

THE RELATIONSHIP BETWEEN DIVIDEND PAYOUT AND FIRM PERFORMANCE: A STUDY OF LISTED COMPANIES IN KENYA

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Abstract:

Several theories have been documented on the relevance and irrelevance of dividend policy. Many authors continue to come up with different findings from their studies on the relevance of dividend policy. This research sought to establish the relationship between dividend payout and firm performance among listed firms in the Nairobi Securities Exchange. Regression analysis was carried out to establish the relationship between dividend payout and firm performance. The findings indicated that dividend payout was a major factor affecting firm performance. Their relationship was also strong and positive. This therefore showed that dividend policy was relevant. It can be concluded, based on the findings of this research that dividend policy is relevant and that managers should devote adequate time in designing a dividend policy that will enhance firm performance and therefore shareholder value.

Keywords: Dividend, earnings, payout policy

Introduction:

1.1 Background Information

In Kenya, fifty eight companies are listed in the Nairobi Securities Exchange (NSE), which is the only stock exchange firm in the country (Nairobi Securities Exchange, 2012). Listed companies fall into two main segments, that is, the main market segment and the alternative investment market segment. The Nairobi Securities Exchange classified these companies into ten sectors. These are; agricultural, commercial and services, telecommunication and technology, automobiles and accessories, banking, insurance, investment, manufacturing and allied, construction and allied, energy and petroleum (NSE, 2012).

Enhancing shareholders' wealth and profit making are among the major objectives of a firm (Pandey, 2005). Shareholder's wealth is mainly influenced by growth in sales, improvement in profit margin, capital investment decisions and capital structure decisions (Azhagaiah & Priya, 2008). Firm performance in this case can be viewed as how well a firm enhances its shareholders' wealth and the capability of a firm to generate earnings from the capital invested by shareholders. Dividend policy can affect the value of the firm and in turn, the wealth of shareholders (Baker et al., 2001). Among the requirements that companies that want to be listed in the Nairobi Securities Exchange must fulfill, is that they should have a clear future dividend policy (Kenya Gazette Legal Notice No 60 May, 2002). This makes dividend policy worthy of serious management attention.

Dividend policy is therefore, considered to be one of the most important financial decisions that corporate managers encounter (Baker and Powell, 1999). It has potential implications for share prices and hence returns to investors, the financing of internal growth and the equity base through retentions together with its gearing and leverage (Omran & Pointon, 2004). Frankfurtet & McGoun (2000) concluded that the dividend puzzle, both as a share value-enhancing feature and as a matter of policy is one of the most challenging topics of modern financial economics. Mizuno (2007) agrees to the fact that a firm ought to pay dividends to shareholders if it cannot identify suitable investments which would bring higher returns than those expected by the shareholders.

There are dividend theories that have been put across by academicians (Stulz, 2000; Pandey, 2003; DeAngelo et al., 2006). The theories view dividends as either relevant or irrelevant in making financial decisions. Miller and Modigliani theory (Stulz, 2000) proposes that in a capital market where there are no imperfections such as taxes, transaction costs, asymmetric information and agency costs, the dividend policy of a company is irrelevant for the market value of its shares. It therefore implies that financial managers cannot alter the value of their firms by changing their

dividend policy. They showed that firm value is enhanced by investing in productive assets and not by the way in which income is distributed to shareholders (Stulz, 2000). According to their theory, dividend policy is therefore irrelevant and a rational investor does not have a preference between dividends and capital gains. Several researchers have come up to oppose the theory developed by Miller and Modigliani stating that it does not apply in the real world where there are a lot of imperfections (Dhanani, 2005)

The agency cost theory suggests that, dividend policy is determined by agency costs arising from the divergence of ownership and control. Managers may not always adopt a dividend policy that is value-maximizing for shareholders but would choose a dividend policy that maximizes their own private benefits. Making dividend payouts which reduces the free cash flows available to the managers would thus ensure that managers maximize shareholders' wealth rather than using the funds for their private benefits (DeAngelo et al., 2006).

The signaling theory proposes that dividend policy can be used as a device to communicate information about a firm's future prospects to investors. Cash dividend announcements convey valuable information, which shareholders do not have, about management's assessment of a firm's future profitability thus reducing information asymmetry. Investors may therefore use this information in assessing a firm's share price. Dividend policy under this model is therefore relevant (Al-Kuwari, 2009).

Bird in hand theory proposes that a relationship exists between firm value and dividend payout. It states that dividends are less risky than capital gains since they are more certain. Investors would therefore prefer dividends to capital gains (Amidu, 2007). Because dividends are supposedly less risky than capital gains, firms should set a high dividend payout ratio and offer a high dividend yield to maximize stock price.

Researchers have different views about whether dividend payout materially affects the long term share prices. Dhanani, (2005) who used a survey approach to capture managerial views and attitudes of corporate managers regarding dividend policy found that dividend policy serves to enhance corporate market value. However, Farsio et al., (2004) argues that empirical studies that conclude a causal relationship exists between earnings and dividends are based on short periods of time and are therefore misleading to potential investors. Therefore, dividends have no explanatory power to predict future earnings. This research therefore tries to establish whether a relationship exists between dividend payout and firm performance.

1.2 Problem Statement

Despite the numerous studies (Arnott & Asness 2003; Farsio et al 2004 and Nissim & Ziv 2001) that have been done, dividend policy remains an unresolved issue in corporate finance. Several theories have been proposed to explain the relevance of dividend policy and whether it affects firm value, but there has not been a universal agreement (Stulz, 2000; Pandey, 2003; DeAngelo et al., 2006). Researchers Amidu (2007), Lie (2005), Zhou & Ruland (2006), Howatt et al. (2009), continue to come up with different findings about the relationship between dividend payout and firm performance. A study by Amidu (2007) revealed that dividend policy affects firm performance as measured by its profitability. The results showed a positive and significant relationship between return on assets, return on equity, growth in sales and dividend policy. Howatt et al. (2009) also concluded that positive changes in dividends are associated with positive future changes in earnings per share. In contrast, Lie (2005) argues that there is limited evidence that dividend paying firms experience subsequent performance improvements.

A number of studies (Arnott & Asness 2003; Farsio et al 2004 and Nissim & Ziv 2001) have been done with regard to dividend policy and firm performance, especially in developed economies. Can the findings of those studies (Aivazian et al., 2001 and Al-Haddad, et al., 2011) be replicated in emerging economies or infant capital markets? In Kenya, few empirical studies have been done to establish the relationship between dividend payout and firm performance. This study therefore comes in to fill the void by establishing whether there is a relationship between dividend payout and firm performance among listed companies in Kenya.

1.3 Research Objectives

The general objective of the research was to establish the relationship between dividend payout and firm performance among listed companies in Kenya. The research was also guided by the following specific research objectives;

1. To establish the relationship between dividend payout and firm performance among listed companies in Kenya.
2. To establish the extent of the relationship between dividend payout and firm performance.

1.4 Research Questions

The research was guided by the following research questions;

1. What relationship exists between dividend payout and firm performance among listed firms in Kenya?
2. What is the extent of the relationship between dividend payout and firm performance?

Literature review

Introduction

This chapter focuses on previous studies done by various authors in relation to dividend policy and firm performance. The chapter is divided into three sections. The first section gives a definition for dividends and dividend policy. The second section discusses the key theoretical considerations from previous studies to inform the general and specific objectives developed for this study, that is, dividend policy and firm performance; extend of their relationship; factors that affect dividend policy and forms of dividend policy used by listed firms. The third section gives a brief description of the research methodologies used by previous studies in attaining their objectives.

Dividend Payout and Profitability

Firm performance can be measured by the earnings generated by the company in terms of profitability. There is substantial literature on the relationship between dividend policy and profitability. Dividends are important to shareholders and potential investors in showing the earnings that a company is generating. Healthy dividends payouts thus indicate that companies are generating real earnings rather than cooking books (Barron, 2002). A study by Zhou & Ruland (2006) revealed that high dividend payout firms tend to experience strong future earnings but relatively low past earnings growth despite market observers having a contradicting view. The findings of another study done by Arnott & Asness (2003) also revealed that future earnings growth is associated with high rather than low dividend payout. They concluded that historical evidence strongly suggests that expected future earnings growth is fastest when current payout ratios are high and slowest when payout ratios are low. Their evidence contradicted the view that substantial reinvestment of retained earnings would fuel faster future earnings growth. Their study was done to investigate whether dividend policy of the U.S. equity market portfolio, forecasts future earnings growth. The study comprised companies in the S&P 500 which tend to be large and well established firms in advanced

economies (Zhou & Ruland, 2006). Empirical studies need to be done in developing capital markets or for newly listed companies which tend to be, less profitable and more growth oriented.

Arnott & Asness (2003) suggested that the positive relationship between current dividend payout and future earnings growth is based on the free cash flow theory. Low dividend resulting in low growth may be as a result of suboptimal investment and less than ideal projects by managers with excess free cash flows at their disposal. This is prominent for firms with limited growth opportunities or a tendency towards over-investment. Paying substantial dividends which in turn would require managers to raise funds from issuance of shares, may subject management to more scrutiny, reduce conflicts of interest and thus curtail suboptimal investment (Arnott & Asness, 2003). This is based on the assumption that suboptimal investments lays the foundation for poor earnings growth in the future whereas discipline and a minimization of conflicts will enhance growth of future earnings through carefully chosen projects. Therefore, paying dividends to reduce the free cash flows enhances the performance of a company since managers will have less cashflows thus avoiding suboptimal investments. This is also consistent with the agency cost theory.

Another explanation by Arnott & Asness (2003) for the positive relationship between dividend payout and growth in future earnings is that managers are reluctant to cut dividends. A high payout ratio indicates management's confidence in the stability and growth of future earnings and a low payout ratio suggests that management is not confident of the stability of earnings or sustainability of earnings growth (Arnott & Asness, 2003). Managers therefore pay low dividends to avoid dividend cuts when earnings drop.

The positive relationship is also driven by sticky dividends combined with mean reversion in more volatile earnings (Arnott & Asness, 2003). The temporary increases and decreases in earnings subsequently reversed cause the payout ratio to be positively correlated with future earnings growth. Their robustness check for the mean reversion of earnings suggested that earnings seem to revert to the mean but may revert most strongly in terms of their ratio to dividends.

However, Farsio et al. (2004) argue that no significant relationship between dividends and earnings hold in the long run and studies that support this relationship are based on short periods and therefore misleading to investors. They proposed three scenarios that would render the long-term relationship of dividends and future earnings insignificant.

First, they point out that an increase in dividends may lead to a decline in funds that are to be reinvested by the firm. Firms that pay high dividends without considering investment needs may

therefore experience lower future earnings (Farsio et al., 2004). There is thus a negative relationship between dividend payout and future earnings.

Secondly, an increase in dividends in a quarter may be the result of the management's policy to keep investors satisfied and prevent them from selling the stock at times when future earnings are expected to decline or current losses are expected to continue (Farsio et al., 2004). This is a case of rising dividends followed by declining earnings.

Lastly, an increase in dividends may be the result of good performance in previous periods which may continue into the future (Farsio et al., 2004). This supports the view of a positive causal relationship between current dividends and future earnings. From these scenarios, they argue that the overall long-term relationship is insignificant since there is a positive relationship between dividends and future earnings in some periods and a negative relationship in other periods. Nissim & Ziv (2001) showed that dividend increases were directly related to future increases in earnings in each of the two years after the dividend change. What therefore happens when there is a steady increase in dividends for a given number of years? Nissim & Ziv (2001) found that dividend increases and decreases are not symmetric. Dividend increases are associated with future profitability for at least two years after the dividend change, whereas dividend decreases are not related to future profitability after controlling for current and expected profitability. They propose that this lack of association can be explained by accounting conservatism. They therefore conclude that there is a positive relationship between dividend payout and future earnings but the relationship is stronger for future abnormal earnings.

In a study that examines whether dividend policy influences firm performance in the Ghana Stock Exchange, Amidu (2007) found that dividend policy affects firm performance especially the profitability measured by the return on assets. The results showed a positive and significant relationship between return on assets, return on equity, growth in sales and dividend policy. This showed that when a firm has a policy to pay dividends, its profitability is influenced. The results also showed a statistically significant relationship between profitability and dividend payout ratio. A study by Howatt et al. (2009) also concluded that positive changes in dividends are associated with positive future changes in mean real earnings per share.

Lie (2005) argues that firms that increase payouts have excess financial flexibility and exhibit positive concurrent income shocks and decreases in income volatility, but there is limited evidence of subsequent performance improvements. His study revealed that firms that increase payouts have

lower past volatility of operating income than other firms. The volatility decreases even further. This can be explained by the fact that managers increase the firm's payout when they believe that the probability of sustaining the current level of income is high. Firms that decrease dividends on the other hand, have higher past volatility than other firms, and this volatility is on the rise.

Dividend Payout and Maximizing Shareholder Value

The dividend irrelevance proposition suggests that a firm's dividend policy has no effect on the value of the firm in a perfect and complete market (Stulz, 2000). Financial managers therefore, cannot alter the value of their firms by changing their dividend policy (Dhanani, 2005). The market position or observation is that a change in dividend policy is valued by the market. The valuation of firms also focuses on the relationship between dividend changes and future cash flows, that is, future earnings or dividends. If a firm's dividend policy can provide additional insight into the cash flows, then a more reliable estimate of value can be obtained (Howatt et al., 2009).

A study by Dhanani (2005) revealed that dividend policy is important in maximizing shareholder value. A firm's dividend policy can influence one or more of imperfections in the real world such as information asymmetry between managers and shareholders; agency problems between managers and shareholders; taxes and transaction costs and in turn, enhance the firm's value to shareholders (Dhanani, 2005). In an imperfect market setting, dividend can influence shareholders' wealth by providing information to investors or through wealth redistribution among shareholders (Travlos et al., 2001; Adesola & Okwong, 2009).

A firm's dividend policy can influence its capital structure or investment decisions and in turn, enhance the firm's value to shareholders (Baker et al., 2001). Shareholder's wealth is maximized through effective investment strategies, financed by an optimal capital structure. Dividend policy can be viewed as a result of the investment and financing decisions since the company needs to decide how to distribute wealth generated from these strategies (Dhanani, 2005). The relationship can also be inverse, where dividend policy influences a firm's capital investment and structure decisions and in turn its value enhancing properties. Aivazian et al., (2003) state that since corporate investment is sensitive to financial constraints, a firm's dividend decisions, which directly affects its free cash flow, could affect its investment. This arises when a firm's dividend policy viewed as a residual to its capital structure and investment decisions; internally generated cash flows from existing investments will be used to optimize a the firm's capital structure and future capital investment decisions and any surplus returned to shareholders as dividends (Dhanani,

2005). The pecking order theory of capital structure proposes that companies will prefer internally generated cash flows to external funds and therefore pay low dividends. It therefore suggests that firms that pay high dividends experience low growth which contradicts studies by Zhou & Ruland (2006) and Arnott & Asness (2003). The equity component of a firm increases when more earnings are retained. However, if a firm has a large payout, financing may need to come from debt. An increase in debt without a proportionate increase in equity may result in a deviation from a firm's optimal capital structure (Baker, 2001). A flexible dividend policy may also serve to optimize firms' capital structure (Mitchell et al., 2001). A residual dividend policy, for example, may enable firms access external sources of funds such as debt. Lenders in this case will not view dividends as a fixed and regular payment which may adversely affect the firm's cash flows. They will thus be more willing to give debt to firms.

A firm's dividend policy can reduce agency problems between managers and shareholders and, in turn, enhance the firm's value to shareholders (Dhanani 2005). Dividends are a way to solve agency problems where managers can use excess free cash flows to pursue their own interests. By paying dividends to shareholders, free cash flows are reduced and thus managers have no opportunity to make suboptimal investments (Bartram et al., 2009 & DeAngelo et al., 2006). A firm's value and performance is therefore enhanced through higher returns from optimal investments. Dividend payments force firms to raise funds externally for new investments, which in turn increases the level of external monitoring of corporate activities by the capital market regulator (Jiraporn et al. 2011). There is thus improved corporate governance which has a positive effect in the firm's performance.

A firm's dividend policy can take into consideration the different circumstances of its shareholders and in turn, enhance the firm's value to these shareholders (Dhanani, 2005). Depending on the preferences of shareholders, firms can formulate a dividend policy that meets the needs of its shareholders. In this case, dividends themselves do not provide information about future earnings, but rather create a clientele that are drawn to firms with their preferred dividend policy. Malcolm and Wurgler (2004) demonstrate that firms design dividend policy in response to shareholders' preference for dividends. Certain shareholders may have a preference for cash dividends, others for dividend stability and others would prefer capital gains earned through reinvestment of dividends and thus no cash dividends. This may be explained by the bird in hand fallacy as investors may deem dividends a more current and certain return than capital gains (Amidu, 2007 & Howatt et al., 2009).

Individual investors' tax preferences may also influence their dividend preferences. Investors afraid of higher taxes are likely to prefer low or no dividend payouts in an attempt to reduce their taxable income thus preferring capital gains (Howatt et al., 2009). In Kenya dividends are taxed at 5% as a final tax for individuals while capital gains tax are tax exempt (Income Tax Act, 2010). Firms that meet the needs of individual investors are more likely to be able to command a higher share price premium and thus an enhanced firm value. However, Amidu (2007) argues that, if investors migrate to firms that pay the dividends that most closely match their needs, no firm's value should be affected by its dividend policy.

Thus, a firm that pays no or low dividends should not be penalized for doing so, because its investors do not want dividends. Conversely, a firm that pays high dividends should not have a lower value, since its investors like dividends. This argument assumes that there are enough investors in each dividend clientele to allow firms to be fairly valued, no matter what their dividend policy is.

Research Methodology

Zhou & Roland (2006) used a multiple regression model to establish the relationship between dividend payout and future earnings growth. The key independent variable for their study was dividend payout. Size was controlled because small firms are likely to exhibit stronger growth than large companies which are more established and mature. There was control for return on assets since it is difficult to demonstrate strong earnings growth when the profitability is already high. Leverage was controlled on the expectation that firms with high leverage would tend to have large investments and thus higher earnings growth. Earnings yield, past earnings growth and future asset growth were also controlled for. Without controlling for past earnings and future asset growth, it would be difficult to establish growth due to the dividend policy.

Amidu (2007) in his study that sought to establish whether dividend policy affects firm's performance used a panel regression equation to meet his objectives. His method differs from a regular time series or cross section regression by the double subscript attached to each variable. The panel pooled crossed-section regression data was used to gain the maximum possible observations. The dependent variables were return on assets and return on equity as the main accounting measures of performance. Dividend payout was measured by the dividend payout ratio. In his model, he controlled for the variables that were also controlled by Zhou & Roland (2006).

Nissim & Ziv (2001) used categorical and regression analysis to investigate the relationship between dividend changes and future earnings changes. They examined the correlation between the rate of change in dividend per share in year zero and the change in earnings in years zero, one and two. This was based on the assumption that earnings follow a random walk, so changes in earnings measures unexpected profitability.

Research methodology

Introduction

This chapter gives a description of the research methodology employed in achieving the objectives of this study. The chapter presents the research design, target population and sampling procedure, data collection procedures, and data analysis.

Research Design

The research design is correlation since it sought to establish the relationship between dividend payout and firm performance. The data used in this research was obtained from the annual reports of companies listed in the Nairobi Securities Exchange for a nine year period that is, from 2002 to 2010. Dividend payout was measured by the actual dividends paid out and firm performance was measured by the net profit after tax. Regression analysis was carried out to establish the relationship between dividend payout and firm performance.

Target Population and Sampling Procedure

The population for this study consisted of the firms listed on the Nairobi Securities Exchange. The NSE classified these companies into ten sectors. These are; agricultural, commercial and services, telecommunication and technology, automobiles and accessories, banking, insurance, investment, manufacturing and allied, construction and allied, energy and petroleum (NSE, 2012). The secondary data for regression analysis was gathered from forty one companies listed in the Nairobi Securities Exchange. The companies were selected based on the availability of information. Companies suspended from the Nairobi Securities Exchange were also studied since they had the relevant data.

Data Collection

This study made use of both primary and secondary data. Secondary data was obtained from the firm's annual reports most of which are publicly available. This will be for a nine year period, that is, from the year 2002 to 2010. The data mainly comprised the financial statements.

Data Analysis and Presentation

The results of the study were presented in tables. Dividend payout was measured using the actual dividends paid out. The company's performance was measured by the net profit after tax which indicates profitability. Regression analysis was used in this case to determine the relationship between dividend payout and firm performance. Dividends paid, total assets and revenue were the independent variables while the net profit margin was the dependent variable. The following regression model was used to determine the relationship between dividend payout and firm performance.

$$\text{NPAT (sh000)} = 24828 + 0.00130 \text{ Div} + 0.00289 \text{ TotAssets (sh000)} + 0.0101 \text{ Rev (Sh000)}$$

Where: NPAT	=	Net profit after tax in thousands
Div	=	Actual dividends paid
TotAssets	=	Total assets in thousands
Rev	=	Revenue

Limitations of the Study

The study noted the following limitations:

- (i) It was difficult to include control variables in the regression model, for example, to control for growth in earnings caused by other factors other than those included in the model e.g. investments.

Presentation of research findings

Introduction

This chapter presents the findings and analysis of data. The study was done for the 41 companies listed in Nairobi Securities Exchange. The data for regression analysis was drawn from the financial statements for a nine year period, that is, 2002 to 2010.

The Relationship between Dividend Payout and Firm Performance

The dependent variable for the regression equation was net profit after tax while the independent variables were dividends paid, total assets and revenue. The results of the regression analysis were as shown below:

Regression Analysis: Net profit after tax versus, dividends, total assets

The regression equation was:

$$\text{NPAT (sh000)} = 24828 + 0.00130 \text{ Div} + 0.00289 \text{ TotAssets (sh000)} + 0.0101 \text{ Rev (Sh000)}$$

Where: NPAT = Net profit after tax in thousands

Div = Actual dividends paid

TotAssets = Total assets in thousands

Rev = Revenue

Table Summary of Regression Analysis Results

Predictor	Coef	SE Coef	T	P
Constant	24828	47620	0.52	0.602
Div	0.00130047	0.00003983	32.65	0.000
Total Assets	0.0028858	0.0007793	3.7	0.000
Rev	0.010066	0.002596	3.88	0.000

S = 740966 R-Sq = 80.8% R-Sq (adj) = 80.7%

Source: Financial Statements (2002 – 2010)

The results of the regression analysis showed that up to 80.7% (P value 0.00) of the Net Profit after Tax was affected by dividends paid, total assets and revenue. An adjusted R squared of 80.7% from the model showed that the independent variables were strong predictors of the dependent variables. The model is therefore a significant predictor of how dividends paid, total assets and revenue affected the performance of companies listed in the Nairobi Securities Exchange.

The regression equation showed that there was a positive relationship between Net Profit after Tax and dividends as shown by the positive coefficient in Table 4.1. There was also a positive

relationship between net profit after tax and total assets. The relationship between net profit after tax and revenue was also positive shown by the positive coefficients in Table 4.1.

Dividend was a significant factor that affected firm performance as indicated by the regression equation. The P value for dividends paid was 0% depicting that it was highly significant as shown in Table 4.1. This means that if the dividends paid increase by 1 unit, net profit after tax would increase by 0.00130047 units.

Total assets was also a significant factor that affected firm performance as shown by a P value of 0%. This shows that if the total assets increased by 1 unit, net profit after tax would increase by 0.0028858 units. Revenue was also a significant factor that affected firm performance as shown by a P value of 0%. This indicates that if the total assets increased by 1 unit, net profit after tax would increase by 0.010066 units.

Extent of Relationship between Firm Performance and Dividend Payout

There was a strong positive relationship between dividend payout and firm performance. The strong relationship was shown by the P value of 0% and a positive coefficient. This indicated that dividend is a significant factor in influencing firm performance. There was also a strong and positive relationship between total assets and firm performance as shown by a P value of 0% and a positive coefficient respectively. Revenue and firm performance also have a strong and positive relationship as shown by a P value of 0% and a positive coefficient respectively. Total assets and revenue are therefore significant factors in influencing firm performance.

Conclusion:

Based on the forgoing discussion, the following conclusions can be drawn from the study.

Dividend payout affects firm performance and that this relationship is strong and positive. It therefore shows that dividend policy is relevant and therefore affects the performance of a firm hence its value contrary to theories that view dividend policy as irrelevant. Total assets and revenue are also factors that affect the performance of a firm as shown by the research findings.

The findings of this research also showed that cash dividends were the most commonly used form of dividend among listed firms in Kenya. Majority of firms did not therefore employ other forms of dividend payout but prefer not to pay or lower their dividends when there was no cash.

The research findings also show that the major factors that affect the dividend policy of listed firms are; profitability, pattern of past dividends, legal rules, financial leverage, investment

opportunities, growth stage and capital structure. Other factors such as ownership structure, shareholder's expectations, tax position of shareholders, industry practice growth stage capital structure and access to capital markets can also be considered in designing a dividend policy though they affect dividend to a moderate extend.

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