 | 1.13 | 1.41 | 1.41 |
| Liberty Kenya Holdings | 9.15 | 1.46 | 2.82 | 0.00 | 0.28 |
| Pan Africa Insurance | 4.22 | 4.93 | 5.63 | 1.41 | 1.69 |
| Centum Investment Co. | 10.39 | 19.22 | 13.16 | 11.08 | 20.78 |
| City Trust | 1.39 | 2.77 | 2.77 | 4.33 | 5.19 |
| Olympia Capital Holdings | 0.69 | 1.39 | 1.39 | 1.73 | 1.73 |

| | | | | | |
|------------------------|-------|-------|-------|-------|-------|
| Trans-Century | 11.25 | 1.80 | 3.46 | 0.00 | 0.35 |
| B.O.C Kenya | 5.19 | 6.06 | 6.93 | 1.73 | 2.08 |
| A.Baumann & Co. | 12.78 | 23.64 | 16.19 | 13.63 | 25.56 |
| BAT Kenya | 1.70 | 3.41 | 3.41 | 5.32 | 6.39 |
| Carbacid Investment | 0.85 | 1.70 | 1.70 | 2.13 | 2.13 |
| East African Breweries | 13.84 | 2.21 | 4.26 | 0.00 | 0.43 |
| Eveready EA | 6.39 | 7.45 | 8.52 | 2.13 | 2.56 |
| Kenya Orchards | 15.72 | 29.08 | 19.91 | 16.76 | 31.43 |
| Mumias Sugar Co. | 2.10 | 4.19 | 4.19 | 6.55 | 7.86 |
| Unga Group | 1.05 | 2.10 | 2.10 | 2.62 | 2.62 |
| Access Kenya | 17.03 | 2.72 | 5.24 | 0.00 | 0.52 |
| Safaricom | 7.86 | 9.17 | 10.48 | 2.62 | 3.14 |

Source: field Data

Appendix V: Dividend Pay-out Ratio

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|-------------------------------|------|------|------|-------|------|
| Barclays Bank | 0.2 | 0.71 | 0.14 | 0.17 | 0 |
| CFC Stanbic of Kenya Holdings | 0.17 | 0.11 | 0.41 | 0.5 | 0.46 |
| Diamond Trust Bank | 0 | 0 | 0 | 0 | 0 |
| Equity Bank | 0.11 | 0.23 | 0.2 | 0.23 | 0 |
| Housing Finance Co. | 0.7 | 0.8 | 0.04 | 0.63 | 0.75 |
| Kenya Commercial Bank | 0.6 | 0.7 | 1 | 0.6 | 0.5 |
| National Bank of Kenya | 0.54 | 0.45 | 0.5 | 0.46 | 0.41 |
| NIC Bank | 0.73 | 0.73 | 0.57 | 0.47 | 0.49 |
| Standard Chartered | 1 | 0.99 | 0.98 | 0.99 | 0.99 |
| Co-operative Bank | 0.92 | 0.96 | 0.94 | 0.65 | 0.88 |
| Eaagads | 0.38 | 0.38 | 0.39 | 0.38 | 0 |
| Kakuzi | 0.6 | 0.61 | 0.69 | 0.86 | 0.15 |
| Kapchorua Tea Co. | 0.53 | 0.33 | 0.52 | 0.46 | 0.25 |
| Limuru Tea Co. | 0.2 | 0.67 | 0.21 | 0.21 | 0 |
| Rea Vipingo Plantations | 0.13 | 0 | 0 | 0.29 | 0.22 |
| Sasini Ltd | 0.38 | 0.52 | 0.61 | 0.7 | 0.7 |
| Williamson Tea Kenya | 0.35 | 0.42 | 0.29 | 0.38 | 0.42 |
| Car & General (K) | 0.24 | 0.31 | 0.26 | 0.27 | 0.23 |
| CMC Holdings | 0.37 | 0.4 | 0.45 | 0 | 0.26 |
| Marshalls (E.A.) | 0.23 | 0.16 | 0.17 | 0.19 | 0.22 |
| Sameer Africa | 0.35 | 0.55 | 0.33 | -0.25 | 0.14 |
| Express Ltd | 0.49 | 0.67 | 0.78 | 0.90 | 0.90 |
| Hutchings Biemer | 0.45 | 0.54 | 0.37 | 0.49 | 0.54 |
| Kenya Airways | 0.31 | 0.40 | 0.33 | 0.35 | 0.30 |
| Longhorn Kenya | 0.48 | 0.51 | 0.58 | 0.00 | 0.33 |
| Nation Media Group | 0.30 | 0.21 | 0.22 | 0.24 | 0.28 |
| ScanGroup | 0.31 | 0.56 | 0.56 | -0.60 | 0.46 |
| Standard Group | 0.63 | 0.86 | 0.01 | 0.16 | 0.16 |
| TPS EA (Serena) | 0.58 | 0.69 | 0.48 | 0.63 | 0.69 |
| Uchumi Supermarket | 0.40 | 0.51 | 0.43 | 0.45 | 0.38 |
| Athi River Mining | 0.61 | 0.66 | 0.74 | 0.00 | 0.43 |
| Bamburi Cement | 0.38 | 0.26 | 0.28 | 0.31 | 0.36 |
| Crown Paints Kenya | 0.12 | 0.44 | 0.73 | -0.06 | 0.88 |
| E.A.Cables | 0.81 | 0.11 | 0.30 | 0.49 | 0.49 |
| E.A.Portland Cement | 0.74 | 0.89 | 0.62 | 0.81 | 0.89 |
| KenGen | 0.51 | 0.66 | 0.55 | 0.57 | 0.49 |
| KenolKobil Ltd | 0.79 | 0.85 | 0.96 | 0.00 | 0.55 |
| KP&LC | 0.49 | 0.34 | 0.36 | 0.40 | 0.47 |
| Total Kenya | 0.01 | 0.43 | 0.09 | -0.65 | 0.41 |

| | | | | | |
|-----------------------------|------|------|------|-------|------|
| Umeme Ltd | 0.04 | 0.42 | 0.67 | 0.91 | 0.91 |
| British American Investment | 0.96 | 0.15 | 0.79 | 0.04 | 0.15 |
| CIC Insurane Group | 0.66 | 0.85 | 0.71 | 0.74 | 0.63 |
| Jubilee Holdings | 0.01 | 0.09 | 0.23 | 0.00 | 0.71 |
| Kenya Re Corporation | 0.63 | 0.44 | 0.46 | 0.52 | 0.60 |
| Liberty Kenya Holdings | 0.31 | 0.84 | 0.97 | -0.41 | 0.10 |
| Pan Africa Insurance | 0.34 | 0.83 | 0.15 | 0.46 | 0.46 |
| Centum Investment Co. | 0.23 | 0.48 | 0.02 | 0.34 | 0.48 |
| City Trust | 0.84 | 0.09 | 0.91 | 0.95 | 0.81 |
| Olympia Capital Holdings | 0.30 | 0.41 | 0.58 | 0.00 | 0.91 |
| Trans-Century | 0.81 | 0.56 | 0.60 | 0.67 | 0.77 |
| B.O.C Kenya | 0.40 | 0.09 | 0.83 | -0.38 | 0.99 |
| A.Baumann & Co. | 0.72 | 0.35 | 0.76 | 0.17 | 0.17 |
| BAT Kenya | 0.58 | 0.90 | 0.31 | 0.72 | 0.90 |
| Carbacid Investment | 0.09 | 0.40 | 0.18 | 0.22 | 0.04 |
| East African Breweries | 0.67 | 0.81 | 0.04 | 0.00 | 0.18 |
| Eveready EA | 0.04 | 0.72 | 0.77 | 0.86 | 0.13 |
| Kenya Orchards | 0.82 | 0.70 | 0.23 | -0.63 | 0.13 |
| Mumias Sugar Co. | 0.21 | 0.02 | 0.55 | 0.07 | 0.07 |
| Unga Group | 0.04 | 0.44 | 0.69 | 0.21 | 0.44 |
| Access Kenya | 0.40 | 0.80 | 0.51 | 0.57 | 0.34 |
| Safaricom | 0.15 | 0.33 | 0.62 | 0.00 | 0.51 |

Source: field Data

Appendix VI: Debt-Equity Ratio

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|-------------------------------|-------|-------|-------|-------|-------|
| Barclays Bank | 0.560 | 0.538 | 0.516 | 0.495 | 0.476 |
| CFC Stanbic of Kenya Holdings | 0.570 | 0.547 | 0.525 | 0.504 | 0.484 |
| Diamond Trust Bank | 0.590 | 0.566 | 0.544 | 0.522 | 0.501 |
| Equity Bank | 0.600 | 0.576 | 0.553 | 0.531 | 0.510 |
| Housing Finance Co. | 0.770 | 0.739 | 0.710 | 0.681 | 0.654 |
| Kenya Commercial Bank | 0.790 | 0.758 | 0.728 | 0.699 | 0.671 |
| National Bank of Kenya | 0.810 | 0.778 | 0.746 | 0.717 | 0.688 |
| NIC Bank | 0.820 | 0.787 | 0.756 | 0.725 | 0.696 |
| Standard Chartered | 0.840 | 0.806 | 0.774 | 0.743 | 0.713 |
| Co-operative Bank | 0.860 | 0.826 | 0.793 | 0.761 | 0.730 |
| Eaagads | 0.880 | 0.845 | 0.811 | 0.779 | 0.747 |
| Kakuzi | 0.900 | 0.864 | 0.829 | 0.796 | 0.764 |
| Kapchorua Tea Co. | 0.920 | 0.883 | 0.848 | 0.814 | 0.781 |
| Limuru Tea Co. | 0.940 | 0.902 | 0.866 | 0.832 | 0.798 |
| Rea Vipingo Plantations | 0.610 | 0.586 | 0.562 | 0.540 | 0.518 |
| Sasini Ltd | 0.630 | 0.605 | 0.581 | 0.557 | 0.535 |
| Williamson Tea Kenya | 0.640 | 0.614 | 0.590 | 0.566 | 0.544 |
| Car & General (K) | 0.660 | 0.634 | 0.608 | 0.584 | 0.561 |
| CMC Holdings | 0.670 | 0.643 | 0.617 | 0.593 | 0.569 |
| Marshalls (E.A.) | 0.690 | 0.662 | 0.636 | 0.610 | 0.586 |
| Sameer Africa | 0.700 | 0.672 | 0.645 | 0.619 | 0.595 |
| Express Ltd | 0.720 | 0.691 | 0.664 | 0.637 | 0.612 |
| Hutchings Biemer | 0.740 | 0.710 | 0.682 | 0.655 | 0.629 |
| Kenya Airways | 0.750 | 0.720 | 0.691 | 0.664 | 0.637 |
| Longhorn Kenya | 0.970 | 0.931 | 0.894 | 0.858 | 0.824 |
| Nation Media Group | 0.940 | 0.902 | 0.866 | 0.832 | 0.798 |
| ScanGroup | 0.910 | 0.874 | 0.839 | 0.805 | 0.773 |
| Standard Group | 0.880 | 0.845 | 0.811 | 0.779 | 0.747 |
| TPS EA (Serena) | 0.860 | 0.826 | 0.793 | 0.761 | 0.730 |
| Uchumi Supermarket | 0.830 | 0.797 | 0.765 | 0.734 | 0.705 |
| Athi River Mining | 0.580 | 0.557 | 0.535 | 0.513 | 0.493 |
| Bamburi Cement | 0.560 | 0.538 | 0.516 | 0.495 | 0.476 |
| Crown Paints Kenya | 0.540 | 0.518 | 0.498 | 0.478 | 0.459 |
| E.A.Cables | 0.530 | 0.509 | 0.488 | 0.469 | 0.450 |
| E.A.Portland Cement | 0.510 | 0.490 | 0.470 | 0.451 | 0.433 |
| KenGen | 0.530 | 0.509 | 0.488 | 0.469 | 0.450 |
| KenolKobil Ltd | 0.550 | 0.528 | 0.507 | 0.487 | 0.467 |
| KP&LC | 0.580 | 0.557 | 0.535 | 0.513 | 0.493 |
| Total Kenya | 0.600 | 0.576 | 0.553 | 0.531 | 0.510 |

| | | | | | |
|-----------------------------|-------|-------|-------|-------|-------|
| Umeme Ltd | 0.610 | 0.586 | 0.562 | 0.540 | 0.518 |
| British American Investment | 0.590 | 0.566 | 0.544 | 0.522 | 0.501 |
| CIC Insurane Group | 0.680 | 0.653 | 0.627 | 0.602 | 0.578 |
| Jubilee Holdings | 0.710 | 0.682 | 0.654 | 0.628 | 0.603 |
| Kenya Re Corporation | 0.740 | 0.710 | 0.682 | 0.655 | 0.629 |
| Liberty Kenya Holdings | 0.780 | 0.749 | 0.719 | 0.690 | 0.662 |
| Pan Africa Insurance | 0.810 | 0.778 | 0.746 | 0.717 | 0.688 |
| Centum Investment Co. | 0.840 | 0.806 | 0.774 | 0.743 | 0.713 |
| City Trust | 0.880 | 0.845 | 0.811 | 0.779 | 0.747 |
| Olympia Capital Holdings | 0.920 | 0.883 | 0.848 | 0.814 | 0.781 |
| Trans-Century | 0.960 | 0.922 | 0.885 | 0.849 | 0.815 |
| B.O.C Kenya | 0.630 | 0.605 | 0.581 | 0.557 | 0.535 |
| A.Baumann & Co. | 0.660 | 0.634 | 0.608 | 0.584 | 0.561 |
| BAT Kenya | 0.810 | 0.778 | 0.746 | 0.717 | 0.688 |
| Carbacid Investment | 0.780 | 0.749 | 0.719 | 0.690 | 0.662 |
| East African Breweries | 0.760 | 0.730 | 0.700 | 0.672 | 0.646 |
| Eveready EA | 0.730 | 0.701 | 0.673 | 0.646 | 0.620 |
| Kenya Orchards | 0.710 | 0.682 | 0.654 | 0.628 | 0.603 |
| Mumias Sugar Co. | 0.690 | 0.662 | 0.636 | 0.610 | 0.586 |
| Unga Group | 0.670 | 0.643 | 0.617 | 0.593 | 0.569 |
| Access Kenya | 0.650 | 0.624 | 0.599 | 0.575 | 0.552 |
| Safaricom | 0.630 | 0.605 | 0.581 | 0.557 | 0.535 |

Source: field Data

Appendix VII: Firm Size

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|-------------------------------|-------|-------|-------|-------|-------|
| Barclays Bank | 9.15 | 9.23 | 9.36 | 9.38 | 9.45 |
| CFC Stanbic of Kenya Holdings | 9.90 | 9.96 | 9.98 | 9.95 | 9.96 |
| Diamond Trust Bank | 9.12 | 9.13 | 8.88 | 8.70 | 8.68 |
| Equity Bank | 10.88 | 10.86 | 10.90 | 10.89 | 11.09 |
| Housing Finance Co. | 9.82 | 9.90 | 9.95 | 10.03 | 10.06 |
| Kenya Commercial Bank | 11.22 | 11.23 | 11.22 | 11.27 | 11.32 |
| National Bank of Kenya | 11.29 | 11.40 | 11.52 | 11.57 | 11.59 |
| NIC Bank | 11.09 | 11.15 | 11.21 | 11.29 | 11.34 |
| Standard Chartered | 10.02 | 10.05 | 10.14 | 10.18 | 10.23 |
| Co-operative Bank | 10.54 | 10.58 | 10.69 | 10.74 | 10.77 |
| Eaagads | 10.24 | 10.26 | 10.36 | 10.44 | 10.43 |
| Kakuzi | 10.51 | 10.52 | 10.53 | 10.63 | 10.63 |
| Kapchorua Tea Co. | 10.94 | 10.97 | 11.06 | 11.17 | 11.18 |
| Limuru Tea Co. | 11.04 | 11.06 | 11.16 | 11.29 | 11.30 |
| Rea Vipingo Plantations | 11.13 | 11.16 | 11.26 | 11.40 | 11.41 |
| Sasini Ltd | 11.23 | 11.25 | 11.37 | 11.52 | 11.52 |
| Williamson Tea Kenya | 11.33 | 11.34 | 11.47 | 11.63 | 11.63 |
| Car & General (K) | 11.42 | 11.44 | 11.57 | 11.75 | 11.74 |
| CMC Holdings | 11.52 | 11.53 | 11.67 | 11.87 | 11.85 |
| Marshalls (E.A.) | 11.62 | 11.63 | 11.78 | 11.98 | 11.96 |
| Sameer Africa | 11.71 | 11.72 | 11.88 | 12.10 | 12.07 |
| Express Ltd | 11.81 | 11.81 | 11.98 | 12.21 | 12.18 |
| Hutchings Biemer | 11.90 | 11.91 | 12.08 | 12.33 | 12.30 |
| Kenya Airways | 12.00 | 12.00 | 12.19 | 12.44 | 12.41 |
| Longhorn Kenya | 12.10 | 12.10 | 12.29 | 12.56 | 12.52 |
| Nation Media Group | 12.19 | 12.19 | 12.39 | 12.68 | 12.63 |
| ScanGroup | 12.29 | 12.29 | 12.49 | 12.79 | 12.74 |
| Standard Group | 12.39 | 12.38 | 12.59 | 12.91 | 12.85 |
| TPS EA (Serena) | 12.48 | 12.47 | 12.70 | 13.02 | 12.96 |
| Uchumi Supermarket | 12.58 | 12.57 | 12.80 | 13.14 | 13.07 |
| Athi River Mining | 12.67 | 12.66 | 12.90 | 13.25 | 13.19 |
| Bamburi Cement | 12.77 | 12.76 | 13.00 | 13.37 | 13.30 |
| Crown Paints Kenya | 12.87 | 12.85 | 13.11 | 13.48 | 13.41 |
| E.A.Cables | 12.96 | 12.94 | 13.21 | 13.60 | 13.52 |
| E.A.Portland Cement | 13.06 | 13.04 | 13.31 | 13.72 | 13.63 |
| KenGen | 11.25 | 11.25 | 11.43 | 11.68 | 11.64 |
| KenolKobil Ltd | 11.34 | 11.34 | 11.52 | 11.79 | 11.75 |
| KP&LC | 11.43 | 11.43 | 11.62 | 11.90 | 11.85 |
| Total Kenya | 11.52 | 11.51 | 11.71 | 12.00 | 11.95 |

| | | | | | |
|-----------------------------|-------|-------|-------|-------|-------|
| Umeme Ltd | 11.61 | 11.60 | 11.81 | 12.11 | 12.06 |
| British American Investment | 11.70 | 11.69 | 11.90 | 12.22 | 12.16 |
| CIC Insurane Group | 11.79 | 11.78 | 12.00 | 12.33 | 12.26 |
| Jubilee Holdings | 11.88 | 11.86 | 12.09 | 12.43 | 12.37 |
| Kenya Re Corporation | 11.97 | 11.95 | 12.19 | 12.54 | 12.47 |
| Liberty Kenya Holdings | 12.06 | 12.04 | 12.28 | 12.65 | 12.57 |
| Pan Africa Insurance | 12.15 | 12.13 | 12.38 | 12.76 | 12.68 |
| Centum Investment Co. | 10.46 | 10.46 | 10.63 | 10.86 | 10.83 |
| City Trust | 10.55 | 10.54 | 10.72 | 10.96 | 10.92 |
| Olympia Capital Holdings | 10.63 | 10.63 | 10.80 | 11.06 | 11.02 |
| Trans-Century | 10.71 | 10.71 | 10.89 | 11.16 | 11.12 |
| B.O.C Kenya | 10.80 | 10.79 | 10.98 | 11.26 | 11.21 |
| A.Baumann & Co. | 10.88 | 10.87 | 11.07 | 11.36 | 11.31 |
| BAT Kenya | 10.96 | 10.95 | 11.16 | 11.46 | 11.40 |
| Carbacid Investment | 11.05 | 11.03 | 11.25 | 11.56 | 11.50 |
| East African Breweries | 11.13 | 11.11 | 11.34 | 11.66 | 11.60 |
| Eveready EA | 11.21 | 11.20 | 11.42 | 11.76 | 11.69 |
| Kenya Orchards | 11.30 | 11.28 | 11.51 | 11.86 | 11.79 |
| Mumias Sugar Co. | 9.73 | 9.73 | 9.88 | 10.10 | 10.07 |
| Unga Group | 9.81 | 9.81 | 9.97 | 10.20 | 10.16 |
| Access Kenya | 9.88 | 9.88 | 10.05 | 10.29 | 10.25 |
| Safaricom | 11.69 | 11.67 | 11.90 | 12.25 | 12.18 |

Source: field Data

Appendix VIII: Inflation

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|-----|-------|-------|------|------|------|
| Jan | 5.42 | 18.31 | 3.67 | 7.21 | 5.53 |
| Feb | 6.54 | 16.69 | 4.45 | 6.86 | 5.61 |
| Mar | 9.19 | 15.61 | 4.11 | 6.27 | 6.31 |
| Apr | 12.05 | 13.06 | 4.14 | 6.41 | 7.08 |
| May | 12.95 | 12.22 | 4.05 | 7.3 | 6.87 |
| Jun | 14.48 | 10.05 | 4.91 | 7.39 | 7.03 |
| Jul | 15.53 | 7.74 | 6.03 | 7.67 | 6.62 |
| Aug | 16.67 | 6.09 | 6.67 | 8.36 | 5.84 |
| Sep | 17.32 | 5.32 | 8.29 | 6.6 | 5.97 |
| Oct | 18.91 | 4.14 | 7.76 | 6.43 | 6.72 |
| Nov | 19.72 | 3.25 | 7.36 | 6.09 | 7.32 |
| Dec | 18.93 | 3.2 | 7.15 | 6.02 | 8.01 |

Source: field Data

Appendix IX: Introduction Letter



UNIVERSITY OF NAIROBI SCHOOL OF BUSINESS

Telephone: 020-2059162
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Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 17/10/2016

TO WHOM IT MAY CONCERN

The bearer of this letter GARGALLO MOLU TACHE

Registration No. D6179037/2012

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.




PATRICK NYABUTO
SENIOR ADMINISTRATIVE ASSISTANT
SCHOOL OF BUSINESS