OWNERSHIP STRUCTURE, FINANCIAL PERFORMANCE, FIRM SIZE AND DIVIDEND PAYOUT OF FIRMS LISTED ON THE NAIROBI SECURITIES EXCHANGE, KENYA.

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2020

DECLARATION

Declaration by the student

This thesis is my original work and has never been presented to any other examination body. No part of this thesis should be reproduced without my consent or that of St Paul's University.

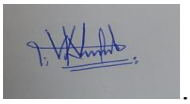


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DEDICATION

This thesis is dedicated to my late mother Fridah Wanza. This was always her dream.

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TABLE OF CONTENTS

DECLARATION **2**
DEDICATION **3**
ABSTRACT **13**
ACKNOWLEDGEMENT 4
LIST OF TABLES **9**
LIST OF FIGURES **10**
DEFINATION OF TERMS **11**
LIST OF ACCRONYMS **12**
CHAPTER ONE **14**
INTRODUCTION **14**
1.1 Background of the Study 14
1.1.1 Ownership Structure 17
1.1.2 Financial Performance 19
1.1.3 Firm Size 20
1.1.4 Dividend Payout 22
1.1. 5 Firms Listed at the Nairobi Securities Exchange 23
1.2 Statement of the Problem 24
1.3 Research Objectives 27
1.3.1 General Objective 27
1.3.2 Specific Objectives 27
1.4 Research Hypotheses 27
1.5 Significance of the Study 27
1.6 Limitations of the Study 28
1.7 Scope of the Study 29
1.8 Chapter Summary 29
CHAPTER TWO **31**
LITERATURE REVIEW **31**
2.1 Introduction 31
2.2 Theoretical Literature Review 31
2.2.1 Agency Theory 31

2.2.2 Signaling Theory 33
2.2.3 Stakeholder Theory 35
2.2.4 Resource Dependence Theory 37
2.3 Empirical Literature Review 38
2.3.1 Ownership Structure and Dividend Payout 38
2.3.2 Ownership Structure, Financial Performance and Dividend Payout 40
2.3.3 Ownership Structure, Firm Size and Dividend Payout 41
2.3.4 Ownership Structure, Firm Performance, Firm Size and Dividend Payout 43
2.4 Summary of Literature Review and Knowledge Gap 47
2.5 Conceptual Framework 48
2.6 Chapter Summary 49
CHAPTER THREE 51
RESEARCH METHODOLOGY 51
3.0 Introduction 51
3.1 Research Design 51
3.2 Target Population 52
3.3 Sampling Design and Sample size 52
3.4 Data Collection and Procedure 53
3.5 Operationalization of Research Variables 54
3.6 Data Analysis 56
3.7 Diagnostic Tests 58
3.8 Ethical Issues 58
3.9 Chapter Summary 59
CHAPTER FOUR 60
DATA ANALYSIS, PRESENTATION AND DISCUSSIONS 60
4.1 Introduction 60
4.2 Descriptive Statistics 61
4.2.1 Data Ratios 61
4.2.2 Ownership Structure 62
4.2.3 Firm's Financial Performance (ROA) 64
4.2.4 Firms Size 66

4.2.4 Dividend Payout Ratio 67
4.3 Inferential Statistics (Testing of Hypothesis) 68
4.3.1 Relationship between ownership structure and dividend payout ratio 69
4.3.2 Intervening effect of financial performance on the relationship between ownership structure and dividend payout 71
4.3.3 Moderating effect of firm size on the relationship between ownership structure and dividend payout by firms listed at NSE 73
4.3.4 Joint effect of ownership structure, financial performance and firm size on dividend payout by firms listed at NSE 75
4.4 Chapter Summary 78
CHAPTER FIVE **79**
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS **79**
5.1 Introduction 79
5.2 Summary on the Findings 79
5.2.1 The influence of ownership structure on dividend payout of firms listed at NSE... 79
5.2.2 The intervening effect of financial performance on the relationship between ownership structure and dividend payout of firms listed at NSE. 79
5.2.3 The moderating effect of firm size on the relationship between ownership structure and dividend payout of firms listed at NSE. 80
5.2.4 The joint effect of ownership structure, financial performance and firm size on the dividend payout of firms listed at NSE. 80
5.3 Conclusion 81
5.4 Recommendations 82
5.5 Suggestion for Further Studies 83
REFERENCES **84**
APPENDIX II: RESEARCH AUTHORIZATION **91**
APPENDIX III: Firms Listed at Nairobi Securities Exchange **92**
APPENDIX IV: Data Summary (Annual Averages) 93
APPENDIX V: Data Collection Schedule 103
APPENDIX VI: Budget for the Study 104
APPENDIX VII: Work Plan 105

Appendix VIII: Normality Tests for Individual Study Variables 106
Appendix IX: Linearity Tests for Individual Study Variables 107

LIST OF TABLES

Table 3.1 Operationalization of Research Variables……..……42
Table 3.2 Analytical Model and Interpretation of Data……..…44
Table 4.1 Data Ratios……..…48
Table 4.2 Firms Ownership Structure……48
Table 4.3 Firm's Financial Performance (ROA)……...50
Table 4.4 Firms Size……..…52
Table 4.5 Dividend Payout Ratio……..54
Table 4.6 Relationship between ownership structure and dividend payout ratio: Correlation Analysis……..56
Table 4.7 Relationship between ownership structure and dividend payout ratio paid by Firms Listed at NSE……..58
Table 4.8 Relationship between ownership structure and dividend payout ratio paid by Firms Listed at NSE: Coefficient……...59
Table 4.9 Intervening effect of financial performance on the relationship between ownership structure and dividend payout: Correlation Analysis……...60
Table 4.10 Intervening effect of financial performance on the relationship between ownership structure and dividend payout: ANOVA……..….61
Table 4.11 Moderating effect of firm size on the relationship between ownership structure and dividend payout by firms listed at NSE: Correlation Analysis……62
Table 4.12 Moderating effect of firm size on the relationship between ownership structure and dividend payout by firms listed at NSE: ANOVA……...63
Table 4.13 Joint effect of ownership structure, financial performance and firm size on dividend payout by firms listed at NSE: Correlation Analysis……..65
Table 4.14 Joint effect of ownership structure, financial performance and firm size on dividend payout: ANOVA…….66
Table 4.15 Joint effect of ownership structure, financial performance and firm size on dividend payout: Regression Analysis……...66

LIST OF FIGURES

Figure 2.1 Conceptual Framework Model……26

DEFINITION OF TERMS

Ownership structure- Relates to the decision-making segment of the firm and is defined by the distribution of equity with regard to votes and capital (Thanatwee, 2012).

Financial performance -Refers to general measure of a firm's overall financial health over a given period, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Leah 2008).

Firm size - The firm size defined as natural logarithm of total. (Al –Kuwari, 2009).

Dividend payout- It is the scale the company uses to pay dividends to its shareholders (Pandey 2013).

LIST OF ABBREVIATIONS AND ACRONYMS

ASE- Amman Stock Exchange

DP- Dividend Payout

DPR- Dividend Payout Ratio

FP- Financial Performance

FS – Firm Size

NSE- Nairobi Securities Exchange

NPV- Net Present Value

OS- Ownership Structure

OLS- Ordinary Least Squares

ROA- Return on Assets

ROE- Return on Equity

TSE- Terhan Stock Exchange

VIF- Variance Inflation Factor

ABSTRACT

This study aimed at establishing whether ownership structure, financial performance and firm size have a significant effect on dividend payout ratio. The study focused on firms listed on the Nairobi Securities Exchange between the years 2014-2018. The study was guided by the following objectives; to find out the effect of ownership structure on dividend payout, to find out the intervening effect of financial performance on the relationship between ownership structure and dividend payout, to determine the moderating effect of firm size on the relationship between ownership structure and dividend payout and lastly to determine the joint effect of ownership structure, financial performance and firm size on dividend payout ratio. This study adopted agency theory, signaling theory, stakeholder theory and resource dependence theory. The study adopted descriptive cross-sectional design. The study adopted multiple regression analysis as an econometric strategy for estimating the association between the study variables. The target population of the study was the 59 firms listed on the Nairobi Securities Exchange and a sample of 39 firms was adopted using convenience sampling. The study was anchored on four hypotheses, which were tested against a total sample of 39 firms listed at NSE. The study utilized secondary data from the published financial statements of the companies. The findings of the study established that ownership structure (P<0.954) has no significant effect on dividend payout; Ownership structure (r=.447, P<.020), Firm Performance (r=.447, P<.020) and Firm size (r=.407, P<.047) have a significant effect on dividend payout of the firms. The findings of the study also indicated that (r=.328, P>.142) have no significant effect on the dividend payout of the firms listed on the NSE. Firm size has a significant moderating effect on the relationship between ownership structure (r=.447, P<.020) and dividend payout. Financial performance has a significant intervening effect (P=*.048*) on the relationship between ownership structure and dividend payout. The study recommended that firms listed on the NSE should consider other factors that influence dividend payout. Although firms' ownership structure affect their dividend payout, the effect is not significant. Firms also need to consider their financial performance before deciding on the dividend payout to be advanced to their shareholders. Furthermore, the firms listed on the NSE should consider firm ownership structure and Firm Performance before making the decision on how much dividend to pay to the shareholders as this has a significant effect on the dividend paid to the shareholders of the firms. Lastly, there is also need to factor in firm size of the firms listed on the NSE before deciding on the dividend payout to the shareholders, as firm size has a significant moderating effect on the relationship between ownership structure and dividend payout of these firms.

CHAPTER ONE
INTRODUCTION

1.0 Introduction of the Study

This chapter presents the background of the study, the statement of the problem, the study objectives and hypotheses, significance of the study, limitations of the study and finally the scope of the study.

1.1 Background of the Study

Investors have different preferences when it comes to receipt of dividends. Different researchers have carried out dividend policy studies in the last four decades and no one seems to have come up with clear results in modern day finance. Different parameters influence the firms' decision on whether to pay dividends or not. These parameters could be ownership structure financial performance or firm size among others. Dividend policy is a corporate governance tool used to reduce agency problems between investors and managers. Investors prefer dividends while managers prefer to retain the profits (Kunga, 2014).

Ownership Structure (OS) as a determinant factor for dividend payouts has long been a debate in both old and modern financial literature. Different corporates have different ownership structures. OS is a factor of corporate governance. There are those owned locally by either local individuals or local institutions, those owned by foreign investor's namely foreign institutions and foreign individuals and lastly there are those owned by the government. The effect of ownership structure on the dividend payout ratio cannot be underscored (Baba, 2011). Managerial ownership whereby companies' managers are the owners they may declare a smaller amount of dividend with the motive of retaining finance for growth of the company while companies with large percentage of foreign investors may declare high dividends since the foreign investors may be motivated to repatriate resources to their home country.

The different ownership structures come with different monitoring strategies on the performance of managers. Foreign investors are very strict about the conduct and

performance of the managers compared to companies owned by the government (Harada & Nguyen, 2011). This follows that foreign owned companies may be have good performance hence there will be likelihood of paying dividends. If a company has good financial performance the higher the chances exists of paying dividends.

Large companies seem to be more mature with good performance hence the likelihood of paying dividends. When the size of the firm increases, it depicts that the company's performance is also well off and hence high chances of paying dividends. When firm size decreases maybe because of divestments or sell offs, then the company's performance deteriorates which means that there will be less likelihood of paying dividends (Bichara, 2012). Locally, Kunga (2014) found that ownership structure does not influence dividend payout of firms quoted at the NSE. In contrast, Wasike, Mganda and Mutua (2017) in their study on ownership structure and dividend in reference with commercial banks quoted at the Nairobi Securities Exchange found out that there was positive relationship between ownership structure and dividend payout. Mbaabu (2010) found that ownership structure affects performance of a firm positively. Moussa and Chichti (2014) concluded that ownership structure had a positive impact on dividend payout with reference to firms Listed at the TSE.

In West Africa Odeleye (2015) concluded that dividend payout was influenced by ownership structure positively however the scholar only focused on firm ownership as the only predictor variable of ownership structure. The ability of a firm to pay dividends is not only anchored on the OS. There exists other determinants of dividend payout, which determines the firm's ability to pay dividends, or not. Profitability of a firm defined by financial performance hereby depicted as FP is a key determinant of dividend payout. Good ownership structure leads to good financial performance.

Companies and organizations with good financial performance are able to have free cash flows. Free cash flows are defined as the extra cash flows that remains after undertaking all projects with positive NPV. If a company has poor financial performance then it, means that it will have no free cash flows, hence the company will not be able to pay

dividends. The size of the firm also determines dividend payout. Labhane and Mahakud (2016) found out that large firms pay more dividends compared to smaller firms. Larger firms are seen to be highly profitable hence able to reward their investors with dividends. This is because they have a large asset base, wide market share, competent human capital and enjoy economies of scale. On the other hand, smaller companies are struggling to acquire market share and due their size, they are unable to attract finances from the capital markets.

However, there exists inconclusiveness on whether firm's profitability influences dividend payout. In their study, Annuar and Shamsher (2009) posited no significant relationship existed between dividend payout and profitability in the end. Samuel and Gbegi (2010) concluded that profit distribution had an inverse effect on distribution of dividends and as such, other factors such as liquidity and previous year's dividend paid influenced dividend payout. According to Amidu (2009), the firm's profitability has been for long considered, as the primary determinant of firms' potential to pay dividends. On size of the firm Rozeff (2012) posits that big companies pay higher dividends compared to smaller firms. According to Truong and Heaney (2007), the size of the firm is a major determinant of dividend payout since the probability of paying dividends increases with size.

Capital Markets in Africa are rapidly growing and developing. Kenya's Capital Market has not been left out of this development. This has been witnessed inform of capital market size, structure and performance (NSE, 2019). Across the globe, dividend distribution continues to be an area of interest to many scholars and academicians since no conclusive study has been carried out. Available studies have given mixed results. There lacks consistent explanation on how and why firms pay dividends (Mwangi, 2018). In Kenya, the dividend payout of publicly listed companies is unclear, full of disparities and hence confusing to investors and stakeholders.

This has been backed by evidence from published financial reports of the listed firms. Some companies especially those owned by foreigners pay high dividends since the

foreigners are of the interest of repatriating resources to their home countries (Mbaabu, 2018). This study will shed more light in the dividend payout field and try to solve the existing puzzle on the relationship between ownership structure and dividend payout ratio.

Companies listed at the Nairobi Securities Exchange (NSE) have different ownership structures. There are companies owned by the government e.g. Kenya Power and Lighting Company, East African Portland Company, KenGen among others, Foreign owned, institutionally owned and lastly others with managerial ownership. The firms are of different market capitalizations meaning that they are of different sizes. At the NSE, firms are required to report publish and make public their annual reports. Different companies report different amounts of profits.

High profits depicts good performance while losses depict poor performance. It follows that firms with good performance are more likely to declare, pay high dividend to their stakeholder compared to firms with poor performance (NSE, 2019) .There are large firms, and medium and small firms as evidenced by the different market capitalizations. Larger firms appear to be more mature with large amounts of free cash flows and are more likely to pay dividends. Smaller firms have less cash flows since they have more investment and operational needs to meet before paying dividends.

Over the last three decades, there has been a robust economic development that has been linked to government efforts that have also affected the performance of the companies at the NSE. The dividend payout decisions have presented different issues to academicians and practitioners (Olowe, 2011). Dividends, which represent the distribution of the company's after tax earnings to shareholders, have important implications for financing and investment decision of the firm as well as the company's share price.

1.1.1 Ownership Structure

According to (Irshad 2015), ownership structure is the percentage of common stock held by controlling shareholders as compared to total outstanding shares of the firm. It is also

defined as the distribution of equity with regard to votes and capital as well as the identity of the equity owners (Thanatwee, 2012). Furthermore, it is also defined based on internal shareholders and external shareholders (Mueller & Spitz, 2012). Ownership structure is delineated by the distribution of equity with regard to capital but also the identity of equity owners. It concerns the internal organization of a business entity and rights and duties of senior individuals holding equitable interest in the business.

Ownership structure is important to an organization. The government and other institutional shareholders are considered part of the external ownership. Ownership structure is one of the main dimensions of corporate governance and is widely viewed to be determined by other country-level corporate governance characteristics such as the development of the stock market and the nature of state intervention and regulation (La Porta, Lopez-de silences Schifer & Vishny, 1998). In recent times, corporate governance has gained much popularity. Ownership structure of a firm is important in terms of various dimensions. It defined based on two variables including internal shareholders or available shares for internal and external shareholders (Mueller & Spitz, 2012). According to the scholarly works of Leal (2004) OS is key and a major factor in finding out the efficiency of the market by providing information about the extent of risk diversification of stockholders and giving hints on potential agency problems within an organization.

According to Thanatwee (2012), concentrated institutional ownership creates the incentives to monitor management, which overcomes the free-rider problem associated with dispersed ownership whereby small shareholders have not enough incentives to incur monitoring costs for the benefits of other shareholders. Due to the active monitoring of shareholders, managers are better aligned towards the objective of delivering shareholder value. In addition, institutional investors also find that it increasingly difficult to sell large portions of stock without depressing stock prices.

Therefore, many institutional investors choose to effectively monitor manager's behavior to increase stock performance rather than sell their holdings at a loss. Consequently,

institutional investors are actively working to effect corporate policy decisions. The relationship between ownership and dividend may be positive or negative. According to Harada and Nguyen (2011) and Khan (2006), ownership structure will be measured by the percentage of shares owned by institutions, managers and foreigners.

1.1.2 Financial Performance

According to Adams and Mehran (2005), financial performance is the end result of utilization of assets to generate proceeds during ordinary business operations. Financial performance is the measurement of the outcome of firm strategies, policies and operations (Leah 2008). According to the scholarly works of Penman (2007), FP is the accomplishment of a given activity measured by standards of completeness, efficiency and accuracy, which are usually pre-determined. The organization's earnings represent these outcomes after tax expressed in terms of total assets and average investments respectively.

Therefore, the aggregate performance level of a firm is measured using financial performance over a particular duration of time and it is useful for comparison of performance of different firms in the same industry. According to research works of Samina and Ayub (2013), financial performance is how a firm uses its assets to generate revenue and profits. Financial performance is the economic outcome resulting from the integration of firm's characteristics, actions and environment (Combs, Crooks & Shook, 2005). There are so many factors, which come into play to determine performance of listed firms.

Financial performance is a gauge to underpin the wide-ranging financial productivity of an organization over a span of period and aids in comparison of financial results of other firms in the same industry. In addition, according to scholarly works of Waweru (2008) the prevailing level of profitability explains the extent to which a firm has succeeded. Giulio, Botazzi, Secchi and Tamagni (2008) urgued that high profitability, which is an indicator of good financial performance, sends a good signal to investors to buy stocks

and raise company's value. If investors demand to own shares, the demand will increase leading to increase in share price. This will lead to increase in aggregate firm value.

According to Sacuhai and Cumbariani (2016), FP leads to increase in firm value. Companies with good financial performance have a banquet of benefits at their disposal. They will easily raise finances from both local and international financial institutions. They will also attract both local and international investors. They will be able to engage and attract the best human capital available. The companies will also not suffer from liquidity problems and will have a good brand goodwill from investors. There is no universally accepted proxy for measuring the FP of a firm. There exists accounting based measures, market based measures and lastly non-financial measures. The available accounting based measures include return on equity, return on assets, and earnings per share (Al-Makawi, 2007). Even though these measures help gauge the financial performance of a firm, they are faced with different drawbacks.

Accounting based measures are based on a short period of time horizon and are computed from historical data. The measures are also anchored on professional assumptions (Mwangi, 2018). In words of Klapper and Love (2002), the fact that accounting based measures rely on historical information means that they cannot be relied to make future decisions. This study utilized return on assets as the accounting based to measure financial performance of firms under study. Return on assets measures the firm's ability to generate returns from their existing assets. The market-based measure used to measure FP of a firm includes the Tobin's Q, Market to book value and price earnings. There measures are usually future oriented and long term in nature. These proxies usually represent the shareholders expectation on FP. However, this study will not measure FP using market-based measures and will only rely on return on assets as the only accounting based measure to determine FP.

1.1.3 Firm Size

Firm size is defined by the total assets held and uses a number of accounting profitability measures including, profit margin and return on assets (Schmalensee, 2001). The size of

the firm can be measured in terms of the sales volume, total assets, number of employees among other parameters. Al –Kuwari, (2009), defines firm size as the company's market capitalization. Firm size is the company's aggregate value or the total value of its stock. Firm size is the quantity of production capability and the potential that a firm possess and can make it available to its target clients (Shaheen & Malik, 2012). Firm size has become such a routine to use as a control variable in empirical corporate finance studies that it receives little to no discussion in most research papers even though it is not among the most significant variables.

Large firms are expected to have a better performance compared to smaller firms. This is because large firms have the ability to harness market power and are able to enjoy economies of scale. In terms of accessibility of finances of finances from financial institutions, large firms are able to source finances easily compared to smaller firms. This is because large firms have a large asset base, which they can use to back the finances.

According to Mwangi (2018), large firms can charge high prices above average compared to what small firms are charging. The high prices charged translate to high profits for the firm. In terms, of cost of production large firms enjoy reduction in total cost of production (Abiodun, 2013). According to Babalola (2013), larger firms have more influence on their stakeholders and as such, large firms tend to outperform smaller firms. Larger firms can afford sustainability expenditures more easily compared to smaller firms. Brammer and Millington (2006) claim that large firms enjoy high levels of resource availability.

According to Brewer and Jagtiani (2013), the size of the firm affects its FP in many ways. Large firms can exploit economies of scale and scope and hence become more efficient compared to small firms. It is important to note that small sized firms might have less power compared to large firms and thus they might find it difficult to effectively compete with large firms especially in competitive markets. On the other hand, as firms become larger, diseconomies of scale inform of inefficiencies may arise leading to decline in FP.

Large firms are more likely to manage their working capital components efficiently than small firms.

Firms of different size distinguish themselves along different observable and unobservable dimensions. Another critical element in the classification of firm size categories is the ownership structure of firms. It is necessary to treat subsidiaries of large companies that fall into the micro firm or SME categories according to their turnover or number of employees differently from independent micro firms or SMEs. Firm size is the logarithm of total assets. Compared with smaller firms, larger firms tends to be more mature, have higher free cash flows, and are more likely to pay higher dividends. Thus, a positive relationship between firm size and dividends is expected (Kunga, 2014).

1.1.4 Dividend Payout

Dividend payout ratio is the scale the company uses to pay dividends to its shareholders. Firm's dividend policy is the financial decision, that how much dividends should be paid to the shareholders, and normally when and in what forms they should be disbursed.
It is the board of directors who decide all about the dividend policy; normally small shareholders do not have adequate control to observe the board but the large shareholders have sufficient rights to look in to the dividend policy and can monitor the board (Shleifer and Vishny, 1998). Dividend is a part of net profits distributed to stockholders in proportion to their ownership of company shares.

According to Ramli (2010), dividend payout is distribution of profits to shareholders as dividend and to the business as re-investment. There are several opinions about dividend payment. Thomsen (2004) states that there are influences of dividend on company's value. Dividend policy is a decision a firm makes on how much to disburse to shareholders from its earnings or whether to retain part of the earnings (Pandey 2013). Dividend payout is essentially a return to all shareholders in proportion to their ownership of shares.

Dividend payout reduces cash resources available to firms, which may be otherwise expropriated (La Porta *et al*., 2000). One of the main key roles of a finance manager is to determine the amounts of dividends to be paid to the shareholders. Different scholars have expressed different opinions on payment of dividends. This is usually sometimes advised by the financial needs of the company. Firm's dividend policy is a financial decision on how much dividends should be paid to the shareholders, and normally when and in what forms they should be disbursed. It is usually measured by the dividend payout ratio (Balagobei, 2016).

1.1.5 Firms Listed at the Nairobi Securities Exchange

Trading of shares at the NSE began in early 1920s though on gentleman's agreement with no physical trading floor. NSE was formally registered in 1954 as a voluntary organization of brokers. It was set up at a time when Kenya was still a British colony with permission from the London stock exchange. It remained private until 1991. It has grown over the years and is one of the most active stock markets in Africa. Towards independence, trading activities at the market slumped due to uncertainty and the future of the country. Munga (1974) cites that following 3 years of calmness and economic growth, confidence was reinstated in the market and the market again handled a huge number of over-subscribed initial public offerings.

Currently there are 59 quoted companies in different sectors of the economy namely agricultural, commercial and services, finance and investment and industrial and allied sectors. Financial innovations have also taken way in the market to improve efficiency and smooth functioning of the exchange. Key innovations to note is the central depository and settlement corporation hereby referred to as close, which has increased efficiency. Trading is carried out electronically and within a short period, many transactions can be effected.

Dematerialization, deregulation and automation of the markets systems and activities has increased the number of participants in the market. Regulators of the exchange include the capital markets authority, the CBK for commercial banks, IRA for insurance

companies and lastly the RBA for pension, management firms. The authorities ensure that investors interests have been put forward and they are cushioned from any losses that may occur in the market.

1.2 Statement of the Problem

Dividend payout is one of the fundamental decisions a firm has to make. The relationship between ownership structure and dividend payout remains unresolved for a quite a lengthy period of time summing up to several decades (Kumar, 2003; Carvalhal-da Silver & Leal, 2004; Khan, 2006; Ramli, 2010; Al-Nawaisel, 2012; Kunga, 2014). It is for this reason that majority of scholars in the field of finance have thrown much weight into it since it involves determination of shareholders return form their investment and therefore can be a tool to relay good news about the firm to the shareholders. Dividend payout is the process of distributing corporate earnings to shareholders in form of dividends (Pandey, 2013). Since the ground breaking seminal works of Litner (1958), Miller and Modigliani (1961) and Gordon (1962) no has ever come up with conclusive reasons of why and when does a company pay dividends.

This makes this area to be of great interest as scholars and academicians delve into to it to try to solve this huge debacle. Labhane and Mahakud (2016) carrying out a study on determinants of dividend payout a case of companies quoted at the Indian Stock Exchange found out that within a period of 2 decades the number of dividend paying companies in India had decreased however the scholars noted that the dividend payout of the paying companies had increased two fold. The scholars did not give concrete reason for this development over the period. Different researchers have identified ownership structure a determinant of dividend payout.

Research studies on ownership structure and the extent to which a firm adjust its dividend payout have focused on firms quoted on bourses located in first world economies such as United Kingdom, Japan and United States of America (Maniagi, 2013). Globally, empirical literature on ownership structure and dividend payout have shown mixed, diversified conflicting findings. Khan (2006) documents a positive relationship between

institutional ownership and dividend payout, Moh'd et al. (1995), Short et al. (2002) bt a negative relationship is reported by Renneborg and Trojanowski (2007). In a study carried out by Al-Nawaiseh (2013) in Jordan he found that institutional ownership affect dividend payout positively while managerial ownership affect dividend payout positively.

In a study carried out by Bostanci, Kadioglu and Sayilgan (2018), a significant positive effect is established between return on equity, market to book value, market capitalization (firm size) and dividend payout. In reverse, in the same study by Bostanci, Kadioglu and Sayilgan (2018) there is no statistically significant relationship between dividend payout, age of the firm or family control. In another study by Anh and Tuan (2019), the findings showed a linear relationship between institutional ownership and dividend payout but in contrast, an insignificant relationship between managerial ownership and dividend payout existed.

In addition, in Lebanon, specifically firms listed on Beruit Stock Exchange, Maladjian and El Khoury (2014) found that dividend payout was determined by firm size, risk level and previous financial period declared dividends. Conversely, the researchers found an inverse nexus between growth rate and profitability. Hashim, Shahid, Sajid and Umair (2013) found that in Pakistan banking sector Firms were prompted to distribute dividends proportionately to profit levels.

Locally, In Kenya there exists minimal literature in regards to ownership structure and dividend payout of firms. Kunga (2014) in his study revealed that ownership structure does not influence dividend payout. The scholar concluded that other factors other factors other than ownership structure influenced payout. Wasike,Mutua and Mganda (2017) sought to investigate the effect of managerial ownership on dividend payout of commercial banks in Kenya. The factors under consideration were managerial ownership and dividend payout. It was established that managerial ownership has a significant positive effect on dividend payout of commercial banks in Kenya. In his study, Ndungu (2017) sought to investigate ownership structure and financial performance. The findings showed that all types of ownership had a positive effect on firm performance.

Different diverse indicators were used in the past studies to gauge and measure ownership structure and dividend payout. To measure ownership structure Kunga (2014) used two proxy variables namely the proportion of management ownership and proportion of individual ownership. Wasike, Mutua and Mganda (2017), used percentage of shares held by management. This study relied on managerial, Institutional and foreign shares held by management while past studies utilized dissimilar approaches.

Past studies by Kunga (2014) and Wasike, Mganda and Mutua, (2017) focused on factors determining dividend payout ratios using diversified methodologies whereby several independent variables were regressed against dividend payout. The aforementioned studies ignored the moderating aspect and effect of some factors classified earlier as independent variables such as firm size. In addition, past studies were bivariate focusing on ownership structure and dividend payout as the explanatory variables respectively ignoring whether financial performance had intervening effect or not. This study attempted to delineate explanatory and intermediating variables by considering firm size as moderating variables while financial performance was incorporated in the study to test whether it had an intervening effect on the link between ownership structure and dividend payout.

The study utilized multivariate analysis whereby descriptive research design was adopted to establish the joint relationship between ownership structure, financial performance and firm size on dividend payout of firms listed at the NSE. In summary this study sought to fill the identified knowledge gaps, which constitute the research problem, as follows; first both global and local empirical findings are mixed and non-conclusive. Secondly, the study sought to delineate independent, intervening and moderating variables in the relationship between ownership structure and dividend payout. Thirdly, the study focused on correlational logic between ownership structure and dividend payout. Lastly, the study adopted a multivariate model as opposed to a bivariate model.

1.3 Research Objectives

1.3.1 General Objective

The general objective of the study was to determine the effect of ownership structure and dividend payout of firms listed on the Nairobi Securities Exchange, Kenya.

1.3.2 Specific Objectives

i. To determine the effect of ownership structure on dividend payout of firms listed at NSE on the NSE, Kenya.
ii. To determine the intervening effect of financial performance on the relationship between ownership structure and dividend payout of firms listed on the NSE, Kenya.
iii. To establish the moderating effect of firm size on the relationship between ownership structure and dividend payout of firms listed on the NSE, Kenya.
iv. To determine the joint effect of ownership structure, financial performance and firm size on the dividend payout of firms listed on the NSE, Kenya.

1.4 Research Hypotheses

H_{01}: Ownership structure has no significant effect on dividend Payout of firms listed on the NSE, Kenya.

H_{02}: There is no significant intervening effect of financial performance on the relationship between ownership structure and dividend payout of firms listed on the NSE, Kenya.

H_{03}: There is no significant moderating effect of firm size on the relationship between ownership structure and dividend payout of firms listed on the NSE, Kenya.

H_{04}: There is no significant joint effect of ownership structure, financial performance and firm size on dividend payout of firms listed on the NSE, Kenya.

1.5 Significance of the Study

The study is of great significance to different parties and market players;

First, it is of great significance to government and policy makers. It will enable the government to create a conducive environment for investors as the Kenyan economy is currently transitioning from an emerging economy to a developed economy. The policies

developed will also help in boosting investors' confidence. The policies so developed will aid growth of Nairobi securities exchange since trading volumes will increase. Also the number of foreign investors who are strict on corporate governance matters will also increase due to openness in trading activities.

Secondly, the study will help regulatory bodies such as capital markets authority may use the study findings of the study to regulate different categories of investors to ensure all investors both large and small are competing on a level ground. The confidence of small investors may have been eroded by previous occurrences such as collapse of Eveready, Imperial Bank, Athi River Mining among others and hence their delisting hence the Nairobi Securities Exchange may use the findings of the study to boost investor confidence. Thirdly, academicians and scholars may use the findings of the study as a reference tool since it adds value to the existing body of knowledge and it will give information on the role and importance of each category of investor.

The main aim of the study was to find out whether there existed quantifiable information related to agency theory to further add more knowledge on the existing empirical literature. The study helped to find out methods of reducing agency costs and foster empowering structures to all stakeholders in participating in decision making of the companies resources in enhancing dividend payout. The study will cross-examine the association between ownership structure and dividend payout to concur with past knowledge or to disqualify it.

1.6 Limitations of the Study

The study only focused on publicly listed firms at the Nairobi securities exchange and generalization of the findings made for both small and private firms. The study only used quantitative data that was obtained from secondary data of the firms listed at the national securities exchange. The study only relied on secondary data and hence qualitative data from primary data was not be used. This provides an opportunity for further research where both primary data and secondary data can be used.

The study used a cross-sectional design, which only covered a short period however, there is need to carry out a longitudinal study using time series data to establish trends and patterns of dividend payout of listed firms as the ownership structures keep on changing each time a firm issues shares or initial public offerings (IPO). This was evidenced by a period between 2003 and 2009 where a number of firms issued new shares and their ownership structures significantly changed as they brought on board different categories of shareholders.

1.7 Scope of the Study

The study focused on the listed firms at the NSE and the researcher adopted a sample size of 39 companies, which had a complete data set during the study period. The companies applicable for the study are the ones registered locally. Company data that was used is for the companies that had been listed between 2014 and 2018 and had compiled their financial reports for the relevant period of the study to enable the researcher to establish trends, patterns and relationship of the study variables. The study was anchored on agency theory. Other theories adopted are stakeholder theory and resource dependence theory. Empirical studies that were reviewed were both locally and internationally. This was done to identify the gap filled by the current study.

1.8 Chapter Summary

This chapter presented the background of the study, the statement of the problem, the study objectives, research hypotheses, significance of the study, the limitations of the study and finally the scope of the study. The background of the study highlighted the linkage between variables namely OS, FP, FS and DP. A clear picture of dividend payout was created from global, continental and local contexts. The study variables were well defined in depth in highlighting their meaning and how different scholars have measured them.

The statement of the postulated the existing gap and how the current study solved the problem. The objectives set out in the study and the research hypotheses. The researcher highlighted the significance of the study to different parties and its contribution in theory.

The limitations encountered by the researcher were highlighted and how the researcher mitigated them to ensure success of the study. The scope of the study outlined the context of the study, the target population and the duration the study was carried out.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter outlines the theoretical literature review, review of empirical literature, summary of the literature review, gaps and finally the conceptual framework. The study adopted agency theory, signaling theory, stakeholder theory and resource dependence theory.

2.2 Theoretical Literature Review

For a research, study to be successfully to be carried out a researchable problem must exist. Theoretical framework introduces the theory that explains why the problem exists. Theories exist to explain a phenomenon, forecast and in most cases critique and add more knowledge within the limits of critical bounding assumptions. Just the way a vision and a strategy is required whenever one wants to achieve a set goal, without the theoretical literature a research study cannot be carried out successfully. Different authors have developed different theories that shade light on the variables under study. The study adopted agency theory, stakeholder theory and resource dependence theory.

2.2.1 Agency Theory

Jensen and Mecklings (1976) advanced agency theory. This theory explains how agency problems depends on ownership structure. According to Goergen and Renneboog (2014), shareholders employ professional managers to manage their firms. Jensen and Meckling (1976) defined agency relationship as a contract under which one person known as the principal appoints another person known as the agent to act or to transact on his behalf. The principal (shareholder) expects the agent (manager) to maximize his wealth. Then there exists information asymmetry problem between managers and shareholders. In the agency, relationship, managers who are insides have information advantage. Shareholders then face dilemmas since he cannot authenticate the decisions made. Because of the superior first-hand information available to managers, they may be more interested in their personal welfare than the welfare of the firm's shareholders. The principal to ensure

that the manager is concerned and is focusing on maximizing the wealth of the shareholders (Tchuigoua, 2015) incurs agency costs.

Agency theory is relevant for the study because according to Eisenhart (1989) agency theory is concerned with analyzing and resolving problems that occur in the relationship between shareholders and their professional agents (managers). However, this theory has been critiqued. The principal makes actions to control the behavior of the agent. Managers will not act to maximize shareholders returns unless internal controls are put in place to minimize agency wits and to maximize shareholders' wealth on contrary a motivated management will strive to achieve long term success which will be of benefit to the principal (Mishkin,2016). The theory has sibeen critiqued on grounds of narrow and biased approach that it only focuses on the agent as if he is the one to blame for the agent-principal relationship. Conflict leaving out the possibility that the principal has equal potential of creating the conflict. According to Liunat. Smith, Suslava &Tavlie (2016), the principal, like the agent, takes advantage, cheats and dodges his/her employee. The principals also love their agents into unclear work contracts.

Ownership structure refers to the composition of shareholders of a given firm. Due to the size of the firm shareholders, give control and managerial rights to the board of directors. Minority shareholders in the firm leastly engage in monitoring of managers since they feel that effort will again receive the least benefits. The majority shareholders solve the management shareholder problems. During the annual general meetings, the composition and the role of direction can be influenced. The ability and stakeholders in activities are likely to affect behavior within organizations (Hillman and Dalziel, 2003). This implies that if the stakeholders need to investigate he behavior of stakeholders one cannot be left out.

In the scholarly works of Agarwal, Goel and Vashishtha, (2014), it was assumed that agency relationships are imperfect which lead to principal agent related conflicts such as managers rewarding themselves perquisites and having shirking manners to avoid being answerable to agency losses for investing in loss making investments. As a result of

venturing in those less profitable projects, shareholders suffer financial losses which in turn lower the financial performance of the firm which in turn leads to decline in dividend payout. The negative impact of such actions by the management is reflected in low dividend payout. To safeguard the firm properties from being underutilized or misappropriated, firm incurs agency costs through attractive compensation for management (Bromwich, 1992 & Chowdhury, 2004).

All factors held constant, the agency theory suits well the study objectives for managers are expected to adhere to agency theory by playing a fiduciary role which is critical in propelling the financial performance of the firm, size of the firm which in turn leads to dividend payout. Contrary to those expectations, the firm will experience reduced financial performance and a decline in dividend payout especially when the agency theory is not followed. Therefore, agency theory clearly brings out the aspects of this study, which is based on the relationship between ownership structure and dividend payout of firms listed at Nairobi Securities Exchange.

2.2.2 Signaling Theory

The origin of this theory was as a result of seminal work undertaken by Litner (1956) who portrayed that a proportionate change in dividend policy of a firm lead to a proportionate change in the value of the firm. Although this study was controversial according to research findings on dividend policy by Modigliani and Miller (1961), Litner (1956) posited that the reality of distributing cash dividend attracts potential investors to buy more shares which in turn enhance the market price of the firm. This is because rewarding of shareholders through cash dividend carries a signaling message of better future prospects of the firm.

Litner (1956) supported his argument by demonstrating the logic after the mere announcement of dividend payment, which acts as a signal to imply that future earnings of the firm would improve. In this case, investors will not pay attention to the actual cash dividend paid at a particular time, but they will track on dividend payout ratio of the firm. Therefore, a change in dividend payout ratio is associated with improvement of firm

financial performance which is communicated to both the existing and potential investors.

According to Bhattacharya (1979), an incremental change in dividend by the management is a sign of increase of future cash inflows. This accomplishment is a gesture that the firm has engaged in profitable ventures that assures investors of increased profitability. The basis of this proposition is anchored on the axiom that information asymmetry prevails between outside shareholders and the managers concerning future income generation through dividend or capital gains due to favorable price changes. Bhattacharya (1979) also further argued that although dividend income is highly taxed as compared to capital gains in most countries, management still emphasize on distributing cash dividends so as to clearly bring out the signaling aspect of prosperous returns of the firm to outside shareholders.

Ross (1977) had a similar debate to that of Litner (1956) and Bhattacharya (1979) on the role of dividend policy towards firm value. He exposed that any positive change in dividend carries good news for outside shareholders and a dividend decline implies a bad report that the future prosperity of the firm is threatened. This argument is backed by the signaling theory which is functional under the assumption that there exists information asymmetry whereby the prosperity of the firm is privy to managers.

The theory supports this study for it addresses the practice by firms listed at the Nairobi Securities Exchange to adhere to signaling hypothesis when determining the type of dividend policy to adopt (Mohammed & Mohammed, 2012).This study aimed at interrogating the logic of signaling theory to assess its applicability amongst NSE listed firms. This cross-examination is justified by Baker (2009) who disqualified the credibility of nature of source of information relied upon by management to distribute cash dividends such as Accounting and forecasting data of the firm. Such sources of information are misleading and relying on them makes the management portray the wrong position of the financial performance of the firm. This calls for identification of

other sources of profit reports of the firm, which are more convincing to outside investors pertaining future prospects.

This theory is appropriate for this study and compliments agency theory that the organization OS can declare dividends to present good performance of the organization. Payment of dividends leads to increase in firm size which in turn leads the organization paying the dividends.

2.2.3 Stakeholder Theory

Freeman (1984) advanced Stakeholder Theory. A shareholder is any group or an individual who is affected by the achievement of the organizations goals (Freeman, 1984). An organization is a grouping of stakeholders and the aim of the organization should be to organize and manage their interests, needs and viewpoints (Friedman, 2006). Aoki (1984) views managers as referees between investors and employees' stakeholder. This theory is anchored on the assumption that in any given business, values are important and managers should integrate them in business to create value. If the stakeholders are treated well, they will return more to the business in corporate success, stakeholders are a key ingredient.

The theory suggests that if we adopt as a unit of analysis the relationships between a business and the groups and individuals who can affect or are affected by it then we have a chance to deal effectively with the following three problems. First from a stakeholder perspective a business can be understood as a set of relationships among groups that have a stake in activities that wake up the business (freeman,1984; Jones 1995;Walsh,2005). It is about how customers, suppliers, employees, financiers, communities and managers interact to jointly trade and create value.

It is the executives job to manage and shape these relationships to create as much value as possible for stakeholders and to manage the distribution of that value (Freeman,1984). Where stakeholder interests conflict, the executive must find a way to re-think problems

so that the needs of the group of stakeholders are addressed and to extent, this is done even more value may be created for each (Harrison, Bosse& Phillips, 2010).

If tradeoffs have to be made, executives must figure out how to make the tradeoffs, and then work on improving the tradeoffs for all sides (Freeman, Harrison & Wicks, 2008). According to Jones and Wicks (1999), stakeholder theory provides a connection between the analysis of the philosophy and the instrumental investigation of management. Stakeholder theory refuses to specify how to make the necessary trade-offs among competing interests for different stakeholders and as such they leave managers with a theory that makes is possible for them to make purposeful decisions. This may bring conflict of interest as the managers make these decisions. The managers are sometimes left unaccountable for their decisions. This has prompted organizations to incur agency costs among other measures adopted to check the behavior of managers in their dealings with other stakeholders.

Several scandals in the corporate sectors have been witnessed. In Kenya, the imperial bank is one of such case. From the international market, Tumbull (2002) and Watkins (2003) attribute scandals such as those of Environ and World.com to the failure of the managers to consider stakeholder concerns in decision-making. To ensure that interests of all stakeholders have been addressed governments have developed different regulations in regards to the same.

Leah (2008) cites that some countries governments have set up certain regulations to align the interests of shareholders with corporate conduct behavior. Rothman and Friedman argue that involving participation of shareholders in corporate decision-making can reduce conflicts and enhance efficiency. Freeman (1994) argue that a firm cannot realize its long term goals if it ignores stakeholders' interests in the long run. A good board of directors and its CEO, acting as stewards are motivated to a greater extent to act in the best interests of the firm rather than for their selfish interests as they tend to view a firm as an extension of themselves (Zang, 2005). Stakeholder theory is necessary and has been adopted for this study to help analyze and understand how different ownership

structures adopts a proactive and reactive approach to bring together all stakeholders concerns into their decision making processes and to lay the necessary structures to maximize the dividends being paid to the stakeholders in this case investors.

2.2.4 Resource Dependence Theory

The origin of this philosophy is a result of scholarly works of Pfeffer and Salancik (1978) who suggest that directors bring four benefits to organizations: information in the form of advice and counsel, access to channels of information between the firm and environmental contingencies, preferential access to resources, and legitimacy. Significant empirical evidence supports these proposed benefits and suggests that the board composition is what "resource-rich" directors should focus on. Much weight on to the theory was added by Barney (1986), whose proposition is based on the premises that a firm's board, and in particular the constitution of the non-executive element of a board, can provide the firm with a vital set of resources.

Although agency theory is the predominant theory used in the research on boards of directors (Dalton et al., 2007; Ellstrand & Daily, 1996; Zahra & Pearce, 1992), this is the area of RDT's greatest research influence. Pfeffer et al. (1978) asserts that boards enable firms to minimize dependence or gain resources. RDT is less commonly used to study boards than agency theory but empirical evidence to date suggests that it is a more successful lens for understanding boards (Zahra & Pearce, 1992).

Thus, it is not just the number, but also the type of directors on the board that matters. Early studies using RDT to examine boards focus on board size and composition as indicators of the board's ability to provide critical resources to the firm. Pfeffer (1972) finds that board size relates to the firm's environmental needs and those with greater interdependence require a higher ratio of outside directors. He concludes, "that board size and composition are not random or independent factors, but are, rather, rational organizational responses to the conditions of the external environment". Pearce and Zahra (1992) advocates that board composition and size are contingent not only on the external environment but also on the firm's current strategy and prior financial performance.

Baba (2009) found a positive relationship between board size and firm financial performance. However, many scholars are quick to question the simplistic answer provided by board size, suggesting that a more complex understanding is necessary.

To summarize the above, Resource dependence theory is therefore adopted in this study since it creates a background used as basis for analyzing and giving an insight on how different ownership structures creates governance structures that enable their management to provide the firm with a vital set of resources in terms of; information in the form of advice and counsel, access to channels of information between the firm and environmental contingencies, preferential access to resources, and legitimacy which in the long-term enhances firms financial performance.

2.3 Empirical Literature Review

This section covers a review of literature of the past studies by other researchers related to the current study variables. The studies will enable the researcher to outline gaps not addressed by the studies and how the current study will solve them.

2.3.1 Ownership Structure and Dividend Payout

A study titled influence of management ownership on dividend policy of commercial banks in Kenya (Wasike, Mutua & Mganda 2017) used descriptive research design. The study targeted 43 commercial banks in Kenya. The results and findings of the study showed a positive relationship between management ownership and dividend payout. However, this study failed to take consideration of all variables of ownership structure and overlooked institutional and foreign ownership. The current study will focus on all variables of ownership structure and it will take into consideration the moderating effect of firm size and the intervening effect of financial performance.

In North Africa specifically Tunisia Moussa and Chichti (2014), a study on the relationship between ownership structure, debt policy and dividend policy in Tunisia stock exchange, argued that majority shareholders expropriate minority shareholders through extracting private benefits, which leads to less dividends. The study adopted a three stage least square simultaneous model and based on a sample of 35 non-financial

Tunisian listed companies. The study findings showed the impact of ownership structure on the payout ratio, supported the idea that more risk aversion of the majority shareholders and their intention to expropriate minority shareholders through the extraction private benefits are the cause of a low dividend. However, this study overlooked other types of ownership structure namely the institutional ownership and foreign ownership. The study also focused more on agency costs and free cash flows ignoring ownership structure and dividend payout.

In West Africa Odeleye (2015) carried out a study on ownership structure and dividend payouts of listed banks in Nigeria. Data on ownership structure and dividend per share of 15 listed banks in Nigeria, from 1995-2012 were compiled from annual reports and statements of accounts of sampled firms and various issues of the Nigerian Stock Exchange Fact book. Dynamic panel model and system generalized method of moments technique were employed for analysis. The findings of the paper indicated that ownership structure influences dividend payouts in Nigeria positively. However, this study overlooked and omitted the critical effect of firm size as a critical control variable. It also only focused on managerial ownership as the only type of ownership structure.

Using regression analysis (Kunga 2014) carried out a study on ownership structure and dividend payout of firms listed at the Nairobi securities exchange. The period in consideration was 2012-2013. The study findings showed that ownership structure does not significantly influence dividend policy. However, the study only focused on managerial ownership as the only form of ownership structure overlooking other forms of ownership. The current study will bridge the above gap by taking into consideration the other forms of ownership structure.

Using full and partial adjustment models Al-Gharaibeh, Zurigat and Al- Harahsheh (2013) conducted out a study on the effect of ownership structure on dividend policy in Jordanian companies. The scholars investigated the effect of ownership structure in corporate dividend payout using 35 Jordanian companies listed on the ASE over the period 2005-2010. Institutional and managerial ownership were regressed against

dividends. The results showed that institutional ownership provides incentives for controlling shareholders to use their influence for maximizing firm value by reducing the use of funds in low return projects meaning that more cash is distributed inform of dividends. Moreover, managerial ownership has a negative coefficient in the Partial Adjustment Model, and the critical values are significant, whereas the Full Adjustment Model does not produce only the unexpected sign, but also it is significant.

2.3.2 Ownership Structure, Financial Performance and Dividend Payout

In a study on dividend policy and ownership structure, Al-Nawaiseh (2013) sampled sixty-two industrial firms listed in Amman Stock Exchange (ASE) from (2000-2006). The scholar used secondary data from published statements. The study adopted the Tobit model to test the study hypotheses for the level of dividends paid. The findings showed that ownership dispersion as measured by the natural log of the number of stockholders seemed not related to dividend policy in Jordan since it was insignificant in both analyses, Tobit and ordinary least squares (OLS).

The fraction held by insiders, had a negative impact on the level of dividends paid. Family ownership was negatively but not significantly, and institution was positively and significantly, influenced dividend policy, the multiple ownership is negative and insignificant, the finally variable for ownership was insignificant. However, the study ignored the critical effect of other moderating variables such as firm size and financial performance (Al-Najjar Basil, 2016).

There is a direct link between ownership structure and firms' financial performance. This was according to Mbaabu (2017) in his study titled ownership structure and financial performance. The study focused on firms quoted at the NSE. The study adopted multiple regression analysis. The findings showed that all types of ownership structure presented a significant effect on financial performance. This study however, did not link ownership structure with dividend payout hence this will be addressed by the current study which finds the intervening effect of financial performance on the relationship between ownership structure and dividend payout.

In Jordan Warrad, Abed, Kharisat and Al-Sheikh (2012) carried out a study on ownership structure and dividend payout policy. The study sampled 77 companies listed at the ASE. The study adopted both univariate and multivariate statistical analysis. The findings of the study showed a positive significant relationship between foreign ownership structure and the dividend payout. Dividend payout was determined using Tobin Q measure. However, this study only focused on a single aspect of ownership structure namely foreign ownership.

In a study on ownership structure and dividend policy (Atchyuthen, Karoshanth & Nirosan 2014) used secondary data collected from the annual reports of hotel and travel firms listed at the Colombo stock exchange between 2010 to 2014. The study used correlation analysis and multiple OLS regression. The aim of the study was to identify potential relationship between ownership structure and dividend payout policy and examined the dividend payout trends. The study findings suggested that ownership structure is highly relevant to understanding corporate dividends policy and that the results of the study found out that managerial ownership is more relevant to determine dividend policy of Srilankan hotels and travel companies. However, this study overlooked the critical control effect of firm performance. The current study takes into consideration all the critical control variables.

2.3.3 Ownership Structure, Firm Size and Dividend Payout

Labhane and Mahakud (2016) carried out a study on the determinants of dividend payout ratio on evidence from Indian companies. The study analyzed the trend of dividend payout ratio and its determinants of the companies quoted at the Indian Stock Exchange. They sampled 237 companies, with continuous data during the period 1994-95 to 2012-2013. The study adopted the pooled model, fixed effects model and random effects model. From the trend analysis, findings showed that the number of dividend paying companies had decreased but the amount of the dividend paid had increased over the 2-decade period. The empirical findings suggested that firms with high free cash flow, large

firms, pay more dividends while riskier, more leveraged and firms with high investment opportunities tend to pay lower dividends.

In a study on the influence of shareholder ownership on dividend payout Sheriff (2019) tested a panel of Iran firms from 2002 to 2018. The study was based on a sample of 41 companies listed on the Tehran stock exchange (TSE). Based on the findings they found out that there is significant positive correlation between institutional ownership and payout ratio. The relation between payout ratio and individual ownership is negative according to the study. They showed that there is significantly positive correlation between institutional ownership and payout ratio. However, this study only focused on institutional ownership and managerial ownership overlooking the aspect of foreign ownership. The current study will focus on all aspects of ownership structure.

In China, Thanatwee (2014) concluded that ownership structure influenced dividend payout. This was in the findings of his study titled ownership structure and dividend payout evidence from china. He sampled firms listed in shanghai stock exchange from 2007 to 2011. Dividend payout was measured using dividend payout ratio while ownership structure variables, which included institutional, individual, government and foreign ownership, were measured based on percentage of shares owned. The relationship between ownership structure and dividend payout was controlled by return on assets for profitability and firm size was measured by natural logarithm of total assets. The study found a positive relationship between government and dividend payout.

The study went on to establish that presence of government shareholder went long way in protecting the rights of minority shareholders who are usually expropriated by large shareholders. In contrast, a negative relationship existed between the ownership of institutions and foreign investors. The study failed to explain or give a hint as to why this trend existed. This study only focused on independent and dependent variables and introduced a control variable to moderate the relationship. The current study is a

multivariate one and introduces the intervening and moderating variables in bid to find out how they affect the relationship between ownership structure and dividend payout.

Using fixed effects model as a model of panel data analysis technique Sidhu, Hashmi, Ul Haq (2016) found that managerial ownership has negative effect on dividend payout. This is because managers prefer to retain earnings to meet investment needs and for growth. This study was carried out on firms listed on Karachi Stock Exchange from 2011-2015. The sample comprised of 100 companies in the non-financial sector. Dividend payout was measured using dividend payout ratio while ownership structure, which was represented by managerial and institutional ownership, was measured by the percentage of shares held by managers and institutions. Firm size measured by the natural log of total assets. The findings showed that institutional ownership had a positive effect on dividend payout. The findings further showed that firms with favorable firm value hence higher firm size usually distribute dividends. However this study only focused on managerial ownership and institutional ownership as the only types of ownership.

A study on the effect of ownership structure to the dividend payout of non-financial firms listed in the Indonesian Stock Exchange, Putri and Rhokim (2016) sampled 63 companies from 2009 to 2013. The variables for the study included government and institutional ownership for ownership structure while dividend payout was measured by dividend payout ratio. To control for the relationship the scholar adopted leverage, firm size, growth opportunity and firm's life cycle as the control variables. Random effect model was adopted to carry out panel regression analysis. The regression results showed that government ownership has a positive effect to the payment of dividend. In contrast, the results showed that institutional ownership has negative effect on dividend payout. However, this study overlooked managerial and foreign ownership as the only types of ownership structure.

2.3.4 Ownership Structure, Firm Performance, Firm Size and Dividend Payout

Using regression analysis as the statistical technique for data analysis (Uwigbe, Jafaru & Ajayi 2012) conducted a study tattled dividend policy and firm performance in Nigeria. The study sought out to establish the relationship between ownership structure, size of the

firm and dividend payouts. The study utilized secondary data of 50 firms between 2006 and 2010. The findings showed that there exists a significant positive association between the performance of the firms and dividend payout of the sampled firms. However, the study did not focus on the direct relationship between ownership structure and dividend payout. It only focused on the single aspect of managerial ownership overlooking the other forms of ownership structure. The current study will focus on the direct relationship between OS and DP.

In Korea Chai (2010) using a unique panel data set of foreign ownership and firm attributes of listed Korean firms, the study explored the relationship between dividends and ownership structure in an emerging market setting. The scholar investigated the relatively unexplored relationship between dividends and ownership structure in an emerging market setting. The study applied both descriptive statistics and correlation matrix in the methodology. The study findings showed that foreign investors in Korea tend to overweigh larger and profitable firms with large export sales and underweight highly leveraged firms with low market-to-book ratio. Firms make higher dividend payouts as the shareholdings of foreigners increase. This result is consistent with the agency theory view of dividends that is dividends can substitute for direct monitoring of firms by large external shareholders. Despite the study providing great literature in the area of interest, it overlooked the control effect of financial performance.

Using a sample size of 15 companies listed in Sri Lanka, Balagobei (2016) carried out a study on the impact of ownership structure on dividend payout policy. The scholar adopted multiple regression and Pearson correlation analysis. The findings of the secondary data showed that foreign ownership structure had a significant positive relationship on dividend policy. Conversely, the study noted that individual ownership structure and institutional ownership are not significantly correlated with dividend payout. The current study will either support the scholar's findings or discredit it and in addition, it will add more literature to the area of study.

Using a random sampling technique, Eluyela, Adetula, Obasaju, Ozordi, Akintimehin and Popoola (2019), conducted a study on foreign directors, indigenous directors and dividend payout in Nigerian deposit money Banks. The study was carried from 2010-2017. The variables for the study included foreign ownership and dividend payout while control variables included firm size and firm age. Foreign ownership was measured by average of shares owned by foreign directors. Dividend payout was measured by dividend payout ratio. Firm size was measured by the logarithm of total assets while firm age was measured by the number of years the firm has been in existence. Random effect model was adopted to estimate panel data. The findings showed that foreign investors, firm age and firm size influenced dividend payout of Nigerian deposit banks. However, this study focused on foreign investors only.

Using multiple regression model as a methodology technique for pane data, At-Qahtani and Ajina (2017) concluded that there exists a negative relationship between family ownership and dividend payout. This is in support of agency theory. A positive relationship exists between managerial ownership and dividend payout. The variables adopted by the study were ownership structure which was measured by percentage of shares held by the largest shareholder, managers, family and institutional investors. The relationship was controlled by firm size measured by natural logarithm of total assets, leverage measured by total debt to total assets and lastly financial performance measured by return on assets. The study focused on firms domiciled in Saudi Arabia from 2012-2015.

In Pakistan Ehsan, Tabassum, Akram and Nasir (2013) conducted a study on role of insider ownership and individual ownership on dividend payout of firms quoted at the Karachi Stock Exchange from 2007 to 2011. The study adopted least squares regression model. The variables of the study included insider and individual ownership representing measures of ownership structure while the control variables adopted included size, leverage and profitability. The study findings showed that insider ownership and individual ownership structures have negative influence on dividend payout of firms quoted at the Karachi stock exchange. Profitability was found to positively influence

dividend payout meaning that there was likelihood of companies which are highly profitable to pay dividends. In contrast, firm size and leverage impacted dividend payout negatively. However, this study concentrated on insider and individual ownership as the only types of ownership structure ignoring other types. In addition observations carried out in the study were also within a short time.

Conflicting conclusions were made by Ali-Shah, Ullah and Hasnain (2011) in another study in Pakistan. The study aimed at investigating the relationship between ownership structure and dividend payout of firms listed at the KSE from 2002 to 2006. The study adopted the common effect model to analyse panel data from the annual statements of firms listed at the KSE. The findings showed that ownership structure has a significant positive effect on dividend payout. Firm size adopted as a control variable had a positive impact on dividend payout. Profitability measured by return on equity was negatively related.

Using dynamic panel regression model of 853 observations of yearly average of 106 companies quoted at the Turkish stock exchange from 2009 to 2015, Bostanci, Kadioglu and Sayilgan (2018) found that there was no significant relationship between family control and dividend payout. Return on equity, which was adopted as a measure for profitability had a significant effect on dividend payout. The scholars also posited that other factors other than ownership structure determined dividend payout.

In Malaysia, Ting, Kweh and Somosundaran (2017) examined how ownership structure affected dividend payout. The study employed a regression analysis on a dataset of 11 years from 2005 to 2015. The study adopted dividend payout measured by dividend payout ratio to net profit, financial performance measured by return on equity and ownership structure measured by the percentage of shares held by the largest shareholder. The study adopted leverage, liquidity, growth, size and age as control variables. The findings showed a negative relationship between ownership structure and dividend payout. This was an indication that investors in Malaysia prefer to utilize the excess cash flows for re-investment instead of paying dividends.

The findings also showed a positive relationship between financial performance and dividend payout. Firm size had a negative relationship with dividend payout. However, the study only concentrated on the largest shareholder as the only aspect of ownership structure ignoring the fact that ownership structure is a factor of individual ownership, managerial ownership, institutional ownership, government ownership and foreign investors. The largest investor either one of them. This means that the study was not clear also on what type of ownership structure was being dealt with.

A study on factors affecting dividend payout in Pakistan by Murtaza and Ahmed (2015) adopted descriptive statistics and the pooled least square method. The study sampled 38 companies and utilized secondary data from the published financial statements. Firm size, liquidity, profitability, leverage and earnings per share were taken as independent variables while dividend payout was the dependent variable. The findings showed that a positive relationship existed between liquidity, earnings per share, leverage, firm size and dividend payout. However, the study failed to find out whether ownership structure had an impact on dividend payout.

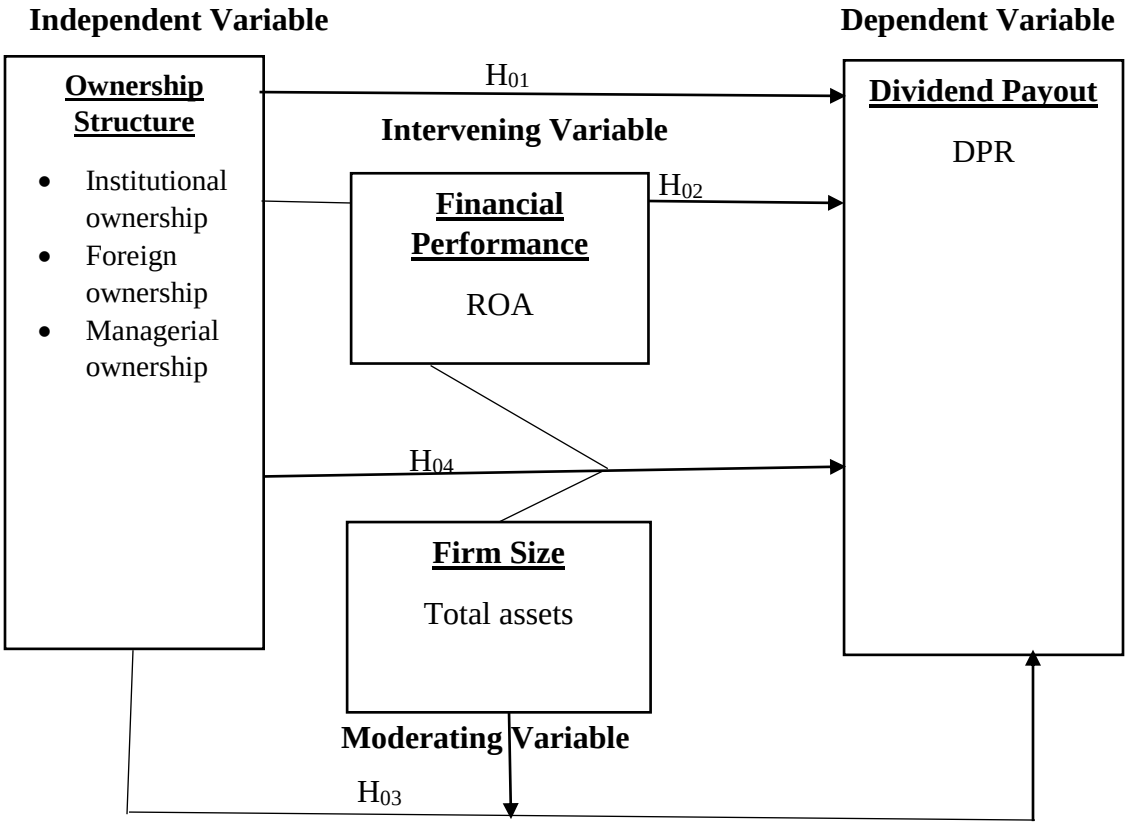
2.4 Summary of Literature Review and Knowledge Gap

The literature review has explained various theories put forward to explain the relationship between ownership structure and dividend payout. Empirical review has been carried on studies related to the current study variables in different contexts. Largely there is strong evidence of positive as well as negative relationships between ownership structure and dividend payout both locally and globally. From the literature review, a contextual gap has emerged of previous studies on the relationship between ownership structure and dividend payout. Most of the studies carried out have been done in different contexts with little in the scope of the current study. Conceptually, most studies have examined limited aspects of ownership structure and dividend payout overlooking variables such firm size and financial performance. This gap will be addressed by examining the relationship between ownership structure and dividend payout.

The current study will bring into context the effect of financial performance and firm size. The study will focus on firms quoted at the NSE. This study will make a huge empirical contribution to knowledge in this field and particularly in emerging markets such as the Nairobi securities exchange and in developing countries. This is made successful by examining the relationship between ownership structure and dividend payout, the intervention measures can further we evaluated and improvised by managers. The findings can also help the shareholders and the organizations to better understand the concept of ownership structure and its effect on dividend payout. These findings may also boost investors' confidence especially foreign investors since they are much strict on corporate governance issues.

2.5 Conceptual Framework

The diagrammatic manifestation of the researcher's concept on the current study is portrayed in the conceptual framework in Figure 2.1 below. The relationship between ownership structure and dividend payout is expected to be positive. The relationship between OS and DP is intervened by financial performance. If the company has good performance it is expected to increase is dividend payout and a company with a worse financial performance is expected to have a less dividend payout. The relationship between ownership structures is expected also to be affected by firm size. Larger firms are expected to have good performance hence pay a high dividend. Smaller firms are expected to pay smaller dividend due to moderate performance.



Source: Author 2020

Figure 2.1 Conceptual Framework Model

The independent variable is OS while the dependent variable is DP. Financial performance and firm size are the intermediating variables with financial performance being the independent variable while firm size is the moderating variable. As indicated in figure 2.1 H_{01} represents the relationship between OS and DP. H_{02} represents the effect of financial performance on the relationship between OS and DP. H_{03} represents the effect of firm size on the relationship between OS and DP. H_{04} represents the joint effect of OS, Financial performance and firm size on dividend policy.

2.6 Chapter Summary

This chapter outlined and presented the theories that anchored and supported the study, the empirical literature, the conceptual framework and a summary of gaps to be filled by the study. The study adopted the agency theory as the main theory supported by

stakeholder theory, signaling theory and lastly resource dependence theory. Different studies relating to the study variables were also reviewed and a summary of the existing gaps pointed out and how the current study will bridge those gaps. A diagrammatic representation of the study variable was presented which showed the relationship between the study variables was also presented under the conceptual framework.

CHAPTER THREE
RESEARCH METHODOLOGY

3.0 Introduction

This chapter outlined the methods, tool and sources of research data, targeted groups and sample from which data was collected. This enabled the researcher to find the effect of ownership structure and dividend payout. The chapter also outlines and discusses how the data collected was analyzed, the tools that were used in data analysis and presentation. The study adopted a cross-sectional design. This design was appropriate for the study since it involved collecting and analyzing study variables data at a short period horizon in order to assess strength of relationships among variables.

The listed companies were chosen due to the availability of audited published financial statements, as it is a requirement of both local and international regulators. Cross-sectional data obtained covered a period of five years, from January 2014 up to December 2018. Diagnostic tests are usually performed on a classical linear regression model, which is usually based on a number of assumptions including linear relationship, multivariate normality, no or little multicollinearity, no auto-correlation and heteroscedasticity. The above diagnostic tests were conducted on the data.

3.1 Research Design

Research design is a blue print for fulfilling the objectives and answering the questions of study (cooper and Schindler, 2009). Kunga (2014) cites that research design demonstrates the procedure of investigations measuring and analyzing data collected. A study that seeks to measure variables within a short period is a cross-sectional one. This research sought to find out the relationship between ownership structure and dividend payout. This study used descriptive, cross sectional research design. Descriptive research design, on the other hand focuses on what is going on.

It entails a description of a subjects' behavior without alterations. This design acts as a pre-cursor for the researcher to identify the variables to test quantitatively. A descriptive research cross-sectional research design was adopted. According to Mwangi (2014), a

descriptive cross-sectional research design involves collecting and analyzing study variables data at a short period horizon in order to assess strength of relationships among variables. The population for the study was the 59 companies listed in the Nairobi securities Exchange.

3.2 Target Population

The target population for this study was all the 59 companies listed in the NSE as at 31st December, 2018 and have compiled their financial statements (See appendix 1). Mugenda and Mugenda (2003) that the population should have observable characteristics, which the researcher intends to generalize the results of the study. This creates a cross sector evaluation contrary to previous studies, which have focused only on a specific segment of the market. The listed companies were chosen due to the availability of audited published financial statements, as it is a requirement of both local and international regulators.

3.3 Sampling Design and Sample size

The study target population was 59 firms listed at the NSE from 2014 to 2018. A sampling design refers to that part of research plan that indicated how the cases are selected for observation (Mwangi, 2015). The scholar adopted convenience-sampling technique to collect a good representative sample for the study. For the listed firms to be considered for in the study, they were required to have published their financial statements continuously over the period of study. In a study by Uwigbe (2013), firms with incomplete data samples were eliminated from the study. Therefore, the researcher eliminated companies, which had missing or incomplete dataset from the study sample. A sample size of 39 firms listed at the NSE for a period of five years was selected out of the targeted population of 59 firms as shown in table 3.1 below.

Table 3.1 Sample size

Sector	Population	Sample size	%
Agricultural	6	5	13
Automobiles and accessories	1	1	3
Commercial and services	8	5	13
Construction and allied	5	4	10
Investment services	1	1	3
Telecommunication	1	1	3
Energy and petroleum	4	2	5
Insurance	6	6	15
Investment	5	3	7
Manufacturing and allied	8	6	15
Banking	12	5	13
TOTAL	**59**	**39**	**100**

Source Author 2020

3.4 Data Collection and Procedure

This study used secondary data, which was obtained from the end of year financial reports of each firm listed at the Nairobi Securities Exchange. A key reason why secondary data was used is the fact that it is cheaper and easy to collect than primary data. Cross-sectional data obtained covered a period of five years, from January 2014 up to December 2018. The data was collected from financial statements of the relevant firms, which were accessed from both Nairobi Securities Exchange and CMA websites and their physical library facilities. According to CMA principles, every listed company is required to publish its financial statements and report the extent to which they complied with CMA principles.

3.5 Operationalization of Research Variables

Shabarati (2010) asserts that operationalization of variables is the measurement procedure bridging the conceptual-theoretical level with the empirical observation level. A researcher assigns numbers and other symbols to the study variables by the process. Ownership structure has been divided into three sub- variables namely, Managerial Ownership, Foreign Ownership and Institutional Ownership. Financial performance will be measured by return on assets and Firm size by natural log of total assets. Dividend payout will be measured by dividend payout ratio.

Table 3.1 Operationalization of Research Variables

Variable	Variable Name	Operational definition of Variable	Indicator	Measurement	Data type	Level of Measurement
Independent Variable	Ownership Structure	Ownership structure relates to the decision making segment of the firm and is defined by the distribution of equity with regard to votes and capital	• Institutional Ownership • Managerial Ownership • Foreign Ownership	$\frac{Institutional\ Shares}{Total\ no.of\ Shares}*100$ $\frac{Directors\ Shares}{Total\ no\ Of\ Shares}*100$ $\frac{Foreign\ Shares}{Total\ No.of\ Shares}*100$	Calculated value	Ratio
Intervening Variable	Financial Performance	Financial performance is the measure of a firm's overall financial health over a given period of time	Return on Assets	ROA=$\frac{Profit\ after\ Tax}{Total\ Asset}$	Calculated value	Ratio
Moderating Variable	Firm Size	Firm size is the company's market capitalization	Total assets	Log of Total Assets	Calculated value	Ratio
Dependent variable	Dividend Payout	Dividend pay-out ratio is the measure of the percentage of earnings paid out as dividends	Dividend payout ratio	DPR=$\frac{Dividend\ Per\ Share}{Earnings\ Per\ Share}$	Calculated value	Ratio

Source: Author 2020

3.6 Data Analysis

The study used regression model with dividend payout as the depended variable. Ownership structure and its attributes was the independent variable. Data was analyzed through statistical procedures and techniques from simple analysis procedures that are used regularly like computing an average. The analysis was carried out on the information obtained from the listed institutions' annual statements. The data was then edited for accuracy. Descriptive statistics like frequency distributions, graphs, mean scores and coefficient of variation were used to describe the basic features of the data. Diagnostic tests were also performed through inferential statistics. Intervening and moderation effects were tested using statistical measures.

Table 3.2 Analytical Model and Interpretation of Data

Objective	Hypothesis	Analytical Model	Analysis Techniques	Interpretation
To determine the effect of ownership structure on dividend payout policy	There is no significant relationship between ownership structure and dividend payout ratio	H1: $DP = \beta_0 + \beta_1 OS + \varepsilon$ where DP= Dividend payout OS = Ownership structure, β_0= Intercept, β_1= coefficients and ε=error term	Correlation, regression, and goodness of fit tests	Relationship exists if β_1 is significant
To determine the effect of firms financial performance on the relationship between ownership structure and dividend policy.	There is no intervening effect of financial performance on the relationship between ownership structure and dividend payout.	Stepwise regression (Baron & Kenny,1986) H2: Step 1- $DP = \beta_0 + \beta_1 OS + \varepsilon_1$ Step 2- $FP = \beta_0 + \beta_1 OS + \varepsilon_2$ Step 3- $DP = \beta_0 + \beta_1 FP + \varepsilon_3$ Step 4- $DP = \beta_0 + \beta_1 OS + \beta_2 FP + \varepsilon_4$ where FP= Financial Performance OS= Ownership structure DP= Dividend payout ε=error term	Correlation, regression, and goodness of fit tests	Relationship exists if $\beta_1$and $\beta_2$are significant
To establish the effect of firm size on the relationship between ownership structure and dividend policy.	There is no moderating effect of firm size on the relationship between ownership structure and dividend payout	H3: $DP = \beta_0 + \beta_1 OS + \beta_2 FS + \beta_3 OS*FS + \varepsilon$ where, FS= Firm Size OS= Ownership structure FP= Firm size DP= Dividend payout ε=error term	Correlation, regression, and goodness of fit tests	β_3 should be significant for FS to qualify as a moderating factor
To determine the joint effect of ownership structure, financial performance and firm size on the dividend policy.	There is no significant joint effect of ownership structure, financial performance and firm size on dividend payout.	H4: $DP = \beta_0 + \beta_1 OS + \beta_2 FP + \beta_3 FS + \varepsilon$ where OS= Ownership structure FP= Financial Performance FS= Firm Size DP= Dividend payout ε=error term	Correlation, regression, and goodness of fit tests	Relationship exists if at least one of β_1- β_3 is significant

Source: Author 2020

3.7 Diagnostic Tests

The classical linear regression model is usually based on a number of assumptions including linear relationship, multivariate normality, multicollinearity, no auto-correlation and heteroscedasticity. The following diagnostic tests were conducted on the data. The test of linearity was used to check for linearity of the relationships between the independent and the dependent variables data. The scholar performed linearity tests using scatter plot to confirm if the existing relationship between variables were linear and the confidence intervals did not yield misleading results. Normality was tested by use of histograms.

According to Sirtaj (2016), multicollinearity occurs when the independent variables are not independent from each other meaning that one independent variable can be linearity predicted from the others with some reasonable degree of accuracy. Another assumption is that the error of the mean has to be independent from the independent variables. When the independent variables are highly correlated, the resultant regression model run will have high standard errors of the individual coefficients making the regression model very sensitive to small changes in the specifications (Brook. 2008). The presence of multicollinearity was assessed using the variance inflated factor (VIF) test. VIF indicated the degree of inflation of the standard error terms because of multicollinearity. A VIF greater than 10 indicates multicollinearity (Ayeko, 2015).

3.8 Ethical Issues

According to Sirtaj (2016) ethical issues are norms for conduct that distinguish between acceptable and unacceptable conduct when carrying out research. The major ethical issues when conducting research include informed consent, respect for confidentiality and anonymity and respect for privacy. The researcher utilized secondary data collected for research purposes. To obtain the data, the researcher will follow the right procedures to obtain any required information without any canvassing. Authorization was sought from the relevant authorities. The researcher dealt only with the authorized office bearers. A high level of integrity was ensured during the study period.

3.9 Chapter Summary

This chapter presented the research design adopted in the study, the target population, the sample size, the operationalization of variable, data analysis, diagnostic tests performed on the data and finally the ethical issues guiding the researcher. The study adopted a cross-sectional descriptive research design. The target population comprised of the firms listed at the NSE between 2014-2015. The researcher adopted a sample size of 39 firms using convenience-sampling technique.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSIONS

4.1 Introduction

The purpose of this study was to find out the effect of ownership structure on dividend payout of firms listed at the Nairobi Securities Exchange. This chapter therefore presents results and discussions of the study from secondary data collected from the firms listed in the NSE between 2014- 2018 on the effect of ownership structure and dividend payout of firms listed at the Nairobi Securities Exchange. This chapter presents the descriptive statistics and the inferential statistics discussing the findings of the study.

4.2 Diagnostic Tests

Before subjecting the collected data into statistical econometric procedures and multiple regression tests the scholar checked the assumptions of linear regression model such as normality to ensure that the data was adequate for the study. The following tests were undertaken.

4.2.1 Tests for Normality and Linearity

According to Mwangi (2014), adoption of parametric statistical econometrics like multiple regression and correlation analysis requires that data sample is normally distributed. The scholar employed graphical as the best approach to test for normality. The distribution outcome for the study variables were presented using graphical method as shown in appendix viii which showed that the study variables, namely; OS, ROA, Log of total assets and dividend payout ratio were normally distributed. The scholar performed linearity tests using scatter plot as shown in appendix ix to confirm if the existing relationship between variables were linear and the confidence intervals did not yield misleading results.

4.2.2 Test for Multicollinearity

In the scholarly works of Sidhu (2014), the scholar postulated that presence of higher interrelationship of predictor variables leads to multicollinearity problem. If multicollinearity exists within a dataset, it inflates the error term and the confidence

interval making the individual predictors unsuitable. To test multicollinearity this study adopted Variance inflated factors (VIF). VIF shows the magnitude of the inflation in standard error associated with multicollinearity.

Table 4.1 Test for Multicollinearity

Model	Collinearity Statistics	
	Tolerance	VIF
OS	.944	1.059
ROA	.939	1.065
LOGOFTA	.986	1.014

From table 4.1 above the findings on multicollinearity show less VIF of < 10 meaning that independent variables were not correlated with each other ruling out multicollinearity of the data.

4.2 Descriptive Statistics

Descriptive statistics of the 39 firms listed at the NSE adopted in the sample were performed. This included computation of averages of the study variables.

4.2.1 Data Ratios

Table 4.2 Data Ratios

	Ownership Structure			Performance indicators		Average Ratio
YEAR	Institutional ownership	Managerial ownership	Foreign Ownership	ROA	Firm Size	Dividend Payout Ratio
2014	40.397	11.66	25.697	0.295	21.809	8.2541
2015	39.657	12.026	26.82	0.308	21.998	-1.085
2016	39.497	11.94	26.20	0.305	22.045	7.770
2017	38.918	11.54	27.13	0.486	22.0299	4.845
2018	38.36	12.54	28.42	0.104	22.095	9.312
Average	**39.36**	**11.94**	**26.85**	**0.299**	**21.996**	**5.819**

The findings of the study indicated an average of 39.36% in terms of Institutional ownership with 2014 registering the highest investment by institutions at 40.397% while

2018 registered the lowest investment by institutions at 38.36%. Investment by managers and directors in companies quoted in the NSE registered an average of 11.94% in investment, the highest average being 12.54% that was registered in 2018. Conversely, the lowest investment by managers was registered in 2014 at 11.66%. In terms of Foreign Ownership, 2014 registered the lowest foreign investment in the NSE at 25.697% while the highest investment was 28.422 % in the year 2018. On financial firm performance, the findings of the study indicated that the highest performance recorded by the NSE companies was in 2017 at 0.486, with the lowest performance of 0.104 being registered in 2018 while the average performance over the study period was at 0.299.

On Firm size the average firm size was 21.996 over the study period with 2015 registering the highest value 22.096 of in assets among the companies registered at the NSE. The lowest value in assets was registered in the year 2014 of 21.809. Lastly, the study sought to establish the dividends paid by the firms registered at the NSE. The findings of the study indicated that on average in 2015 most of the companies were not able to pay dividends and registered a negative value of -1.085 while 2018 saw shareholders receive the highest dividend at 9.32. The average dividend for the study stood at 5.819.

4.2.2 Ownership Structure

The study sought to establish the percentage of common stock held by controlling shareholders as compared to total outstanding shares of the firm. Through ownership structure evaluation, the study also established the distribution of equity with regard to votes and capital as well as the identity of the equity owners .Three ownership structures were established in the study and they included Institutional ownership, Managerial ownership and Foreign ownership of the firms listed in the Nairobi Stock Exchange (NSE).

Table 4.3 Firms Ownership Structure

Firm Listed in the NSE	Ownership Structure			
	Institutional ownership	Managerial ownership	Foreign ownership	Average
Kengen	80.25	1.68	13.63	31.85

Nation Media Group	19.698	0.0208	44.66	21.46
Bamburi Cement	32.892	0.0016	64.08	32.33
EAPC	45.62	0.0058	14.673	20.10
Kakuzi Limited	27.906	0.0017	27.166	18.36
Limuru tea Limited	5.476	98.104	0.0015	34.53
Flame Tree	7.746	84.61	0.924	52.88
CARBACID	21.242	28.576	56.6	16.61
British American Tobacco (BAT)	10.524	0.00362	83.658	31.40
East Africa Breweries Limited(EABL)	9.068	0.000128	50.03	19.71
HAFRIKKA	26.572	1.584	8.45	12.21
LIBERTY Insurance Company	36.25	0.000076	57.674	31.31
Jubilee Insurance Company	0.00122	0.014	0.00942	0.0082
BRITAM	48.048	18.698	23.222	29.99
CIC	77.286	0.224	1.276	26.26
EA Cables	75.424	0.956	1.34	25.91
Crown Paints	56.044	0.0028	31.424	29.16
BOC	6.916	4.762	76.118	29.27
Car and General(C&G)	75.898	0.0298	0.00296	25.32
CO-Operative Bank	80.198	2.424	3.532	28.72
I&M	60.598	14.826	10.43	28.62
Kapchorua Limited	54.458	0.096	27.956	27.51
Kenya Commercial Bank	38.222	17.43	29.8	28.48
Kenya RE	74.814	0.1875	0.0375	25.02
National Bank Limited	31.114	48.22	1.188	26.85
NIC	80.86	15.45	1.966	32.76
NSE	47.2388	0.047	38.7984	28.695
Olympia	39.76	11.684	0.0216	17.16
Sameer Africa	74.132	0.003452	1.586	25.25
Sanlam	63.34	27.896	1.90	31.05
Sasini	46.576	5.0	0.0014	17.193
Standard Media Group	21.932	0.0017	69.536	30.49
Total Kenya	1.3182	48.054	93.25	47.55
TPS Serena	24.892	0.00674	66.32	30.41
Trans century	8.516	10.95	28.194	15.89
Unga Group	59.844	0.000178	4.782	21.54
Williamson Tea	14.07	0.00001	58.21	24.094
WPP Scan Group	11.11	61.83	12.37	28.44
Average	**39.36**	**13.25**	**24.95**	**25.85**

The findings of the study indicated that firms listed in the NSE had an average of 39.36% of common stock under institutional ownership and shareholders compared to total outstanding shares of the firm listed in the NSE. Foreign ownership followed at 24.95 and Managerial ownership had 13.25%. The average ownership structure for managerial, institutional and foreign ownership were only 25.85% of the total ownership of common

stock compared to total outstanding shares of the firm listed in the NSE. These findings are similar to those of a study carried by Mwangi (2014) which posits that majority of firms at the NSE are institution owned with individual investor owning the highest stake in majority of the firms. The findings of the study also indicated that Co-operative Bank, NIC and KenGen had the highest Institutional ownership of common stock of 80.20%, 80.86% and 80.25% respectively.

Ownership by managers stood at an average of 13.25%, of common stock compared to total outstanding shares. The company with the lowest Managerial ownership of common stock compared to total outstanding shares was LIBERTY Insurance Company at 0.000076% while the company with the highest Managerial ownership was Limuru Dairy Limited at 98.104%. This means that majority of the directors or mangers of publicly listed firms at the NSE are risk averse and there is highly likelihood of agency problems as a result of this since managers will seem to be non-committal to their duties (Tchuigoua, 2015). In regards to foreign ownership, Total Kenya posted the highest investment by foreigners at 93.25% while Sasini tea posted the lowest investment by foreigners at 0.0014%.

4.2.3 Firm's Financial Performance (ROA)

The study sought to establish the Firm's Financial Performance measured by the firm's net income produced by the total assets. The ROA was necessary in measuring how efficiently the companies listed in the NSE were able to manage and utilize their assets to produce profits during the period under investigation (2014-2018).

Table 4.4 Firm's Financial Performance (ROA)

Firm	Organization Performance(ROA)
KenGen	0.054
Nation Media Group	0.198
Bamburi Cement	0.0948
EAPC	45.62
Kakuzi Limited	0.096
Limuru Dairy Limited	0.00362
Flame Tree	0.1652
CARBACID	0.1312

British American Tobacco (BAT)	0.3636
East Africa Breweries Limited(EABL)	0.2104
HAFRIKKA	-0.051
LIBERTY Insurance Company	0.1188
Jubilee Insurance Company	0.0348
BRITAM	-0.0302
CIC	0.029
EA Cables	0.0006
Crown Paints	0.027
BOC	0.0526
Car and General(C&G)	0.026
CO-Operative Bank	0.0336
I&M	0.0964
Kapchorua Limited	0.0334
Kenya Commercial Bank	0.0368
Kenya RE	0.077
National Bank Limited	0.00578
NIC	0.03456
NSE	0.1256
Olympia	-1.102
Sameer Africa	-9.804
Sanlam	0.181
Sasini	8.64
Standard Media Group	0.82
Total Kenya	5.68
TPS Serena	0.796
Transcentury	
Unga Group	5.404
Williamson Tea	2.734
WPP Scan Group	10.17
Average	**1.497**

The results indicated that an average ratio of the net income produced by total assets of the firms listed in the Nairobi Stock Exchange was 1.497%. This meant that the firms listed on the NSE were able to produce Sh1.5 of profit for every Sh 100 the companies invested in its assets in the period covered by the study (2014-2018). EAPC posted the highest ROA at 45.62 while Tran century posted the lowest ROA at -14.25. According to Mwangi (2018) the higher the ROA the better and the inverse is true hence, from the findings of the study majority of the firms at the NSE are performing poorly.

4.2.4 Firms Size

The study sought to establish the size of the firm, which is the company's aggregate value or the total value of its stock (Schmalensee, 2001). The findings were as follows;

Table 4.5 Firms Size

Firm	Firms Size(Log of total assets)
Kengen	26.55
Nation Media Group	29.78
Bamburi Cement	10.684
EAPC	23.95
Kakuzi Limited	22.24
Limuru Dairy Limited	19.3904
Flame Tree	20.3938
CARBACID	14.912
British American Tobacco (BAT)	16.2838
East Africa Breweries Limited(EABL)	24.427
HAFRIKKA	21.9068
LIBERTY Insurance Company	22.647
Jubilee Insurance Company	25.277
BRITAM	11.3674
CIC	16.972
EA Cables	22.79
Crown Paints	22.312
BOC	14.6222
Car and General(C&G)	16.0408
CO-Operative Bank	26.5906
I&M	26.247
Kapchorua Limited	21.468
Kenya Commercial Bank	27.1056
Kenya RE	74.814
National Bank Limited	25.4782
NIC	25.91
NSE	21.4064
Olympia	17.98
Sameer Africa	22.0
Sanlam	24.251
Sasini	23.092
Standard Media Group	22.204
Total Kenya	24.31
TPS Serena	24.01
Trans century	24.14
Unga Group	22.91
Williamson Tea	22.89
WPP Scan Group	23.32
Average	**24.97**

The findings of the study indicated that company's aggregate value was 24.97% of the total assets. The company with the highest aggregate value were NMG with an aggregate value of 29.78 in the 5 years (2014-2018) covered by the study while Britam posted the lowest aggregate at 11.

4.2.4 Dividend Payout Ratio

The study also sought to establish the Dividend Payout Ratio, which is used to establish the dividend payout, which is a distribution of profits to shareholders as dividend and to the business as re-investment (Hussainey, 2010). The following were the average Dividend Payout Ratio in the study period from 2015 to 2018.

Table 4.6 Dividend Payout Ratio

Firm	Dividend Payout Ratio
Kengen	0.342
Nation Media Group	1.006
Bamburi Cement	1.1722
EAPC	14.673
Kakuzi Limited	0.2958
Limuru Dairy Limited	-0.329
Flame Tree	0.00454
CARBACID	0.4792
British American Tobacco (BAT)	0.858
East Africa Breweries Limited(EABL)	0.8762
HAFRIKKA	0.4576
LIBERTY Insurance Company	0.3644
Jubilee Insurance Company	0.3016
BRITAM	0.4246
CIC	0.8122
EA Cables	0.845
Crown Paints	1.678
BOC	1.2096
Car and General(C&G)	0.1996
CO-Operative Bank	0.362
I&M	0.2022
Kapchorua Limited	-0.1526
Kenya Commercial Bank	0.4096
Kenya RE	0.1875
National Bank Limited	0.00238
NIC	0.1614
NSE	0.401
Olympia	39.76

Sameer Africa	0.03386
Sanlam	0.00988
Sasini	63.98
Standard Media Group	20.64
Total Kenya	25.8
TPS Serena	56.6
Transcentury	0.00294
Unga Group	7.45
Williamson Tea	-14.6
WPP Scan Group	48.4
Average	**7.25**

In term of the dividends paid to the investors, the findings of the study indicated that some firms did not pay dividends during the study period. Kapchorua Limited registered a -0.1526 distribution of profits to their shareholders followed by Williamson Tea at -14.6 and lastly Limuru Dairy Limited posted -0.329. This could be explained by the company under performing in the period that was covered by the study. The companies that paid the highest dividend to shareholders were Sasini that paid a ratio of 63.98, followed by TPS Serena that paid a dividend ratio of 56.6, WPP Scan Group that paid a dividend ratio of 48.4 while Olympia paid a distribution of profits to shareholders of 39.76.

The findings of the study also indicated that insurance firms and banking institutions listed at the NSE did not pay much dividends and only paid a ratio of less than 0.5 although none of them registered a negative distribution of profits to their shareholders. WPP Scan Group. The findings of the study indicated that although most of the firms registered very low Dividend Payout Ratios, Unga Group, Crown Paints, Bamburi Cement ,Nation Media Group and BOC firms registered more than 0.9 Dividend Payout Ratio. The other firms registered more than EAPC, TPS Serena and Total Kenya.

4.3 Inferential Statistics (Testing of Hypothesis)

The study adopted both regression and Correlation Analysis to test the hypothesis and establish the relationship between the variables under investigation. Regression Coefficient can be explained as the slope of the regression line, where each coefficient estimates the change in the mean response per unit increase in X when all other

predictors are held constant. If the p-value of a coefficient is less than the chosen significance level, such as 0.05, the relationship between the predictor and the response is statistically significant (Bandyopadhyay and Forster, 2011). Correlation Analysis, which is based on the Pearson Correlation (r), were conducted and where the corresponding p-value is less 0.05 at 95% confidence level, then the study concludes that there is a significant relationship between the variables.

4.3.1 Relationship between ownership structure and dividend payout ratio

H_1: There is no significant relationship between ownership structure and dividend payout ratio.

The study had proposed Correlation, regression, and goodness of fit tests as techniques of analysis where $DP = \beta_0 + \beta_1 OS + \varepsilon$ Analytical Model was used.

Table 4.7 Relationship between ownership structure and dividend payout ratio: Correlation Analysis

		Y	X1	X2	X3
Dividend Payout	Pearson Correlation	1	-.179	.202	.078
	Sig. (2-tailed)		.773	.745	.901
	N	5	5	5	5
Institutional ownership	Pearson Correlation	-.179	1	-.586	-.935*
	Sig. (2-tailed)	.773		.299	.020
	N	5	5	5	5
Management Ownership	Pearson Correlation	.202	-.586	1	.725
	Sig. (2-tailed)	.745	.299		.165
	N	5	5	5	5
Foreign Ownership	Pearson Correlation	.078	-.935*	.725	1
	Sig. (2-tailed)	.901	.020	.165	
	N	5	5	5	5
*. Correlation is significant at the 0.05 level (2-tailed).					

The study also carried out analysis to establish whether each of the Independent Variables: Ownership Structure (Foreign Ownership, Management Ownership, Institutional ownership) can be used as predictors explaining the variation in Dependents Variable: that is the dividend payout ratio for the firms listed in the NSE. Pearson

correlation (r) and its corresponding p-value gave the findings for each variable and if less 0.05 at 95% confidence level, then the study concludes that there is a significant relationship between the variables.

The results indicated that while all the Independent Variables: Ownership Structure (Institutional ownership (r=-.179, P>.05), Management Ownership(r=.202,P>.05), Foreign Ownership(r=.078, P>.05) had an effect on Dependents Variable: the dividend payout ratio. Therefore, the researcher concluded that there was no significance relationship between all the Ownership Structure sub variables (Foreign Ownership, Management Ownership, Institutional ownership) and dividend payout ratio for the firms listed in the NSE. In a similar study, Kunga (2014) concluded that there was no significant relationship between OS and DP of firms listed at the NSE.

Table 4.8 Relationship between ownership structure and dividend payout ratio paid by Firms Listed at NSE

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.380	3	5.127	.093	.954[b]
	Residual	55.172	1	55.172		
	Total	70.552	4			
a. Dependent Variable: Dividend Payout						
b. Predictors: (Constant), Foreign Ownership, Management Ownership, Institutional ownership						

The results shows a regression output of ownership structure (Foreign Ownership, Management Ownership, Institutional ownership) as valid (F (3, 1) = .093, P>.05). This means that Ownership Structure (Foreign Ownership, Management Ownership, Institutional ownership) can be used as predictors explaining the variation in the dividend payout ratio for the firms listed in the NSE. The P>0.954 which is more than the critical value of 0.05 leads us to accept the null hypothesis and reject the alternative hypothesis that that (Foreign Ownership, Management Ownership, Institutional ownership) have a no significant relationship and dividend payout ratio that the NSE pay to the shareholders.

Table 4.9 Relationship between ownership structure and dividend payout ratio paid by Firms Listed at NSE: Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	365.621	832.724		.439	.737
	Institutional ownership	-6.757	14.609	-1.240	-.463	.724
	Management Ownership	5.632	14.252	.548	.395	.760
	Foreign Ownership	-5.999	12.805	-1.479	-.468	.721
a. Dependent Variable: Dividend Payout						

From the multi-regression analyzing, the findings of the study indicated that: Y=365.621+-6.757X1+.5.632X2+.-5.999+.ε.This indicates that a -6.757change in Institutional ownership, a 5.632 change in Management Ownership while -5.999 change in Foreign Ownership will have unit change in the dividend payout ratio paid by Firms Listed at NSE. All the ownership structures (Foreign Ownership, Management Ownership, Institutional ownership) would have no significance influence on dividend payout ratio paid by Firms Listed at NSE.

Where; Constant 365.621 that indicates that if Foreign Ownership, Management Ownership, Institutional ownership are all rated at zero, the dividend payout ratio paid by Firms Listed at NSE would stay at 365.621.

4.3.2 Intervening effect of financial performance on the relationship between ownership structure and dividend payout

The second objective of the study was to analyze and identify the intervening effect of FP on the relationship between OS and DP. OS comprised of institutional, managerial and foreign ownership. FP was measured using return on assets while DP was measured using the dividend payout ratio. Stepwise regression postulated and advocated for by Baron and Kenny (1986) was adopted to test the mediating effects. Stepwise regression comprises of four steps. In step one, the relationship between OS (independent variable) and Dividend payout (dependent variable) was carried out leaving the mediating variable.

The second step involved regression between the independent variable namely OS and the mediating variable (FP) and in this step, the dependent variable was ignored. In the third step, regression analysis involved regressing FP (intervening variable) and DP (dependent variable) ignoring OS the independent variable. In the final step that is step four, regression was carried out with DP as the dependent variable and both OS and FP as the independent variable.

H2: There is no intervening effect of financial performance on the relationship between ownership structure and dividend payout.

When the study sought to establish the intervening effect of financial performance on the relationship between ownership structure and dividend payout, the following were the findings. Stepwise regression was adopted to help determine the intervening effect.

$\mathbf{Y_1 = \beta_o + \beta_1 X_{1i} , \beta_2 D_S + \varepsilon}$

Table 4.10 Intervening effect of financial performance on the relationship between ownership structure and dividend payout: Correlation Analysis

		Y	X	$\mathbf{D_S}$
Dividend Payout	Pearson Correlation	1	.	
	Sig. (2-tailed)			
	N	5		
Ownership Structure	Pearson Correlation	.959	1	
	Sig. (2-tailed)	.032		
	N	5	5	
ROA	Pearson Correlation	.407	.825	1
	Sig. (2-tailed)	.497	.086	
	N	5	5	5

The study also carried out analysis to establish whether there is an intervening effect of financial performance would have an influence on the relationship between ownership structure and dividend payout. The findings for each variable is given by Pearson (r) and its corresponding p-value is less 0.05 at 95% confidence level, then the study concludes that there is a significant relationship between the variables. The results indicated that intervening effect of financial performance would have an influence on the relationship between ownership structure (r=.959, P<.032) and dividend payout. This means that if

there is an increase in financial performance then this would influence the relationship between ownership structure and dividend payout by firms listed at NSE.

Table 4.11 Intervening effect of financial performance on the relationship between ownership structure and dividend payout: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	31.900	2	15.950	.825	.048[b]
	Residual	38.652	2	19.326		
	Total	70.552	4			
a. Dependent Variable: Dividend_Payout						
b. Predictors: (Constant), ROA, Ownership						

The results in the above table shows that the F calculated is .825 while the F critical is 2.486. This explains that largely the regression representation is statistically important. This was collaborated by P=Value of .048 which is less that critical value of 0.05 at 95% confidence level that indicated that intervening effect of financial performance would have significance influence on the relationship between ownership structure and dividend payout.. The full model is statistically significant and hence suitable for predicting intervening effect of financial performance would have an influence on the relationship between ownership structure and dividend payout with moderating effect of financial performance.

4.3.3 Moderating effect of firm size on the relationship between ownership structure and dividend payout by firms listed at NSE

H3: There is no moderating effect of firm size on the relationship between ownership structure and dividend payout by firms listed at NSE.

When the study sought to establish the moderating effect of firm size on the relationship between ownership structure and dividend payout and through the this **Analytical Model** $\mathbf{Y_1 = \beta_o + \beta_1 X_{1i} , \beta_2 Ds + \varepsilon,}$ following were the findings.

Table 4.12 Moderating effect of firm size on the relationship between ownership structure and dividend payout by firms listed at NSE: Correlation Analysis

		Y	X	DS
Dividend Payout	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	5		
Ownership Structure	Pearson Correlation	.447	1	
	Sig. (2-tailed)	.020		
	N	5	5	
Firm Size	Pearson Correlation	.328*	.279*	1
	Sig. (2-tailed)	.142	.216	
	N	5	5	5

The study also carried out analysis to establish whether moderating effect of firm size would have an influence the relationship between ownership structure and dividend payout. The findings for each variable is given by Pearson (r) and its corresponding p-value is less 0.05 at 95% confidence level, then the study concludes that there is a significant relationship between the variables with a moderating effect of firm size.

The results indicated that moderating effect of firm size would have an influence on the relationship between ownership structure (r=.447, P<.020) and dividend payout. This means that the firm size (big or small) would have an influence on the relationship between ownership structure and dividend payout by firms listed at NSE.

Table 4.13 Moderating effect of firm size on the relationship between ownership structure and dividend payout by firms listed at NSE: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.271	2	.136	1.334	.041[b]
	Residual	70.280	2	35.140		
	Total	70.552	4			
a. Dependent Variable: Dividend Payout						
b. Predictors: (Constant), Firm Size, Firm Ownership Structure						

The results in the above table shows that the F calculated is .825 while the F critical is 2.486. This explains that largely the regression representation is statistically important. This was collaborated by P=Value of 041 which is less that critical value of 0.05 at 95% confidence level that indicated that moderating effect of firm size would have significance influence on the relationship between ownership structure and dividend payout.. The full model is statistically significant and hence suitable for predicting forecasting moderating effect of firm size would have an influence on the relationship between ownership structure and dividend payout with moderating effect of moderating effect of firm size.

4.3.4 Joint effect of ownership structure, financial performance and firm size on dividend payout by firms listed at NSE

H4: There is no significant joint effect of ownership structure, financial performance and firm size on dividend payout by firms listed at NSE.

The study had also sought to establish the joint effect of ownership structure, financial performance and firm size on dividend payout by firms listed at NSE and the response was as follows.

The study through the following model $DP = \beta_0 + \beta_1 OS + \beta_2 FP + \beta_3 FS + \varepsilon$, the findings of the study are shown below;

Table 4.14 Joint effect of ownership structure, financial performance and firm size on dividend payout by firms listed at NSE

		Y	X1	X2	X3
Dividend Payout	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	5	5		
Ownership Structure	Pearson Correlation	.447	1		
	Sig. (2-tailed)	.020		.	
	N	5	5		
Firm Size	Pearson Correlation	.328*	.279*	1	
	Sig. (2-tailed)	.142	.216		
	N	5	5	5	

Firm Performance (ROA)	Pearson Correlation	.407	.825	-.200	1
	Sig. (2-tailed)	.047	.086	.747	
	N	5	5	5	5

When the sought to establish joint effect of ownership structure, financial performance and firm size on dividend payout, the findings of the study established that ownership structure, financial performance and firm size jointly have influence on dividend payout by the companies listed in the NSE. The findings for each variable is given by Pearson (r) and its corresponding p-value is less 0.05 at 95% confidence level, then the study concludes that there is a significant relationship between ownership structure, financial performance and firm size on dividend payout by the companies listed in the NSE.

The findings of the study also indicated that firm ownership structure (r=.447, P<.020), Firm Performance (r=.447, P<.020) and (r=.407, P<.047) have a significance influence on dividend payout by the companies listed in the NSE. The findings of the study also indicated that (r=.328, P>.142) have no significance influence on the dividend payout by the companies listed in the NSE. This means that out of the three variables, firms' ownership structure and financial performance if improved would have a significance influence on the dividend payout by the companies listed in the NSE. On the other hand Firm Size would not have a significance influence on the dividend payout by the companies listed in the NSE.

Table 4.15 Joint effect of ownership structure, financial performance and firm size on dividend payout: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34.251	3	11.417	.315	.047[b]
	Residual	36.301	1	36.301		
	Total	70.552	4			

a. Dependent Variable: Dividend Payout

b. Predictors: (Constant), Firm Size, Financial Performance(ROA), Firms Ownership

The results in the above table shows that the F calculated is .315 while the F critical is 2.486. This explains that largely the regression representation is statistically important.

This was collaborated by P=Value of . 047 which is less that critical value of 0.05 at 95% confidence level that indicated that ownership structure, financial performance and firm size jointly have significance influence on the dividend payout by the companies listed in the NSE. The full model is statistically significant and hence suitable for predicting joint effect of ownership structure, financial performance and firm size on dividend payout by the companies listed in the NSE.

Table 4.16 Joint effect of ownership structure, financial performance and firm size on dividend payout: Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.777	.210		8.470	.000
	Firm Ownership Structure	.290	.047	.346	6.221	.024
	Financial Performance (ROA)	.148	.051	.182	2.918	.033
	Firm Size	.086	.051	.113	1.687	.093

From the multi-regression analyzing, the findings of the study indicated that: Y=1.777+.290X1+.148X2+.106X4+ε.

This indicates that a .290 changes in Firm Ownership Structure (the percentage of common stock held by controlling shareholders as compared to total outstanding shares of the firm), a .148 changes in Financial Performance (net income produced by total assets of the firms listed ,ROA) and .086 in Firm Size(company's aggregate value) will have unit change in the on the dividend payout by the companies listed in the NSE. The findings of the study also indicated that only Firm Ownership Structure *(P*<.024) and Financial Performance (ROA) *(P*<.033) when considered jointly with Firm Size would have a significance influence on the dividend payout by the companies listed in the NSE while Firm Size (*P*>.047) would not have any significance on the dividend payout by the companies listed on the NSE, Kenya.

Where; Constant 1.777 that indicates that if Firm Ownership Structure, Financial Performance (ROA) and firm size are all rated at zero, dividend payout by the companies listed in the NSE would stay at 1.777.

4.4 Chapter Summary

This chapter presented the diagnostic tests performed to establish that the data was suitable for the study, the descriptive statistics of the study variables and finally the inferential statistics. The chapter also discussed the findings of the study.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The purpose of this study was to find out the relationship between ownership structure and dividend payout. This chapter contains the summary of findings of the study, conclusions and recommendations. Also discussed in the chapter are the suggestions for further study.

5.2 Summary on the Findings

5.2.1 The influence of ownership structure on dividend payout of firms listed at NSE.

The findings of the study indicated that the companies in the NSE had an average of 39.36% of common stock was under institutional ownership and shareholders as compared to total outstanding shares of the firm listed in the NSE, followed by foreign ownership at 24.95 and only 13.25% for Managerial ownership. The findings of the study support Sheriff (2019) who established significant positive correlation between institutional ownership and payout ratio. The overage ownership structures were only 25.85% of the total ownership of common stock compared to total outstanding shares of the firm listed in the NSE. This means that most of the companies in NSE was public owned with many in individual share ownership. The findings of the study indicated that (Foreign Ownership, Management Ownership, Institutional ownership) have a no significant relationship and dividend payout ratio that the NSE pay to the shareholders. This is inconsistent with the findings by Abdelwahed (2014) who established that ownership structure is a critical determinant of dividend policy.

5.2.2 The intervening effect of financial performance on the relationship between ownership structure and dividend payout of firms listed at NSE.

The results indicated that average ratio of the net income produced by total assets of the firms listed in the Nairobi Stock Exchange was 1.497%. This meant that the company listed in the NSE were able to produces 1.5 Sh of profit for every 100sh the companies invested in its assets in the period covered by the study (2014-2018). While this may be

considered low, some of the companies registered a high ROA of 45.62 that was registered by EAPC. The findings of the study indicated that while some companies registered high performance in terms of comparing net income to the average total assets measured on Return on their Assets, there were companies that registered negative net income to the average total assets between 2014 and 2018. The findings of the study also indicated that intervening effect of financial performance would have an influence on the relationship between ownership structure (r=.959, P<.032) and dividend payout.

5.2.3 The moderating effect of firm size on the relationship between ownership structure and dividend payout of firms listed at NSE.

The findings of the study indicated that company's aggregate value was 24.97% of the total assets. The companies with the highest aggregate value were Olympia that indicated the highest aggregate value of 107.98% in the 5 years (2014-2018) covered by the study, followed by Kenya RE at 74.814 and KenGen at 26.55%. The findings of the study also indicated that companies from the banking sectors had the highest aggregate value or total assets and included, Cooperative Bank of Kenya at 26.59%, Kenya Commercial Bank at 27.12%, NIC at 25.91 and I&M Bank at 26.247.

The others were companies from the Insurance Sector that included Sanlam 24.251 and Jubilee Insurance Company that registered 25.277. The results indicated that moderating effect of firm size would have a significance influence on the relationship between ownership structure and dividend payout of firms listed at NSE. The findings are consistent with Labhane and Mahakud (2016) who through an empirical review established that firms with high free cash flow, large firms, pay more dividends while riskier, more leveraged and firms with high investment opportunities tend to pay lower dividends.

5.2.4 The joint effect of ownership structure, financial performance and firm size on the dividend payout of firms listed at NSE.

The findings of the study also indicated that only Firm Ownership Structure and Financial Performance (ROA) when considered jointly with Firm Size would have a

significance influence on the dividend payout by the companies listed in the NSE while Firm Size would not have any significance on the dividend payout by the companies listed in the NSE. The study also indicated that out of the three variables, firms ownership structure and financial performance if improved would have a significance influence on the dividend payout by the companies listed in the NSE. On the other hand Firm Size would not have a significance influence on the dividend payout by the companies listed in the NSE.

5.3 Conclusion

The results indicated that while all the Independent Variables: Ownership Structure (Institutional ownership (r=-.179,P>.773), Management Ownership(r=..202,P>.745), Foreign Ownership(r=..078, P> .901) had an effect on Dependents Variable: the dividend payout ratio for the firms listed in the NSE, there was no significance relation between all the Ownership Structure sub variables (Foreign Ownership, Management Ownership, Institutional ownership) and dividend payout ratio for the firms listed in the NSE. The findings of the study indicated that firms ownership structure (Foreign Ownership, Management Ownership, Institutional ownership) have no significant relationship and dividend payout ratio that the NSE pay to the shareholders. This means that changes in firm's ownership structure, although would affect dividend payout ratio for the firms listed in the NSE, that effects would not be significant and other factors determine dividend payout of firms listed at the NSE.

The results also indicated that intervening effect of financial performance would have an influence on the relationship between ownership structure (r=.959, P<.032) and dividend payout. This means that if there is an increase in financial performance then this would influence the relationship between ownership structure and dividend payout by firms listed at NSE. Intervening effect of financial performance would have significance (*P=Value of .048*) influence on the relationship between ownership structure and dividend payout.

Moderating effect of firm size would have an influence on the relationship between ownership structure (r=.447, P<.020) and dividend payout. This means that the firm size(big or small) , or company's aggregate value or the total value of its stock would have an significance influence on the relationship between ownership structure and dividend payout by firms listed at NSE.

The findings of the study established that firm ownership structure (r=.447, P<.020), Firm Performance (r=.447, P<.020) and (r=.407, P<.047) have a significance influence on dividend payout by the companies listed in the NSE. The findings of the study also indicated that (r=.328, P>.142) have no significance influence on the dividend payout by the companies listed in the NSE. This means that out of the three variables, firms ownership structure and financial performance if improved would have a significance influence on the dividend payout by the companies listed in the NSE. On the other hand Firm Size would not have a significance influence on the dividend payout by the companies listed in the NSE.

5.4 Recommendations

There is need for the company to consider other factors that influence dividend payout ratio given that firms ownership structure, although would affect dividend payout ratio for the firms listed in the NSE, that effects would not be significant. There is need for the firms to consider other factors other factors other than firm's ownership structure when deciding on the dividend payout to the shareholders.

There is need to also consider financial performance of the firms listed in the NSE before deciding on the dividend payout to the shareholders as this would have an influence on the ownership structure as a determining factors and dividend payout by these firms. This means that if there is an increase in financial performance then it would have more changes on the decision made to pay dividends based on firm's ownership structure.

On the other hand, there is also need to factor in firms size of the firms listed in the NSE before deciding on the dividend payout to the shareholders, as this would have an

influence on the ownership structure as a determining factors and dividend payout by these firms. This means that if there were changes in firm size then it would have more effect on the decision made to pay dividends based on firms' ownership structure.

5.5 Suggestion for Further Studies

The study identified the relationship between ownership structure and dividend payout of firms listed at the NSE. The finding showed that there exists no significant relationship between ownership structure and dividend payout. However, the study findings showed that the intervening and the moderating effects of financial performance and firm size respectively had a significant effect on the relationship between ownership structure and dividend payout. There exists various avenues for future research based on the findings of this research.

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APPENDIX I: RESEARCH AUTHORIZATION

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APPENDIX II: Firms Listed at Nairobi Securities Exchange

NO	SECTOR	NO	
	AGRICULTURAL		**INVESTMENT SERVICES**
1	Eaagads Ltd	35	Nairobi Securities Exchange Plc
2	Kakuzi Plc		**TELECOMMUNICATION**
3	Kapchorua Tea Co. Ltd	36	Safaricom Plc
4	The Limuru Tea Co. Plc		
5	Sasini Plc		**ENERGY & PETROLEUM**
6	Williamson Tea Kenya Ltd	37	KenGen Co. Plc
		38	Kenya Power & Lighting Co Ltd
	AUTOMOBILES & ACCESSORIES	39	Total Kenya Ltd
7	Car & General (K) Ltd	40	Umeme Ltd
	BANKING		**INSURANCE**
8	ABSA Bank Kenya Plc	41	Britam Holdings Plc
9	BK Group Plc	42	CIC Insurance Group Ltd
10	Diamond Trust Bank Kenya Ltd	43	Jubilee Holdings Ltd
12	Equity Group Holdings Plc	44	Kenya Re Insurance Corporation Ltd
13	HF Group Plc	45	Liberty Kenya Holdings Ltd
14	I&M Holdings Plc	46	Sanlam Kenya Plc
15	KCB Group Plc		**INVESTMENT**
16	National Bank of Kenya Ltd	47	Centum Investment Co Plc
17	NIC Group Plc	48	Home Afrika Ltd
18	Stanbic Holdings Plc	49	Kurwitu Ventures Ltd
19	Standard Chartered Bank Kenya Ltd	50	Olympia Capital Holdings ltd
20	The Co-operative Bank of Kenya Ltd	51	Trans-Century Plc
	COMMERCIAL AND SERVICES		**MANUFACTURING & ALLIED**
21	Eveready East Africa Ltd	52	B.O.C Kenya Plc
22	Express Kenya Ltd	53	British American Tobacco Kenya Plc
23	Kenya Airways Ltd	54	Carbacid Investments Ltd
24	Longhorn Publishers Plc	55	East African Breweries Ltd
25	Nation Media Group Ltd	56	Flame Tree Group Holdings Ltd
26	Sameer Africa Plc	57	Kenya Orchards Ltd
27	Standard Group Plc	58	Mumias Sugar Co. Ltd
28	TPS Eastern Africa Ltd	59	Unga Group Ltd
29	Uchumi Supermarket Plc		
30	WPP Scangroup Plc		
	CONSTRUCTION & ALLIED		
31	Bamburi Cement Ltd		
32	Crown Paints Kenya Plc		
33	E.A.Cables Ltd		
34	E.A.Portland Cement Co. Ltd		

APPENDIX III: Data Summary (Annual Averages)

KEY:

IOS ---------- Institutional ownership

MOS Managerial ownership

FOS Foreign ownership

ROA Return on Assets

LOG OF TA **Is this the measure of Firm Size? Kindly elaborate or confirm**

DPR Dividend Payout

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
KENGEN	2014	79.03	0.001	19.02	0.016	26.246	0.31
KENGEN	2015	81.08	0.0002	18.92	0.192	26.56	0.371
KENGEN	2016	82.61	0.5	7.27	0.018	26.628	0.351
KENGEN	2017	80.04	0.65	10.10	0.023	26.655	0.345
KENGEN	2018	78.47	7.27	12.82	0.019	26.662	0.333
Average		80.25	1.68	13.63	0.054	26.55	0.342

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
NMG	2014	20.40	0.0381	44.66	0.273	29.809	0.763
NMG	2015	20.21	0.0291	44.66	0.227	29.84	0.847
NMG	2016	19.8	0.0131	44.66	0.188	29.796	1.124
NMG	2017	19.04	0.0124	44.66	0.165	29.735	1.449
NMG	2018	19.04	0.0114	44.66	0.134	29.7	0.847
Average		19.698	0.0208	44.66	0.198	29.78	1.006

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
BAMBURI	2014	34.1	0.0021	63.44	0.139	10.682	1.224
BAMBURI	2015	33.8	0.0033	64.89	0.137	10.531	0.898
BAMBURI	2016	32.4	0.0012	64.38	0.144	10.617	0.831
BAMBURI	2017	31.89	0.0001	63.97	0.042	10.762	0.826
BAMBURI	2018	32.27	0.0013	63.72	0.012	10.827	2.082
Average		32.892	0.0016	64.08	0.0948	10.684	1.1722

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
EAPC	2014	47.10	0.003	14.6	-0.02	23.478	0.002
EAPC	2015	46.7	0.012	14.6	0.31	23.864	0.001
EAPC	2016	46.1	0.011	14.6	0.15	24.05	0.012
EAPC	2017	44.1	0.001	14.6	0.05	24.032	0.0012
EAPC	2018	44.1	0.002	14.6	0.21	24.362	0.009
Average		45.62	0.0058	14.673	0.14	23.957	0.00504

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
KAKUZI	2014	27.67	0.002	27.31	0.044	22.026	0.459
KAKUZI	2015	27.89	0.0012	27.26	0.112	22.132	0.213
KAKUZI	2016	27.45	0.0011	27.10	0.121	22.26	0.209
KAKUZI	2017	28.26	0.0012	27.08	0.116	22.358	0.232
KAKUZI	2018	28.26	0.003	27.08	0.087	22.437	0.366
		27.906	0.0017	27.166	0.096	22.24	0.2958

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
LIMURU	2014	5.21	99.56	0.0001	-0.001	19.591	-3.571
LIMURU	2015	5.67	97.89	0.0021	0.0001	19.565	0.787
LIMURU	2016	5.56	99.67	0.0031	-0.086	19.354	0.672
LIMURU	2017	5.45	98.89	0.0001	0.081	19.221	0.84
LIMURU	2018	5.49	94.51	0.0021	0.024	19.221	0.943
Average		5.476	98.104	0.0015	0.00362	19.3904	-0.329

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
FLAME TREE	2014	9.00	85.00	0.40	0.286	20.1	0.001
FLAME TREE	2015	9.03	85.00	0.41	0.261	20.34	0.0032
FLAME TREE	2016	8.08	85.00	0.43	0.187	20.47	0.0001
FLAME TREE	2017	7.7	84.01	2.35	0.052	20.5	0.0092
FLAME TREE	2018	4.92	84.01	1.03	0.04	20.559	0.0092
Average		7.746	84.61	0.924	0.1652	20.3938	0.00454

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
CARBACID	2014	22.59	12.69	0.0001	0.174	14.745	0.363
CARBACID	2015	24.62	30.65	0.0002	0.132	14.904	0.452
CARBACID	2016	19.14	32.71	0.00011	0.122	14.941	0.476
CARBACID	2017	19.4	32.58	0.00012	0.136	14.966	0.507
CARBACID	2018	20.46	34.25	0.0023	0.092	14.997	0.598
Average		21.242	28.576	0.000566	0.1312	14.912	0.4792

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
BAT	2014	10.76	0.001	83.19	0.384	16.22	0.87
BAT	2015	10.73	0.013	83.34	0.412	16.307	0.854
BAT	2016	10.68	0.0010	83.55	0.399	16.313	1.016
BAT	2017	10.64	0.001	83.68	0.298	16.234	0.779
BAT	2018	9.81	0.0021	84.53	0.325	16.345	0.771
Average		10.524	0.00362	83.658	0.3636	16.2838	0.858

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
EABL	2014	8.44	0.00011	50.03	0.194	24.29	0.67
EABL	2015	8.71	0.00012	50.03	0.235	24.429	0.912
EABL	2016	8.92	0.00013	50.03	0.272	24.353	0.984
EABL	2017	10.28	0.00018	50.03	0.191	24.523	0.772
EABL	2018	8.99	0.0001	50.03	0.16	24.54	1.043
Average		9.068	0.000128	50.03	0.2104	24.427	0.8762

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
HAFRIKKA	2014	26.7	1.89	8.58	0.007	20.916	0.363
HAFRIKKA	2015	26.4	1.56	9.33	-0.101	22.075	0.452
HAFRIKKA	2016	25.9	0.91	9.86	-0.043	22.092	0.476
HAFRIKKA	2017	26.86	1.78	4.62	-0.041	22.222	0.507
HAFRIKKA	2018	27.0	1.78	9.86	-0.077	22.229	0.490
		26.572	1.584	8.45	-0.051	21.9068	0.4576

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
LIBERTY	2014	36.24	0.0001	57.74	0.223	22.541	0.2
LIBERTY	2015	36.24	0.00014	57.74	0.118	22.553	0.289
LIBERTY	2016	36.26	0.00005	57.67	0.091	22.65	0.38
LIBERTY	2017	36.27	0.00001	57.48	0.09	22.737	0.41
LIBERTY	2018	36.24	0.00008	57.74	0.072	22.754	0.543
		36.25	0.000076	57.674	0.1188	22.647	0.3644

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
JUBILEE	2014	0.001	0.02	0.031	0.039	25.034	0.286
JUBILEE	2015	0.0014	0.02	0.0011	0.034	25.135	0.221
JUBILEE	2016	0.0013	0.01	0.0091	0.031	25.377	0.189
JUBILEE	2017	0.0003	0.01	0.0024	0.037	25.377	0.641
JUBILEE	2018	0.0021	0.01	0.0035	0.033	25.461	0.171
		0.00122	0.014	0.00942	0.0348	25.277	0.3016

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
BRITAM	2014	40.68	23.19	28.51	0.083	11.191	0.229
BRITAM	2015	41.23	19.38	27.79	-0.041	11.26	-0.6
BRITAM	2016	65.03	19.1	3.67	0.009	11.334	0.238
BRITAM	2017	59.18	17.12	13.47	0.005	11.503	1.346
BRITAM	2018	34.12	14.7	42.67	-0.207	11.549	0.91
		48.048	18.698	23.222	-0.0302	11.3674	0.4246

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
CIC	2014	78.31	0.24	1.41	0.058	16.177	0.945
CIC	2015	77.56	0.2	1.37	0.046	17.031	0.896
CIC	2016	77.07	0.25	1.26	0.006	17.109	0.831
CIC	2017	76.15	0.27	1.19	0.012	17.233	0.722
CIC	2018	77.34	0.16	1.15	0.023	17.311	0.667
		77.286	0.224	1.276	0.029	16.972	0.8122

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
EA CABLES	2014	75.32	1.05	1.91	0.043	22.789	0.862
EA CABLES	2015	75.19	1.02	1.39	0.022	22.85	0.862
EA CABLES	2016	75.02	0.98	0.88	-0.057	22.745	0.798
EA CABLES	2017	75.58	0.82	0.87	-0.096	22.675	0.837
EA CABLES	2018	76.01	0.91	1.65	0.091	22.89	0.862
		75.424	0.956	1.34	0.0006	22.79	0.845

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
CROWP	2014	57.22	0.02	26.56	0.005	22.07	6.25
CROWP	2015	56.69	0.01	28.36	0.013	22.24	1.4
CROWP	2016	56.73	0.01	28.8	0.046	22.34	0.32
CROWP	2017	58.8	0.05	36.4	0.039	22.49	0.19
CROWP	2018	50.78	0.01	37.0	0.032	22.42	0.23
		56.044	0.0028	31.424	0.027	22.312	1.678

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
BOC	2014	10.86	0.73	74.74	0.1	14.649	0.442
BOC	2015	9.5	3.23	76.31	0.064	14.657	0.683
BOC	2016	4.5	6.6	77.1	0.057	14.611	0.801
BOC	2017	4.82	5.85	76.99	0.014	14.617	2.574
BOC	2018	4.9	7.4	75.45	0.028	14.577	1.548
		6.916	4.762	76.118	0.0526	14.6222	1.2096

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
C&G	2014	77.56	0.04	0.002	0.044	15.914	0.091
C&G	2015	77.15	0.03	0.001	0.024	16.011	0.134
C&G	2016	71.04	0.029	0.004	0.022	16.088	0.272
C&G	2017	77.16	0.02	0.007	0.013	16.056	0.351
C&G	2018	76.58	0.03	0.0008	0.027	16.135	0.15
		75.898	0.0298	0.00296	0.026	16.0408	0.1996

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
COOP	2014	79.15	2.76	3.47	0.031	26.377	0.31
COOP	2015	79.04	2.64	4.5	0.037	26.56	0.33
COOP	2016	79.89	2.58	3.39	0.037	26.587	0.31
COOP	2017	80.56	2.08	3.1	0.031	26.681	0.4
COOP	2018	82.35	2.06	3.2	0.032	26.748	0.46
		80.198	2.424	3.532	0.0336	26.5906	0.362

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
I&M	2014	63.11	15.01	10.93	0.034	25.761	0.191
I&M	2015	62.41	14.89	10.67	0.037	25.828	0.204
I&M	2016	60.63	14.72	10.27	0.375	25.928	0.199
I&M	2017	59.29	14.75	10.15	0.026	26.388	0.214
I&M	2018	57.55	14.76	10.13	0.01	27.33	0.203
		60.598	14.826	10.43	0.0964	26.247	0.2022

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
KAPCHORUA	2014	54.77	0.06	27.19	0.065	21.38	0.251
KAPCHORUA	2015	54.68	0.06	27.34	0.011	21.408	-1.389
KAPCHORUA	2016	54.45	0.12	28.45	0.049	21.486	0.358
KAPCHORUA	2017	54.34	0.12	28.45	-0.025	21.431	-0.453
KAPCHORUA	2018	54.05	0.12	28.35	0.067	21.635	0.47
		54.458	0.096	27.956	0.0334	21.468	-0.1526

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
KCB	2014	41.93	17.31	30.74	0.034	26.918	0.355
KCB	2015	41.28	17.31	29.68	0.035	27.048	0.308
KCB	2016	37.5	17.24	29.44	0.041	27.112	0.467
KCB	2017	34.8	17.31	29.25	0.036	27.186	0.467
KCB	2018	35.6	17.98	29.89	0.038	27.264	0.451
		38.222	17.43	29.8	0.0368	27.1056	0.4096

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
KENYA RE	2014	76.35	0.042	7.97	0.097	24.196	0.156
KENYA RE	2015	74.61	0.042	12.37	0.068	24.306	0.137
KENYA RE	2016	74.56	0.037	13.56	0.085	24.378	0.17
KENYA RE	2017	74.42	0.028	14.07	0.084	24.478	0.166
KENYA RE	2018	74.13	0.0385	13.86	0.051	24.516	0.1388
		74.814	0.1875	0.0375	0.077	24.3748	0.15356

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
NATB	2014	32.45	48.51	1.68	0.007	25.536	0.001
NATB	2015	32.07	48.34	1.49	-0.04	25.522	0.0012
NATB	2016	31.01	48.05	1.32	0.0006	25.443	0.0041
NATB	2017	30.02	48.1	0.46	0.0003	25.423	0.0039
NATB	2018	30.02	48.1	0.99	0.061	25.467	0.0017
		31.114	48.22	1.188	0.00578	25.4782	0.00238

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
NIC	2014	81.39	15.85	3.2	0.0427	25.702	0.141
NIC	2015	80.41	15.33	2.13	0.0386	25.831	0.179
NIC	2016	81.0	15.69	1.9	0.0364	25.856	0.186
NIC	2017	81.5	15.37	1.3	0.0272	26.052	0.153
NIC	2018	80.0	15.0	1.3	0.0279	26.063	0.148
		80.86	15.45	1.966	0.03456	25.91	0.1614

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
NSE	2014	71.69	0.0241	5.51	0.19	21.245	0.178
NSE	2015	46.9	0.049	40.71	0.159	21.375	0.415
NSE	2016	43.641	0.043	47.701	0.091	21.423	0.38
NSE	2017	39.47	0.043	48.17	0.104	21.469	0.361
NSE	2018	34.493	0.075	51.901	0.084	21.52	0.671
		47.2388	0.047	38.7984	0.1256	21.4064	0.401

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
OLYMPIA	2014	42.87	11.58	0.026	-9.10	21.36	0.0019
OLYMPIA	2015	42.13	11.58	0.015	0.85	21.46	0.0031
OLYMPIA	2016	42.07	11.54	0.009	2.60	21.89	0.0020
OLYMPIA	2017	35.7	11.54	0.017	-0.21	21.71	0.0019
OLYMPIA	2018	36.03	12.18	0.041	0.35	21.56	0.0030
		39.76	11.684	0.0216	-1.102	107.98	0.00238

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
SAMEER AFRICA	2014	73.1	0.0171	1.59	-1.70	22.0	0.0010
SAMEER AFRICA	2015	75.3	0.0173	1.61	-0.42	22.0	0.0011
SAMEER AFRICA	2016	74.56	0.0173	1.53	-19.80	22.0	0.0012
SAMEER AFRICA	2017	74.4	0.0173	1.45	2.90	22.0	0.083
SAMEER AFRICA	2018	73.30	0.0173	1.75	-30.0	22.0	0.083
		74.132	0.003452	1.586	-9.804	22.0	0.03386

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
SANLAM	2014	64.67	21.34	2.39	0.142	24.971	0.0031
SANLAM	2015	63.89	20.56	2.05	0.10	24.023	0.0019
SANLAM	2016	63.23	20.11	1.88	0.24	24.071	0.0014
SANLAM	2017	62.74	21.09	1.59	0.18	24.118	0.010
SANLAM	2018	62.14	56.38	1.59	0.24	24.071	0.033
		63.34	27.896	1.90	0.181	24.251	0.00988

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
SASINI	2014	41.02	5.0	0.0016	0.30	22.319	100.1
SASINI	2015	42.33	5.0	0.0013	13.40	23.257	16.80
SASINI	2016	41.65	5.0	0.0017	4.40	23.296	59.0
SASINI	2017	39.74	5.0	0.0011	2.50	23.303	67.0
SASINI	2018	68.14	5.0	0.0013	22.60	23.285	77.0
		46.576	5.0	0.0014	8.64	23.092	63.98

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
STANDARD MEDIA GROUP	2014	23.28	0.0015	69.56	5.30	22.135	20.2
STANDARD MEDIA GROUP	2015	23.19	0.0019	69.53	-6.60	22.195	19.1
STANDARD MEDIA GROUP	2016	23.12	0.0016	69.53	4.50	22.206	18.2
STANDARD MEDIA GROUP	2017	20.06	0.0017	69.53	-4.70	22.218	20.1
STANDARD MEDIA GROUP	2018	20.01	0.0018	69.53	5.60	22.266	25.6
		21.932	0.0017	69.536	0.82	22.204	20.64

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
TOTAL KENYA	2014	1.175	46.14	94.186	4.40	24.206	31.0
TOTAL KENYA	2015	1.106	47.11	94.196	4.70	24.256	30.0
TOTAL KENYA	2016	1.04	48.52	94.26	6.20	24.312	30.0
TOTAL KENYA	2017	1.56	49.14	92.241	7.20	24.361	3.0
TOTAL KENYA	2018	1.71	49.36	91.33	5.90	24.393	35.0
		1.3182	48.054	93.25	5.68	24.31	25.8

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
TPS SERENA	2014	24.79	0.0069	66.37	1.70	23.492	100.0
TPS SERENA	2015	25.85	0.0069	65.59	-0.18	25.787	-16.0
TPS SERENA	2016	24.32	0.0069	66.12	0.76	23.555	49.0
TPS SERENA	2017	25.03	0.0069	66.29	0.68	23.607	100.0
TPS SERENA	2018	24.47	0.0061	67.2	1.02	23.591	50.0
		24.892	0.00674	66.32	0.796	24.01	56.6

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
TRANSCENTURY	2014	9.52	21.16	20.69	-11.70	23.692	0.0041
TRANSCENTURY	2015	5.93	21.31	20.17	-11.10	23.806	0.0071
TRANSCENTURY	2016	10.02	12.21	20.11	-4.60	25.966	0.0001
TRANSCENTURY	2017	9.67	0.013	40.0	-23.11	23.654	0.0004
TRANSCENTURY	2018	7.44	0.013	40.0	-20.70	23.548	0.003
		8.516	10.95	28.194	-14.25	24.14	0.00294

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
UNGA GROUP	2014	57.14	0.000178	5.09	5.90	22.806	12.0
UNGA GROUP	2015	58.81	0.000178	5.28	7.20	22.879	12.0
UNGA GROUP	2016	59.13	0.000178	5.5	6.09	22.846	14.0
UNGA GROUP	2017	59.81	0.000178	5.36	-0.07	22.97	-10.75
UNGA GROUP	2018	64.33	0.000178	2.68	7.90	23.019	10.0
		59.844	0.000178	4.782	5.404	22.91	7.45

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
WILLIAMSON TEA	2014	14.99	0.00001	56.14	8.70	22.868	8.0
WILLIAMSON TEA	2015	14.61	0.00001	56.96	-2.60	22.87	-153.0
WILLIAMSON TEA	2016	14.61	0.00001	57.88	5.40	22.913	72.0
WILLIAMSON TEA	2017	14.61	0.00001	57.88	-3.13	22.847	-70.0
WILLIAMSON TEA	2018	11.51	0.00001	62.19	5.30	22.975	70.0
		14.07	0.00001	58.21	2.734	22.89	-14.6

FIRM	YEAR	IOS	MOS	FOS	ROA	LOG OF TA	DPR
WPP SCAN GROUP	2014	14.49	13.68	67.62	4.70	23.31	30.0
WPP SCAN GROUP	2015	13.89	13.68	68.29	3.80	23.246	40.0
WPP SCAN GROUP	2016	12.08	11.96	71.48	3.40	23.325	41.0
WPP SCAN GROUP	2017	9.53	11.96	74.1	34.70	23.345	60.0
WPP SCAN GROUP	2018	5.53	10.55	80.12	4.24	23.392	71.0
		11.11	61.83	12.37	10.17	23.32	48.4

APPENDIX IV: Data Collection Schedule

Variable	Measure	Year				
		2014	2015	2016	2017	2018
Ownership Structure	$\frac{Institutional\ Shares}{Total\ no.of\ Shares}$*100 $\frac{Directors\ Shares}{Total\ no\ Of\ Shares}$*100 $\frac{Foreign\ Shares}{Total\ No.of\ Shares} * 100$					
Financial Performance	ROA=$\frac{Profit\ after Tax}{Total\ Asset}$					
Firm Size	Log of Total Assets					
Dividend payout	DPR=$\frac{Dividend\ Per\ Share}{Earnings\ Per\ Share}$					

Source: Author 2019

APPENDIX V: Budget for the Study

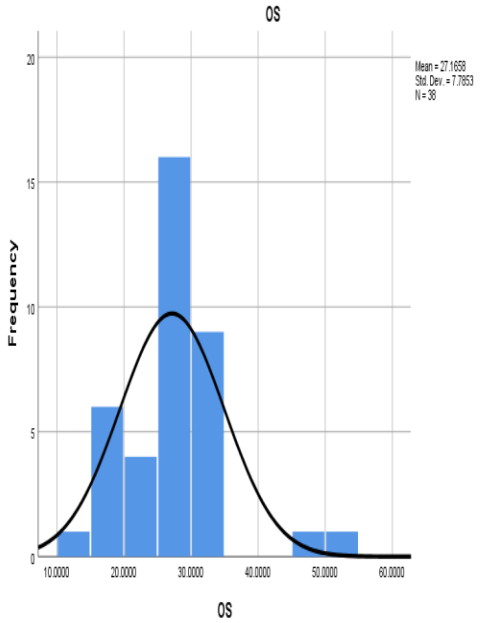
Code	Items	Quantity	Cost	Total
1	Pencils	4	60	120
2	Erasers	2	20	40
3	Ball pens	3	30	90
4	Printing paper	3 Rims	800	2,400
5	Type and print proposal	6	1000	6,000
6	Transport		20,000	20,000
7	Typesetting	6	1500	9,000
8	Typesetting,Printing, photocopying of questionnaires	150	50	7,500
9	Data collection	150	100	15,000
10	Data analysis	1	5,000	10,000
11	Review and Publishing	1	10,000	10,000
		Total		**75,150**

APPENDIX VI: Work Plan

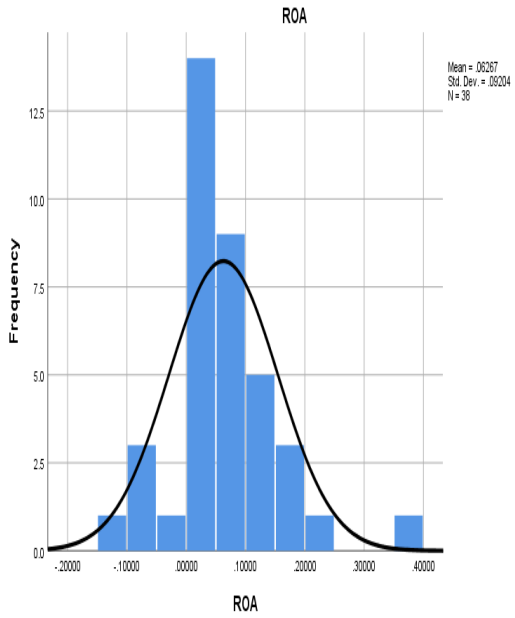
Work Plan for A Research Project on Ownership structure, Financial Performance , Firm Size and Dividend Payout of Firms Listed at the NSE

Activities	**Timeline (3 Months)**											
Topic Identification and objectives												
Close checking whether both independent and dependent variables will fill the research gap												
Preparation of tools & pre-testing												
Acquire relevant permissions												
Visiting NSE and CMA offices to request for the handbooks												
Collect the needed information for compiling and analysis												
Data collection												
Proof read the proposal before submission												

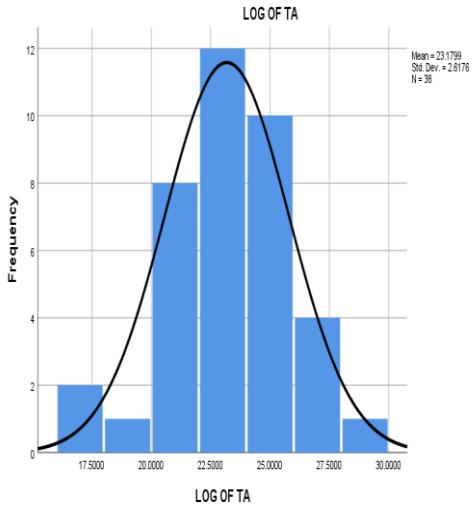
Appendix VII: Normality Tests for Individual Study Variables



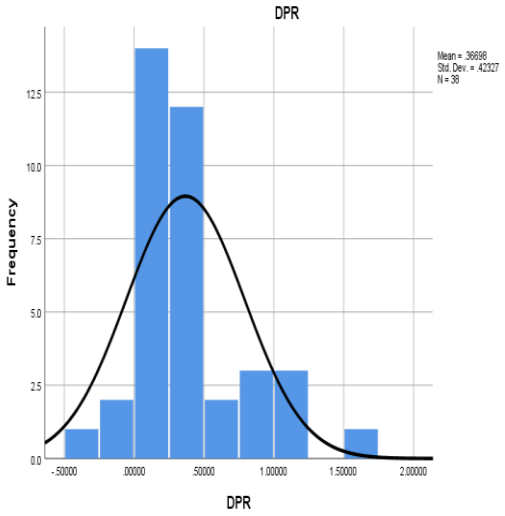
Ownership Structure



Return on Assets

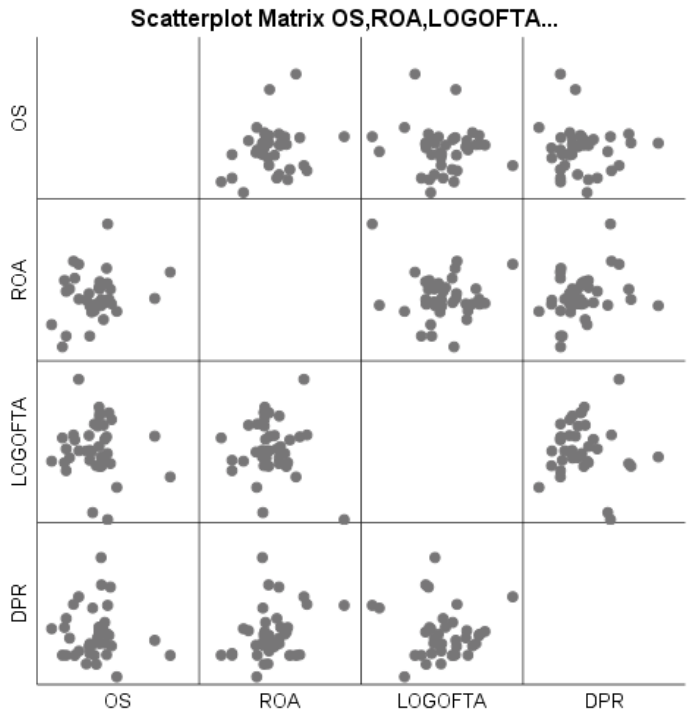


Log of Total Assets

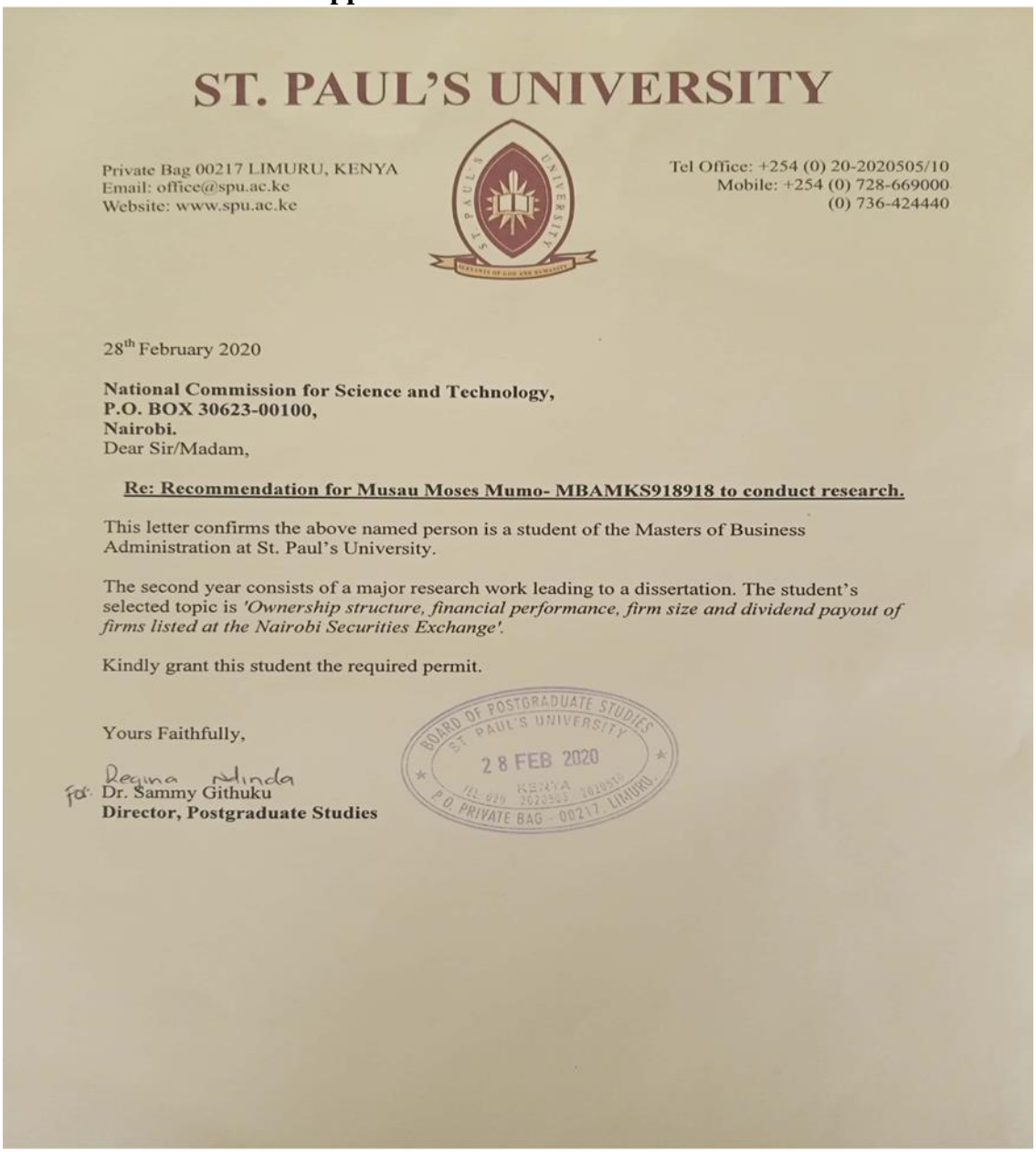


Dividend Payout Ratio

AppendixVIII : Linearity Tests for Individual Study Variables



Appendix IX: Authorization Letter



ST. PAUL'S UNIVERSITY

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28th February 2020

National Commission for Science and Technology,
P.O. BOX 30623-00100,
Nairobi.
Dear Sir/Madam,

Re: Recommendation for Musau Moses Mumo- MBAMKS918918 to conduct research.

This letter confirms the above named person is a student of the Masters of Business Administration at St. Paul's University.

The second year consists of a major research work leading to a dissertation. The student's selected topic is *'Ownership structure, financial performance, firm size and dividend payout of firms listed at the Nairobi Securities Exchange'.*

Kindly grant this student the required permit.

Yours Faithfully,

Regina Mbinda
for: Dr. Sammy Githuku
Director, Postgraduate Studies

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ST. PAUL'S UNIVERSITY
28 FEB 2020
KENYA
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