IOSR Journal of Economics and Finance (IOSR-JEF)
e-ISSN: 2321-5933, p-ISSN: 2321-5925.Volume 6, Issue 2. Ver. II (Mar.-Apr. 2015), PP 35-41
www.iosrjournals.org

Effect of Dividend Policy on Value Creation for Shareholders of Companies Listed In the Nairobi Securities Exchange

Josephine Nduku Mbuvi
Dr. GeoffreyMouniGekara,Senior Lecturer, Department of Commerce and Economics Studies, JomoKenyatta University of Agriculture and Technology,Kenya.

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. A company's management is dealing with competing interests of various shareholders, the kind of dividend policy they adopt may have either positive or negative effects on the share prices of the company. The effect of a firm's dividend policy on the current price of its shares is a matter of considerable importance, not only to management, who must set the policy, but also to investors planning portfolios and to economists seeking to understand and appraise the functioning of the capital market. It is on this basis that the study sought to establish the effect of dividend policy on value creation for shareholders of companies listed in the Nairobi Securities Exchange. The objectives of the study were to establish the effect of dividend announcement on value creation for shareholders of companies listed in Nairobi Securities Exchange, to establish the effect of dividend payout on value creation for shareholders of companies listed in Nairobi Securities Exchange, to determine how tax incentives influence value creation for shareholders of companies listed in Nairobi Securities Exchange and to identify how free cash flows influence value creation for shareholders of companies listed in theNairobi Securities Exchange. A questionnaire was used to collect primary data from the Finance Managers of the public companies. The data wasanalysed using Regression Analysis, and descriptive statistics through the use of SPSS. The findings indicated that all the variables contributed positively to value creation of shareholders of companies listed in the NSE._
Keywords:_Capital gains, Dividend Payout, Earnings per share, Net Present Value._

I. Introduction

The primary objective of financial management is the maximization of shareholders' wealth. To achieve this objective, management, the custodians of shareholders' interests, are faced with three important categories of decision making namely, investment, financing and dividend decisions. Investment decisions determine the total value and types of assets a firm employs. Financing decisions determine the capital structure of the firm and forms the source on which investment decisions are made. Dividend decisions in the form of dividend policies, which form the focus of this study, involve the determination of the payout policy that management follows in determining the size and pattern of cash distributions to shareholders over time (Lease, John, Kalay, Loewenstein&Sarig 2000:1). According to Botha (1985:3), the investment, financing and dividend decisions are interdependent and must be resolved simultaneously. A combination of these policy decisions should theoretically maximize shareholders' wealth.

According to Kaen (2003:16), the managerial objective of shareholder wealth maximization is more thanan end in itself .It is the means to the end of efficient resource allocation and economic growth. To achieve this objective, corporate governance should prevent managers from expanding corporations beyond what is economically efficient. This will allow shareholders to control the activities of other stakeholders such as employees, customers, suppliers and local communities and so forth, which might negatively impact on the value of the firm. Managers should at all times act in the best interest of shareholders by striving to maximize shareholders' wealth which manifests itself in the market capitalization of the firm, that is, the market value of the firm's ordinary shares. From a valuation standpoint, this is also the present value of the residual claims of the firm by its shareholders.

1.1Statement of the Problem

Dividend policy is an integral part of financial management decision of a firm. There is adequate empirical evidence pointing to a strong relationship between dividend policy and stock market prices. However, managers are in a dilemma as to whether to pay large, small or zero percentage of their earnings as dividends or to retain them for future investments. This situation is occasioned by the different shareholder interests which management has to satisfy. For instance, some shareholders prefer to be paid dividends every year for investing in other profitable businesses while other shareholders would like to invest in the future and thus, prefer that the

dividends be retained by the company for re-investment. However, most investors prefer companies with high dividend pay outs because they are less risky than potential future capital gains.(Baker et al. 2002).

Since a company's management is dealing with competing interests of various shareholders, the kind of dividend policy they adopt may have either positive or negative effects on the share prices of the company. According to Miller and Modigliani (1961), the effect of a firm's dividend policy on the current price of its shares is a matter of considerable importance, not only to management who must set the policy, but also to investors planning portfolios and to economists seeking to understand and appraise the functioning of the capital market. It is on this basis that the study sought to establish the effect of dividend policy on value creation for shareholders of companies listed in the Nairobi Securities Exchange.

1.2Specific Objectives

- To establish the effect of dividend announcement on value creation for shareholders of companies listed in Nairobi Securities Exchange.
- To examine the effect of dividend payout on value creation for shareholders of Companies listed in Nairobi Securities Exchange.
- To determine how tax incentives influence value creation for shareholders of Companies listed in Nairobi Securities Exchange
- To identify how free cash flows influence value creation for shareholders of Companies listed in Nairobi Securities Exchange.

II. Literature Review

2.1 Theoretical Framework

The dividend relevance theory relaxes the assumption of perfect capital markets and rational investors. It analyses, empirically, the behavior patterns of dividend distributions and their effects on the value of the firm. In the real-world, market frictions are not costless and at most investors do not always act rationally (Lease et al 2000:45). Botha (1985:55) defines dividend policy as follows: "The dividend policy is a practical approach which treats dividends as an active decision variable and retained earnings as the residue; dividends are more than just a means of distributing net profit, and that any variation in dividend payout ratio could affect shareholders' wealth; a firm should therefore endeavor to establish an optimal policy that will maximise shareholder's wealth." Lintner and Gordon (in Gitman 1997:574), pioneers of the dividend relevance theory argued that shareholders prefer dividends to capital gains. Gitman continues, "Fundamental to this proposition is their bird-in-the-hand argument, which suggest that investors are generally risk-averse and attach less risk to current as opposed to future dividends or capital gains; current dividend payments are therefore believed to reduce investor uncertainty, causing investors to discount the firms earnings at a lower rate, thereby placing a higher value on the firm." Lintner's statistical investigation and analysis (in Botha 1985: 58) shows that dividends are "sticky", in the sense that they are slow to change, and lag behind the shifts in earnings by more than one period. He states that firms tend to approach the dividend decision by querying whether or not the existing dividend decision rate should be changed and, if it should, determine the change. In approaching the target payout ratio, firms use guidelines in respect of the speed with which they proceed towards the target in the event of a change in earnings.

Gordon argued, (in Botha 1985:61) that the uncertainty of the future makes the price of a share dependent upon the dividend policy. Therefore the greater the present dividend in relation to retained earnings, the higher the relative share price is likely to be. Shareholders are therefore not indifferent to dividends and capital gains. Shareholders prefer the early resolution on uncertainty, and will pay a higher price for a share which has a greater dividend payout ratio. Gordon argues that any reduction in current dividends in favour of large future dividends might lead to a decline in current share price.

The irrelevant dividend theory based on the works of M and M, states that the value of the firm is not affected by its dividend policy and is therefore irrelevant in the determination of ordinary share price. Under market imperfections such as taxes, transaction cost and imperfect information, firms tend to adopt a stable and consistent dividend policy because firms perceive a dividend policy to be important to shareholders for the following reasons: Uncertainty of future dividends, Agency problems, clientele effect and information content of dividends.

2.2 Empirical Evidence

2.2.1 Effect of Dividend Announcement on Value Creation for Shareholders

Lippert et al. (2000) examined the relationship between pay performance sensitivity and the stock price reaction to dividend increase announcements. They reported that high pay performance sensitivity is inversely related to price response to dividend increases. Their findings are consistent with agency theory in that high pay performance sensitivity decreases agency cost so that dividends become less important.

Yoon and Starks (1995), carried out the Lang and Litzenberger experiment over a longer time period. They found that the reaction to dividend decreases was the same for high and low Tobin's Q firms. The fact the market reacts negatively to dividend decrease announcements by value maximizing (high Q) firms is not consistent with free cash flow hypothesis. Like Lang and Lichtenberger (1989), Yoon and Starks found a differential reaction to announcements of dividend increases. When they controlled other factors, such as the level of dividend yield, firm size, and the magnitude of the change in the dividend yield (through regression analysis), a symmetric reaction to dividend changes (both increases and decreases) between high and low Tobin's Q firms. Again, this evidence is not consistent with free cash flow hypotheses.

Lie (2000), thoroughly investigated the relationship between excess funds and firms' payout policies. He showed that the market reaction to the announcement of special dividends (and repurchases) was positively related to the firm's amount of excess cash and negatively related to the firm's investment opportunity set as measured by Tobin's Q.

2.2.2 Effect of Dividend Payout on Value Creation for Shareholders

Dempsey and Laber (1992) reported that the dividend yield is negatively related to the proportion of stock held by insiders and positively related to the number of common shareholders within the firm. Noronha, Shome, and Morgan (1996) examined the relationship between agency cost variables and dividend payout ratios, segmented by the level of the firm's growth opportunities. For firms with low growth opportunities, they report a positive relation among the dividend payout ratio, the presence of outside block holders, and the level of executive incentive compensation.

La Porta et al. (2000), found that firms in countries with better investor protection made higher dividend payouts than did firms in countries with lower investors' protection. This finding supports the idea that investors use their legal power to force dividends when growth prospects are low. There is no support for the notion that managers have incentive to "do it on their own". The results of La Porta et al. (2000) indicates that without enforcement, management does not have a strong incentive to "convey its quality" through payout policy. In terms of shareholder manager relationships, all else being equal, managers, whose compensation is tied to firm profitability and size, are interested in low dividend payout levels. A low dividend payout maximizes the size of the assets under management control, maximizes management flexibility in choosing investments, and reduces the need to turn to capital markets to finance investments. Shareholders desiring managerial efficiency in investment decisions prefer to leave little discretionary cash in management's hands and to force managers to turn to capital markets to fund investments. Accordingly, shareholders can use dividend policy to encourage managers to look after their owners' best interests; higher payouts provide more monitoring by the capital markets and more managerial discipline (Pandey, 2005).

2.2.3 Effect of Tax Incentives on Value Creation for Shareholders

Brennan (1970) developed an after-tax version of the capital pricing model (CAPM) to test the relationship between tax risk-adjusted returns and dividend yield. The model maintains that a stock's pre tax returns should be positively and linearly related to its dividend yield and its systematic risk.

Black and Scholes (1974), tested Brennan's model and found no evidence on tax effect. The coefficient of dividend impact in Black and Scholes model was found to be insignificant. Therefore; they concluded that low or high divided yield stocks do not affect the returns of stocks either before or after taxes. However,(Litzenberger and Ramaswamy ,1979),strongly challenged the results of Black and Scholes and criticized their methods. Miller and Sholes however, argued that the positive yield return relation was due to information bias .Litzenberger and Ramaswamy ignored the information effect of dividend omission (received as bad news) may result in an upward bias in the dividend yield coefficient, since it reduces the return of the zero yield dividend class.

2.2.4 Effect of Free Cash Flows on Value Creation for Shareholders

Agrawal and Jayaraman (1994) took another approach to examining the hypothesis that dividends reduce the opportunity for managers to use free cash flows in a self-serving manner. Since both interest payments and dividends reduce the pool of excesscash that managers can misuse. Agrawal and Jayaram examined the free cash flowmotive for dividend payments. They compared the dividend policies of debt free firmsto those of comparable firms that were leveraged. They reported that the dividend payout ratios of all equity firms were significantly higher than the dividend payout ratios of leveraged firms.

Jensen et al. (1992) examined the joint determination of dividends, insider ownership of stock and leverage and provided empirical evidence that dividends serve as means of reducing the conflict of interest between managers and shareholders. After controlling for differential profitability, growth prospects and investment opportunities, they found that dividends are negatively related to leverage and to other insider holdings. These results are consistent with Jensen's free cash flow explanation of dividend policy.

Grullon et al. (2002)findings of declining return on assets, cash levels, and capital expenditures in the years after large dividend increases suggested that firms that anticipate a declining investment opportunity set are the ones that are likely to increase dividends. This is consistent with the free cash flow hypothesis.

Heaton (2002) proposed that managers are overly optimistic about projects they control and to which they are highly committed. Because of this optimism, managers believe that the external financial markets under value these projects, making external funds too expensive. Therefore, these managers prefer to use internal funds as much as possible and preserve internal cash flows for that purpose. This approach implies that dividends will only be increased when managers believe sufficient internal cash flows will be available to fund all projects.

Shareholders are the sole receipts of dividends, prefer to have large dividend payments, all else being equal; conversely, creditors prefer to restrict dividend payments to maximize the firm's resources that are available to repay their claims. The empirical evidence discussed is consistent with the view that dividends transfer assets from the corporate pool to the exclusive ownership of the shareholders, which negatively affects the safety of claims of debt holders (Pandey,2005).

III. Research Methodology

The researcher used descriptive research designa scientific method which involves observing and describing the behavior of a subject without interfering with it in any way. (Mugenda and Mugenda ,2008). The study adopted purposive sampling to select 59 respondents from finance department. The population of interest for the study wasthe companies listed at NSE, which are 59 with a minimum authorized and fully paid up capital of Kshs.50million and net asset of Kshs.100millions as per the requirement of CMA. The target population was the finance managers of the companies that are publically listed at NSE.Self-administered, questionnaires for primary data and document analysis as the source of secondary data collection was used. The validity of the data was establishedby seeking opinions of the experts in the field of study, especially those who had experience of more than one year. This facilitated the necessary revision and modification of the research instrument thereby enhancing validity.

Reliability of the study was enhanced through pilot study that was conducted to enable the researcher identify items that required modification. Regression Analysis was used to measure the degree of correlation between independent and dependent variables. The Equation took the form:

Y = β 0 + β 1 X1 + β 2 X2 + β 3 X3 + β 4 X4 +E Where :

Y = Value creation for shareholders (Dependent variable) ,β0+ β 1 X1+ β 2 X2 + β 3 X3 + β 4 X4= Explained Variations of the Model,**E** = Unexplained Variation i.e. error term, it represents all the factors that affect the dependent variable but are not included in the model either because they are not known or difficult to measure.

X1 = Dividend Announcement,X2 = Dividend Payout,X3 = Tax Incentives,X4 = Free Cash Flows,β0 = Constant,

β1, β2, β3, β4, = Regression Co-efficient. Define the amount by which Y changed for every unit change of predictor variables. The significance of each of the co-efficient was tested at 95 percent level of confidence to explain the variable that explains most of the problem.

3.1 Reliability Analysis

Cronbach's Alpha type of reliability co-efficient was used taking into account a value of 0.7 or higher as being sufficient (Sekeran, 2003; Castillo, 2009).All variables were subjected to Cronbach's Alpha so as to ascertain their internal consistency. Cronbach's Alpha was .725 which was above the minimum required and therefore the data was considered as reliable.

3.2 Findings and Discussions

3.2.1 Dividend Announcement

According to the findings the respondents indicated that management viewed dividend announcement as causing only temporally share price adjustments and therefore the effect on firm value was negligible, market reaction to announcement of special dividends is negatively related to the firm's investment opportunity set. These findings were consisted with those of Lie (2000), who thoroughly investigated the relationship between excess funds and firm's payout policies. The respondents also demonstrated that there is a differential reaction to announcements of dividend increases. The study findings confirmed those of Yoon and Starks (1995), who found a differential reaction to announcement of dividend increases.

3.2.2Dividend Payout

The study findings indicated that management declared dividend payouts from surplus earnings only after their satisfied desired investments have been financed, management viewed shareholders as preferring the

bird-in-the-hand theory of dividend payouts, that is, receiving dividend payouts sooner than later because of the uncertainty of future dividends.The respondents clearly indicated that a decrease or omission of a dividend payout is usually accompanied by a decrease in the share price.

3.2.3Tax Incentives.

According to the findings the respondents indicated that management believed thatstocks pre tax returns were positively and linearly related to its dividend yield and its systematic risk. The findings were consistent with those of Brennam (1970) model which maintained that a stocks pre tax returns should be positively and linearly related to its dividend yield and its systematic risk. While, 49.1% disagreed that low or high dividend yield stocks do not affect the returns of stocks either before or after taxes. However, Black and Scholes (1974), testingBrennan's model was found to be insignificant. Therefore, theyconcluded that low or high dividend yield stocks do not affect the returns of stocks either before or after taxes.

3.2.4Free Cash Flows

From the findings the respondents indicated that dividends reduced the opportunity for managers to use free cash flows in a self-serving manner. Agrawal and Jayaraman (1994), in another approach examined the hypothesis that dividends reduce the opportunity for managers to use free cash flows in a self-serving manner. The respondents alsoagreed that dividends served as a means of reducing the conflict of interest between managers and shareholders. Jensen etal. (1992) examined the joint determination of dividends, insider ownership of stock and leverage and provided empirical evidence that dividends serve as means of reducing the conflict of interest between managers and shareholders.

The respondents agreed that managers prefer to use internal funds as much as possible and preserve internal cash flows. These findings confirmed those of Heaton (2002),who proposed that managers are overly optimistic about projects they control and to which they are highly committed. Because of this optimism, managers believe that the external financial markets under value these projects, making external funds too expensive. Therefore, these managers prefer to use internal funds as much as possible and preserve internal cash flows for that purpose. This approach implies that dividends will only be increased when managers believe sufficient internal cash flows will be available to fund all projects.

3.2.5 Regression Analysis

The researcher conducted a multiple regression analysis. The findings showed that, $R^2 = 0.796$, and these implied that the independent variables (dividend announcement, dividend payout, Tax incentives, and free cash flows) combined contributed 79.6% to the dependent variable (Value Creation for Shareholders), when all other factors were kept constant. The remaining 20.4% is contributed by other factors outside the realm of this study. ANOVA test on the Dependent and Independent Variables showed that the P-value = 0.000 which was less than 0.05 thus the model is statistically significant in predicting how dividend announcement, dividend payout, Tax incentive and Free cash flow affect value creation. The beta coefficients output table showed a significant change in the beta coefficients. Given that the p-values are less than .05 the model was statistically significant and all the variables contributed positively to the model.

The data findings analyzed showed that taking all other independent variables at zero, a unit increase in dividend announcement will lead to 0.340 increase in value creation for shareholders; a unit increase in dividend payout will lead to 0.714 in value creation; a unit increase in tax incentive will lead to 0.261 in value creation while a unit increase in free cash flow will lead to 0.119 in value creation. This infers that dividend payout contribute more value creation. At 5% level of significance and 95% level of confidence dividend announcement had 0.047 level of significance, dividend payout had 0.000 level of significance, Tax incentives had 0.005 level of significance while free cash flow had 0.02 level of significance hence the most significant factor is dividend payout.

The Equation ($\mathbf{Y} = \beta\, 0 + \beta\, 1\, X1 + \beta\, 2\, X2 + \beta\, 3\, X3 + \beta\, 4\, X4 + E$) becomes:

$Y=17.779 +0.340X1+0.714X2+0.261X3+0.119X4$

Where:Y=Value Creation,X1 = Dividend Announcement,X2 = Dividend Payout,X3 = Tax Incentives,X4 = Free Cash Flows. Table 3.

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.892[a]	.796	.784	1.70132
a. Predictors: (Constant), Dividend Announcement, Dividend Payout, Tax Incentives, and Cash Flows				

Table 2: Anova

ANOVA[a]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	801.491	4	200.373	46.805	.000[b]
	Residual	205.509	48	4.281		
	Total	1007.000	52			
a. Dependent Variable: value creation for shareholderb. Predictors: (Constant), Dividend Announcement, Dividend Payout, Tax Incentives, and Free Cash Flows						

Table 3:Coefficients

Coefficients[a]						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
	(Constant)	17.779	2.573		6.910	.000
1	dividend announcement	.340	.069	.138	2.022	.047
	dividend payout	.714	.045	1.061	15.933	.000
	Tax incentives	.261	.064	.095	.951	.005
	cash flows	.119	.038	.171	3.174	.002
a. Dependent Variable: dividend announcement, dividend payout, Tax incentives, and cash flows						

IV. Conclusions

The study concludes that dividend announcements caused a temporarily share price adjustment which had a negligible effect on the firm value, market reaction to announcement of special dividends is negatively related to the firm's investment opportunity set and there exist a differential reaction to announcements of dividend increases.

The study also concludes that shareholders preferred the bird in hand theory of paying dividends, a decrease or omission of a dividend payout was accompanied by a decrease in share price and alsocompanies applied a dividend policy that had a constant payout.

Further the study concludes that stocks pre tax returns were positively and linearly related to its dividend yield and its systematic risk, low or high dividend yield stocks did not affect the returns of stocks either before or after and investors.

Finally the study concludes thatdividends reduced the opportunity for managers to use free cash in a self-servingmanner, reduced the conflict of interest between managers and shareholders and also dividends removed excess cash flowsfrom being invested in negative NPV projects that impact negatively to the firm.

References

[1]. Agrawal,Anup&Jayaraman, (1994).The dividend policies of all equity firms.Adirect test of the free cash flow Theory Managerial and decision Economics 139-148.

[2]. Ang, J.S. (1987). Do dividends matter? A review of corporate dividend theories and evidence. New York: Salomon Brothers Center for the Study of Financial Institutions and the Graduate School of Business Administration, New York University.

[3]. Al-Kuwari, D.(2009).Determinants of the dividend policy in emerging stock changes. Global economy &Finance Journal 2 (2) 38-63

[4]. Amidu,M.(2007).How does dividend policy affect performance of the firm on Ghana stock Exchange. Investment management and financial innovations.

[5]. Babbie,E.(2013).The basics of social research.(6th Edition).Stanford: Cengage Learning.

[6]. Baker, H.K., Powel, G.E. & Viet, E.T.(2002). Revisiting the dividend puzzle.Do all of the pieces now fit? Review of Financial Economics, 11:241- 261.

[7]. Black, F. (1976). The Dividend Puzzle. Journal of Portfolio Management, 2:5-8.

[8]. Botha, D. (1985). The effects of Dividend Policy on changes in shareholders' wealth. Unpublished Masters' Dissertation. Port Elizabeth: University of Port Elizabeth.

[9]. Brigham, E.F., & Houston, J.(2004). Fundamentals of financial management. Australia: Thompson South-Western.

[10]. Brigham, E.F., Gapenski, L.C &Ehrhardt, M.C. (1999). Financial Management: Theory and Practice (9th Ed.). USA: The Dryden Press.

[11]. Cooper,D.R.& Schindler,P.S.(2011).Business Research Methods,11th Edition McGraw-Hill Publishing,Co.Ltd.New Delhi-India.

[12]. Correia, C., Flynn, D., Uliana, E. &Wormald, M. (2001). Financial Management (4th ed.). Cape Town: Juta.

[13]. Dhanani,A.(2005). Corporate dividend policy: The reviews of British Financial Managers. Journal of Business Finance & Accounting 37(7) & (8):1625-1672.

[14]. Feldstein, M. & Green, J. (2002). Why do companies pay dividends? American Economic Review. 73:7- 38.

[15]. Firer, C., Ross, S.A., Westerfield, R.W. & Jordan, B.D.(2004). Fundamentals of corporate finance (3rd Ed.). New York, NY: McGraw-Hill.

[16]. Fowler. (2004).Survey Research Methods. Thousand Oaks.CA .Sage

[17]. Frankfurter, G.M & Wood, B.G. (1997). The evolution of Corporate Dividend Policy.Journal of Financial Education, 23: 16 - 32

[18]. Frankfurter, G.M & Wood, B.G.(2002). Dividend policy theories and their empirical tests. International Review of Financial Analysis, 11(2):111 - 138.

[19]. Frankfurter, G.M., Kosedag, A., Schmidt, H. &Topalov, M. The perception of Dividends by Management. The Journal of Psychology and Financial Markets, 3(4)202 - 217.

[20]. Gitman, L.J.(1997). Principles of Managerial Finance (8th ed.). USA. Addison - Wesley Longman inc.

[21]. Gordon, M.J. (1963). Optimal Investment and Financing Policy. The Journal of Finance, 18(2):264 - 272.
[22]. Grullon,Gustavo,Roni,Michaely&Bhaskaran(2002).Are dividend changes a sign of firm Maturity.Journal of business 57:1649-1684.
[23]. Investec Private Bank College.(2003). The stock market and stock broking. Not known. S.l.
[24]. Jensen,M,Gerald R,& James.M.Johnson (1992).The Dynamics of corporate dividend deductions. Financial Management.
[25]. Kaen, F.R. (2003). A blueprint for corporate governance: strategy, accountability, and the preservation of shareholder value. New York: AMACOM.
[26]. Kenya Gazette Supplement No.40, (2002).The Capital Markets (Securities) (Public offers,Listing and Disclosures) Regulations, 2002.Legal Notice No.60 May 3, 2002.
[27]. Kothari, C.R.(2005).Quantitative Techniques 5th Edition: Vikas Publishing House PVT LTD.
[28]. Lambert, R.A., Lanen, W.N. &Larcker, D.F. (1989). Executive Stock Options and Corporate Dividend Policy. Journal of Financial and Quantitative Analysis, 24(4):409 - 425.
[29]. Laporta,R,Lopez-De-SilanesF,ShleiferA,Vishny R.(2000).Agency problems and Dividend Policies around the World.The Journal of Finance 55, 1-33.
[30]. Lease, R.C., John, K., Kalay, A.Loewenstein, U. &Sarig, O.H. (2000). Dividend Policy: Its Impact on Firm Value. Boston: Harvard Business School Press.
[31]. Levy, H. &Sarnat, M. (1977). A Pedagogic Note on Alternative Formulations of the Goal of the Firm. Journal of Business, 50(4):526 - 528.
[32]. Lie, E.(2005).Financial Flexibility, performance and the corporate payout choice.The Journal of Business 78(6):2179-2202.
[33]. Miller, M.H. & Modigliani, F. (1961). Dividend Policy, Growth, and the Valuation of Shares. Journal of Business, 34(4):411 - 433.
[34]. Mizuno, M.(2007).Payout policy of Japanese firms: analysis on the survey of four industries listed on the Tokyo stock exchange. Pacific Economic Review.
[35]. Mugenda.O.M.&MugendaA.G.(2008).Research Methods Quantitative and Qualitative Approaches, Acts Press,Nairobi-Kenya.
[36]. Nairobi Stock Exchange.(2012,February,28).Retrieved March 29, 2014,fromwww.nse.org.
[37]. Neuman W.L.(2000).Social Research Methods;Qualitative and Quantitative Approaches.7/E,University of Wisconsin White water.
[38]. Pandey, I. M.(2005).Financial Management. Vikae Publishing House PVT LTD.
[39]. Parkinson, C. & Ogilvie, J.(2002). Management accounting: financial strategy. London: CIMA.
[40]. Yoon, Pyung Sig, Laura.T, Starks, (1995). Signaling Investment Opportunities and Dividend Announcements, Review of Financial Studies.