2021

Effect of firm-level factors on the dividend payout among listed financial firms at the Nairobi Securities Exchange.

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EFFECT OF FIRM-LEVEL FACTORS ON THE DIVIDEND PAYOUT AMONG LISTED FINANCIAL FIRMS AT THE NAIROBI SECURITIES EXCHANGE

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MBA/ 113799/2018

A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF DEGREE OF MASTER OF BUSINESS ADMINISTRATION OF STRATHMORE UNIVERSITY

NOVEMBER 2021

DECLARATION

I, the undersigned, declare that this project is my original work and has not been submitted for examination in any other institution.

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Approval

This research project has been submitted for examination with my approval as the university supervisor

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ABSTRACT

Investors expect a fair return on their investment irrespective of their preference, either capital or dividend gain. Financial reports of the listed firms in Kenya have shown that more than half of the listed firms have been unable to offer special dividends or have at least reduced the dividends payout. The current study sought to examine the effect of firm-level factors on the dividend payout among listed financial firms in Kenya. The study examined how profitability, liquidity, and leverage influence the dividend payout within the firms. The research was grounded on a bird in the hand theory, the shiftability theory of liquidity, and the efficient structure theory. The study adopted a descriptive, explanatory research design to assess the association between the research variables. The study adopted census sampling of the respondents. The sample size of the study was the 23 listed financial firms. The study relied on quantitative panel data that was collected from the listed financial firms in Kenya for the period 2012-2018. The collected research data were analyzed using descriptive and inferential statistics. The study utilized panel regression to determine the relationship between the study variables. The findings of this study are expected to enhance managerial practice and policy formulation within the financial sector. The study concluded that 11.01% of changes in the dividend payout within listed firms is determined by the selected firm-level factors, firm size and the capital adequacy. The findings led to the conclusion that profitability positively improves the level of dividend payout. The research also concluded that individually liquidity, leverage, firm size and capital adequacy does not have a significant effect on the dividend payout of the listed financial firms. The study recommends that listed firms should develop internal control mechanisms to monitor the debt levels within the firm, ensure sustained cash flow to the firm, and maintain a good liquidity level within the firm. The study also recommends that listed firms should ensure that firms should strike a balance between dividend payments and future investment of residual income within the firm.

Keywords: *Profitability, liquidity, leverage, firm size, capital adequacy, dividend payout*

VT OMNES
VNVM SINT

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LIST OF ABBREVIATIONS

UK	United Kingdom
NSE	Nairobi Securities Exchange
SPSS	Statistical Package for Social Sciences
NACOSTI	National Commission for Science Technology and Innovation
CMA	Capital Market Authority
PSX	Pakistan Stock Exchange
ANOVA	Analysis of Variance
UAE	United Arab Emirates
ROA	Return on Assets
VIF	Variance Inflation Factor

OPERATIONAL DEFINITION OF TERMS

Dividends These are payments that are apportioned to shareholders aimed at the risk and time they took in investing with a firm of their choice (Ahmed & Javid, 2009).

Dividend Payout This is the ratio of total profit paid out to ordinary shareholders as dividends (Imran, 2011).

Dividend Policy This is a plan of action that allows company directors to decide how much dividends to give shareholders in a given financial period (Jensen, 2007).

Leverage This shows the relative proportion of equity and debt in the company's capital structure (Aasia, Waqas, & Yasir, 2011).

Liquidity This refers to measurements of the extent to which a firm can meet its payment of obligations (Mehta, 2012).

Profitability This the unit measurement of a company's wellbeing over a period (Athanasoglou, Brissimis, & Delis, 2008).

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The primary objective of any organization is to maximize the wealth of the company's owners (shareholders), which can be done mainly by ensuring investors get their return on investment through either dividend payments or capital gains (Komrattanapanya & Suntrauk, 2013). Going by this, companies ought to pay a dividend to encourage investors as they fulfil this critical objective (Emeka, Aham, & Uko, 2013). When a company announces dividend payment either as a cash payment or non-cash payment like bonus issue, scrip dividend, it could be a sign that the firms are either doing very well or expecting to do well shortly (growth perspective) and failing to do so may show a company experiencing difficulties hence taken as the bad indicator (Franklin & Muthusamy, 2010).

A concept that has been greatly arguable in the corporate finance is dividend pay-out. Theoretical models explaining the content that administration need to take into account when making decisions concerning dividends have been put across by researchers (Dhanani, 2005). Due to the difficult business setting, firms take completely different actions to control the subject. Regulation of dividend pay-out is one of the points that the managers use (Abu, 2012). The issue of dividend policy in corporate organizations has been of great concern in developed and developing countries since dividend payouts are considered to a reflector of a firms' financial position (Ouma, 2012). Further, Ofori-Sasu, Abor and Osei (2017) affirm that shareholders dividend is dependent on the dividend policy of an organization.

While potential investors take into consideration a host of factors such as stock price, firm-level factors, and macroeconomic indicators, the firms' dividend track record is fast becoming a measure of financial performance (Bonga, 2008). In the developed economies, dividend theories are progressive, trying to clarify how dividend decisions are made and how they impact a firm's (Olowe & Moyosore, 2011). Different ideologies comprise of the traditional group that go by the concept of the worth of a firm is highly dependent on the increased amount of dividend pay. They also adhere to the idea that this lowers the value of a company, a theory which other do not find compelling and true(Al-Malkawi, Rafferty, & Pillai, 2010).

Weing and Xhao (2010) examined dividend puzzle among Chinese companies during 1997-2008 by examining the market reaction among those companies which pays more or equal amount of cash dividend available from the company's earnings. They argued that dividend

announcement has a positive effect on their company's stock prices, and firms should take advantage of it by declaring dividends even when they have low profits. Besides, they found that market underperformance displayed great influence on the quantity of dividend paid. Rafique (2012) researched on causes of dividend payout amid nonfinancial companies recorded in the Karachi securities exchange. Rafique argued that dividend policy was influenced by incomes, company scope, development, productivity, financial leverage, and corporate tax. The findings of the research displayed a noteworthy connotation amid productivity, company magnitude, financial leverage, growth, and dividend payout.

Wasike and Ambrose (2015) also carried research to find out what influences the dividend policy of Kenyan firms, reporting that dividend policy was restrained by the dividend per share and profitability variable assessed from the earnings before interest and tax. The NSE (2018) report indicates that a majority of listed firms were unable to pay dividends for the year 2017. For instance, since listing KenGen was unable to payout dividends as a result of a 41% dip in profitability. In the same analysis, the reports indicate that a minimum of one-third (20) of the listed firms have been unable to pay dividends since 2014, with 15 of the companies reducing the dividends paid out. The findings show that more than half of the listed firms been unable to offer special dividends or have at least reduced the dividends pay-out.

1.1.1 Dividend Payout of Listed Firms

A company can make use of its profit in two ways. One of them being having the profit within the company boundaries and using in the development of the company sectors (Ahmed & Javid, 2009). The other option is the distribution of the profits to shareholders. This option has two methods that can be used in implementing it. The first path being paying out dividends while the other is buying back their outstanding stocks (Hellstrom & Inagambaev, 2012). The dividend policy determines the proportion of earnings that will be distributed to shareholders, and the proportion that will be reinvested. Adeiza, Sabo and Abiola (2020) defined dividend payout as the ratio of dividends to net income. Kurere, Limo and Tenai (2021) affirm that the dividend payout verdict is dependent on profitability, with firms returning more to shareholders in the form of dividends if they report hugher earnings. The volume of profits disbursed to shareholders must not exceed the amounts realized since profits are the main sources of funds for operations.

Dividends can be explained as compensation made by a company to its shareholders, either preference shareholders or ordinary shareholders from the profit generated in current or

previous financial periods. The different types of dividend payment include cash dividend, stock dividend, and property dividend (Denis & Osobov, 2008). Dividend payout is stated by Hallstrom and Inagambaev (2012) as a company's earnings in percentages, shareholders receive. It considers internal features, thus not being dependent on external factors. Several studies attest to the puzzling nature of dividend policy and payout studies, including Yarram (2015) and Kent et al., (2013). Sébastien and Aymen (2016) opine that the managements need to carefully consider dividend payout policies since if they overcommit, they are left with less funds for investments and may resort to revert to capital markets to gain funds.

The dividend pay-out ratio calculates the ratio of income after tax that shareholders receive as dividend. The net profit the company opts to retain as a means of financial operation as well as the net profit percentages that are offered to shareholders (Imran, 2011). Payment of dividends by companies sends a powerful message concerning prospects and growth. A business's capability to reimbursement dividends consistently over a while as well as its ability to increase the dividends gives a positive impression to the market regarding its future outlook as a going concern (Jensen, 2007). The dividend payout was examined by the rate of dividends paid through listed firms in the financial category of the Nairobi Securities Exchange.

1.1.2 Firm-Level Factors of Listed Firms

Firm-level factors refer to the aspects of a firm that are affected by firm-level management (Arora, 2014). Given that firm characteristic reported in financial statements they are largely controllable by the firm-level management, much attention is accorded to them by researchers (Athanasoglou, Brissimis, & Delis, 2008). Firm characteristics are usually associated with firm financial performance. These include firm size, capital (Doğan, 2013), firm age (Yazdanfar, 2013), liquidity, and asset tangibility (Bresnahan, Brynjolfsson, & Hitt, 2002). Arora (2014) argues that while differences in efficiency across financial institutions may be due to forces external to the firm, the institutional, individual objectives such as liquidity, firm size, capital adequacy, assets base, leverage, and tangibility are instrumental to the firm operations.

Firm factors are both the external and internal factors that are specific to individual financial institutions (Alkhazaleh & Almsafir, 2014), and have an impact on the performance of the institution. According to Diaconu and Oanea (2014), firm characteristics are the specific external and internal features affecting the operations of the firms on a daily basis in terms of coming up with decisions and operations. Among these are investment, size of the firm, and configuration of the credit range, interest rate policy, asset quality, leverage ratio, inflation,

exchange rates, tax policies (Azam & Siddiqui, 2012; Beck, Hesse, Kick, & Westernhagen, 2009; Diaconu & Oanea, 2014; Ongore & Kusa, 2013). The above specific firm factors are instrumental to the dividends payout within listed firms, as indicated by various empirical evidence. Gul, Khan, and Rehman, (2013) identified determining factors of dividend payout to be inclusive of productivity, liquidity, leverage, growth, magnitude, and Earnings per Share. Bonga (2008) posits that the defining aspects of dividend procedure include leverage, liquidity, productivity, risk, and size.

Mehta (2012) found no significant impact of leverage and liquidity on dividend payout verdicts among United Arab Emirates (UAE) organizations. Al-Kuwari (2009) pointed out that levels of capital structure, shareholding by the government, and net earnings of a company had a direct impact on the issuance of dividends among SACCOS. However, the parameters of debt levels had an adverse effect on dividends distributed to shareholders. Imran (2011) found that in India, dividend distribution of manufacturing sector in India was directly impacted by the composition of shareholders' funds, dividends that were issued in the prior year, percentage of retained earnings, earnings profit and variations in revenue collection by the firm. Tewodros (2011) associated the bases of dividend payout factors on the Ethiopian bank industry with firm size, liquidity, and the past year's dividend payment are among the main factors of share payout. Ndungu (2009) reports that Nairobi Securities Exchange share policy was influenced by firm productivity, however the size of liquidity prejudiced the dividend ratio. Luvembe and Njangiru (2014) studied the effects of dividend payout on the market cost of listed Banks in Kenya and reported a significant relation between market cost, company earnings, and dividend payout ratio and capital market investments.

From the various studies, the current research sought to specifically focus on several factors that have been a dominant theme in predicting the dividend payout. Despite the above showing convergence and divergence in some of the factors predicting dividend payout, the research has been carried out in various fields and nation using various methodologies. The current research examined how profitability, liquidity, leverage impact share payout in listed companies at the NSE.

The capacity of a business to reimbursement shares has, over a period, been primarily indicated by profits. A survey by Lintner (2016) focusing on major finance administrators and corporate executive officers established that dividend is determined by both current and past profits. Dividends are a role of recent, and previous earnings, imminent earnings, and future expected

incomes were, therefore, justifying the need for profitability as a determinant for dividend pay-out. The capacity of a firm to alter resources into money in the case of an emergency is called liquidity. This means that liquidity money is not tied up in assets that cannot be transformed to cash in a relatively short time. An illiquid firm would have to reduce the amounts payable as dividends to its shareholders to maintain free cash flow to cater for emergencies (Brearley, 2010). By financing their activities on debt, firms put pressure on their overall liquidity. Kowalski et al. (2014) argued that highly levered firms have lower payout ratios. This was affirmed by Al-Kuwari (2018), where it was observed that share pay-out is contrarywise correlated to gearing ratio, thereby justifying the use of leverage as a characteristic.

1.1.2.1 Profitability

Share pay-out is heavily reliant on the profitability of a company. Usually, companies make a trade-off of the profits between shareholders and the reinvested funds (Franklin & Muthusamy, 2010). Profitability is the maximum level of dividend payments, and the profitability of the current and future periods is the main consideration when firms are making dividend decisions (Kurawa & Ishaku, 2014). Bhat (2008) contends that the compensation of shares conveys the information from administrators to the shareholders on the prospects and profitability of the company.

The financial literature states the same theory on the affiliation amid profitability and share pay-out (Rafique, 2012). Yiadom and Agyei (2011) in their research noted that viability has a positive outcome on the share paid by banks. Profitable banks possess a great likelihood of reimbursing shares in comparison to non-profitable banks. Ahmed and Javid (2009) also noticed that companies having high profitability can afford huge free cash provided they have stable earnings; thus, pay-out larger dividends, and they conclude that the net earnings positively affect the dividend yield. The viability of the companies was assessed by the return on assets (ROA). These studies, however, focused on various types of firms; the current was restricted to financial firms. This study determined how profitability affects the dividend pay-out of financial firms that are listed in the NSE.

1.1.2.2 Liquidity

The ability of a company to meet payment of obligations is measured using its liquidity. High liquid firms that mean companies with advanced money obtainability and near-cash properties wage advanced shares to shareholders in comparison to companies with scarce money (Al-Malkawi, Rafferty, & Pillai, 2010). Cash dividend is dependent on two factors, that is,

profitability and unrestricted money movement (Amidu and Abor, 2006). Free cash flow is described as what get left in cash after capital expenditures have been paid. Allam and Hossain (2012) carried out their study in the UK and Bangladesh based corporations, and they found out that liquidity influences the company dividend rate negatively and significantly.

Franklin and Muthusamy (2010) supported the undesirable and substantial impact of liquidity on share compensation of firms. Yiadom and Agyei (2011) carried out their research in the instance of the Ghanaian banking business and, unfortunately, found liquidity influences negatively and significantly banks dividend payment. However, Muhammed (2012), in a study on the determining factors of share procedure of Ethiopian insurance companies, finds a positive and momentous impact on share compensation. The liquidity in this research was analyzed by the liquidity ratio. The past studies have failed to focus on listed firms that have a dynamic composition and are far further regulated as equated to non-listed companies. The study determined how liquidity affected the dividend pay-out in financial listed firms.

1.1.2.3 Leverage

Financial leverage is an amalgamation of liability, equity, or interior funds through which a company's operations are done (Aasia, Waqas, & Yasir, 2011). Besides, commercial menace, tax contact, market situations, the firm's development degree, and the cost of investment are factors organizations use to decide whether to liability, equity, or an amalgamation of both (Imbalo, 2013). The debt-to-equity ratio, also recognised as risk, gearing, or leverage, indicates the relative proportion of equity and debt in the firm's assets edifice. The pragmatic indication concerning the connotation amid leverage and share payout is mixed. When the leverage is high, the share pay-out becomes low, which might be a result of debt covenants (Franklin & Muthusamy, 2010).

Al-Malkawi (2007) affirmed the concept of negation that occurs between economic leverage and share dogma. Yiadom and Agyei (2011) realised a positive association flanked by leverage and share payout. The research indicates that companies take greater debt funds to pay off dividends. Kimutai (2012) revealed the existence of a positive effect amid leverage and share payout. Odawo (2015) studied the bases of dividends reimbursement policy and noted that leverage had a positive and noteworthy relationship with the dividends pay-out. The leverage ratio was calculated by the debt-equity mix of listed firms.

1.1.3 Financial Listed Firms

The NSE is a sole exchange that presently exists in Kenya with 63 listed companies in 2019.It holds a high position in vibrance in Africa and stands at the top position in East Africa. The Nairobi Securities Exchange was founded in 1954 as a private company. It adopted the International Accounting Standards (IAS) as a policy in 1999. The company had shares reliant on the floor-based open outcry system. The central depository system soon replaced the floor-based open system in 2004 when it was commissioned. It has since set up a computerised delivery and settlement system (DASS) and is made up of some of the largest companies, thus the reason for it being widely watched and cited. The NSE is a full member of the World Federation of Exchange, a founder member of the African Securities Exchanges Association (ASEA) and the East African Securities Exchanges Association (EASEA). It is also a member of the Association of Futures Market and is a partner exchange in the United Nations-led SSE initiative (NSE, 2017).

For an efficient stock exchange, the firms recorded in Nairobi Securities Exchange - NSE are anticipated to be financially healthy to ensure the economic growth of a country. The Kenya Gazette Legal Notice No.60 2002 requires that all listed companies at the NSE have clearly developed and formulated dividend policy (Nairobi Securities Exchange, 2021). The Banking Act requires commercial banks and other financial institutions pay dividends on their shares or commit some of their income after all capitalized expenditure has been written off. The dividend payout ratio is the computation of income after tax that is issued to investors (Todd, Ronald & Hill, 2013).

There are two major categories of listed companies at the NSE. These major groups are the financial and non-financial firms. These categories are further classified into Banking, Insurance, Investment, and Investment services for the financial sector. The non-financial sector includes Farming, Vehicles and Accessories, Saleable and Amenities, Edifice and Related, Energy and Petroleum, Manufacturing and Related, Telecommunication, and Technology (Nairobi Securities Exchange, 2016). While most companies in the financial sector, especially the banking industry, have consistently recorded good performance, some counterparts in the financial sector have stagnated and even recorded losses, notably National Bank Kenya and Housing Finance Bank, as well as some of the insurance industry firms (Nairobi Securities Exchange, 2021). Further, some have had to be put under receivership due to poor financial management. This financial stagnation has impacted the firm's value and

ability to recompense their investors and pay out expected dividends, resulting in reduced confidence within investors (Nairobi Securities Exchange, 2016).

1.2 Statement of the Problem

Dividend payout in many companies has, over time, been an issue, especially in company finance (Bulla, 2013). Investors expect a fair return on their investment irrespective of their preference, either capital or dividend gain; however, there has been a variance between expected return and actual return on investment in terms of dividends (Murekefu & Ochuodho, 2012). In 2018, the NSE reported reduced earnings by investors of listed firms, with five of the top listed companies accounting for more than 75% of the dividends (Onsongo, Muathe, & Mwangi, 2020). Further, the firms are always exposed to the risk of regulatory capital changes and requirements that may impact the amount available for redistribution to shareholders. The above indicates there is a continuous challenge among listed firms to maintain their dividend pay-outs continuously. The challenges among these companies may be because of several factors (Murimi & Mungai, 2021). Despite the extensive research in the field, there is inconclusive knowledge on how key factors are contributing to the volatility in dividend pay-out; hence there is a need for the current study to expand on the available knowledge.

NSE (2019) report shows that the top-20 firms were able to pay a record Shs. 135 billion, which was a 42% increase from the previous year. However, the bulk of this dividend payout was hugely supported by Safaricom Ltd. Despite being a top-ranked firm, both Britam Insurance and Kenol Kobil were unable to make any payments. According to Kalunda and Kachoki, (2019), Most financial firms in the NSE were unable to hit their dividend pay-out expectations. This may be attributed to several factors. The study, therefore, evaluated what factors affect dividend pay-out in these firms and how they do. Extensive empirical researches have been done focusing on the firm-aspects impacting share payout. Venkataraman and Venkatesan (2018) associated payouts with return on assets, bank size, and debt-to-equity proportion. Agbatogun and Adewumi (2017) notes that return on investment and return on properties predicted share payment. Getachew (2017) found that productivity, leverage, liquidity, asset structure, and previous year dividends impacted volume of funds made available to shareholders.

Shibutse, Kalunda, and Achoki (2019) note that liquidity certainly influenced the share payout of deposit-taking Saccos. Malietso (2021) investigated determinants of dividend payment among Kenyan manufacturing firms showed that leverage and profitability had a strong

influence while liquidity did not. Bulla (2021) carried out an industry wide analysis of determinants of dividend payment, determining diferent variables impacting dividend performance for each industry. However, financial business risk was reported to affect all the firms' dividend payouts. Odawo and Ntoiti (2016) carried out a case study involving investors of CFC Stanbik Bank, reporting a negative association between liquidity. The size of the firm and leverage were reported to positively influence dividend payout. Waswa, Ndede and Jagongo (2014) found similar findings among agricultutal firms.

In summative, there are conflicting findings in both theoretical and empirical approaches on the bases of dividend payout among listed firms in the various studies that have been conducted. Secondly, there are methodological shortcomings in both local and global studies in the approaches adopted. Further, most of the studies have considered a small sample by drawing companies from a single sector and for a short period. Some of the studies focused on single case studies while others focused on hospitality or manufacturing firms. The present study sought to expand on the above empirical openings by examining the effect of firm-level factors on the dividend payout among listed financial firms at the Nairobi Securities Exchange. This was imperative to expand the rigour of the analysis and cover more than one-thirds of the securities exchange. Furthermore, the firms represent the top performing segment within the NSE hence the findings drawn can be critical to expanding practical solutions for other listed firms and expand their management of dividend payout.

1.3 Objective of the Study

The main objective of the study was to establish the effect of firm-level factors on the dividend payout among listed financial firms at the Nairobi Securities Exchange

1.3.1 Specific Objectives

i. To determine the effect of liquidity on the dividend payout among listed financial firms at the Nairobi Securities Exchange
ii. To examine the effect of profitability on the dividend payout among listed financial firms at the Nairobi Securities Exchange
iii. To establish the effect of leverage on the dividend payout among listed financial firms at the Nairobi Securities Exchange

1.4 Research Questions

i. What is the effect of liquidity on the dividend payout among listed financial firms at the Nairobi Securities Exchange?

ii. What is the effect of profitability on the dividend payout among listed financial firms at the Nairobi Securities Exchange?

iii. What is the effect of leverage on the dividend payout among listed financial firms at the Nairobi Securities Exchange?

1.5 Scope of the Study

The scope of the current study was limited to an examination of the financial listed firms at the Nairobi Securities Exchange. The study focussed on financial institutions listed under; Banking Category (11); the study did not consider Bank of Kigali Group, which is listed on the NSE but primarily operates from Rwanda since it is not a Kenyan firm: Insurance category (7): Investment category (6) and Investment Services category (1). The contextual scope of the research focussed on how firm-level factors, liquidity, leverage, and profitability affect the dividend payout of the listed firms. The theoretical scope of the research was focussed on the bird in hand theory, the shiftability theory of liquidity, and the efficient structure theory. The study employed a quantitative approach with panel data being collected for the period 2012-2018 to get more recent data and thus relevant results. The study applied quantitative analysis techniques.

1.6 Significance of the Study

1.6.1 Policy Makers

This study contributes to empirical evidence on the factors that determine dividend payout. The study results will be of practical solutions to policymakers in designing guidelines and policies to ensure and protect shareholders' interests within the listed firms.

1.6.2 Practitioners

Finance literature suggests that dividends should be paid from earnings. Besides, the residual theory of dividends suggests that dividends should be paid only after a firm has met its financing needs. However, most firms in the financial services have resulted in paying out dividends though some of the firms have not been making profits. Considering the importance of dividends pay-outs, it is of significance to examine the firm-level factors that affect dividends payout. The current research study was important in expanding the available empirical literature.

1.6.3 Professionals

The results of the research were of significance to the listed firms in the NSE in guiding the internal practices that will enable them to leverage their internal factors to enhance dividend pay-outs.

1.6.3 To Scholars

The results of the research will further help in enhancing the available empirical evidence available and thus act as future reference material.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The review of literature is imperative in research work as it helps in the identification of the research premises. This chapter outlines the theories that guided the study, the review of various research work, the research gaps therein identified, and finally, the conceptual framework presenting the hypothesized interaction of the study variables.

2.2 Theoretical Review

A theory is a systematic explanation of an incidence, and an investigator should be familiar with those theories appropriate to the expanse of research. The theoretical framework shows the understanding of theories and models by the researcher for concepts relevant to the research topic and the field in which the research relates (Kiaritha, 2015). The research was grounded on the bird in hand theory, the shiftability theory of liquidity, and the efficient structure theory.

2.2.1 The Bird in Hand Theory

Gordon, Myron, and Eli (1956) pioneered the Bird in Hand theory-based on his argument on the unpredictability of the market due to volatility. Gordon suggests that it is in the greatest attention of shareholders first to realize wealth, then they can utilize it; based on this analogy, most shareholders would prefer to be paid their dividends as they fall due (now) as opposed to being paid later or in future. Investors fear that if their dividends are retained in the form of plowing back into the organization by management, then in the event of market fluctuations, it can lead to devaluation of the securities hence decline in share per value notwithstanding that in the event of receivership or liquidation they stand a higher risk of losing everything.

Bratton and William (2005) echoed similar sentiments that investors do have a higher affinity for cash dividends to avert future risks that could be beyond human control. Furthermore, they contextualized the current value of shares in the form of dividends to be valuable since its purchasing power is higher compared to the future. Therefore, based on this logic, it is prudent for investors to obtain the cash dividend and reinvest in fixed assets like the land that can appreciate over time to substitute any decline attributed to inflation.

Keown et al., (2007) while agreeing to predecessors acknowledged the principle that stock worth is noted by markets services and not by the directors, thus an element of unpredictability is reality, besides its argued that most managers of firms are conservative in their financing policies hence dividends in future was based or determined based on a pay-out ratio.

Shareholders' choice of whether to retain shares or not is all about the risk that is beyond agency control, hence better options would be to be paid dividends today. Critics of this theory argue that investors usually re-invest most of the dividends earned, meaning that the companies end up receiving most of the dividends paid out anyway. Other critics argue that firms with desirable growth prospects should retain their earnings and invest in growth strategies. However, proponents argue that people would not be incentivised to put their investment in organizations that have no earning prospects. Further, the modern investor would like to assume some form of control over a firms' investment, making the source of profits a matter of concern to these investors.

In reality, a great number of companies recorded at the NSE are capital-intensive; hence they sought in most scenarios face an uphill task in balancing dividends pay-out against retaining them. However, in essence, stakeholders ought to have a final thumb ruling on how dividends are distributed. However, all powers are vested in the agency that drafts the dividend policy. Nevertheless, on the other hand, investors have applied conventional means like disposing of shareholdings to compel the agency to give in their demands, this has made the management to understand the type of investors they do have and consider their preferences on dividends. This theory posits that investors will place a high emphasis on receipt on dividends, notwithstanding their source. This theory informs the dependent variable dividend payout. It helps the current study in understanding the concept and underlying motivations for dividend payout within listed firms.

2.2.2 Shiftability Theory of Liquidity

The theory established by Mouton (1918). The theory revolves around the following central themes: it considers the arrangement of a financial institutions portfolio as the determinant of the liquidity levels; it asserts that financial institutions make most of their investment in secondary money market securities to achieve better liquidity at the least loss of value; the invested amounts of money can be in the form of money market securities such as the capital bill, commercial paper and securities issued by reputed companies; it is also possible for financial institutions to acquire additional funding from their investors (Samuel & Gbegi, 2010)

The shiftability theory asserts that if the financial institutions maintain a substantial amount of assets that can be shifted to other financial institutions for cash without any material loss, then there is no need for maturity. The theory holds that having assets that can be perfectly shifted or must be immediately transferable without capital loss when liquidity needs arise can help foster the financial performance of a firm (Amidu & Abor, 2006). Critics argue that shiftability

of assets does not provide liquidity in the banking system, instead, it relies on the economic conditions. Further, this theory ignores instances of severe depression whereby there are no willing buyers of the banks' liquid assets. Further, an industry-scale shiftability of assets would result in adverse effects to the banking system, affecting both lenders and borrowers.

The Shiftability theory has made it unnecessary for financial institutions to hold huge reserves of idle cash. It presented a different method of financial management, whereby there are high risks involved by theorizing that banks can retain a high level of liquidity by shifting assets. Shifting assets will ensure that the bank has enough cash to sustain operational functions. This has led to in the rise of a new income source while reducing risks (Dhanani, 2005). The theory was utilized in the current study to anchor the liquidity levels and how they impact the share payment within listed financial firms in Kenya.

2.2.3 Efficient Structure Theory

The efficient structure theory was established by Demsetz (1973) premised on the need for a different description of the market structure-performance relationship. The theory is based on the premise that profit gain is dependent on efficient practices that are apart from competitors practice as well as low operational costs. The same business has a significant market share. Subsequently, the level of efficiency is also a determinant in the creation of unequal market position distribution as well as concentration. (Al-Malkawi, 2007).

The effective structure hypothesis (ES) is based on two main approaches the X-efficiency and the Scale efficiency. According to the X-efficiency, the more profitable institution gains its advantage from cost-efficiency. Such companies are more susceptible to high market shares, which can be utilized in enhancing their market concentration levels (Athanasoglou, Brissimis, & Delis, 2008). On the other hand, the scale strategy stresses on financial prudence of gauge rather than non-uniformity in administration or manufacture skill. That is, bigger companies can gain lesser cost charges and higher profits by leveraging on the economies of scales. This allows such firms to enhance their market share, which can be manifested through higher profitability and concentration (Kolapo, 2012).

The theory, however, failed to incorporate regulations and tax regimes that possess a hostile influence on the business operationalization and productivity (Kombo & Njuguna, 2017). The x-efficiency approach is key in underlying the need for financial institutions to enhance their efficiency in production and service offerings. In contrast, the scale efficiency underscores the need for financial institutions to utilize their earnings productively to gain higher profit margins

and better market concentration. Critics of this theory argue that beating the market is possible as demonstrated by successful investors who have continuously beaten the markets by investing in undervalued stock. Further, they argue that stock prices can deviate from their fair market values. However, proponents attest to the fact that there cannot exist a fully open market and that the information available to the market at a particular point will determine share value. Markets with larger volume of investors are more efficient since these varied investors will compete and bring different types of information about the products that can impact their price. The theory was integral in the present study in underlining the impact of profitability on dividend payout among financial firms.

2.3 Empirical Review

The review of various empirical studies is integral in the identification of the various research voids that the study sought to examine. The study reviewed previous research studies in line with the research objectives in this section.

2.3.1 Profitability and Dividend Payout

Rizqia and Sumiati (2013) examined the effect of managerial ownership, financial leverage, profitability, firm size, and investment opportunity on dividend policy and firm value. The study employed an explanatory research design with panel data being collected between the period 2007-2012. The study utilized structural equation modelling and T-test to determine the association. The results indicate there is a positive association between the net interest margin and the dividend payout. The findings further show that the firm size positively moderates the relationship between profitability and dividend payout. The research failed to examine liquidity affects dividend payout which is the focus of the current study. Similarly, Olang, Akenga, and Mwangi (2015) studied the effect of profitability on the dividend pay-out by firms listed at the Nairobi securities exchange, Kenya. The research utilized a causal-comparative research design and relied on a sample of 30 listed firms in the study. The research collected data for the period 2008-2012 with quantitative analysis being utilized. The findings indicate that the profitability of the listed firms was a key predictor of the dividend payout. The research notes that firms that post higher profits are able to translate the same to higher dividends payout. The study, however, did not consider leverage as determinants of dividend payout which is the focus of the current study.

Tefera (2016) examined the internal factors influencing the dividend payout of Ethiopian insurance companies. The study adopted a descriptive research design and collected research data covering the period 2007-2014. The study further applied the ordinary least squares method in examining the relationship between the variables. The results indicate that the profitability of the insurance firms had a significant effect on the dividend payout ratio. The study also indicates that leverage, size and risk were also key predictors of the dividend payout ratio. The study indicates that investors should always consider the profitability of the firms as a token before making future investment decisions. The study was only limited to insurance firms, while the current study focus is on all listed financial firms in Kenya. Musiega, Alala, Douglas, Christopher, and Robert (2013) conducted a study on the determinants of dividend payout policy among non-financial firms on the Nairobi Securities Exchange, Kenya. The study adopted purposive sampling and focused on the 50 listed non-financial firms with research data being collected from the audited statements for 2012. The results indicate that return on equity and the current firm earnings were positively correlated to the dividend payout of the listed firms. The study further shows that business risk and size positively moderated the effect of profitability on the dividend payout. The research focused on non-financial firms, while the current study examined the listed financial firms.

Ajanthan (2013) explored the link between dividend payout and firm profitability: A study of listed hotels and restaurant companies in Sri Lanka. The study utilized secondary data and focussed on the listed firms in the Colombo Stock Exchange. The collected data were subjected to both correlation and regression analysis. The results indicated that 52.6% of the variations in dividend payout are determined by the profitability of the listed firms. The study indicates that executive managers should design a dividend payout policy that will be key to ensuring the financial soundness of the firms. The study focused on firms within the hospitality industry while current research examined listed financial firms in Kenya.

Based on the above review the study sought to tests the hypothesis that there is no significant relationship between profitability and the dividend payout among listed financial firms at the Nairobi Securities Exchange

2.3.2 Liquidity and Dividend Payout

Khan and Ahmad (2017) carried out an empirical study with objective of finding out determinants of dividend pay-out among the manufacturing firms, specifically pharmaceutical companies that are listed at the Pakistan Stock Exchange (PSX), profitability, growth

opportunities, business risk, liquidity, firm size, leverage, taxation, and audit type were used as independent variables while dependent variable was dividend pay-out. Multiple linear regression was used to detect any correlation among the variables; the outcome revealed that liquidity is significant in dividend pay-out decisions in addition to audit type, profitability and investment opportunities. In China, Jiang, Ma, and Shi (2017) examined the association between stock liquidity and dividend pay-outs within listed firms operating between 2000 and 2014. The study utilized correlation and regression analysis in testing the association of the study variables. The study outcome indicates that in addition to stock liquidity, regulatory requirements on dividend pay-out impacted firms differently depending on their size and profit margin. The study was conducted within listed Chinese firms, while the current study examined listed firms in Kenya.

Mui and Mustapha (2016) carried out a study on the determinants of dividend payout ratio within Malaysian Public Listed Firms. The study adopted a causal research design with secondary data being collected from listed firms for 5-years. The study employed multiple linear regression in the analysis. The findings indicate that the liquidity of the listed firms and the size of the firms positively influenced the dividend payout of the firms. Hakeem and Bambale (2016) examined the mediating effect of liquidity on firm performance and dividend payout of listed manufacturing companies in Nigeria. The study employed an explanatory research design with research data being collected between the period 2007-2014. The study utilized both inferential and descriptive analysis. The results indicate that the liquidity of the firm positively predicted both the firm performance and the dividend payout of the listed firms. The study also notes a positive mediating effect of liquidity on the association between ROA, ROE, and the dividend payout of the firms. These two studies did not specify financial firms, instead focusing on all listed and manufacturing firms.

Waswa, Ndede, and Jagongo (2014) conducted a study examining the dividend payout by agricultural firms in Kenya listed on the Nairobi Security Exchange. The study utilized a descriptive non-experimental design with a focus on time series data collected for the period 2005-2010. The study relied on correlation analysis and fixed effects regression analysis. The results indicate that the liquidity of the listed firms positively predicted the dividend payouts of the listed agricultural firms. The study was limited to listed agricultural firms, while the current study examined the dividend payout of listed financial firms in Kenya.

Based on the above review the study sought to tests the hypothesis that there is no significant relationship between liquidity and the dividend payout among listed financial firms at the Nairobi Securities Exchange

2.3.3 Leverage and Dividend Payout

Vo and Nguyen (2014) examined the effect of managerial ownership, leverage on the dividend policies of Vietnam's listed firms. The study adopted an explanatory study design with research data being collected from the HCM city stock exchange for the period 2007-2012. The study adopted the three-stage least squares estimation in the analysis. The results indicate there is a negative relationship between the leverage ratio and the dividend payout in the listed firms. The study also notes that high managerial holdings positively influenced the dividend payout within the listed firms. In a study on Nigerian firms, Audu (2018) sought after the impact of financial leverage on dividend policy of listed consumer goods firms in Nigeria. The study utilized panel data collected for the period 2007-2016. The study sampled 17 listed firms in Nigeria. The study relied on regression analysis in determining the relationship between the variables. The results show that the total debt ratio and long-term debt ratio has a negative and significant impact on the dividend policy of listed consumer goods firms in Nigeria. The study indicates that debt financing within the firm should be optimized to ensure better utilization of the firm resources. The study focused on listed firms in Nigeria, while the current study was limited to a dividend payout of listed financial firms in Kenya.

Odawo and Ntoiti (2015) conducted a study examining the determinants of dividend payout policy in CFC Stanbic bank. The research adopted a descriptive research design with secondary data being utilized in the study. The research employed both descriptive and inferential analysis techniques. The findings indicate that leverage had a positive ($\beta = 1.751$) and significant (p-value = 0.004) relationship with the dividend payout. The study indicates that the bank should ensure that the debt/equity ratio is optimal to ensure that shareholders are in a position to obtain returns on their investments. The study focused on a single financial institution while the current study examined all the listed financial firms.

Mworia (2016) studied the relationship between financial leverage and dividend payout ratio of firms listed at the Nairobi Securities Exchange. The study utilized an explanatory research design and relied on panel data collected for the period 2011-2015. The study utilized both descriptive and ordinary least squares estimation methods in the analysis of research data. The study findings of the research indicate that there was a negative impact of financial leverage

on the dividend payout of listed firms in Kenya. The study was however, not limited to listed financial firms which are the current study focus. Hudiwijono, Aisjah, and Ratnawati (2018) conducted a study on the influence of fundamental factors on dividend payout policy of construction companies listed on the Indonesian stock exchange. The study utilized panel data collected from 5 listed firms for the period 2010-2016. The research further utilized multiple regression analysis with both F-test and T-test being applied in the hypothesis testing. The study findings indicate there is a positive interaction between the leverage ratio and the dividend payout policy of the listed firms. The study, however, failed to examine the effect of liquidity on the dividend payout of the listed firms.

Based on the above review the study sought to tests the hypothesis that there is no significant relationship between leverage and the dividend payout among listed financial firms at the Nairobi Securities Exchange.

2.4 Summary of Research Gaps

From the review of the various studies, the study identified several research gaps that the current study sought to solve. The gaps are shown in Table 2.1 below:

Table 2.1 Research Gaps

Author	Title	Research Findings	Research Gap
Ajanthan (2013)	Dividend payout and firm profitability: A study of listed hotels and restaurant companies in Sri Lanka	The results indicated that 52.6% of the variations in dividend payout are determined by the profitability of the listed firms.	The study focuses on firms within the hospitality industry while current research examined listed financial firms in Kenya
Hakeem and Bambale (2016)	Mediating effect of liquidity on firm performance and dividend payout of listed manufacturing	The results indicate that the liquidity of the firm positively predicted both the firm performance and the dividend payout of the listed firms	The research scope was on listed manufacturing firms in Nigeria while this research examined listed financial firms in Kenya

	companies in Nigeria		
Mworia (2016)	Relationship between financial leverage and a dividend payout ratio of firms listed at the Nairobi Securities Exchange	The study findings of the research indicate that there was a negative impact of financial leverage of the dividend payout of listed firms in Kenya	The study was however not limited to listed financial firms which are the current study focus
Olang, Akenga, and Mwangi (2015)	Effect of profitability on the dividend pay-out by firms listed at the Nairobi securities exchange, Kenya	The findings indicate that the profitability of the listed firms was a key predictor of the dividend payout	The study, however, does not consider leverage as a determinant of dividend payout which is the focus of the current study
Tefera (2016)	Internal factors influencing dividend payout of Ethiopian insurance companies	The results indicate that the profitability of the insurance firms had a substantial influence on the dividend payout ratio	The study was only limited to Ethiopian insurance firms while the current study focus is on all listed financial firms in Kenya

Source: Researcher (2020)

2.5 Conceptual Framework

The conceptual framework is a graphical illustration of the link between variables in a study basing on ideas developed from the researchers' perception of the research (Denzin & Lincoln, 2008). The below conceptual framework hypothesizes the interaction between firm-level factors and the dividend payout among listed financial firms in Kenya.

Independent Variables **Dependent Variable**

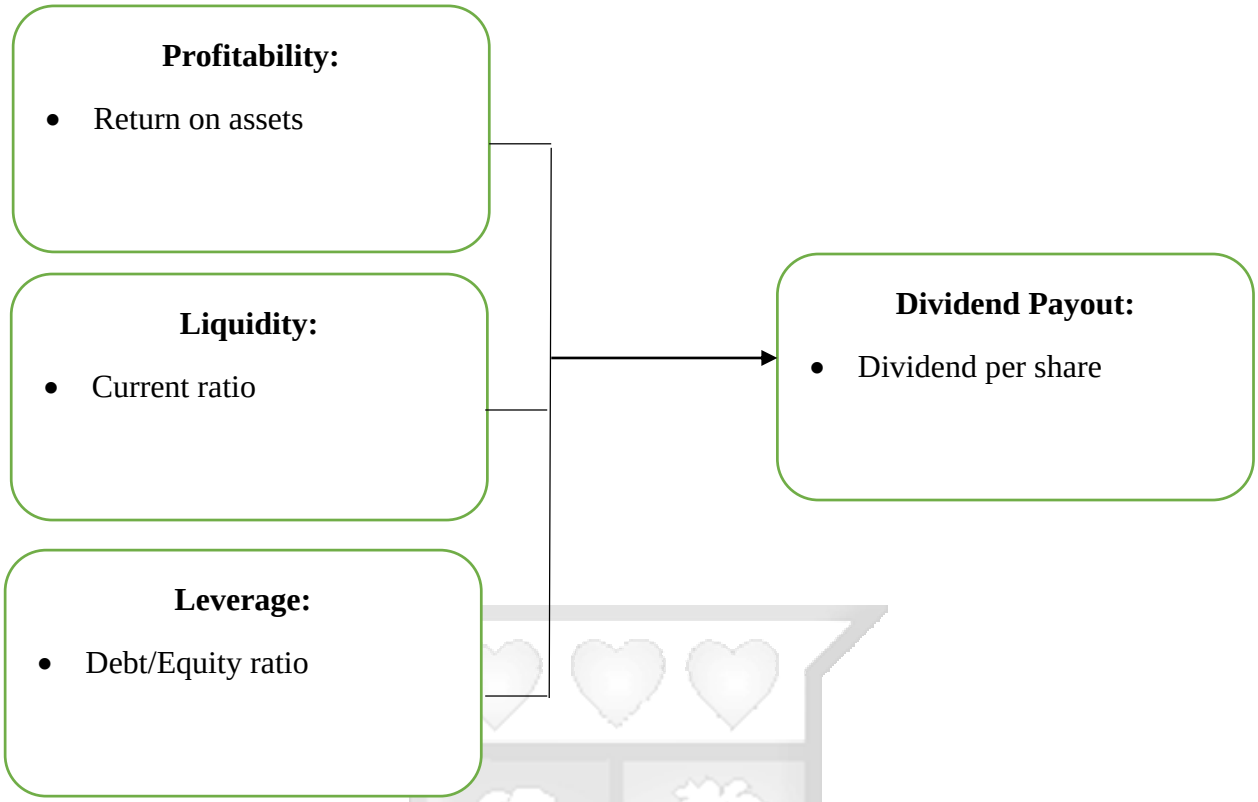


Figure 2.1 Conceptual Framework
Source: Researcher (2020)

The conceptual framework hypothesizes the interaction between the research variables. The above figure conceptualizes the interaction between (independent variables) firm-level factors: profitability, liquidity, leverage, and their effect on the dividend payout of listed firms (dependent variable). Based on previous literature the research conceptualized each independent variable using a single measure to determine the effect on the dividend payout across listed financial firms in Kenya. The constructs adopted for each variable and the supporting literature are presented in the Table 2.2 below.

The operationalization of variables is shown below.

Table 2.2 Operationalization of Variables

Variable	Constructs	Data Collection Tool	Data Analysis	Previous Research	Supporting Theory

Profitability	• Return on assets	Data extraction 2012-2018	• Means and deviation • Correlation coefficient • Regression analysis • ANOVA tests	• Ajantha n (2013)	• Efficient Structure Theory
Liquidity	• Current ratio	Data extraction 2012-2018	• Means and deviation • Correlation coefficient • Regression analysis • ANOVA tests	• Hakeem and Bambale (2012)	• Shiftability Theory of Liquidity
Leverage	• Debt/Equity ratio	Data extraction 2012-2018	• Means and deviation • Correlation coefficient • Regression analysis • ANOVA tests	• Mworia (2016)	• Shiftability Theory of Liquidity
Dividend Pay-out	• Dividend per share	Data extraction 2012-2018	• Means and deviation • Correlation coefficient • Regression analysis • ANOVA tests	• Tefera (2016)	• The Bird in Hand Theory

Source: Researcher (2020)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The research methodology is the overarching blueprint that guides the solving of the research problem. This research methodology guided the selection of the research design, the population of the research, the sampling design, the instruments of data collection, and procedures to be adopted as well as the data analysis techniques that were applied in the course of the study.

3.2 Research Philosophy

Research philosophy is a belief about how data about a phenomenon should be collected, analyzed, and utilized. The term epistemology, as opposed to doxology, incorporates the various philosophies of the research method (Bryman & Bell, 2007). According to Remenyi, Williams, Money, and Swartz (2005), the research methodology and philosophy must be stated to convince others of the credibility of the study. Ideologies of positivism comprise a recognizable social reality to be studied and a recognizable phenomenon for producing reliable data (Saunders, Lewis, & Thornhill, 2009). Positivists adhere to the tenets of the natural sciences and view behavior as directly measurable and explainable. This was applied in this study through hypothesis testing (Remenyi, Williams, Money, & Swartz, 2005). The study utilized a positivistic epistemological approach. Positivism allows a study to explore the social reality and beyond by incorporating natural sciences' methods (Bryman & Bell, 2007). The positivism approach calls for the research to be done in a value-free way and an objective manner, that is not reliant on the research subject and should neither affect nor be influenced by the subject of research, this is suitable for the study. Further, through applying a positivism philosophy the study was able to utilize a quantitative approach in determining the relationship between firm-level factors and the dividend payout of the listed financial firms.

3.2.1 Research Design

Kothari (2004) describes a research design as the research's structure, outlining the data collection procedure, measurement, and method of analysis. It summarizes the activities that the researcher is involved in, from writing the hypothesis to the conclusive data analysis. Cooper and Schindler (2014), further categorize research designs as exploratory, explanatory, descriptive, and cross-sectional. The study's purpose, investigation type, the extent of researcher involvement, stage of knowledge in the field, and period of obtaining the data and the type of analysis to be carried out determines the choice of research design (Bryman & Bell,

2007). Explanatory research design establishes the relationship between variables, while exploratory research designs seek to identify insights regarding a certain phenomenon. This study utilized a descriptive, explanatory research design since it is useful in establishing the relationship between variables. This design is advantageous since it allows the researcher to collect volumes of data from a considerable population cost-effectively. This research design was adopted in previous quantitative studies by Bulla (2021) and Imbalo (2013) which focused on the performance of listed firms in the Nairobi Securities Exchange.

3.3 Target Population

Kothari (2014) indicates that the population consists of elements, individuals, and objects with common characteristics that can be observed. The study focussed on financial institutions listed under; Banking Category (11); the study did not consider Bank of Kigali Group: Insurance category (6): Investment category (5) and Investment Services category (1).

Table 3.1 Target Population

Category	No. of Firms	% Proportion
Banking industry	11	48%
Insurance industry	6	26%
Investment industry	6	22%
Investment services industry	1	4%
Total population	**23**	**100%**

Source: NSE (2020)

3.4 Sampling Design and Sample Size

Sampling involves the selection of a certain number of topics from a distinct population as representative of the whole population (Cooper & Schindler, 2003). This study adopted a census approach because of the relatively small number of listed financial firms in Kenya. Sampling techniques involve the selection of samples for use in conducting a study or operation (Kothari, 2014). A stratified probability sampling technique is useful in selecting the sample from the various categories. Similarly, stratified sampling is strategically useful in scenarios where all members of the research population have a similarity in selection concerning their proportion in the entire population (Denscombe, 2003). The study focussed on the 23 listed financial firms in Kenya. The study focussed on yearly data between 2012 and 2018.

3.5 Data Collection Instruments

Data collection involves gathering raw data that could be transformed to useful information by the use of scientific processes of data analysis (Bryman & Bell, 2007). Data collection methods are techniques for gathering raw and unprocessed information. The current research relied on secondary data that was sourced from the published financial reports of the firms and the Capital Markets Authority (CMA) repository. The study constructed a data extraction form that guided the collection of the research data based on the measures operationalized in the study.

3.6 Data Collection Procedures

The data collection procedures refer to the systematic methods utilized in the course of the collection of research data (Cooper & Schindler, 2003). The study relied on secondary data that was collected through a review of the financial statements of the listed financial firms for the period 2012-2018. The research ensured that ethical approval from the Strathmore Business Schools is obtained before undertaking the study. Further, the research ensured that necessary research approvals are obtained from the National Commission for Science Technology and Innovation before collecting research data.

3.7 Data Analysis and Presentation

The extracted research was edited and coded into STATA 15 for statistical analysis. The study utilized descriptive analysis and inferential analysis. Descriptive analysis for this study comprised estimation of means, standard deviations, and frequencies. Field (2009) indicates that multivariate analysis is employed in a study whose aim is to understand the strength of each predictor variable. Inferential analysis for this study comprised of correlation analysis and panel regression analysis. The research applied panel regression estimation due to the panel nature of the data that was adopted in the research. To select the appropriate model the study utilized the Hausman specification tests. The following panel regression model was adopted;

$$DP_{it} = \alpha + \beta_1 PT_{it} + \beta_2 LQ_{it} + \beta_3 LV_{it} + \sum CONTROLS_{it} + \varepsilon_{it} \quad \text{Equation 3.1}$$

Where DP denotes dividend payout for listed financial firms *i* at time *t*

i denotes the observation (Listed firms Firms) i= 1--------23

t is the time t= 2012--------2018.

PT_{it} denotes profitability of listed financial firms *i* at time t

LQ_{it} denotes liquidity of listed financial firms *i* at time t

LV_{it} denotes leverage of listed financial firms *i* at time t

$CONTROLS_{it}$ denotes the control variables firm size and capital adequacy

β- β_3 is coefficients

ε is the error term

The study adopted panel regression analysis to estimate the statistical models specified for concluding the study objectives (Tabachnick & Fidell, 2013). The study, therefore, carried out diagnoses on fitted regression models to ensure that they do not violate the assumptions and conditions. The assumptions diagnosed and tested was the assumption of normality of the residuals, non-autocorrelation of the residuals, non-multicollinearity of the independent variables and homoscedasticity of the residual terms.

3.7.1 Diagnostic Tests

The research adopted the following diagnostic tests. The test was conducted to assess the test for linear regression assumptions before undertaking regression modeling.

3.7.1.1 Multicollinearity Test

Multicollinearity occurs there is a high linear association between explanatory variables within a regression model. Multicollinearity results in unstable and complicated coefficient estimates (Midi, Sarkar, & Rana, 2010). The presence/absence of Multicollinearity was detected by the Variance Inflation Factor (VIF).

3.7.1.2 Heteroscedasticity Tests

The nature of the data raises concerns of heteroscedasticity. The classical linear regression model assumed that the error term is homoscedastic, that is, it has constant variance (Gupta, 2012). Inconsistent error variances pointed to the existence of heteroscedasticity, which would limit the results of the analysis (Midi, Sarkar, & Rana, 2010). The study applied the Breusch and Pagan Lagrangian multiplier test.

3.7.1.3 Autocorrelation

Autocorrelation is the correlation between the values of a variable and the lagged values of that same variable (Sharifzadeh, 2010). This situation arises whereby historical values influence time series data. Autocorrelation effects models by increasing their base value (Emeka, Aham,

& Uko, 2013), leading to the generation of invalid results, the Durbin-Watson statistic was used.

3.8 Ethical Considerations

In the course of research work, various ethical guidelines need to be observed. The current research ensured that all the data collected for this study is utilized for the stated academic purposes. Further, the research ensured that the confidentiality of the unit of observations is maintained. The study ensured that an ethical permit is obtained from the Strathmore business school. Further, the study applied for National Commission for Science Technology and Innovation clearance before initiating the data extraction process.

CHAPTER FOUR

PRESENTATION OF RESEARCH FINDINGS

4.1 Introduction

This chapter is critical in the research process as it presents the results of the study. This chapter presented research data based on the quantitative approaches employed. The study used both descriptive and inferential statistics in the analysis and presentation of research findings. The sample for the study was drawn from 11 banks, 6 Insurance firms, 6 investment firms and investment Services category (1).

4.2 Descriptive Statistics

Cooper and Schindler (2003) indicate that descriptive analysis is a robust technique of presenting research data using various measures. The common techniques applied in the descriptive analysis are measures of central tendency. The study applied sum, kurtosis, skewness, mean, maximum, minimum, and standard deviation in the presentation of the results. The findings are presented in line with the variables of the research.

4.2.1 Firm-Level Factors and Dividend Payout

The study sought to determine if the firm-level factors influenced the level of dividend payout within listed financial firms in Kenya. The summary of the descriptive statistics for the period 2012-2018 are presented in the table below.

Table 4.1 Summary Firm-Level Factors and Dividend Payout Results

Variable	Obs.	Mean	Std. Dev	Min	Max	Skew	Kur.
Profitability	175	.168	.180	-.009	.84	1.098	3.671
Liquidity	175	.893	1.131	0	6.34	2.710	1.452
Leverage	175	9.497	9.819	.19	28.72	.526	1.783
Firm size	175	12.683	5.661	6.32	20.1	.220	1.122
Capital adequacy	175	.195	.168	0	.965	2.347	2.769
Dividend payout	175	.528	.702	-1.19	4.97	3.319	1.230

The study findings indicate that average return on assets for the listed financial firms stood at 16.8% between the years 2012-2018. The study showed that liquidity within the listed firms within listed firms was on average at .893 with leverage levels standing at 9.497 times. The findings further indicated that on average the listed financial firms had a capital adequacy of

19.5% with the highest firm between 2012-2018 holding 96.5%. The average dividend payout within the study period was highest at 4.97 with an average dividend payout of .528Shs.

4.3 Correlation Analysis

The study aimed at determining the type of association between the study variables. The research applied Pearson Correlation analysis at 95% confidence interval. The study applied the correlation analysis since it is more favourable in determining the association between two quantitative variables. The results are presented in Table below.

Table 4.2 Correlation Results

	Dividend	Profitability	Liquidity	Leverage	Firm Size	Capital Adequacy
Dividend	1					
	0.121					
Profitability	0.112	1				
	-0.069	0.546*				
Liquidity	0.359	0.000	1			
	0.038	0.716*	0.567*			
Leverage	0.615	0.000	0.000	1		
	-0.066	-0.682*	-0.513*	-0.723*		
Firm Size	0.386	0.000	0.000	0.000	1	
	-0.053	-0.128	-0.189*	-0.133	0.073	
Capital Adequacy	0.487	0.092	0.012	0.080	0.341	1

The first objective of the study sought to analyze the effect of profitability on the dividend payout within the listed financial firms. The research established that there is a positive and insignificant association between profitability and the dividend payout (*P=.121, Sig = .112>.05*). The second objective of the research sought to establish the effect of liquidity level on the dividend payout of listed financial firms. The findings of the study showed that there is a negative and insignificant effect of liquidity on the dividend payout of the listed firms (*P= -0.069, Sig = .3585>.05*).

The third objective of the study sought to analyze the effect of leverage on the dividend payout within the listed financial firms. The study results established that there is a positive and insignificant association between leverage and the dividend payout (*P=.038, Sig = 6146>.05*). The study further examined the effect of control variables firm size and capital adequacy on the dividend payout within listed financial firms. The findings indicate that firm size has a negative and insignificant effect (*P=-0.0669, Sig = .3863>.05*) and capital adequacy (*P=-.053, Sig = .4871>.05*) has a negative and insignificant effect on dividend payout of listed financial firms.

4.4 Diagnostic Analysis

The study applied various diagnostic tests on the collected research data before conducting the regression analysis. The findings are presented within this section.

4.4.1 Collinearity Test

The study adopted the collinearity test to examine the interdependency between the predictor variables of the research. The research utilized both the tolerance values and the variance inflation factor in the analysis.

Table 4.3 Collinearity Results

Model		Tolerance	VIF
1	(Constant)		
	Profitability	.399	2.50
	Liquidity	.744	1.34
	Leverage	.300	3.33
	Firm Size	.354	2.83
	Capital Adequacy	.907	1.10
	Mean VIF	2.22	

The findings presented above show that the independent variables had no collinearity variables, as shown by a Variance Inflation Factor (VIF) result, which were less than 10. The results of the Tolerance values show a value that was greater than 0.1, which shows no multicollinearity between predictor variables adopted in the research.

4.4.2 Autocorrelation Test

The presence of serial correlation would be a clear indication that the variables in the model violate the assumptions of the regression (Bryman & Bell, 2007). The study applied the Wooldridge test for serial correlation.

Table 4.4 Autocorrelation Results

Model	Model 1
F	F (24, 145)
Prob > F	0.000
H0: no first order autocorrelation	

The Wooldridge test significance has to be below Sig = .05 to denote there is no presence of serial autocorrelation. The analysis revealed a Prob > F = .000<.05 which led to the rejection of the null hypothesis and concluded there is no autocorrelation in the adopted research model.

4.4.3 Heteroscedasticity Test

The study applied the Breusch and Pagan Lagrangian multiplier test. The results of the analysis are presented in Table 4.5 below.

Table 4.5 Heteroscedasticity Result

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
Ho: Constant variance
Variables: fitted values of Dividend Payout
chi2(1) = 57.27
Prob > chibar2 = 0.000

The study findings resulted in a Prob > chi2 = 0.000 which was significant at five percent level (less than 0.05). The findings led to the conclusion that there was no problem of heteroscedasticity.

4.4.4 Stationarity Test

The nature of the time series data prompted the stationarity test. Unit root tests were carried out on all the study variables. The Levin-Lin Chu (LLC) test was executed to test the time-series properties of the data series.

Table 4.6 Stationarity Result

Variable	LLC Test	Statistics	P-Value
Dividend payout	Unadjusted t	-7.380	0.000
	Adjusted t*	-6.236	
Profitability	Unadjusted t	-6.582	0.000
	Adjusted t*	-3.333	
Liquidity	Unadjusted t	-10.713	0.000
	Adjusted t*	-7.524	
Leverage	Unadjusted t	-7.415	0.000
	Adjusted t*	-5.687	
Firm size	Unadjusted t	-11.876	0.000
	Adjusted t*	-11.154	
Capital adequacy	Unadjusted t	-17.760	0.000
	Adjusted t*	-17.364	

The Levin, Lin & Chu t* statistic for the study variables had a probability value of 0.000 which is significant at 5% level of significance. Therefore, we reject the null hypothesis that there is unit root in the variables dividend payout, profitability, liquidity, leverage, firm size and capital adequacy.

4.4.5 Hausman Specification Test

The study adopted the Hausmann specification tests to determine the suitable model between fixed and random effects to apply in the research. The test results are presented below.

Table 4.7 Hausman Specification Result

Model 1. Fitted for Dividend Payout

Variable	(b) fe	(B) re	(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
Profitability	.629	.670	-.042	.123
Liquidity	-.037	-.124	.087	.096
Leverage	.038	-.007	.045	.106
Firm size	-.069	-.033	-.035	.115
Capital adequacy	-.115	-.079	-.035	.264

b = consistent under Ho and Ha; obtained from xtreg

B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

Chi Sq. Statistics = 1.10

Prob>chi2 = 0.954

The Hausman test is distributed as chi-square with 1 degree of freedom. From the results above the probability of the cross section random effects was 0.954, which is greater than 0.05 implying that it's appropriate to adopt random effects model.

4.5 Panel Regression Analysis

The study applied panel regression analysis due to the nature of the research data that was collected from the listed financial firms in Kenya. The study adopted panel regression and the findings are presented in the table below.

Table 4.8 Regression between Firm Characteristics, Firm Size, Capital Adequacy and Dividend Payout

Variable	Coefficient	Std. Error	Z	P>|z|
Profitability	.670	.298	2.25	0.002
Liquidity	-.124	.080	-1.55	0.121
Leverage	-.007	.016	-0.43	0.670
Firm size	-.033	.027	-1.23	0.220
Capital adequacy	-.079	.389	-0.20	0.838
_cons	1.032	.485	2.13	0.033

Weighted Statistics

R-sq:	Number of obs = 175
within = 0.0143	Number of groups = 25
between = 0.2136	Wald chi2(3) = 7.32
overall = 0.1101	Prob > chi2 = 0.019

The regression results showed a R^2= *.1101, Wald chi2(3) = 7.32, Prob > chi2 = .019<.05* which denotes that 11.01% variations in the dividend payout are determined by the leverage, liquidity, profitability levels, firm size and capital adequacy within the listed financial firms.

H01 *The first study hypothesis was there is no significant relationship between profitability and the dividend payout among listed financial firms at the Nairobi Securities Exchange*

The analysis led to the rejection of the null hypothesis and reveals that profitability has a positive and significant effect on the dividend payout of the listed financial firms in Kenya β = .670, P>|z| = .002<.05. The findings showed that improvement in the profitability of the firms will lead to .67 change in the dividend payout of the firms.

H02 *The second research hypothesis was there is no significant relationship between liquidity and the dividend payout among listed financial firms at the Nairobi Securities Exchange*

The findings led to the study accepting the null hypothesis and established that liquidity has a negative and insignificant effect on the dividend payout of the listed financial firms in Kenya β = -.124, P>|z| = .121>.05.

H03 *The third research hypothesis was there is no significant relationship between leverage and the dividend payout among listed financial firms at the Nairobi Securities Exchange*

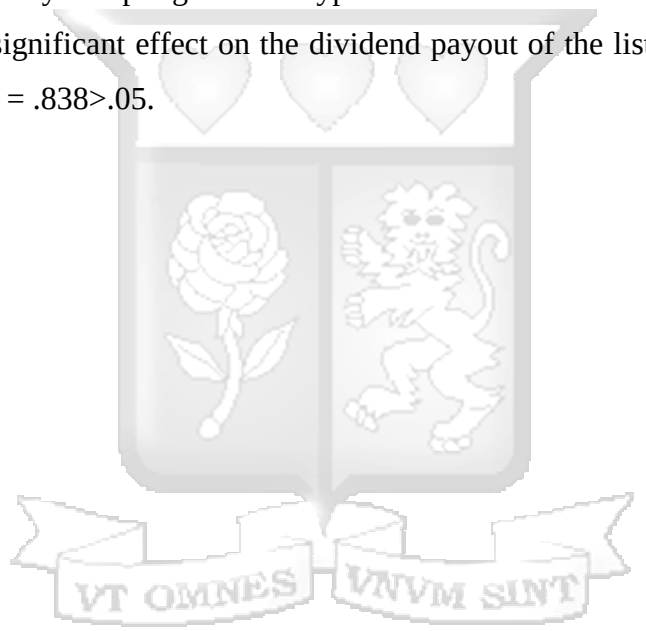
The results led to the study accepting the null hypothesis and established that leverage has a negative and insignificant effect on the dividend payout of the listed financial firms in Kenya β = -.007, P>|z| = .670>.05.

H04 *The fourth study hypothesis was there is no significant relationship between firm size and the dividend payout among listed financial firms at the Nairobi Securities Exchange*

The analysis led to the acceptance of the null hypothesis and reveals that firm size has a negative and insignificant effect on the dividend payout of the listed financial firms in Kenya $\beta = -.033$, $P>|z| = .220>.05$.

H05 *The fifth research hypothesis was there is no significant relationship between capital adequacy and the dividend payout among listed financial firms at the Nairobi Securities Exchange*

The results led to the study accepting the null hypothesis and established that capital adequacy has a negative and insignificant effect on the dividend payout of the listed financial firms in Kenya $\beta = -.079$, $P>|z| = .838>.05$.



CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

The last chapter of this research focusses on the presentation of the summary of the study as well as discussing the results of the analysis. The chapter further presented the conclusions made in the research and the recommendations drawn for managerial practice and policy guidance. The chapter further presents the suggestions drawn for future research work.

5.2 Summary

One of the primary goals of an organization is to ensure that they post positive returns. However, a more fundamental goal of any organization relies on securing of the benefits of the shareholders. One key metric of enticing and indicating firm soundness is continuous dividend payout to the shareholders. Recently, most of the quoted firms in Kenya have been unable to undertake any dividend payout, which creates a cloud of doubt for future investors. This research claims to found the influence of firm-level factors on the dividend payout of listed companies in Kenya.

The research specifically examined the influence of profitability, liquidity, and leverage on the dividend payout of the listed firms. The study was informed by the bird-in-hand theory, which posits that shareholders will always strive to get a return on their investments before making future decisions. The study also relied on the shiftability theory of liquidity and the efficient structure hypothesis. The findings of the study showed that firm-level factors controlling for the firm size and capital adequacy is key to enhancing the dividend payout. This is consistent with the propositions of the bird-in-hand theory which advocates that shareholders are highly concerned with achieving returns on their investments.

The research assumed a positivism research philosophy with an explanatory research design being utilized in guiding the selection of research tools and analysis techniques. The study focussed on the 23 listed financial firms in Kenya with research data being extracted for the period 2012-2018. The collected research data analysis was done using descriptive statistics and inferential statistics. The study utilized graphical approaches in the presentation of the results. The study results revealed that firm-level factors had a positive and significant influence on the dividend payout in the listed financial firms ($R^2 = .1101$), which denotes that 11.01% variations in dividend payout are determined by firm-level factors.

5.3 Discussion

5.3.1 Profitability and Dividend Payout

The study notes that listed financial firms have, on average, be able to maintain a positive financial performance has assessed by their return on assets ratio. The results of the study indicated a significant effect of profitability on the dividend payout of the listed financial firms. These results are consistent with Tefera (2016), in a study on dividend payout in Ethiopia, also recorded similar results and notes that the profitability of the firm is a key component of designing and implementing dividend payouts. Olang, Akenga, and Mwangi (2015) reviewed listed firms in Kenya and concluded that profitability was a main predictor of the dividend payout capacity within listed companies in Kenya. Also, in a review of listed non-financial firms in Kenya, Musiega, Alala, Douglas, Christopher, and Robert (2013) show that profitability is positively associated to the level of dividend payout. Plausible reasons would be because companies willingness to pay a dividend increases if the profit increases and signals to investors the company's future prosepets are good.

5.3.2 Liquidity and Dividend Payout

The study's second objective sought to establish the effect of liquidity on the dividend payout within the listed firms. The results of the research show that liquidity level indicated had an insignificant influence on the dividend payout. These findings are in line with Hakeem and Bambale (2016), in their study, indicate that despite liquidity positively influencing the dividend payout, the volatile nature of liquidity levels may ultimately lead to an insignificant effect on dividend payout as a result of the unpredictability of liquidity. However, the findings are not aligned to Khan and Ahmad (2017), who posits that liquidity is a key determining factor of the dividend payout within listed companies. Mui and Mustapha (2016) are of a similar view that the liquidity capacity of the listed institutions is a key predictor of the dividend payout. In their research study Waswa, Ndede, and Jagongo (2014) also conclude, liquidity of the listed firms positiveally predicted the dividend payouts.

5.3.3 Leverage and Dividend Payout

The third study objective was to determine the effect of leverage on the dividend payout within listed firms. The study results indicate a negative and insignificant effect between leverage and dividend payout. These findings are in line with Vo and Nguyen (2014). They established that the leverage ratio had an insgnificant and negative influence the dividend payout within listed firms. Similarly, Audu (2018) also notes that the total debt-equity ratio negatively impacts the dividend policy of listed firms. Mworia (2016), in research on listed firms at the NSE, established that leverage negatively influenced the dividend payout of listed companies in

Kenya. The result are, however, not inline with Hudiwijono, Aisjah, and Ratnawati (2018), who found a positive relationship between leverage ratio and dividend payout of listed firms. Locally, Odawo and Ntoiti (2015) indicates a positive association with regard to leverage ratio and the dividend payout. A plausible reason could be because a company with more debt willtend to retain funds in order to repay the loan as aoopsed to paying more dividend.

5.3.4 Firm Size, Capital Adequacy and Dividend Payout

The study findings revealed that firm size has a negative and insignificant influence on the dividend payout of the listed firms. These findings are consistent with Pattiruhu and Paais (2020) who established that the level of the firm assets did not have a significant effect on the dividend payout within firms listed in Indonesia stock exchange. Similarly, (Septiani, Ariyani, & Ispriyahadi, 2020) found out that firm size had a negative effect on the dividend payout ratio of Indonesian financial service companies. The analysis further showed that capital adequacy has a negative and insignificant influence on the dividend payout of the listed firms. The findings are in agreement with Olarewaju, Migiro and Sibanda (2019) research that revealed capital adequacy ratio was not a significant predictor of the dividend payout of the financial institutions. These results are inconsistent with Buigut and Soi (2020) who concluded that capital adequacy positively mediates the interaction between leverage and the dividend policy of commercial bank institutions. This could be because commercial banks have strict requirements on capital adequacy from their regulators.

5.4 Conclusion

The main aim of the study was to establish the influence of firm-level factors on the dividend payout of listed financial firms. The study further concluded that the profitability of the listed firms had a positive and significant influence on the dividend payout. The study concludes that firms should improve their generation of returns as this will help the firm to offer meaningful dividends to stakeholders. The regression results indicated that liquidity had an insignificant negative influence on the dividend payout within listed financial firms. The research concluded that the current level of cash flow/funds within listed firms has not supported the firm’s ability to pay dividends.

The results of the regression revealed that leverage ratio had a negative and insignificant influence on the dividend payout. The study concluded that this can be attributed that in the institution's financial interest on debts is charged first before the income is distributed to shareholders, thus resulting in negative effects. The research further concluded that firm size had a negative and insignificant effect on the dividend payout of the listed financial firms. The

findings established that the level of total assets within the institution were not key predictor to the dividend payout. The study found out that capital adequacy had a negative and insignificant effect on the dividend payout of the listed financial firms in Kenya.

5.5 Recommendations

5.5.1 Policy Recommendations

The study recommends that policymakers can rely on the various findings developed in this study to design new guidelines that can help to promote a better investment environment that protects shareholder's interest and guides listed firms in designing dividend payout policies. The shareholders must be compensated for their investments in the company. This can only be done if the firm is of good liquidity, leverage and profit margins to warrant payments of dividends.

5.5.2 Practice Recommendations

The study recommends that since most investors take into consideration the capacity to payout dividends within firms, the listed entities should enhance the management of profitability, liquidity, and leverage, which are key predictors of dividend payout. The research recommends that despite leverage showing a negative association to the dividend payout, the management of listed firms should be cautious in undertaking to borrow and ensure that the debt-level within the firm is within the acceptable limits to ensure that the firm is not constrained by debt-repayments.

The study further recommends that the management should develop clear internal control mechanisms to ensure that the stakeholder interests are protected through developing clear liquidity management protocols and maintaining the financial profitability of the firm. The study further commends that listed firms should ensure the stability of their profits and that they have free cash flow flowing. Through this, the organization will be able to have higher dividends that they can use to pay their investors; hence, increase a firm’s performance.

5.6 Suggestions for Further Research

The study only focussed on the listed financial firms in Kenya. In the recent past, evidence has shown that most state-owned firms have been unable to post positive financial results. Hence, this study suggests that future research work should be carried out to examine the influence of firm characteristics on the dividend payout of listed state-owned firms in Kenya. The Study also focused on the period upto 2018 due to the availability of the audited accounts for these

firms. The financial statements for 2019 which came out in 2020 were affected by events in 2020; COVID-19 pandemic. This resulted in some financial firms retracting dividends relating to the year 2019 that they had announced to shareholders. Future studies should be carried out to examine the firm level reactions to external shocks and the ability of firms to sustain their dividend payouts.

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APPENDICES

Appendix I: Data Extraction Form

Variable	2012	2013	2014	2015	2016	2017	2018
Leverage ratio							
Liquidity ratio							
Profitability							
Firm size							
Capital adequacy							
Dividend paid							

VT OMNES
VNVM SINT

Appendix II: Ethical Review Committee

Strathmore UNIVERSITY

17th March 2020

Ms Muchiri, Lydia
muchiri.lydia@strathmore.edu

RE: Effect of Firm-Level Factors On the Dividend Payout Among Listed Financial Firms at The Nairobi Securities Exchange

This is to inform you that the SU-IERC has reviewed and **approved** your above research proposal. Your application approval number is **SU-IERC0656/20.** The approval period is **17th March, 2020 to 16th March, 2021.**

This approval is subject to compliance with the following requirements:

i. Only approved documents including (informed consents, study instruments, MTA) will be used
ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-IERC.
iii. Death and life threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-IERC within 72 hours of notification
iv. Any changes, anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-IERC within 72 hours
v. Clearance for export of biological specimens must be obtained from relevant institutions.
vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal.
vii. Submission of an executive summary report within 90 days upon completion of the study to SU-IERC.

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) https://oris.nacosti.go.ke and also obtain other clearances needed.

Yours sincerely,

for: Dr Virginia Gichuru,
Secretary; SU-IERC

Cc: Prof Fred Were,
Chairperson; SU-IERC

STRATHMORE UNIVERSITY INSTITUTIONAL ETHICS REVIEW COMMITTEE (SU-IERC)
17 MAR 2020
TEL: +254 (0)703 034 000
P. O. Box 59857 - 00200
NAIROBI - KENYA

Appendix III: NACOSTI Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **629503**

Date of Issue: **01/April/2020**

RESEARCH LICENSE

This is to Certify that Ms.. Lydia Muchiri of Strathmore University, has been licensed to conduct research in Nairobi on the topic: EFFECT OF FIRM-LEVEL FACTORS ON THE DIVIDEND PAYOUT AMONG LISTED FINANCIAL FIRMS AT THE NAIROBI SECURITIES EXCHANGE for the period ending : 01/April/2021.

License No: **NACOSTI/P/20/4659**

629503

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

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Appendix IV: Summary of the Firm-Level Factors and Dividend Payout

PROFITABILITY

Company	PT12	PT13	PT14	PT15	PT16	PT17	PT18
Absa Bank Kenya	0.047	0.037	0.037	0.035	0.027	0.027	0.027
BK Group	0.040	0.040	0.040	0.040	0.030	0.030	0.030
Britam (Kenya)	0.024	0.024	0.028	0.016	0.014	0.018	0.013
Centum Investment	0.210	0.410	0.330	0.410	0.070	0.770	0.030
CIC Insurance Group	0.230	0.420	0.400	0.320	0.400	0.070	0.740
Co-operative Bank of Kenya	0.037	0.038	0.031	-0.003	0.005	0.031	0.033
Diamond Trust Bank Kenya	0.032	0.036	0.029	0.025	0.025	0.020	0.018
Equity Group Holdings	0.051	0.053	0.062	0.044	0.042	0.010	0.038
HF Group	0.018	0.023	0.018	0.118	0.089	0.020	-0.009
Home Afrika	0.340	0.550	0.840	0.040	0.410	0.320	0.320
I&M Holdings	0.037	0.043	0.040	0.038	0.040	0.030	0.031
Jubilee Holdings	0.250	0.280	0.210	0.240	0.300	0.280	0.230
KCB Group	0.036	0.040	0.042	0.034	0.039	0.032	0.036
Kenya Re-Insurance Corporation	0.080	0.230	0.280	0.050	0.530	0.410	0.410
Kurwitu Ventures	0.320	0.280	0.250	0.320	0.050	0.590	0.460
Liberty Kenya Holdings	0.090	0.110	0.030	0.360	0.280	0.280	0.260
National Bank of Kenya	0.045	0.017	0.019	0.018	0.001	0.038	0.038
NIC Group	0.033	0.029	0.029	0.026	0.029	0.019	0.020
Nairobi Securities Exchange	0.300	0.020	0.030	0.540	0.420	0.420	0.390
Olympia Capital Holdings ltd	0.390	0.360	0.370	0.290	0.290	0.270	0.210
Sanlam Kenya	0.280	0.370	0.380	0.300	0.350	0.430	0.410
Stanlib Fahari I-REIT	0.330	0.460	0.460	0.430	0.340	0.390	0.490
Stanbic Holdings	0.021	0.031	0.030	0.024	0.022	0.019	0.023
Standard Chartered Bank Kenya	0.053	0.043	0.047	0.025	0.035	0.026	0.028
Trans-Century Ltd	0.220	0.230	0.250	0.310	0.290	0.230	0.290

LIQUIDITY

Company	LQ12	LQ13	LQ14	LQ15	LQ16	LQ17	LQ18
Absa Bank Kenya	0.421	0.421	0.016	0.018	0.170	0.012	0.010
BK Group	0.400	0.550	0.560	0.470	0.400	0.350	0.390
Britam (Kenya)	0.070	0.070	0.130	0.060	0.030	0.220	0.220
Centum Investment	4.580	4.810	5.590	6.000	5.870	6.340	2.490
CIC Insurance Group	0.860	1.020	0.830	0.590	0.330	0.260	0.220
Co-operative Bank of Kenya	0.349	0.349	0.085	0.073	0.911	0.141	0.140
Diamond Trust Bank Kenya	0.336	0.336	0.800	0.780	0.346	0.762	0.535

Equity Group Holdings	0.320	0.320	0.872	0.890	0.079	0.768	0.650
HF Group	0.239	0.239	0.457	0.868	0.068	0.068	0.060
Home Afrika	2.280	2.870	2.620	2.380	2.400	2.690	2.240
I&M Holdings	0.000	0.040	0.045	0.059	1.250	0.038	0.040
Jubilee Holdings	1.080	1.000	0.890	1.230	0.980	1.080	1.320
KCB Group	0.280	0.280	0.470	0.380	0.590	0.220	0.200
Kenya Re-Insurance Corporation	2.252	1.907	1.703	1.619	1.559	1.320	1.299
Kurwitu Ventures	2.400	2.990	2.740	2.500	2.520	2.810	2.360
Liberty Kenya Holdings	0.850	0.770	0.660	1.000	0.750	0.850	0.650
National Bank of Kenya	0.350	0.350	0.063	0.613	0.872	0.865	0.070
NIC Group	0.340	0.340	0.340	0.988	0.088	0.065	0.065
Nairobi Securities Exchange	0.430	0.350	0.240	0.430	0.330	0.430	0.230
Olympia Capital Holdings ltd	0.920	0.870	0.990	1.430	1.230	1.320	1.540
Sanlam Kenya	0.980	1.050	0.880	0.800	0.390	0.270	0.210
Stanlib Fahari I-REIT	0.520	0.440	0.330	0.670	0.420	0.520	0.320
Stanbic Holdings	0.200	0.020	0.029	0.029	0.034	0.040	0.040
Standard Chartered Bank Kenya	0.200	0.200	0.828	0.786	0.873	0.984	0.800
Trans-Century Ltd	0.610	0.560	0.680	1.120	0.920	1.010	1.230

LEVERAGE

Company	**LV12**	**LV13**	**LV14**	**LV15**	**LV16**	**LV17**	**LV18**
Absa Bank Kenya	0.950	0.650	0.510	0.790	0.190	0.590	0.520
BK Group	4.700	4.900	4.900	3.500	4.900	4.700	3.500
Britam (Kenya)	0.370	0.270	0.320	0.354	0.311	0.277	0.211
Centum Investment	16.570	16.600	16.730	16.860	16.990	17.130	17.260
CIC Insurance Group	18.320	18.610	18.760	18.910	19.060	19.210	19.360
Co-operative Bank of Kenya	7.800	5.100	6.400	5.500	5.900	6.300	6.500
Diamond Trust Bank Kenya	0.390	0.371	0.387	0.393	0.321	0.335	0.382
Equity Group Holdings	0.430	0.570	0.620	0.270	0.380	1.170	1.490
HF Group	0.966	1.601	1.930	1.056	0.670	1.080	0.924
Home Afrika	25.620	25.760	25.930	26.070	26.230	26.300	26.380
I&M Holdings	0.854	0.860	0.280	0.418	0.980	0.740	0.806
Jubilee Holdings	18.240	18.300	18.440	18.580	18.730	17.010	17.150
KCB Group	0.780	0.306	0.314	0.280	0.764	0.670	0.702
Kenya Re-Insurance Corporation	0.930	1.010	1.150	1.290	1.430	1.560	1.700
Kurwitu Ventures	27.020	27.160	27.320	27.470	27.630	27.780	27.940
Liberty Kenya Holdings	18.300	19.360	19.510	17.720	17.870	18.010	18.150
National Bank of Kenya	0.620	0.447	0.398	0.704	0.870	0.880	0.750

NIC Group	0.469	0.530	0.190	0.620	0.530	0.560	0.630
Nairobi Securities Exchange	15.260	15.300	15.420	15.540	15.450	15.660	15.780
Olympia Capital Holdings ltd	15.590	15.680	15.810	15.930	16.060	16.190	16.310
Sanlam Kenya	17.710	17.840	17.980	16.330	16.470	16.600	16.730
Stanlib Fahari I-REIT	27.960	27.940	28.090	28.250	28.400	28.560	28.720
Stanbic Holdings	0.550	0.390	0.610	0.630	0.850	0.810	0.780
Standard Chartered Bank Kenya	1.140	0.190	0.550	0.580	0.680	0.750	0.630
Trans-Century Ltd	16.230	16.310	16.510	16.440	16.570	15.050	15.170

FIRM SIZE

Company	**FS12**	**FS13**	**FS14**	**FS15**	**FS16**	**FS17**	**FS18**
Absa Bank Kenya	19.040	19.150	19.240	19.300	19.370	19.400	19.600
BK Group	9.030	9.120	9.710	9.910	10.760	10.900	11.400
Britam (Kenya)	9.030	8.990	9.040	9.070	9.100	8.320	8.350
Centum Investment	7.060	7.110	7.150	7.210	7.200	7.280	7.420
CIC Insurance Group	6.890	6.920	6.910	6.580	6.640	6.720	6.780
Co-operative Bank of Kenya	19.110	19.250	19.460	19.640	19.670	19.720	19.800
Diamond Trust Bank Kenya	18.360	18.550	18.770	19.070	19.310	19.400	19.420
Equity Group Holdings	19.190	19.290	19.440	19.650	19.760	19.840	19.840
HF Group	17.520	17.660	17.920	17.660	17.920	16.120	16.120
Home Afrika	7.310	7.330	7.740	7.930	8.080	7.190	7.190
I&M Holdings	18.330	18.520	18.740	18.810	18.920	18.930	18.960
Jubilee Holdings	7.910	8.000	8.030	8.070	8.030	8.050	8.090
KCB Group	19.530	19.590	19.750	19.960	20.040	20.100	20.100
Kenya Re-Insurance Corporation	7.365	7.441	7.508	7.551	7.440	6.920	7.090
Kurwitu Ventures	8.030	8.050	8.140	8.200	8.390	8.350	8.370
Liberty Kenya Holdings	6.850	7.250	7.350	7.390	7.540	7.650	7.580
National Bank of Kenya	18.020	18.340	18.630	18.650	18.560	18.450	18.040
NIC Group	18.440	18.540	18.740	18.870	18.900	18.920	19.100
Nairobi Securities Exchange	7.930	7.930	7.940	7.950	8.290	8.350	8.430
Olympia Capital Holdings ltd	7.360	7.420	7.460	7.490	8.770	6.500	6.460
Sanlam Kenya	7.360	7.380	7.400	7.320	7.460	7.470	7.460
Stanlib Fahari I-REIT	7.150	7.210	7.300	7.270	7.220	7.190	7.190
Stanbic Holdings	18.780	18.960	18.960	19.110	19.140	19.170	19.200
Standard Chartered Bank Kenya	19.090	19.210	19.220	19.270	19.340	19.360	19.380
Trans-Century Ltd	6.320	6.350	6.400	6.430	6.430	7.870	7.890

CAPITAL ADEQUACY

Company	CA12	CA13	CA14	CA15	CA16	CA17	CA18
Absa Bank Kenya	0.156	0.134	0.175	0.162	0.154	0.174	0.167
BK Group	0.224	0.231	0.258	0.220	0.190	0.189	0.314
Britam (Kenya)	0.338	0.316	0.295	0.228	0.217	0.201	0.192
Centum Investment	0.090	0.160	0.100	0.260	0.551	0.420	0.404
CIC Insurance Group	0.156	0.128	0.110	0.104	0.097	0.086	0.079
Co-operative Bank of Kenya	0.169	0.165	0.163	0.162	0.161	0.158	0.164
Diamond Trust Bank Kenya	0.149	0.169	0.184	0.174	0.174	0.187	0.173
Equity Group Holdings	0.107	0.108	0.122	0.179	0.185	0.188	0.195
HF Group	0.165	0.152	0.177	0.168	0.152	0.158	0.141
Home Afrika	0.482	0.483	0.334	0.129	0.102	0.090	0.090
I&M Holdings	0.122	0.118	0.190	0.175	0.177	0.168	0.161
Jubilee Holdings	0.004	0.004	0.005	0.004	0.004	0.003	0.003
KCB Group	0.185	0.169	0.173	0.246	0.145	0.150	0.185
Kenya Re-Insurance Corporation	0.063	0.074	0.062	0.050	0.045	0.041	0.040
Kurwitu Ventures	0.026	0.073	0.097	0.101	0.087	0.065	0.079
Liberty Kenya Holdings	0.170	0.175	0.186	0.180	0.194	0.275	0.208
National Bank of Kenya	0.126	0.124	0.108	0.154	0.166	0.170	0.040
NIC Group	0.194	0.194	0.165	0.171	0.183	0.205	0.193
Nairobi Securities Exchange	0.000	0.000	0.462	0.406	0.516	0.492	0.468
Olympia Capital Holdings ltd	0.120	0.090	0.270	0.300	0.576	0.508	0.520
Sanlam Kenya	0.017	0.018	0.019	0.026	0.025	0.023	0.024
Stanlib Fahari I-REIT	0.321	0.723	0.646	0.834	0.965	0.923	0.931
Stanbic Holdings	0.191	0.191	0.182	0.175	0.160	0.156	0.170
Standard Chartered Bank Kenya	0.220	0.190	0.179	0.180	0.177	0.169	0.177
Trans-Century Ltd	0.241	0.218	0.183	0.067	0.054	0.050	0.221

DIVIDEND PAYOUT

Company	DP12	DP13	DP14	DP15	DP16	DP17	DP18
Absa Bank Kenya	0.499	0.500	0.649	0.645	0.735	0.781	0.790
BK Group	0.010	0.010	0.010	0.010	0.010	0.010	0.010
Britam (Kenya)	0.882	2.315	0.863	0.663	0.825	0.650	0.590
Centum Investment	0.230	0.190	0.170	0.170	0.120	0.100	0.300
CIC Insurance Group	0.160	0.220	0.240	0.330	0.260	0.570	1.180
Co-operative Bank of Kenya	0.277	0.269	0.305	0.335	0.370	0.402	0.460
Diamond Trust Bank Kenya	0.100	0.097	0.109	0.102	0.097	0.110	0.100

Equity Group Holdings	0.427	0.418	0.389	0.436	0.457	0.400	0.370
HF Group	0.438	0.406	0.356	0.379	0.193	0.972	0.000
Home Afrika	0.040	0.120	0.610	0.230	0.120	0.290	0.400
I&M Holdings	0.210	0.212	0.214	0.204	0.189	0.213	0.190
Jubilee Holdings	0.050	0.050	0.040	0.050	0.050	0.040	0.050
KCB Group	0.406	0.415	0.355	0.308	0.467	0.467	0.450
Kenya Re-Insurance Corporation	0.500	0.500	0.700	0.750	0.770	0.620	0.710
Kurwitu Ventures	0.640	0.600	0.580	0.580	0.530	0.510	0.710
Liberty Kenya Holdings	1.000	1.670	2.000	4.550	2.380	-1.190	-0.110
National Bank of Kenya	0.000	0.000	0.000	0.000	0.000	0.400	0.380
NIC Group	0.168	0.163	0.141	0.178	0.185	0.154	0.000
Nairobi Securities Exchange	1.420	2.090	2.420	4.970	2.800	0.770	0.310
Olympia Capital Holdings ltd	0.360	0.320	0.300	0.300	0.250	0.230	0.430
Sanlam Kenya	1.470	1.000	2.500	1.000	1.670	2.380	-0.040
Stanlib Fahari I-REIT	0.230	0.310	0.800	0.420	0.310	0.480	0.590
Stanbic Holdings	0.393	0.166	0.428	0.496	0.470	0.482	0.360
Standard Chartered Bank Kenya	0.624	0.548	0.569	0.946	0.774	0.866	0.810
Trans-Century Ltd	0.450	0.410	0.390	0.390	0.340	0.320	0.520