Abstract:

The study sought to determine the views of managers of companies listed on the NSE on dividend policy. Specifically, the study sought to understand what views they have on the dividend-setting process; whether they believe a firm's dividend payout can affect firm value; and what explanations for paying dividends they had. A cross-sectional survey design was used to carry out the research. The population was 56 firms listed on the NSE. From these, a sample of 45 firms with complete data was drawn. Data was collected using structured questionnaires and the respondents were the general managers in those firms. Mean scores and t-tests were used to interpret the results. The analysis was aided by the SPSS. The study found that process, majority of the managers who took part in the study agree with the theory on dividend setting process. The managers agreed that a change in firm’s cash dividend affects its value, dividend policies should be formulated to produce maximum value for shareholders and that optimal dividend policy strikes a balance between current dividends and future growth that maximises stock price. They agreed that investors generally regard dividend changes as signals about a firms future prospect hence pay the dividends. The managers also agreed that a firm should adequately disclose to investors the reasons for changing cash dividends. Such disclosure helps to improve transparency in the market. The study recommends that firms should strive to offer constant dividends as this signals that the firm is performing better hence investors can be interested in the firm. Managers need to foster the culture of increasing profitability if the dividends are to be maintained over the years.