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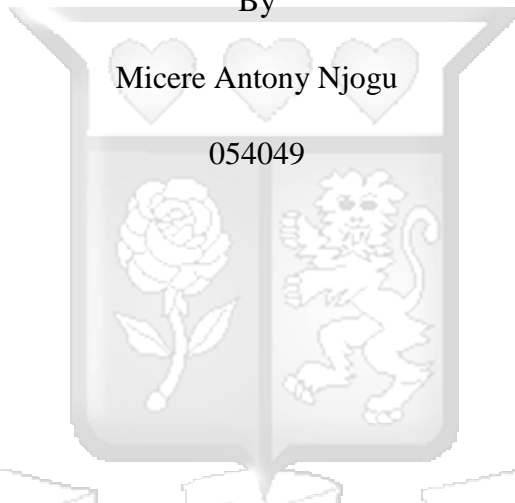
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**EFFECT OF CASH DIVIDENDS ON MARKET SHARE PRICE OF FIRMS LISTED IN
THE NAIROBI SECURITIES EXCHANGE**

By

Micere Antony Njogu

054049



**A thesis submitted in partial fulfillment of the requirement for award of Degree of Master
of Commerce at Strathmore University**

School of Management and Commerce

Strathmore University

Nairobi, Kenya

June, 2020


DECLARATION AND APPROVAL

DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the research thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

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Signature: 

Date:11/11/2021.....

Approval

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Date:11/11/2021.....

Strathmore Business School.

Strathmore University

DEDICATION

To my mum, wife and my two lovely boys Jonathan and Gabriel. Your continuous prayers and support has given me the strength to carry one.



ACKNOWLEDGEMENT

I take this opportunity to thank the Almighty God for strength, good mental and physical health freely granted to me throughout the whole Master of Commerce program.

Special thanks to my supervisor Dr. Freshia Waweru Mugo for her continuous guidance, motivation, patience and constructive criticism. Thank you for your guidance and for being in a position to supervise my thesis despite your demanding schedule. Thank you so much Dr. Freshia.

I'm grateful to my family for standing by me all along. They have encouraged me throughout this period which has motivated me to finish this thesis.

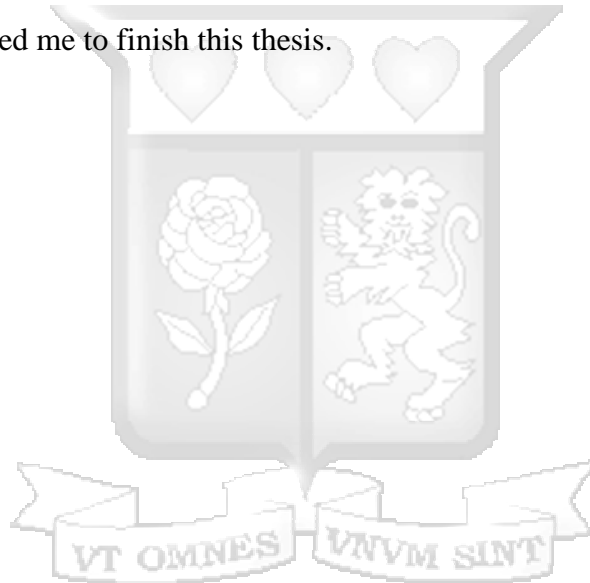
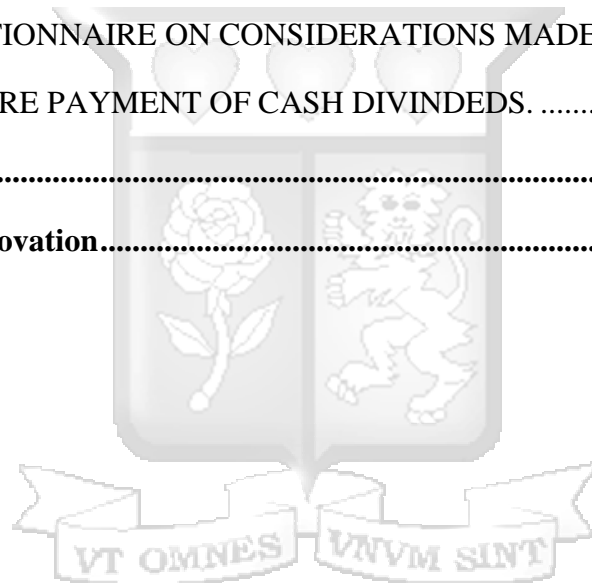


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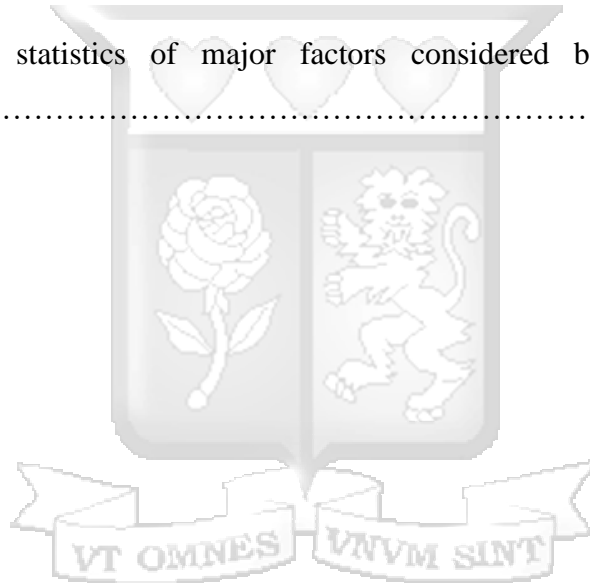
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ABBREVIATIONS AND ACRONYMNS

NSE	Nairobi Securities Exchange
CDPPS	Cash dividend paid per share
LNFDPPS	Final cash dividends paid per share
LNIDPPS	Interim cash dividends per share
SDPS	Share dividend per share
LNEPS	Earnings Per share
LNDER	Debt Equity ratio
LNREPS	Retained Earnings per share
GOK	Government of Kenya
CAR	Cumulative abnormal return



ABSTRACT

Shareholders invest by buying shares in particular organizations due to the benefits that their investments will bring, which is in form of capital gains or dividends such as cash dividends paid as interim or final dividends. The study deepens overall understanding of information content and signaling theory with specific focus on cash dividends. The objective of this study is to determine the effects of cash dividend paid on market share prices. The variables used to develop the study are interims and final cash dividends, market share price and control variables. The study took into consideration of all the firms listed in the Nairobi Securities Exchange from year 2009 to year 2019. Primary data and secondary data were used to provide valid and reliable findings. Primary data were collected directly from the businesses to determine the considerations made by firms before payment of dividends. Data was collected from primary sources by use of a questionnaire and also from secondary sources by review of annual reports and other disclosure documentations. Correlation research design involving descriptive statistics analysis was used to analyze and interpret the data. Findings from the study revealed that there is a positive and significant relationship between cash dividends paid and share market prices. The study established that listed firms consider several factors before payment of cash dividends. Findings from the study showed availability of cash as the main factor considered by organizations before payment of cash dividends. Other factors were also considered before cash dividends disbursements. The study concluded that the dividend payout of listed firms in the Nairobi Securities Exchange impacts share prices. The study recommends that listed firms should be keen on dividend payments they adopt during financial periods as the share price is influenced by the dividend pay-out made by the firm.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Dividends are the distribution of earnings either present or past in real assets among the company's stockholders in proportion to their share of ownership. It is essentially the benefit that stockholders receive in exchange for their risk and investment that are determined by various conditions in a firm. According to Kibet, Jagongo and Ndede (2016), the more the dividend picture is examined, the more it appears to be a problem, with bits that simply do not add up clearly. According to David (2006), firms can pay dividends in a variety of ways such as cash dividends, script dividends, stock dividends, and stock repurchases are among them. However, according to Atieno (2013), cash dividends are the primary method used by Kenyan firms to compensate shareholders. For this reason, cash dividends are payments made to shareholders of a company in exchange for the distribution of the company's profit or retained earnings. Cash dividends are one way for investors to get a return on their investment in a company generated from market value share appreciation through capital gains, increase in equity, and stock repurchases by the firm. Dividends paid have an impact on the share price of a company's stock. The value of a firm's share is influenced by the dividends expected to be paid to shareholders (Yuko, 2016). Furthermore, they noted that companies that do not pay dividends are negatively reviewed by short-term investors who value dividends, which affects the share price of that particular organization.

Dividends paid by a company to its shareholders are derived from the profits made by the company. According to Amidu and Abor (2006), organizations generate income that can be distributed to shareholders or reinvested back into the company. They also stated that when distributing income, an organization will take into account a number of factors. Some of these factors are the amount of income to be distributed, whether the organization will distribute cash or stock, whether the organization should consider buying back shares, and the stability of income distribution were all factors to consider. The amount of cash dividends paid by a company can be increased or decreased by its financial managers. Lintner (1956) discovered that financial

managers increased the dividend payout ratio over time and only reduced dividends when the company's cash flows were insufficient to meet the previous dividend payout ratio.

According to Gordon's (1959) dividend discount model, it is reasonable to conclude that dividend payment augmentation should be demonstrated by a firm's value increase. The market price of the firm's common stock represents share value, which is determined by the company's financing, investing, and dividend decisions. Dividend decisions are regarded as crucial due to the increasing importance of finance in the firm's overall growth strategy. According to Odinya and Joseph (2018), managers must consider not only how much of the firm's earnings are required for investment, but also the likely effect of their decisions on share prices. According to Kapoor (2009), when dividend disbursements are reduced, share prices of a company tend to fall. A dividend increase announcement generates abnormally positive security returns, while a dividend reduction announcement generates abnormally negative security returns. He also noticed a drop in stock prices because dividends have a signaling effect.

Several dividend theories have been proposed, assessing dividends as either relevant or irrelevant to an organization's financial decisions. Miller and Modigliani (1961) developed the dividend irrelevance theory, which stated that the dividend policy has no effect on the company's value if there are no transaction costs or taxes. (Stulz, 2000) observed that changing a firm's dividend policy does not affect the organization's value. According to the study, investing in productive assets rather than distributing income to shareholders increases the firm's value. According to Shah and Oppenheimer (2008), who used a sociological and psychological perspective in finance, investors are sometimes led by emotions and subjective thinking rather than rational thinking.

Gordon's and Walter's models, on the other hand, supported the importance of dividend policy in a company's financial decision making. According to Gordon, there is a relationship between stock prices and dividend policies developed by an organization. According to Yuko (2016), various explanations for dividend relevance theory have been proposed, including agency costs, bird-in-the-hand theory, signaling theory, and tax preference explanations. Dividend decisions used by firm management are a widely researched subject in the field of corporate finance due to the importance of dividends to firms (Mugo-Waweru & Atieno Otieno, 2016).. According to the "information content of dividends hypothesis," the amounts of dividends declared to be issued to

shareholders have an effect on the perception of the organization's current shareholders and potential investors who may want to invest in the organization.

Before paying cash dividends to shareholders, companies will consider a number of factors. In general, dividend decisions involve a tradeoff between the interests of the organization and those of its shareholders. According to Amidu and Abor (2006), the most important internal sources of capital for a firm are retained earnings from which dividends are paid. According to DeAngelo et al. (2006), investors put pressure on organizations to declare dividends, focusing more on the health of firms' bottom lines rather than focusing solely on growth opportunities and gains made by the organizations. Before paying cash dividends, a company's managers will consider several factors in order to strike a balance between the interests of the shareholders and avoid reducing retained earnings, which would affect the total amounts of internal financing.

1.1.1 Nairobi Securities Exchange.

The Nairobi Securities consists of 61 listed companies and three market segments that include alternative investment market segment, main investment market segment, and growth enterprise market segment. The 61 publicly traded companies are in the primary investment market segment (Nairobi Securities Exchange, 2013). Banking, agricultural, automobiles and accessories, investment, energy and petroleum, commercial and services, telecommunication and technology, insurance, manufacturing and allied, construction and allied are the sectors in the main investment market segment (Nairobi Securities Exchange, 2013).

According to Murekefu and Ouma (2012), in their study on the relationship between firm performance and dividend payout among listed firms, they discovered that cash dividends were the most common method of dividend payment used by listed firms. Dividends in other forms were rarely used. Dividend payment patterns differ for different firms, according to Bae and Elhousseiny (2017). Firms can choose to pay dividends continuously, intermittently, or not at all. These dividend payment patterns are influenced by the firms' level of leverage and financial performance. Waweru et al. (2012) discovered that listed firms in Kenya increased dividends only when they were confident of increased future earnings in their signaling hypothesis study.

When it comes to investing, shareholders and potential investors have different goals in mind, and management will work hard to meet those goals. For example, some shareholders prefer to receive dividends each year in order to invest in other profitable ventures, whereas others prefer to invest in the future and thus prefer that dividends be reserved by the company for re-investment (Baker, Veit & Powell, 2001). Most investors, however, prefer companies with high dividend payouts because they are less risky than potential future capital gains. Dividends paid by an organization will have either a positive or negative effect on the share prices of organizations listed on the NSE because management is dealing with conflicting interests from shareholders (Ikunda, 2016). The management must decide whether to distribute the funds to shareholders or to reinvest them.

1.2 The Research Problem

Earnings forecasts are taken into account by shareholders and investors when deciding which stocks to invest in. Dividends, according to (Waweru, 2010), play a significant role in predicting or forecasting an organization's future earnings. In the Kenyan context, investors are concerned about dividend changes. This is due to the fact that dividend changes are an indicator of future earnings, and market share prices react negatively or positively to dividend announcements (Nyabundi, 2013).

According to Ouma and Murekefu (2012), dividend payment is an important part of a company's financial management decision. There is sufficient empirical evidence to suggest that there is a strong positive relationship between stock market prices and dividend payments. However, the board of directors is at odds over the percentage of earnings that should be paid out in dividends versus the amounts to be retained for future investments. Dividends may be suspended by a company to cover unexpected expenses, fund growth, or protect its financial reserves for future expenditures.

Several studies, both international and in the Kenyan context have attempted to explain the dividend puzzle using both empirical and theoretical models without reaching a concrete conclusion (Odinya and Joseph, 2018; Miller and Modigliani, 2011; Mancinelli and Ozkan, 2006; Onyango, 2009; Karanja, 2007; Njoroge, 2001). Shisia et al. (2014) and Ogolo (2012) found that dividend decisions have an effect on share price. Other studies, from the same point of view,

discovered that dividend payments have no effect on share price (Mohammed & Chowdhury 2010; Sharma 2011; and Ndungu 2014).

Researchers disagree on whether dividend payments have a significant impact on share prices in the short and long term. While conducting their research on economic growth and the stock market, Olweny and Kimani (2011) discovered that a rise in the NSE 20 share index signals a rise in market expectations of higher dividends, implying that the stock market has a positive impact on economic growth.

Their disparate findings have made it difficult to draw conclusions about the impact of cash dividends on the share prices of publicly traded companies. Due to the disparities in the findings of various studies, the study would attempt to assess the relationship between cash dividend payments and share prices of NSE-quoted firms from 2009 to 2019. The few studies that have been conducted focusing on the Kenyan perspective have not yielded conclusive results, indicating the need for additional research on the subject. Many studies have been conducted in this field, but the determinants of market share prices remain unclear and inconclusive. This study seeks to identify the primary determinants of market share prices among NSE-listed firms.

1.3. Objectives of the Study.

1.3.1. General Objective

The main objective of the study is to investigate the effect of cash dividend paid on the share prices of firms listed in the Nairobi Securities Exchange.

1.3.2. Specific Objectives

1. To investigate the considerations made by companies listed in the NSE before payment of dividends.
2. To establish the relationship between final cash dividends paid and the share price of firms listed at the Nairobi Securities Exchange.
3. To establish the relationship between interim cash dividends paid and share market prices of firms listed in the NSE.

1.4. Research Questions

Below are the research questions that guided this study

1. What are the considerations made by companies listed in the NSE before payment of dividends?
2. What is the relationship between final cash dividends paid and market share prices of listed firms in the Nairobi Securities Exchange?
3. What is the relationship between interim cash dividends paid and market share prices of firms listed in the NSE?

1.5. Scope of the study

The study concentrated on the cash dividends and market share prices for the NSE-listed companies from 2009 to 2019. Previous studies, such as Mbithi (2014), focused on the years 1999 to 2012, and thus focusing on these years would allow the study to draw a conclusion and add to the literature on the issue of cash dividends and their effect on share prices. The Nairobi Securities Exchange is Kenya's sole securities exchange firm, and it was used in this study because it is easily accessible. Financial information for publicly traded companies is more readily available than for private companies because they are required by law to publish their financials. Companies that did not trade for nine years and lacked relevant financial data were excluded from the study.

1.6. Research Justifications.

This particular area is intended at outlining the reasons for the conduct of the research and the benefits to the various stakeholders.

1.6.1. Organizations

According to Signaling theory, the primary goal of a firm is to maximize shareholder's maximization of wealth. As a result, the management of firms listed on the NSE should consider the impact of the dividend policy on the wealth of current shareholders. This would assist Kenyan Boards of Directors and managers in determining the proportion of profits that should be reserved or retained versus the percentage that is distributed as dividends to stockholders. Managers' ability to invest in projects is primarily determined by the amount of earnings they set aside after

dividends are paid to shareholders, as additional dividends may mean fewer funds available for investment. As a result, the findings of this study aids organizational management and other policymakers in making better decisions.

1.6.2. Investors

Different investors in the Kenyan economy have different expectations when making investment decisions. Some investors invest mainly for the cash dividends and others invest for capital gain. The conclusions derived from this study gives the investors a reference point when making investment decisions. Investors will be able to understand the influence of dividends received on the firm and decide whether they prefer to receive their return immediately in form of dividends or later in form of capital appreciation. In any company, Shareholders are rational investors and in any company, they usually expect to receive some income as return on their investments. The ability of a company to pay dividends at a large extent depends on its financial performance

1.6.3. Academicians

The study intends to highlight effects of dividend policy on share price changes. The study contributes literature review on NSE and how changes in cash dividends affect the share prices. The findings are useful to academicians in that it adds to the body knowledge. The outcomes also aid in opening up opportunities for doing more research on cash dividend and the effect on the market share prices. The results are basis of reference and foundation for additional research.

1.6.4. Government

This study aids the government through the Capital Markets Authority to realize the need for establishment of procedures and controls that promote good corporate governance of organizations listed in NSE. These regulations and procedures ensure that malpractices such as inside trading are eliminated from the NSE.

CHAPTER 2

LITERATURE REVIEW

2.1. Introduction

This chapter emphasis on prior studies that have been conducted in relation to dividend payments adopted by management and the effect that the cash dividends paid will have on the organization's stock prices. The first part will be the theoretical framework and the second part will be to highlight the empirical reviews derived from other research work done previously on dividend policy and the effect it has on a firm's performance.

2.2. Theoretical Framework.

The theoretical principles essential to the dividend policy and its influence on firm's performance can be described through the reasons why organizations pay dividends and the theories associated with dividend payments.

2.2.1. Dividends and share price reaction.

Different researches have been conducted on effect of cash dividends on stock prices of a firm's shares both internationally and locally in Kenya. However, researchers have differed on their findings in relation to effect of cash dividends on the share price of listed firms. Internationally, several studies have been able to support the theories of dividend signals and they include; Murage & Emba. (2019); Aharon and Swary's, (1980); Ikunda, (2016); Balchandra's, (1999). However other researchers like Chelimo and Kiprop (2017) Farrar and Selwyn, (1967) and Uddin and Chaundhary, (2005) concluded that share prices of organizations were not affected by dividend changes. Farsio, (2004) concluded that studies that have shown a causal relationship between dividends and earnings are founded on short periods of time and may be misleading. According to Kibet et al (2010) investors look into dividend decision as a way of signaling a firm's future financial prospects.

Miller and Modigliani (1961) came up with the model of dividend irrelevance theory. They argued that the dividend policy adopted by a company does not affect the share prices of that particular firm. This theory was supported by Kibet, Jagongo and Ndede (2016) who found out that no relationship exists between dividend policy and share prices. According to them, the decision on type of securities to keep is the prerogative of the investor. The investor may keep low or high

yielding stocks in which case their returns do not vary. Other researches have supported the dividend irrelevancy theory developed by Miller & Modigliani (1961). These researchers are Denis & Osobov, (2008) Adefila, Oladipo & Adeoti, (2004), Uddin & Chowdhury, (2005) who consider dividend policy as irrelevant to share prices.

However, Gordon, (1963) was of a different observation where he came up with dividend relevance theory. In his work he noted that the value of firm together with share prices is affected by the dividend policy adopted by that firm. Investors do prefer present income which is in form of dividends to capital gains.

2.2.2. Bird in Hand Theory

The "Bird in Hand" theory that was advanced by Litner (1962) and broadened by Gordon (1963) proposes that shareholders prefer dividends more than capital gains while making decisions associated to stocks. Litner and Gordon argue that shareholders are risk averse and favor certainty. Therefore, investors would favor sure dividends to undefined capital gains. When shareholders get more dividends in cash, they interpret the stock to be more attractive which increases demand for the stock. The increased demand for the stock pushes up the stock price which lowers the cost of capital while increasing the value of ordinary shares. Gordon (1963) concludes that shareholders desire cash dividends. Additionally, when making dividend payouts, the firm gets an upper rating from rating agencies as compared to a firm not distributing any dividend disbursement. With an improved rating, the firm will not be in a position to raise finance more easily from capital markets since credit organizations will be eager to give loans to the firm since the dividend payouts made shows that the firm has the capacity to meet its commitments.

Bhattacharya (1979) demonstrated that this model fails in perfect and complete markets where stockholders behave according to philosophies of normal behavior. He argued that the rationale behind the bird-in-hand theory is fallacious because the riskiness of a project's cash flows determines a company's risk. An increase in dividend payout today will lead to an equivalent fall in the stock's ex-dividend price. Therefore, increasing the dividend today will not increase the value of the firm since the riskiness of future cash flows is increased.

From the bird-in hand theory, it can be debated that shareholders are not indifferent as to whether they get dividends or capital gains. Preference for one or the other can arise for two major reasons. First, some stockholders need dividends as a source of a steady income for instance, pensioners

and institutional investors such as pension: firms and insurance firms who have regular obligations to fulfill.

In addition, preference for dividends or capital gains may ascend due to their different tax treatment (Watson & Head, 2010). The two determinants of dividend preference, that is, as a source of income and due to differences in tax treatment, are what are commonly denoted to as the clientele effect. This has remained used as an alternative argument for dividend irrelevance since investors migrate to firms that pay dividends that most closely equal their needs, hence no firm's value should be influenced by its dividend policy. This argument assumes that there are enough investors in each dividend clientele to allow companies to be properly valued, irrespective of their dividend policy.

Yuko (2016) study established that most investors desire dividends since these dividends are assumed to be less risky as compared to capital gains anticipated from earnings that have been ploughed back. Robinson (2006) concluded that high dividends paid lead to rise in the stock prices of firm's shares. On the contrary however, Malkawi (2007) in his study "determinants of corporate dividend policy in Jordan" derived that a greater number of investors favor capital gains more than dividends.

This theory would be quite relevant to this study. This theory suggests that shareholders prefer dividends as compared to capital gains. Therefore, dividend changes would lead to changes in share prices due to the effect that dividends paid have to the demand of shares of different firms in the NSE. This theory will depicts the importance of cash dividends both interim and final to investors of a listed organization.

2.2.3. Signaling Theory.

This model was developed to highlight why organizations pay dividends to shareholders. The model assumed that a particular firm would set a dividend policy for a certain period. The firm would then use the cash flow set from that period to pay dividends. If the amounts generated in that period were not sufficient to pay dividends, then the firm would use external financing to pay dividends. According to Bhattacharya's (1979) when firms make unexpected dividend change announcement, it signaled to the public about its value and future projections. The model

highlighted that the value of a firm was positively linked to the amount of dividend paid by the firm.

It outlined the reason for paying dividends is to bring out information about a company's future projections to investors. The information may mirror the tactics that the firm is engaging in the short run or long run. Managers of the organization can alter the expectations of stakeholders with regards to its future earnings through dividend payments. This model outlines that dividend announcements communicate information about the firm to the market. This is more commonly known as the signaling hypothesis. The model defines that there exists a positive relationship between dividend changes and price reactions, future firm earnings and analysts earnings forecast of the firm. This model which is founded on information asymmetry hypothesis was developed by Bhattacharya (1979) and John and Williams (1985). Due to information asymmetry, managers of organizations may use changes in dividends as a way to signal the private information to outsiders. A company that increases the dividends paid to shareholders over the years signals to the market that the board together with the management sees profits in the future. A firm would not increase dividends unless it is certain that the costs can be sustained in the future. In turn, stockholders may use dividend announcements' information to evaluate an organization's stock price. From an investor's point of view a firm that constantly pays higher dividends as compared to identical firms in the industry, should be more profitable than one in the same industry paying smaller levels of dividends.

There are several empirical studies that have been done showing that share returns are positively affected by dividends announcements. Pettit (1972, 1976) found strong support that dividend change declarations express information to the market. Comparable results were obtained by several authors, such as by Murage and Emba (2019), Benesh, Keown and Pinkerton (1984) and Dhillon and Johnson (1994) for dividend change publications. Miller and Rock (1985) argued that dividends certainly have a signaling character but there are other costs that are involved and these are the companies' investment decisions. An organization must pay a level of dividend which is high enough to evade smaller firms to emulate the same strategy. The rise in dividend should eventually lead to a share price increase and likewise, a reduction in the dividend should cause the price of the share to decrease.

However, it should be noted that dividend variations may not always be perfect signals. According to Easterbrook (1994), dividend growths may be vague indications unless the market can differentiate between growing companies and disinvesting firms, that is, those which lack investment opportunities. Harris (2000) did a study of the Japan market and found no evidence of a substantial relationship between dividend declarations and share returns.

Information asymmetry also aids to explain the observed unwillingness of managers to change dividends. Lintner (1956) contends that managers are extremely unwilling to cut dividends for fear of conveying a negative signal, and reluctant to increase dividends for fear they will have to reduce them in the future.

This model outlines that a firm by paying out dividends to shareholders communicates information about the organization's future prospects to existing and potential investors. This model will contribute to the study in that cash dividends paid and interim dividends announced will communicate certain information to investors. The information communicated will affect the share prices of firms listed in the NSE. This effect that the dividends have on the firm's share prices is the signaling effect.

2.2.4. Agency Theory.

The agency theory explains the relationship that exists between the management of an organization and the shareholders of that organization. The shareholders being the owners while the management acting as the agents of the shareholders. However according to (Collier & Agyei-Ampomah (2006) this relationship is mostly associated with conflicting interests. These conflicts arise due to the fact that ownership and control is separated. The agent has a tendency to appease his interests rather than the interests of the principal. To minimize the conflicting interests the owners incur costs associated with monitoring so as to protect their interests.

According to Easterbrook, (1984) dividend is seen as one of the mechanisms by owners to reduce the agency costs. Free cash theory suggests that these agency conflicts are as a result of excess cash flow position which unless taken out in form of debt repayment and dividend will lead managers to self-interests motives. Free cash flow is the cash that is available after deduction of all operational expenses and positive net present value projects are taken into considerations. (Almeida, Welsbach & Campello (2004) observed that managers are inclined to possess substantial amounts of cash in form of reinvestments rather than disbursing payments to owners in form of

dividends. The shareholders will set controls which are geared towards getting the best from the managers.

2.3. Summary of theoretical framework.

All the theories and models outlined above will contribute to this study in different ways as outlined. However, this study would be based mostly around the Signaling Model since the study is focused on determining the effect that cash dividends will have on firms' market share prices listed in the NSE. The other models and theories will contribute more information on the issue of dividends in relation to stock prices of organizations in different sectors of the economy.

2.4. Empirical Reviews.

The previews of empirical reviews of previous studies with regard to cash dividends and market share prices are highlighted.

2.4.1. Empirical Reviews on influence of cash dividends on share prices.

Several studies have supported the dividend relevance theory. (Travlos, Trigeorgis, & Vafeas, 2001), did a study on dividend policy and share prices in the Karachi Stock Exchange for ten years between the years 2001 to 2010. The dependent variable was the price volatility and the independent variables were retention policy, earnings per share, net profit after tax, return on equity and stock dividend per share. In their findings they concluded that Stock Dividend, Return on Equity, Earnings per Share and Profit after Tax has positive effect on Stock Prices. In their overall finding they supported that stock prices are influenced by the dividend policy adopted by an organization.

(Myers & Bacon, 2004), did a study to determine the factors that determine an organization's dividend policy. The payout ratio was the independent variable while profit margin, price to earnings ratio, debt to equity ratio, institutional ownership and insider ownership were the dependent variables. In their findings a higher payout ratio resulted from a higher price-earnings ratio and this was due to the lower risks experienced by a firm. They concluded that since the firms in the sample would want to send a strong positive indication to the owners that the management was prepared to increase debt to fund the rising dividends.

In Kenya, several studies have also been conducted. Musyoka, (2015) conducted a study on effect of dividend policy on the financial performance of firms listed in the NSE and concluded that dividend policy had a significant positive effect on financial performance of firms listed in the NSE. Murekefu and Ouma (2012) derived a strong positive association between firm performance and dividend payout. They also concluded that cash dividends were the main method used by listed firms to pay dividends to shareholders. Their findings indicated that company's financial performance was influenced by dividend payouts and thus dividend policy was relevant. Olweny (2012) investigated the extent to which dividend announcements had information content and the effect on the value of the firm. His conclusions reinforced the work of Murekefu and Ouma (2012) that dividend announcements had information content and these announcements affected the value of the firm. Mokaya et al. (2013) did a study on the effect of dividend policy on market share value in the banking industry in Kenya. Their study wanted to investigate the effect dividend policy had on the value of shares in the banking industry using National Bank of Kenya as a case study. The findings according to the stockholders, dividend payments affected the share value and as dividend payments rise so does the price of the share.

Dong, Robinson & Veld, (2005) did a study in Netherlands market on why individual investors want dividends. Their study mainly used primary data in form of Questioners sent out to the Dutch Consumer panel. They concluded that investors strongly desire to receive cash dividends and they are willing to receive stock dividends if the organization is unable pay cash dividends. Maditinos, Sevic, Theriou, & Tsinani, 2007, conducted a study in Greece on the perception of individual investors towards dividends. Their study was conducted through use of questionnaires which were distributed a sample of 150 stock exchange companies. The companies distributed these questionnaires to their customers. In their findings they concluded that most investors had a preference for cash dividends. Only a few investors, especially the "wealthier ones" who preferred stock dividends to cash dividends. A study conducted by Geoffrey (2005) found out that increase in stock prices was affected by dividend earnings. The study was on the effects of dividend announcements on market share prices of investment and finance companies.

Sealy and Knight (1987) did a study on the effects of dividend policy on the share price of firms listed in the Johannesburg Stock Exchange. The findings were that the dividend policy adopted by a firm did not affect the market share prices. Bhana (1998) conducted a study on the response of

stock prices on the announcement of extra dividends. The study concluded that shares in the Johannesburg Stock Exchange reacted positively to special dividend announcements.

2.4.2. Dividend increase/ decrease and Share price reaction.

Managers of listed firms increase dividends only when they are sure of increase in future earnings of the organization and this is why managers prefer stable dividends over a period of time. It is important to deliberate on what previous studies have concluded, to get an idea on what to expect from the results in this paper and also to see if the empirical evidence backs the theory.

Different studies have been conducted that have tried to analyze the idea that dividend declarations by firms usually contain information about a firm's future performance. Under the hypothesis that managers and directors have inside information about their firm's future performance, they may use various signaling devices to convey information to the market. The theory is that dividends are one of the tools used for signaling information. According to Waweru et al (2012) the information asymmetry assumption has been viewed as unrealistic and some dividend policy models have been advocated built on the information asymmetry assumption. According to Yuko (2016), dividend changes should lead to earning changes since announcement of dividend change is positively related to share returns. According to Lintner (1956), managers prefer stable dividends as they are hesitant to dividend changes that might be reversible. He further stated that constant and predictable dividends provide smaller doubt to the investors than dividends that vary due to the information content effect.

Chowdhury (2010) investigated dividend policy in Chinese firms where he wanted to determine whether dividend policies of firms were consistent with the signaling hypothesis. Based on financial information of a large number of publicly listed organizations, they projected the sensitivity of variations in dividends to firms' profitability. The results highlighted that variations in dividends were followed by variations in future earnings of the dividend paying organizations. They concluded that dividend payment announcements gave signals to Chinese investors on the organization's future performance and quality of governance.

In 2017, Murage and Emba did a study covering the market response to a dividend increase. They concluded that an unforeseen dividend rise, leads to a rise in the stock price. They found a

cumulative abnormal return of 0.78% for dividend increase declarations, prior to an earnings announcement. For an earnings increase announcement following a rise in dividends, there was a cumulative abnormal return of 1.69%. Since a difference has been established between the cumulative abnormal return of dividend announcements and earnings announcements, it seems the market reacts more strongly to earnings than dividends. For dividend decreases preceding earnings decrease, the aggregate abnormal return was -5.0%. For dividend decreases following an earnings decrease the cumulative abnormal return was -1.46%. The negative CAR for the dividend decreases could portray that the market expectation is for the earnings to be negative, since the dividends are also negative. Comparing the dividend decreases with the dividend increases, it can be deduced that the market reacts much stronger to dividend decreases than increases. Similar studies were conducted by R. Pettit (1976) in the U.S market and Grullon (2002). These studies indicate that an unexpected rise in dividends, leads to a rise in the excess return. However, a reduction of dividends causes a larger decline in the excess return. This is in line with Lintner's work where managers were not interested in reducing dividends, and this evidence might explain why – the market penalizes dividend decrease much more than it rewards dividend rises.

A strong relationship between dividend payment and share prices was observed by Ross (1977). In his model, he specified that dividends were viewed as indications by investors of the managers' prediction of future earnings of the firms. He further indicated that unless higher or stable earnings were projected that could sustain higher payments of dividends, managers did not increase dividends and were unwilling to reduce dividends. This meant that investors saw as signs of improved future earnings when higher than anticipated dividends were paid and poor future earnings when reduced dividend were distributed. It was therefore, debated that the changes in stock price showed that there was information content in the dividend announcement and not that dividends and not retained earnings were favored by investors. Information that was formerly only known by management was provided by dividend declaration.

In the Chinese market dividend policy was investigated by Chowdhury et al. (2010). The aim was to establish whether Chinese companies' dividend policies were in line with the signaling hypothesis. The main objective was to establish the sensitivity of firm's profitability to changes in dividends paid or announced. They concluded that changes in future earnings of dividend paying firms were triggered by changes in dividends either announced or paid by these firms. Thus, these

dividend announcements were a reflection of the firms' future performance and the quality of governance.

Locally several studies relating to Signaling theory have been conducted. Waweru et al. (2012) tested displacement property of dividends using Ohlson (1995; 2001) model followed by Hand and Landsman 2005 approach to examine signaling hypothesis. The study established that to know about the future earnings, dividends were used as signals. Their study strengthened the view that dividends were only improved by firms when sure that the future earnings prospects will be able to sustain higher payouts. The view of Waweru et al. (2012) was reinforced by Murekefu and Ouma (2012) who sought to find out the relationship between an organization performance and dividend payout for companies listed on the NSE. They established that dividends was a key factor affecting firm performance and that dividend resolutions were significant and managers need to spend sufficient time coming up with a dividend policy that strengthens the performance of the company and in turn value of the stockholders.

Atieno (2013) conducted a study on cash dividend change announcement effects on share price returns for listed firms in NSE and observed that dividend announcement had information content and the information content had substantial effect on share price returns. On the other hand, Mbithi (2014) did a study on association between interim dividend change and future earnings for listed companies in Kenya and concluded that his study failed to support information content theory and signaling hypothesis of dividends with regard to future earnings. Kibet (2015) concluded that increase in cash dividends resulted in increase in a firm's share price while increase in share dividend resulted in insignificant decrease in share prices for organizations listed in the NSE.

2.5. Summary of Empirical Reviews.

This empirical review section examines literature associated with the influence of cash dividends paid on the market share prices. Past studies and a detailed study of the stated objectives is the main source of the literature used in this review. Various studies have been conducted both globally and in the Kenyan context on the effect of cash dividends on the share prices. The studies, as highlighted below, provide different verdicts on the influence of cash dividends on the share prices.

2.6. Research Gap.

The research problem whether dividend policy influences the stock prices still remains a controversial subject among directors and managers of listed organizations, despite the many researches that have been conducted on dividend policy. Mainly there are two schools of thoughts regarding dividend policy. Miller and Modigliani (1961) advocated for the irrelevance of dividend policy while on the other hand Gordon (1963) model considers dividend policy as significant to the share price of a firm. The dilemma therefore exists to both managers and investors on the model to follow. Furthermore, frequent fluctuations in share prices of listed firms have led to uncertainties among investors with stock prices hitting new levels. For instance KCB and Kenya Airways share prices have gone up to high levels in the last two years (NSE). Many studies have been done mostly in developed countries while a few have been conducted in developing countries. Many of the research studies done in Kenya Geoffrey (2005) Bunyasi (2007) Atieno (2013) have utilized event study methodology to establish the association between dividends and share prices. This study endeavored to fill the gap in literature by establishing the influence of cash dividends on share prices of companies listed in the NSE using eleven years period panel data between year 2009 and 2019.

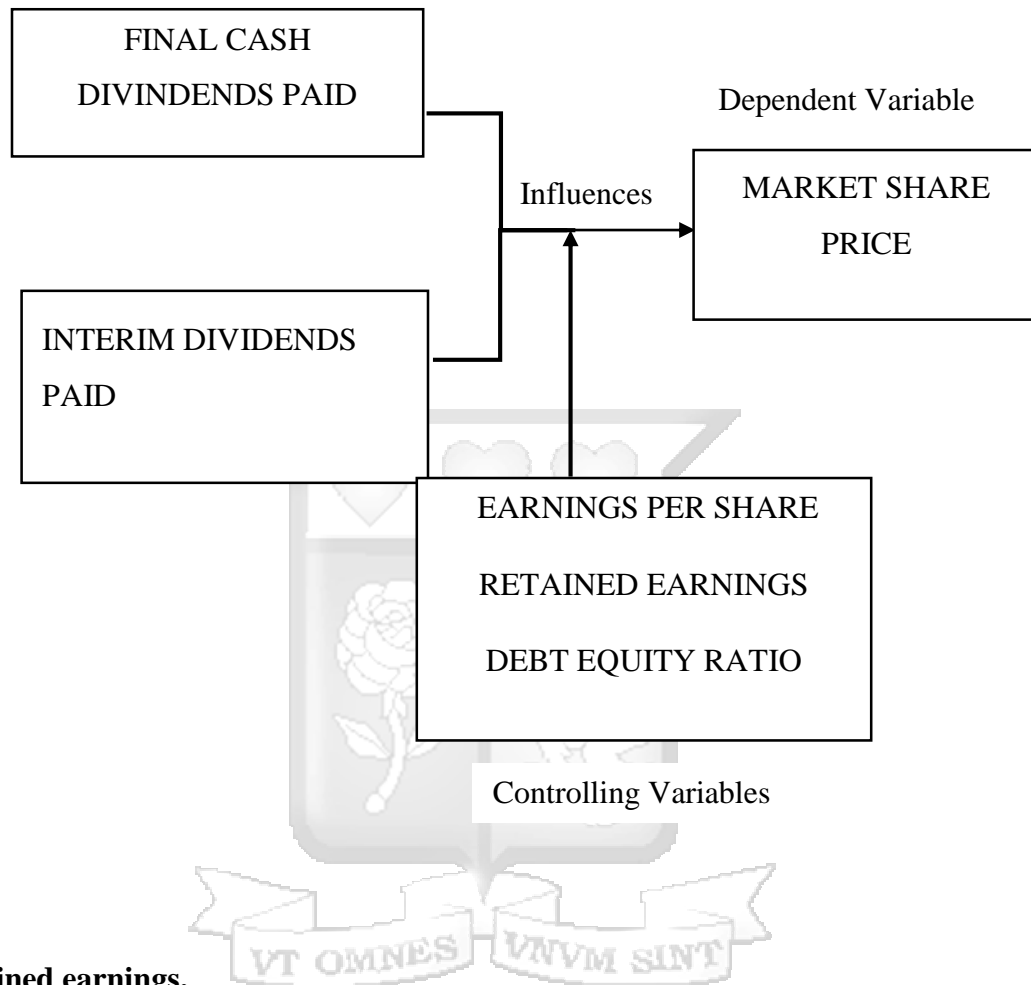
2.7. Conceptual Framework.

The conceptual framework on effect of cash dividends on market share prices of organizations listed in the NSE was developed. From the framework the dependent variable is the market share price identified through the Volume weighted Average return as proposed by Berkowitz, Stephen A. Logue, Dennis e, Noser, Eugene a (1988) and the shares trading volumes.

Considerations made by organizations before payment of cash dividends would also be identified as the independent variable and their effect on market share prices analyzed. The independent variables are the cash dividends paid to each share both interim and final. The controlling variables are earnings per share, retained earnings and Debt equity ratio.

Figure 2.1: Conceptual Framework.

Independent Variables



2.7.1. Retained earnings.

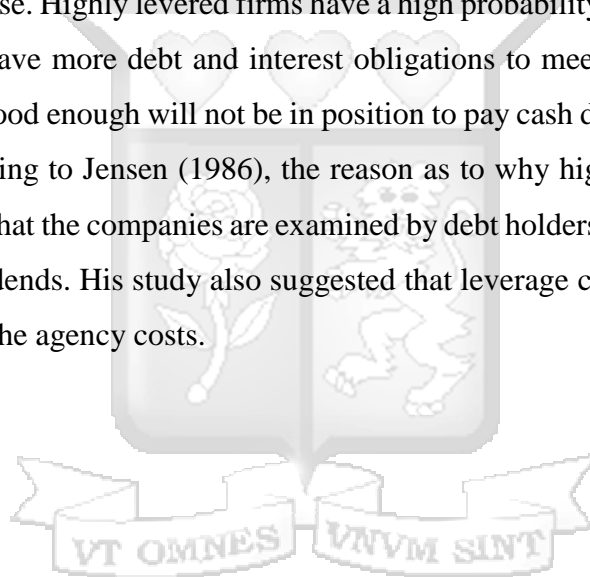
Retained earnings per share is the sum of earnings that a firm ploughs back in to the organization for other investments and financing decisions and is derived by subtracting total dividend distributed from total earnings and dividing the subsequent amount by earnings. According to the residual theory firms that have higher opportunities for growth pay a lower ratio of its profit to shareholders as compared to low growth firms. This is to enable the firm to meet its investment needs. This ration is a proxy for investment from the profits. Pani (2008) used cash dividend to retention ratio to observe how it's influence on market stock prices and established a positive relation between them. The study used retained earnings per share as a proxy for investment policy.

2.7.2. Earnings per Share.

Ajanthan (2013) suggested that the performance of a company was affected by the amount of sales made by the firm. In this study the growth of sales is controlled since firms earnings are greatly affected by the sales growth. Empirical studies indicate that firms anticipated to grow their revenues through more sales are more attractive to existing and potential investors.

2.7.3. Debt Equity ratio.

The liquidity position of a firm is important in order to determine if an organization is able to meet its short-term and long term liabilities highlighting cash flow difficulties that usually arise when current liabilities are greater than current assets. A highly levered firm is expected to return more to strengthen its equity base. Highly levered firms have a high probability of paying a low dividend payout ratio since they have more debt and interest obligations to meet. An organization whose liquidity position is not good enough will not be in position to pay cash dividends obligations even if it is profitable. According to Jensen (1986), the reason as to why highly leveraged companies pay a low payout ratio is that the companies are examined by debt holders who reduce management capability of paying dividends. His study also suggested that leverage can substitute the dividend payout ratio in reducing the agency costs.



2.8. Operationalization table.

Table 2.1: Definition and Measurement of Variable.

Type	Variable	Measure	Variable description
Dependent variable	Equity market price	Market Share price	Volume weighted Average Price of the specific counters measured by yearly volume weighted average price of the indices.
Independent Variable	Final dividends paid	Final Cash dividends paid	Cash dividend declared and paid yearly
	Interim dividends paid	Interim cash dividends per share	Interim dividends declared and paid
Control variables	Retained earnings	Total retained earnings/number of shares	Retained earnings of an organization per share
	Earnings per Share	Total earnings/ no of shares	Earnings before tax per share
	Debt equity ratio	Total amount of debts/Total equity	Amounts of debt of a firm and amounts of equity employed

Source: Researcher 2019

2.9. Summary of Chapter.

The chapter discussed the theoretical framework and prior studies that have been conducted on the effect of cash dividends on the share price of organizations. Conceptual framework of the study is also highlighted. The dependent variables are the share price and the firm performance and the independent variable is the cash dividends.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction.

This chapter discusses and outlines the research approach used in achieving the objectives of this study. The chapter describes the research design, sampling procedure, target population and collection of data and its analysis. Kothari (2004) established that a research design guides the scholar by presenting procedures on how to gather data, examine and interpret the data in an articulate manner.

3.2. Research Philosophy.

The study embraced positivism approach to research. The philosophy underlines that researchers should be detached from the study and use statistical and mathematical procedures so as to make interpretations from the study. Positivist research targets at explaining and forecasting phenomenon and uses logical approaches to seek objectivity (Carson, Gilmore, Perry, & Gronhaug, 2001). Since this study uses secondary data to establish association between variables positivist approach was deemed to be appropriate. By using secondary quantitative data the researcher was permitted to be objective and indifferent when conducting the research study by being unbiased to the subject of the research (Saunders, Lewis, & Thornhill, 2009).

3.3. Research Design.

The study embraced the correlation research design since it intended at determining the relationship between cash dividends and market share prices of firms listed in NSE. The correlation research design was suitable since it measures the association between two variables and also outlines the strength of the association of the two variables. The association, if any, is generally expected to be linear. The correlation research design also determined the direction of the relationship of the variables. In this study coefficient of correlation (r) and coefficient of determination (r^2) will be calculated to define the nature and extent of the association. This study aimed at analyzing relationship among many variables in a single study and thus the use of correlation research design. The correlation research design does however not conclusively provide a reason as to why there exists a relationship between variables.

3.4. Population and Sample.

The population comprised 40 out of 64 firms listed on the Nairobi Securities Exchange for the entire period 1 January 2009 to 31 December 2019. This period is appropriate for study since it was after the World's financial crisis and the Kenya Vision 2030 development blueprint designed for the period 2008-2030 was in its early adoption stage (GoK, 2007). According to Mugenda and Mugenda (2003) a sufficient sample consists at least 10%-30% of the representative population. Stratified random sampling method procedure was used to select a sample that symbolized the whole population. According to Kothari (2007) a stratified random sample is a suitable method employed for the population that is not homogeneous. In the current study companies that paid dividends and the financial data is available were considered in the sample. Firms that were listed and delisted during this period were not considered. These companies were chosen from the different sectors of the NSE which are the Agricultural, Automobiles and Accessories, Banking, Commercial and Services, Construction and Allied, Energy and Petroleum, Insurance, Investment, Manufacturing and Allied, Telecommunication and Technology and Investment. According to Kothari (2007) sample size is determined by factors such as efficiency and cost particularly when dealing with a huge population or a long term research.

3.5. Data Collection.

The data for the first specific objective was collected from primary data sources while data for the second and third objective was collected from secondary data sources. This secondary data on the share prices and cash dividends paid was sourced from the Nairobi Stock Exchange, Capital Markets Authority, and the annual reports for the firms that were contained within the sample.

Data on considerations made by organizations before payment of cash dividends was obtained from primary data in form of a questionnaire addressed to the finance departments of 40 firms listed in the NSE. The questionnaires were specifically addressed to finance managers and CFOs of these listed firms. The finance managers and CFOs were targeted since the expectation is that they are majorly consulted in dividend and retained earnings decisions. 15 firms which were Equity Group Holdings, The Co-operative Bank Ltd, Barclays Bank Ltd, KCB Group Ltd, NIC Bank Ltd, Car & General (K) Ltd, Nation Media Group, Scangroup Ltd, Bamburi Cement Ltd, E.A Cables Ltd, Britam Holdings Ltd, Carbacid Investments Ltd, Safaricom Ltd, Britam Holdings Ltd and Total Kenya Ltd responded to the questionnaires.

Extra data like the form and the number of dividend disbursements per year per company was acquired from the NSE. The nine year period was considered long enough to address any events which could influence the trends and relationships in a certain year. Additional secondary data was collected from companies' annual reports and journal publication access through databases such as ProQuest and Google Scholar.

3.6. Data Analysis.

The analysis was intended at establishing the effect of cash dividends on the market share price of organizations listed at the NSE over the nine-year period. Cash dividends were measured by the actual dividends paid and market share prices were measured using the stock prices of the particular firm's shares. The study required examining stock prices of listed firms in the NSE for a period of eleven years from 1 January 2009 to 31 December 2019 to determine the association that occur between the variables under the study during the period.

Before the use of statistical analysis, the financial data was first tested for errors and outliers values. To establish and conclude on the objectives, panel data regression models were used. The reason for using panel data is since it has the capability to deal with heteroscedasticity and autocorrelation which are common in time series data, resolve issues of few data points for regression model and preserve entities heterogeneity (Baltagi, 2005). Regression analysis was performed on the data to test any effect of cash dividends (independent variable) on an organization's market share price (Dependent variable).

3.6.1. Change in dividends.

Cash dividends for most firms in the NSE are declared and paid at year-end or as interim dividends as seem to the directors or management to be justified by the profits of the firm. Aharony and Swary (1980) used the naive 'no change' expectations model where they asserted change in dividends should not be made unless there will be substantial variations in the future incomes prospects of a firm. Capstaff et al. (2004) utilized both the naive model and analysts' forecast model. The analysts' model reveals all available information at the time of estimates. The period under study was from 1 January 2009 to 31 December 2017. This was measured by the dividend change model where the announcements were considered into increase, decrease and no change announcements. The model articulated below is for the dividend change: A dividend variation is considered constant if;

$$DPS_{it} = DPS_{it-1}$$

Where: DPS_{it} is the firm i present cash dividend per share

DPS_{it-1} is the firm i previous year's cash dividend per share

A dividend change is considered a decrease if; $DPS_{it} < DPS_{it-1}$

A dividend change is considered an increase if; $DPS_{it} > DPS_{it-1}$

3.6.2. The equations and Variables.

The equations and variables that were incorporated in the study are illustrated below:

$$MPS_{it} = a + b DPS_{it} + c RE_{it} + e_{it} \dots\dots\dots (1)$$

$$MPS_{it} = a + b DPS_{it} + c RE_{it} + (PE)_{t-1} + e_{it} \dots\dots\dots (2)$$

Where, MPS_{it} - Market price per share

DPS_{it} -Dividend per share

RE_{it} -Retained earnings per share

PE_{t-1} -Lagged Price earnings Ratio

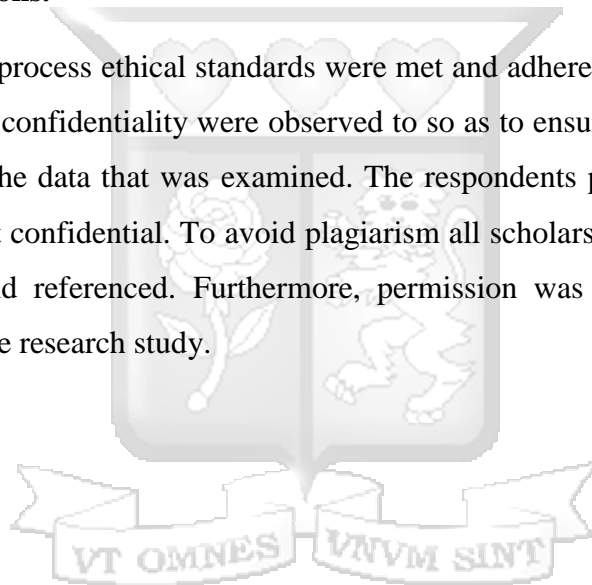
The subscript 'i' denotes the i^{th} company in a sample of 'n' companies picked from a specific industry, and all variables are measured in the i^{th} time period. Market price per share is the closing prices for the year. To examine the data, the statistical tools that have been used are Mean, Standard Deviation, multiple regression technique and stepwise regression method to determine best fitted model for forecasting the effect the cash dividends paid have on the absolute share market prices. The significance of several explanatory variables has been tested by calculating t-values. To establish the proportion of expounded variation in the dependent variable, the coefficient of determination (R^2) has been determined. The importance of R^2 has also been verified with the assistance of F-Value.

3.6.3. Diagnostics Tests

Financial data could be challenging to deal with mainly because it violates the underlying assumptions of linear regression as highlighted by Brooks, (2008). The regression results may be invalid as a result of changing the variance or the mean of the explanatory variables when these assumptions are violated. The test to be carried was the multi-collinearity test. Multi-collinearity exists when two independent variables demonstrate perfect correlation. It was measured using the variable inflation factor (VIF) and correlation matrix. When the VIF is more than 10 and two independent variables demonstrate perfect collinearity, multi-collinearity is said to exist as highlighted by (Gujarati & Porter, 1999). Brooks, (2008) suggested that the multi-collinearity problem, if any, should be solved by dropping one of the collinear variables.

3.7. Ethical Considerations.

Throughout the research process ethical standards were met and adhered to. During primary data collection, high levels of confidentiality were observed to so as to ensure that the outcomes gave a true representation of the data that was examined. The respondents participated willingly and their responses were kept confidential. To avoid plagiarism all scholars whose work was used in the study were cited and referenced. Furthermore, permission was sought from Strathmore University to carry out the research study.



CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1. Introduction.

The results of the study findings and data analysis of this study are presented in this chapter. Analysis of research findings of secondary data is the first part of the chapter and analysis of research findings of primary data forms the last part of the chapter. Section 4.2 outlines the general information of the study on final data sample. Section 4.3 covers the descriptive statistics of the study. Section 4.4 and 4.5 covers the regression results on the variables and the overall market aimed at assessing the effect of cash dividend paid both interim and final on share prices, the second and third specific objective of the study. Section 4.6 covers analysis of questionnaire results based on specific objective one aimed at establishing considerations made by listed firms before payment of cash dividends. Section 4.7 compares the primary data analysis with the secondary data findings and lastly section 4.8 presents the chapter summary.

4.2. Data and final sample.

The study used secondary data of 40 listed firms in the NSE for the nine year period of the study. The secondary data collected included interim and final cash dividends paid, annual market share prices and data of the controlling variables from the financial reports of the listed firms. On the other hand the primary data used to achieve objective 1 was collected from 15 firms which included; Equity Group Holdings, Barclays bank Ltd, KCB Group Ltd, Car & General (K) Ltd, Nation media Group, Bamburi Cement Ltd, E.A cables Ltd, Total Kenya Ltd, Scangroup ltd, The Co-operative Bank Ltd and Carbacid Investments ltd. Fifteen out of the forty questionnaires were filled and returned signifying a response rate of 37.5%. This was hence considered satisfactory for examination. A response rate is of 30% is considered sufficient for data analysis Saunders, Lewis, & Thorn hill, (2009).

4.3. Descriptive Statistics of the study variables.

Table 4.1 depicts the descriptive statistics as mean, standard deviations, the minimum and maximum value of both independent and dependent variables from the companies listed on the Nairobi Stock Exchange Market from 1 January 2009 to 31 December 2019.

Table 4.1 indicates the descriptive analysis results as a summary for all the variables that were used to draw a conclusion. The dependent and independent variables chosen for the study were represented in the table below. Data for the nine year period was analyzed and the mean, standard deviation and the variance of the different variables were established as in the table.

Table 4.1: Descriptive analysis results as a summary for all the variables used in the study.

Variable	Mean	Std. Dev	Min	Max	Variance
Market Share prices	115.20	74.90	1.80	445.00	5602.19
Final dividends paid per share	2.50	3.70	0.00	23.10	13.48
Interim Dividends paid per share	0.20	0.35	0.00	15.10	12.50
Retained earnings per share	0.70	1.20	-4.80	22.10	1.34
Price earnings per share	4.90	10.30	-46.70	100.10	105.11
Debt Equity ratio	2.60	4.60	-14.80	69.70	21.46
Number of Companies (n)=40					

Source: Data from the selected firms listed in NSE

Column one shows the variables that were tested. The dependent variable was market share price and final dividend paid per share and interim dividend paid per share were the independent variables. The controlling variables being retained earnings per share, price earnings per share and debt equity ratio. The subsequent column displays the mean of the variables and the second column specifies the standard deviation of the variables. Additionally the third and fourth column shows the lowest and highest value of the variables respectively. The sixth column represents the variance of the variables.

From table 4.1, the mean of the share price for the selected 40 companies was 115.2, with the maximum share price at 445 and the minimum share price at 1.8. The final cash dividend paid for

the nine year period had a mean of 2.5 per share. This indicated that shareholders had a return of 2.5 for every share held. The mean of the interim dividend paid per share represented by annual dividends/share price was 0.2. The mean for Retained earnings per Share was 0.7 with the maximum observed value at 22.10 and minimum value at 1.34. Other control variables, debt-equity ratio and price earnings per share presented a mean of 2.6 and 4.90, respectively.

4.4. Regression Results.

Table 4.2 below presents the stepwise regression results to show the relationship between variables and R^2 . The stepwise regression was developed to determine the model that has the best combination of values. This model will result in the highest R^2 .

Table 4.2: Regression coefficient of the relationship between predictive variables and market share price. (n= 40)

LNFDPPS Coeff	LNIDPPS Coeff	LNREPS Coeff	LNEPS Coeff	LNDER Coeff	R ² N=40
0.70					63.20%
0.62	0.12				70.27%
0.65	0.08	0.03			69.90%
0.49	0.07	-0.22			71.07%
0.67	0.08	-0.04	-0.34		67.55%
0.64	0.11	-0.45	-0.37	-0.22	75.57%
0.45	0.12	-0.62		-0.20	77.54%
0.55	0.09			0.11	75.69%
0.65	0.07		-0.23	0.16	74.94%

Source: The table was generated from the data compiles from the selected samples for the study.

Where: final cash dividend paid per share (LNFDPPS), interim dividends per share (LNIDPPS), retained earnings per share (LNREPS), earnings per share (LNEPS) and debt-equity ratio (LNDER) represents. The coefficient of determinations is formed by the natural logarithmic forms, R^2 .

From table 4.2, the model with all specified variables except earnings per share has the best combination of variables since it gives the highest overall R^2 of 77.54% as in the table below 4.3 below.

Table 4.3. Model Summary with best combination of variables.

Model	R^2	LNFDPPS	LIDPPS	LNREPS	LNDER
1	0.78	0.45	0.12	-0.62	-0.20

Source: Researcher 2020.

The regression coefficients and their related t statistics and R values are outlined in the above table. The outcomes show that there exists a positive and significant relationship between dividends paid (both interim and final) and market share prices. Final cash dividends paid have a bigger effect on market share prices than interim dividends as highlighted by a regression coefficient of 0.45. A regression coefficient of 0.45 implies that an increase in dividend payment ratio by one unit results in rise in share price by 0.45 units. The results indicated a positive and significant relationship between interim dividends paid and market share prices. This is depicted by a correlation coefficient of 0.12. This entails that a unit increase in interim dividends paid results in 0.12 increase in the share price. The regression coefficient of debt equity ratio is negative and is not significant at 5% level of significance. This demonstrates that although the debt a firm owes has a negative effect on amount of dividend pay-outs it's not significantly influencing it.

The results demonstrated existence of a negative and significant relationship between the retained earnings per share and the share price supported by a regression coefficient of -0.62 ($R^2= 69.90\%$). This implied that the amounts of earnings that an organization retains do not affect the market share prices. Earnings per share were excluded as a control variable since it was noted during

forwarding stepwise regression that the variable did not add illustrative power to the model. Instead, the inclusion of the variable reduced the explanatory power of the data.

4.5. Regression analysis for each Sector.

A random regression analysis was conducted on 40 companies selected from NSE to establish the relationship between the policy used in the sharing of dividend and share prices for the firms listed in NSE. This was done for the market and the ten (10) economic segments at the NSE. For the market analysis, the data were transformed into natural logarithm and then regressed natural logarithms of share price against final cash dividend paid, interim cash dividend paid and control variables which included, earnings per share, debt-equity ratio and retained earnings per share using regression equation outlined in section 3 to determine R^2 . Similar to Chebii, Kipchumba and Wasike (2011) findings, the earnings per share were excluded as a control variable since it was noted during forwarding stepwise regression that the variable did not add descriptive power to the model. Instead, the inclusion of the variable reduced the explanatory power of the model.

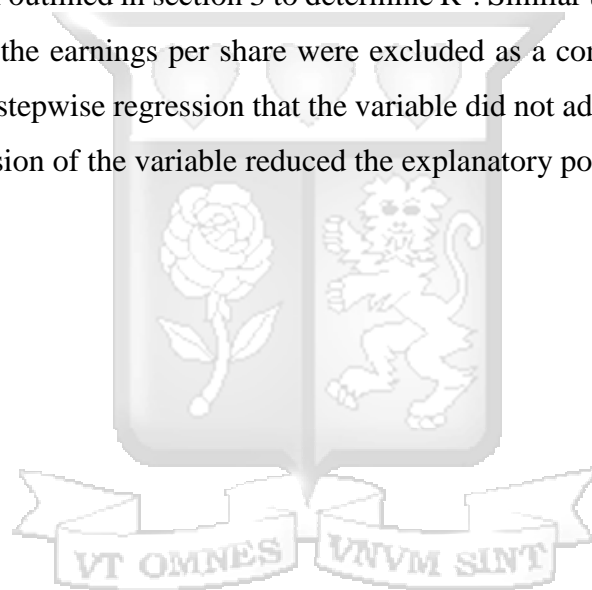


Table 4.4: Regression Results for each sector.

Economic Sector	Constant	Coefficient		Overall R ²	Prob>chi2	Wald Chi2
		FDPPS	IDPPS			
Agricultural	31.18	23.30*	142.55*	0.5572	0.0000	96.89
Automobile and Associates	-26.22	42.23*	-31.89	0.6577	0.0000	67.24
Banking	14.55	8.14*	0.66	0.7287	0.0000	181.44
Commercial and Service	9.71	22.23*	46.36	0.8804	0.0000	449.02
Construction and Allied	5.34	14.34*	-41.96	0.6281	0.0000	79.37
Energy and Petroleum	34.00	-6.31	-97.63	0.6735	0.0000	65.99
Insurance	-46.44	55.73*	39.81	0.6324	0.0000	34.40
Investment	-14.52	9.38	2.46	0.8227	0.0000	97.46
Manufacturing and Allied	3.70	5.13*	9.54	0.7815	0.0000	236.12
Telecommunication and Technology	11.71	21.81*	-	0.9615	0.0000	74.88

Source the results are obtained from the sample data assembled for the study.

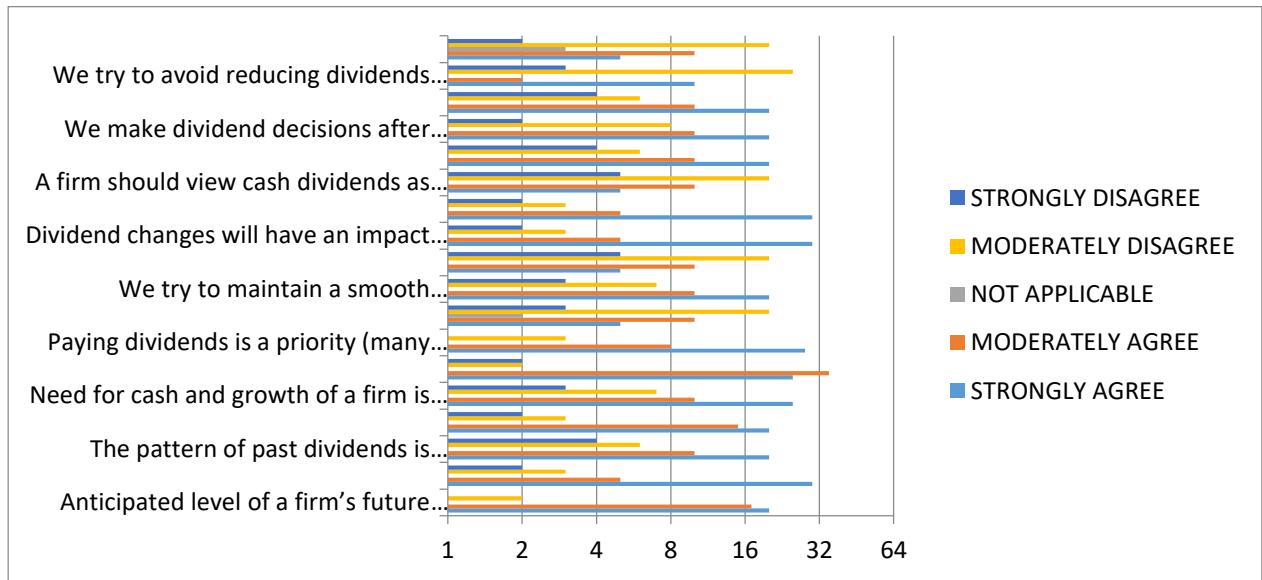
FDPPS represents final cash dividend paid per share while IDPPS is the interim dividend paid per share. R-square-overall is the sector R^2 . The sign “*” indicates the variable coefficient that is statistically significant at the 5% significance level. Probability > chi2 tests the model fit, that is, if probability > chi2 is less than the level of significance. The overall market regression indicates that companies in all the sectors mostly pay final cash dividends as compared to interim dividends. This is illustrated by a statistically positive coefficient of final cash dividends per share in all sectors of the economy. A statistically positive coefficient of interim dividend per share is exhibited in all sectors of the economy except in Automobile and Accessories sector. A statistically negative coefficient of interim dividend per share was also witnessed in the Construction and Allied Sector. Most of the companies in these two sectors did not declare an interim cash dividend over the period of the study.

As found by Adelegan (2013) study, companies under the agricultural sector recorded a statistically positive significant coefficient of both interim and final cash dividend per share, indicating a positive association of cash dividend and share prices. The coefficient of determination R^2 overall was found to be 0.5572. This implied that the predictor variables accounted for 55.72% of the changes in the predicted variable in the agricultural sector. In the Construction and Allied the predictor variables explained 62.81% of the changes in the predicted variable. Final cash dividends paid per share had a higher positive significant coefficient in comparison to interim cash dividend per share which. Statistically negative coefficients were witnessed in the Energy and Petroleum sector for both final cash dividends paid per share and interim cash dividends in relation to market share prices.

4.6. Questionnaire Results.

The chart below was generated from the questionnaire results in the appendix that represent data on responses given by 11 participants in managerial positions who responded to the questionnaire. The 15 responses were from a total of 40 questioners issued. The 15 responses were from, Equity Group Holdings, The Co-operative Bank Ltd, Barclays Bank Ltd, KCB Group Ltd, NIC Bank Ltd, Car & General (K) Ltd, Nation Media Group, Scangroup Ltd, Bamburi Cement Ltd, E.A Cables Ltd, Britam Holdings Ltd, Carbacid Investments Ltd, Safaricom Ltd, Britam Holdings Ltd and Total Kenya Ltd.

Figure 4.4: Questionnaire Results



The data show that about half (6) of participants strongly agree that projected level of an organization's future earnings is a significant factor considered before payment of cash dividends, while a total of 2 correspondent disagree with the statement. On the other hand, 10 out of 11 participants strongly agree that the availability of cash is a significant factor considered before the payment of cash dividends. However, a total of 9 correspondents agree that the pattern of past years' dividends is considered before the payment of cash dividends to shareholders. Again 80 per cent of the participants agree that the anxiety around preserving or increasing stock price is considered before the payment of cash dividends. The result confirms that the need for cash and growth of a firm is considered before the payment of cash dividends. Eight respondents strongly agree, and 2 moderately agree that the need for cash and growth of a firm is considered before payment of cash dividends. Over half of the participants (7) strongly agree, and 3 members moderately agree that disbursing dividends is key decision (many financial decisions are subordinate likened with dividends). The participants (6) disagreed that they pay dividends to

demonstrate that our stock is valuable enough that investors purchase it even though they have to pay comparatively costly dividend taxes.

Additionally, 8 participants agreed that firms try to uphold a flat dividend stream from year-to-year, while 2 disagreed with the statement. Majority of the participants (7) disagreed that companies pay dividends to demonstrate that their firms are strong enough to pass up some lucrative investments, While 5 agreed with the statement. However, 7 members agreed that dividend changes would have an influence on management compensation. Nevertheless, 9 participants agreed that decisions on dividends relay information about the organization to investors. Similar to Yegon, Cheruiyot and Sang (2014) and Kibet et al. (2015) study results, the larger of participants (8) disagreed that an organization should view cash dividends as a residual after funding favorable investments from earnings. While 9 participants are in agreement that a firm's dividend policy commonly influences its cost of capital.

Additionally, about 80% of participants (9) agree that firms need to make dividend decisions after their investment strategies are aligned. Subsequently, 9 participants agree that a company should set a target dividend disbursement proportion and adjust its present payout toward the target. Based on dividend reduction, 7 participants disagree, 4 agree that dividend variations normally lag behind earnings deviations. However, 80% of the participants mentioned the director as the most significant management personnel in developing a dividend policy in their firms. Again, 90% of the firm examines dividends twice a year.

However, common factors that influence the payment of dividends include the proportion of the shares held by directors, the contribution to the firm and responsibilities in the decision-making the process. The coefficient of determination R^2 was found to be 62.54%. This implied that predictor variables explained 62.81% of the change in the predicted variable in the construction and allied sector. Additionally, the joint significance of the predictor variables was tested based on the research questions. Conversely, an increase in share dividend per share by a unit value results in a reduction in share price by 39.81 units in the insurance sector; all other factors held constant. As it was in Musiega et al. (2014) and Julius et al. (2010) studies, investment sector recorded a statistically insignificant coefficient of either cash or share dividend. There was a strong correlation between cash dividend per share and share dividend per share as well as share prices.

4.6.1 Major Factors that listed firms consider before payment of cash dividends.

This section sought to determine the major factors that organizations consider before payment of cash dividends. A Likert scale of 1-5 was used to assess the factors with a value of 5 being assigned to indicate strongly agree, 4 for moderately agree, 3 for not applicable, 2 for moderately disagree and 1 for strongly disagree. The findings obtained are presented by Table 4.5 below.

Table 4.5: Descriptive statistics of major factors considered before payment of cash dividends.

Factor	Mean	Deviation	Rank
Projected level of an organization's future earnings is a major factor considered before payment of cash dividends.	4.133	0.602	2
Availability of cash is a major factor considered before payment of cash dividends.	4.4	0.448	1
The pattern of past dividends is considered before payment of cash dividends to shareholders.	3.933	1.18	5
Concern about upholding or raising stock price is considered before the payment of cash dividends	4	0.875	4
Need for cash and growth of a firm is considered before payment of cash dividends	4.0667	0.802	3
The firm's sustainability is considered before payment of cash dividends.	3.4	1.523	7
Dividend disbursement is a priority as compared to other financial decisions which are secondary	3.7333	1.235	6

Source: Researcher 2020

The major factors that firms consider before payment of cash dividends were ranked in accordance to the means. Factors with a mean higher than 4 were considered to be the main factors that influenced a firm's decisions before payment of cash dividends. From the results, respondents felt

that availability of cash was the main consideration made by firms before payment of cash dividends as indicated by the high mean of 4.4. It was also evident that projected level of an organization's future earnings is a main consideration made by managers since it ranked second with a mean of 4.133. Additionally, the need for cash and growth of a firm were reported as another main factor considered before payment of cash dividends.

On the other hand the pattern of past dividends, an organization's sustainability and dividend decisions being a priority over other financial decisions were considered to be also major factors considered before payment of dividends but only to a moderate extent. The findings implied that the main consideration made by firms before payment of cash dividends was availability of cash.

4.7. Comparison of primary data and secondary data findings.

The findings from primary do agree with secondary data findings. The findings of secondary data from the regression output and overall market regression showed that both final and interim cash dividend have an effect on market share prices. Final cash dividends have a higher positive significance to market share prices as compared to interim cash dividends. In the long run the cash dividends paid have a substantial effect on the market share prices of firms listed in the NSE. These findings were reinforced by the results of primary data where most of the respondents were of the view that the dividends paid by a firm has an influence on the market share prices. According to the respondents companies listed in NSE consider paying dividends as a priority financial decision among other financial decisions that a firm undertakes.

4.8. Summary of Chapter.

The chapter highlights the results after the data examination procedure, which concentrated on understanding the association between cash dividends paid by organizations listed on the NSE and share prices. The results show that there exists a significant positive association between share prices and amounts of dividends paid. Moreover, the research results show an inverse, insignificant correlation between share prices and debt-equity ratio. Finally, the study depicted that retained earnings do not affect the market share prices. The results of this chapter were beneficial in making a summary of findings, conclusion and recommendation in Chapter Five.

CHAPTER 5

DISCUSSIONS, CONCLUSIONS AND ECOMMENDATIONS

5.1. Introduction.

The chapter highlights the summary, conclusions and recommendations of the key results on the effect of cash dividend on the market share price of organizations trading on the Nairobi Securities Exchange. Summary of the results is discussed in section 5.2. Discussion of the findings based on the specific objectives is given in section 5.3 and 5.4. Recommendations are given in section 5.5, limitations of the research study section 5.6 and areas of added study in section 5.7.

5.2. Summary of Findings.

Chapter one provided an outline of how cash dividends paid affect the share price of firms. The objective of the research was to determine how cash dividend influence the market share price of organizations listed on the Nairobi Securities Exchange. The second chapter highlighted theories on which the study is founded on and highlighted and other variables that affect the share price of organizations in NSE. In addition to this, the chapter provided a summary of previous studies done in this area of study. Empirical studies were analyzed in order to identify the research gap.

Chapter three identified the research approach utilized in the study. An analytical model for linking the share price with the three predictive was developed, and secondary data to be utilized for the study was identified. Secondary information was analyzed in chapter four, and descriptive statistics of the variables were analyzed, and a regression and correlation analysis was conducted.

5.3. Relationship of Cash dividends paid and share price of Listed Firms.

This study main objective was to define the bond between cash dividends paid and market share price of organizations listed in NSE. The section was structured based on the target population, study design, sample selection and design, data gathering techniques and tools, and examination and presentation of findings. The sample consisted of 40 selected organizations that met the eligibility standards. The sample included companies and organizations from all the ten economic sectors represented at the NSE for the period between the year 2009 and 2019.

The correlation results from the study results reveal a positive and significant correlation amid cash dividends paid and market share price. Therefore, this implies that the cash dividends paid of a listed organization in the NSE impacts the share price of the firm and the influence is significant. The correlation coefficients of debt-equity ratio with share price were insignificant and negative while the coefficient for retained earnings per share was negative and insignificant.

Agriculture sector revealed a statistically important positive coefficient of cash dividend, denoting a positive and significant correlation amongst cash dividend and market share price. Firms in the Commercial and service and banking sectors results showed existence of a statistically significant coefficient of cash dividend, inferring a positive correlation between cash dividend and share price for firms listed in those sectors. Moreover, other sectors including automobile and associates, construction and allied, insurance, investment and manufacturing indicated existence of a statistically significant positive coefficient of dividends paid, implying a strong relationship amongst dividend paid and market share price. Telecommunication and technology sector was not analyzed on this objective since the variable was omitted due to the failure of the companies in the sector to issue share dividend in the period under consideration.

The findings were similar to Musyimi (2017) who conducted a study on non-financial organizations trading in Nairobi Securities Exchange and concluded that there existed a positive and significant association amongst the cash dividends paid and the share market prices. Additionally these findings were in agreement with Munyua (2012) who conducted a study of listed companies in the Nairobi Securities Exchange. The study enhanced the existence of a strong positive relationship amongst cash dividend per share and share price.

These findings on the contrary, contradicted findings of Onyango (2015) who reported that the cash dividends paid did not influence the stock prices and that the existing association amongst stock prices and dividend payout ratio is weak and in the opposite direction. The conclusion from his study was that cash dividends paid is not a predictor for market share prices of listed organizations in Kenya.

From the answers of this study it can be inferred that cash dividends paid have an effect on the market share prices. This implies that higher cash dividends paid will result in higher share prices. This is in line with empirical evidence as highlighted by (Ross, et al 2002; Gordon, 1961, 1962;

Easterbrook, 1984) that the dividend policy adopted by an organization does affect the share prices. The results are also in line with evidence derived from dividend signaling hypothesis developed by John and William (1985) and Miller and Rock (1985). The study supported Lintner (1956) conclusion that the amounts of dividends paid is determined by managers of a listed firm and that predictable and stable dividends paid give more certainty to existing and potential investors. Higher dividends will lead to higher return on assets affecting the share prices positively.

5.4. Effect of Interim dividends on market share prices.

The regression outcomes indicate a positive correlation amongst the interim cash dividends paid and market share price. This, therefore, highlights a definite causal correlation between interim dividends and the share price of listed organizations in the Nairobi Securities Exchange.

From the study the interim dividends declared by a company influences the share price return of the firm. This is in line with Lintner (1962) and Gordon (1959) theories on shareholders preferences. According to them investors would prefer dividend payouts as compared to capital gains. The investors see dividend payouts as risk free returns on their investments. The conclusions of this research study reinforced the signaling theory which suggests that dividends paid act as signal of earnings of a particular firm in the future.

The results of this study corroborates a study done by Chen et al. (2009) on the outcome of increase in cash dividends and share price returns. According to the study a positive increase in cash dividends paid gives a strong indication and confidence to investors of the organization's upcoming cash flows and operations. A decrease in cash dividends sends a negative gesture to investors affecting the share price yields. The outcomes derived from the study were consistent with the conclusions of Nissim and Ziv (2001) who conducted a study on the connection amongst increase in a company's dividends and its future earnings. According to their study an increase in dividends impacts positively the firm's future revenues. The study does also corroborate the findings of Waweru (2010) who established that dividends are significant predictors of future earnings of organizations trading in Nairobi Securities Exchange.

The findings however differ with those of Benartzi et al. (1997) who conducted a study on the American market years 1979 to 1991. The study wanted to determine if dividend variations were a signal to past or future revenues of an organization. They concluded that changes in dividends

were an indication of current and past earnings. According to their study dividend changes did not signal future earnings. The study also differs with Mulwa (2006) who concluded that changes in dividends are a reflection of existing and historical earnings and not forthcoming earnings.

5.5. Considerations made by Organizations before payment of dividends.

The study established that availability of cash was the main factor that listed firms in NSE considered before payment of cash dividends. Other major factors that were considered are, projected level of a firm's future earnings, need for cash and pattern of past dividends. The study also noted that dividend decisions were a priority among financial managers as compared to other financial decisions. The findings highlighted the need for organizations to be keen on decision decisions since this may affect the firm's value.

5.6. Recommendations.

This study endorses that listed firms should be keen on dividend policies they adopt during fiscal periods as the dividend pay-out of a firm influences the share price. According to Odinya and Joseph (2018), companies should also try and maintain consistency in their dividend payments as cash dividend is relevant to the corporate value. For example, listed companies like Eveready East Africa Limited and Mumias Sugar company have exhibited a drop in the price of the share over the period under study as they have an exhibited a meager dividend payout ratio of around zero over nine years.

Organizations trading in the Nairobi Securities Exchange should strive to pay more frequent cash dividends to their shareholders. Frequent cash dividends increase a firm's market value through increase in share prices which is caused by investors' perception on the stock value. When a firm pays higher dividends to its investors the stock becomes more attractive to stock buyers. Existing and potential investors do consider growing dividends as a firm's good health. However companies should not raise their dividends if their profits are not growing. This would send a wrong indication to the market and the organizations may not be in a position to sustain paying these improved dividends over a longer period of time. Cash dividends paid act as specific company indicators while there are also industry indicators that affect the value of a particular stock. Industry announcements and analysts expectations and ratings are industry indicators which may affect the value of a stock.

The study implications could be formulated from the academic literature and results of the project. First, this research revealed the union of theory and practice on cash dividend and market share price for listed firms in Kenya. In addition, dividend relevant theories are applicable in a Kenyan case. Similar to Dionne et al. (2011), the applicability of signaling theory in a Kenyan context is well demonstrated in this study. As suggested by Kadu and Oluoch (2018), the investors would, therefore, prefer investing in firms that disburse cash dividends since there are future possibilities of increase in interest among shareholders. This is because of the capability to send positive signs to the potential investors henceforth raising the demand for those shares.

Nevertheless, despite many laws governing the conduct of listed organizations at the Securities Exchange, many companies have gone under due malpractices such as insider trading that eventually water down their share prices. A case in point is Uchumi Supermarket that went under due to insider trading and conflict of interest between the members of the board of directors in the year 2005 (Achieng, Muturi & Wanjare, 2018). The Capital Markets Authority of Kenya should, therefore, amend Cap 485A Laws of Kenya and direct tough rules and procedures that will guarantee application of practices that are in line with good corporate governance by organizations trading at the NSE.

5.7. Limitations of Study.

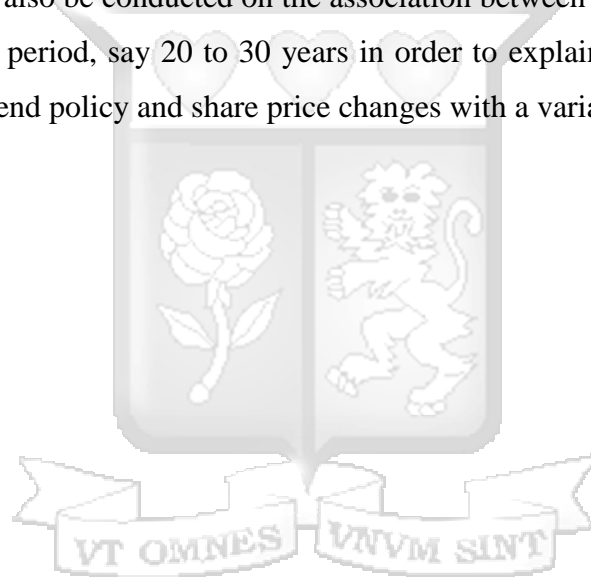
The information used in conducting the study is mostly secondary and was majorly acquired from the Nairobi securities exchange handbooks and companies financial reports. Since the information is secondary, there may be possibilities of error in collecting and presenting the data. The study focused on organizations listed on the NSE. This suggests that there exist varied relationships between the study variable amongst firm not trading at the NSE and conclusions of this study should not be universal to unquoted companies. For the primary data collection there was some level of unwillingness to respond to questionnaires from some of the finance managers.

The firms selected for the study had varying financial year-end dates such as a march, June and December. This variation in end of the year dates may have affected some of the variables in the study as different macroeconomic conditions vary over various periods of a year Dividend payout ratios were calculated from earnings per share. The process involved accounting figure that could be open to the likelihood of manipulation by companies for them to dodge payment of taxes or to sway the performance of the organization. The study only focused on the financial period

between the year 2008 and 2017; different finding may be identified if the period is varied. Lastly, a potential changes in structures of the shares for the different firms throughout the study, such as share splits, rights issue and bonus shares could have affected the company's share price. For example, Flame tree Group Company announced a bonus issue in 2016, and this may have affected its share structure and price as no cash dividend was issued.

5.8. Areas for Further Study.

For future studies by the researcher, it will be interesting to have studies investigating the connection between market share price and cash dividend payments for organizations trading on the NSE in other industries such as agricultural, banking, construction and allied amongst others. Additionally, studies can also be conducted on the association between cash dividend and market share price for a lengthy period, say 20 to 30 years in order to explain further whether the link witnessed amid the dividend policy and share price changes with a variation in the study period.



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APPENDICES

APPENDICE A: LETTER OF INTRODUCTION.

Dear Sir/Madam,

RE: RESEARCH QUESTIONNAIRE.

Please I am writing this letter to request that you kindly respond to the questionnaire attached. The questionnaire is part of a research project that I am required to carry out in partial fulfillment of a Master of Commerce degree in Strathmore University.

The topic of the research is EFFECT OF CASH DIVIDEDS ON MARKET SHARE PRICES OF LISTED FIRMS IN NSE.

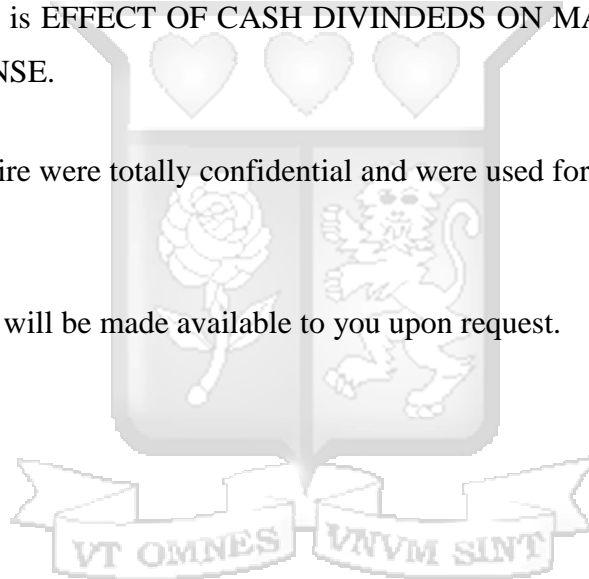
Replies in the questionnaire were totally confidential and were used for the single purpose of this particular research only.

The findings of the study will be made available to you upon request.

Yours faithfully,

Antony Njogu Micere.

+254-715-590-738



APPENDICE B: QUESTIONNAIRE ON CONSIDERATIONS MADE BY MANAGEMENT BEFORE PAYMENT OF CASH DIVINDEDS.

Introduction

Hello, my name is Antony Njogu. I am a student at the Strathmore University. I am conducting a research in order to understand how cash dividends affect the market share prices of listed firms in NSE. The data that I obtain from you will only be used in this research. Availing this information will not cause you, your children or any member of your family and friends any harm. The results of this research was shared with the University and other stakeholders in this county and Kenya at large. You are free to pass questions which you feel not comfortable to respond. However, it was of great benefit if you answer all questions as your views are very important for this research.



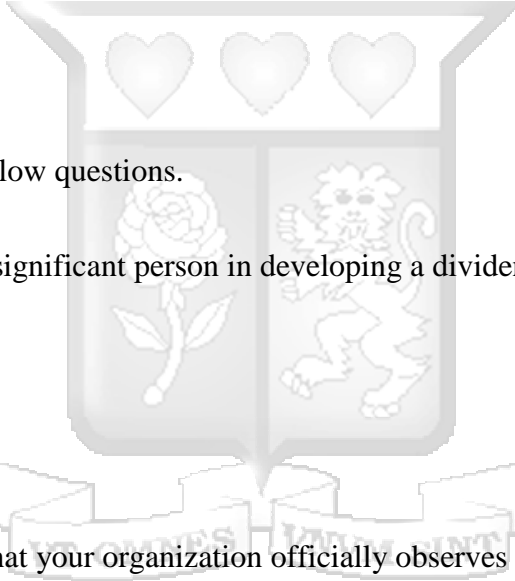
1. Kindly tick the box that shows the correct position of your firm based on the below queries.

	STRONG LY AGREE	MODERATE LY AGREE	NOT APPLICAB LE	MODERATE LY DISAGREE	STRONG LY DISAGRE E
Projected level of an organization’s future earnings is a major factor considered	6	3	0	2	0

before payment of cash dividends.					
Availability of cash is a major factor considered before payment of cash dividends.	8	2	0	1	0
The pattern of past dividends is considered before payment of cash dividends to shareholders.	6	2	0	2	1
Concern about upholding or raising stock price is considered before the payment of cash dividends.	5	4	0	1	1
Need for cash and growth of a firm is considered before the payment of cash dividends.	7	2	0	1	1
The firm's sustainability is considered before the payment of cash dividends.	2	6	0	2	1
Dividend disbursement is a priority as compared to other financial decisions which are secondary.	4	5	0	1	1
We distribute dividends to reveal that our stock is valuable enough that investors acquire it yet we	1	2	1	5	2

need to remit comparatively costly dividend taxes.					
A smooth dividend stream is upheld from year-to-year.	6	3	0	1	1
We pay dividends to demonstrate that our company is financially strong enough to forego some profitable investment ventures.	1	1	0	7	2
Executive compensation is impacted by dividend changes.	6	3	0	1	1
Information about our company is conveyed to investors through dividend decisions.	7	2	0	1	1
An organization should view cash dividends as a residual once preferred investments are financed from earnings.	1	2	0	6	2
The cost of capital of an organization is usually influenced by the dividend policy.	6	3	0	1	1
Our dividend decisions are made after determination of investment plans.	5	4	0	1	1

An organization ought to set a target dividend payout ratio and amend its present payout toward the target.	4	3	0	3	1
We try to avoid reducing dividends per share.	6	1	0	2	2
Changes in dividends commonly lag behind earnings changes.	1	1	1	6	2



2. Kindly answer the below questions.

A) Who is the most significant person in developing a dividend policy in your firm?

B) The occurrence that your organization officially observes its dividend policy in a year.

C) State other factors that your firm considers before payment of cash dividends.

APPENDICE C: SAMPLE REPRESENTATION FOR SECONDARY DATA

Sample Representation		
	SECTOR	FIRM
1	Agricultural	Kakuzi Limited
2		Sasini Tea and Coffee
3		Eaagards Limited
4		Williamson Tea Kenya Ltd
5	Automobiles And Accessories	Car & General Kenya
6	Banking	Barclays Bank of Africa
7		CFC Stanbic Holdings
8		Kenya Commercial Bank Group
9		Equity Group Holdings Limited
10		National Bank of Kenya
11		Cooperative Bank of Kenya
12		Standard Chartered Bank Of Kenya
13	Commercial and Services	Kenya Airways
14		Express Kenya Limited
15		Nation Media Group
16		Scangroup
17		Standard Group Limited
18		Longhorn Kenya Limited
19	Construction and Allied	Bamburi Cement Ltd
20		East African Cables Limited
21		East African Portland Cement Company
22	Energy and Petroleum	Kengen
23		Kenol Kobil
24		Kenya Power & Lighting Company
25		Total Kenya
26	Insurance	CIC Insurance Group
27		Jubilee Holdings Limited
28		Kenya Reinsurance Company
29		British American Investments Company
30	Manufacturing and Allied	Carbacid Investments limited
31		Unga group
32		East African Breweries
33		British American Tobacco Limited

34		Kenya Orchards Limited
35		Mumias Sugar Company Ltd
36		Flame Tree Group Holdings Ltd
37	Investments	Centum Investments Company ltd
38		Trans-century Ltd
39	Investments Services	NSE Ltd
40	Telecommunications & Technology	Safaricom



APPENDICE D: ETHICAL EXEMPTION LETTER.



25th June 2021

njogutoni@gmail.com

Dear Mr

Njogu,

RE: Effect of Cash Dividends on Market Share Price of Firms Listed in The Nairobi Securities Exchange

This is to inform you that the Research Services Office has received your above research proposal along with a request for exemption from Ethical Approval.

The office notes that: On the grounds of not having submitted your research proposal, with reason of ethical approval not being compulsory at the time of your research study in the University. This is a letter for you to proceed with your study.

Please be advised, that in future, all research proposals should be submitted to the SU-IERC through the RHInnO Ethics platform.

Disclaimer: This is not in any way an ethical approval letter.

Yours


sincerely,



25 June 2021

Prof Rachel

Mbogo

Dean Research and Innovation

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