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Effect of Firm Value on Dividend Policy of Public Listed Non-Financial Firms in Kenya

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Abstract

The controversy on the link between firm value and dividend policy of firms has remained unresolved for some decades. Studies on relationship between firm value and dividend policy of firms in both developed and developing economies have provided mixed findings such that it is not clear how value affects dividend policy in a developing country like Kenya. The general objective was to analyze the effect of firm value on dividend policy of public listed non-financial firms in Kenya. The study adopted descriptive research design. The target population of the study was 36 listed non-financial firms in the NSE. The study adopted a census approach because of the small number of non-financial firms in the NSE. The study collected secondary data from NSE annual reports. Model summary results revealed that market value of equity, book value of assets and book value of debt explain 54.37% of the variation in dividend payout policy. Regression of coefficients results showed that market value of equity and dividend payout policy is positively and significantly related. The results also revealed that book value of assets and dividend payout policy is positively and significantly related. The results revealed that book value of debt and dividend payout policy is positively but insignificantly related. Based on the findings above, the study concluded that both firm market value and book value of assets has a significant effect on dividend payout policy of public listed non-financial firms in Kenya while book value of debt has an insignificant effect on dividend payout policy of publicly listed non-financial firms in Kenya. The study recommends that the public listed non-financial firms should monitor the liquidity and market capitalization positions of firms in their portfolios in order to ensure sound financial decisions that would guarantee a stable growth in client wealth and hence achieve enhanced risk positions when executing trades. The study also recommends the expansion of public listed non-financial firms' asset base.

Key Words: *firm market value, book value of assets, book value of debt, dividend policy, non-financial firms*

1.0 Introduction

Companies exist in the market to make worth for their stockholders (Emeni & Ogbulu, 2015). Creation of value can be described as the upsurge in the monetary worth of stockholders, as measured by proportion of marketplace value of stocks to the book value of stocks, produced by the presentation of a company (Oladele, 2013).

Creation of value takes place if the company produces more affluence for their bondholders that it could have not been easy to produce for themselves. To create worth, as a result, the organization needs to distinguish how to recognize, choose, as well as divide the marketplaces in which to contest; describe the kind of worth to be suggested on the market; as well as create and circulate such value (Oladele, 2013).

Firms' value plays a vital role in an investment criterion. Firm's value can be measured through different means such as net sales, paid-up-capital, total assets, capital employed and so on (Sharma, 2011). Firm's value is expected to reflect the value of both tangible assets and intangible assets. The common tool which is usually used in measuring the firm's value is Tobin's Q. Tobin Q is usually a percentage of a market value of a firm to a firm's assets replacement cost (Taslim, 2013). Tobin Q measures firm value based on book vis-a-vis market based measures. Under q proposition, a firm is said to create more value if investment returns are greater than investment cost (Taslim, 2013).

Dividend policy indicates the disbursement policy, which directors follow in making decision of the pattern as well as size of cash supply to stockholders over a particular time (Kapoor, 2009). Dividend policy is a company's policy focusing on paying out salaries as dividend against retaining them for investment back in the company. It is the section of profit between expenditures to stockholders as well as reinvestment in the company (Lashgari & Ahmadi, 2014). A dividend policy is also defined as the strategy of action accepted by the company's managements every time there is a choice to be made (Aduda & Kimathi, 2011). The main concern of a dividend policy decision is about how much incomes can be paid as dividend by the company and how much could be reserved (Emeni & Ogbulu, 2015).

The determination of the dividends amount allocated is a significant decision that businesses assume because the aim of the company is to exploit the stockholders' capital as measured by the company's price on common stock (Waithaka, Ngugi & Kirago, 2012). It's the optimum dividend policy to maximize the business's stock value, which leads to intensification of bondholders' capital (Kapoor, 2009). Most firms usually come up with policies, which are meant to assist them in achieving their various goals using different approaches including stable predictable, constant payout and so forth (Aduda & Kimathi, 2011).

The Nairobi Securities Exchange (NSE) is a public market for the trading of securities issued by publicly quoted companies in Kenya. The Nairobi stock exchange is the Centre point of Kenya capital market; stocks are listed and traded on the exchange. The apex regulatory body is the Capital market authority. The regulation authority is under a government body the Ministry of finance and governed through the Capital Markets Authority Act Cap 485A (the CMA Act). The Authority was established to regulate and oversee the orderly development of Kenya's Capital markets (2006, NSE handbook). These sectors can be grouped into two main categories; financial firms and non-financial firms.

1.2 Statement of the Problem

The controversy on the link between firm value and dividend policy of firms has remained unresolved for some decades (Adelegan, 2003; Ajanthan, 2013; Dada, Malomo & Ojediran, 2015). Lintner (1956) argued that firm value and dividend policy have a positive relationship because logically, better performing firms will pay more dividends. Rajan and Zingales (1995) argued that large firms adopt dividend policy that matches payment of more dividends as compared to smaller firms. Contrary, a profitable firm which is highly levered will pay fewer dividends, hence negative relationship between firm performance and dividend policy exist. Such firms will have increased debt obligation which will be met by retained earnings hence a decrease in dividend payouts (Jensen, 1986). A strong legal environment protects shareholders by forcing the profitable firms to distribute cash dividends (La Porta, Lopez-de-silanes, Schiefer & Vishny, 2000).

Most studies on relationship between firm value and dividend policy of firms focused on developed markets such as United States of America (USA), Britain and Japan with little or no attention placed on developing or less developed economies (Musiega, Alala, Douglas, Christopher & Robert, 2013). Globally, empirical literature shows diversified findings regarding relationship between financial performance and dividend policy. For example, Al Shabibi and Ramesh (2011) in their study in United Kingdom (UK) found insignificant relationship between dividend payout ratio and firm growth rate, industry type and leverage ratio. Whereas, a strong relationship between dividend payout ratio and profitability, risks, interest and firm size associated with signaling theory was established.

In Kenya, the empirical test carried out by Tiriongo (2004) revealed that the dividend policies of Kenyan firms quoted at the NSE depend on the growth prospect, leverage, profitability, liquidity and stability of earnings. Sector wise, diversity of factors that determine dividend policy were identified. For instance, in Agricultural oriented firms, it was profits made and leverage levels while for commercial sector, it is stability of earnings, expected growth and liquidity. Kioko (2006) analyzed the relationship between dividend changes and future profitability of companies quoted at the NSE and established that at least in the year of dividend change, there existed a relationship between dividend changes and future profitability. However, for the first and second year after dividend change, an insignificant relationship was observed. Murekefu and Ouma, (2012) sought to establish the relationship between dividend payout and firm performance. The findings indicated that dividend payout majorly determined firm performance with a strong positive correlation.

In summary, the identified knowledge gaps which constitute the research problem that is; both global and local empirical study findings are mixed and non-conclusive. This study focused on the effect of firm value on dividend policy of publicly listed non- financial firms in Kenya.

1.3 Research Objectives

1. To establish the effect of firm market value of equity on dividend policy of publicly listed non-financial firms in Kenya
2. To determine the effect of book value of assets on dividend policy of publicly listed non-financial firms in Kenya
3. To determine the effect of book value of debt on dividend policy of publicly listed non-financial firms in Kenya

1.4 Research Hypotheses

1. **H₀₁:** Firm market value of equity does not have a significant effect on dividend policy of publicly listed non-financial firms in Kenya.
2. **H₀₂:** Book value of assets does not have a significant effect on dividend policy of publicly listed non-financial firms in Kenya.
3. **H₀₃:** Book value of debt does not have a significant effect on dividend policy of publicly listed non-financial firms in Kenya.

2.0 Literature Review

2.1 Theoretical Review

This study reviewed the Agency Theory, Bird in Hand Theory, Tax differential and signaling Theory to explain concepts of dividend policy and value of the firm.

2.1.1 Agency Theory

Dividend irrelevance theory was developed by Modigliani and Miller (1961), hereafter MM and by relaxing its assumptions, other theories emerged such as agency theory (Jensen & Meckling, 1976). Agency philosophy hypothesizes that costs associated with agency principal relationship may be due to withdrawal of controlling powers from the shareholders leading to lack of harmony of interest between the management and stockholders. The imperfect contractual relationship between the principal (stockholders) and the agent (management) might result to agency conflicts such as rewarding of perquisite compensation by managers and element of shirking behavior arise, which in turn lead to agency related losses to the firm and misallocation of resources to less profit maximizing projects which expose stockholders to unnecessary venture risk (Jensen & Meckling, 1976).

The critique of agency theory is anchored on the inherent conflict of interest between two parties, the agent and the principal. The manager responsible in running the firm at times aims at attaining his private benefits by misappropriating owners' funds. Managers take advantage of extra free cash flow to invest in capital projects that are less value additive to owners' wealth (Easterbrook, 1984). This theory is relevant to this study because the agent (insider shareholder) has a fiduciary responsibility to scale up the firm performance which determines the dividend policy a firm adopts.

2.1.2 Bird in Hand Theory

Gordon (1962) developed this theory, stating dividends are relevant to firm value. The determinants of cost of equity according to the model developed by Gordon are future dividend, the growth rate and the current share price. Therefore, dividend yield and growth provide return to holders of equity. It purports dividend yield is more important in measuring return on equity than cost and that dividends are more relevant in determination of firm's value.

Growth is not guaranteed thus capital gains cannot be estimated accurately and a stock could lose its entire market value and become bankrupt. A firm that does not pay dividends, its future market value is always clouded with uncertainty if investors will realize anticipated capital gains. This is based on a numbers of assumptions such as the company does not have access to external financing and therefore all financing has to come from retained earnings, there are constant returns which ignores the diminishing marginal efficiency and the cost of capital is constant (Salih, 2010).

This theory proposes a relation between value of the firm and dividend policy. The core of this theory is that equity holders are risk averse and prefer current dividends. Gordon (1962) argued that investors prefer current dividends compared to anticipated capital gains to their uncertainty. Dividend payment reduces uncertainty thus increasing share value. This is on the preference of the present than the future. A sure current dividend is desirable than a promised future dividend or capital gain despite it been larger. Hence, dividend policy is relevant (Kapoor, 2009).

2.1.3 Signaling Theory

This theory was suggested by Fama and French in (1969). Signaling hypothesis assumes that the firm's managers know a lot about their firm's value as such the firm's managers use dividend payout as a mean to convey favorable information to investors (Inyama, Okwo, & Inyama, 2015). According to this hypothesis, a firm may opt to pay more dividends to convey to market that the firm is successful; this aims at improving the firm's prospects (Dionne & Ouederni, 2010).

The foundation of dividend signaling models stem from game theory (Kapoor, 2009). This theory anticipates that with dividends, the firm is likely to receive positive or abnormal returns on announcement thus a more dividend payout sends out a signal that can affect investor's opinion (Fairchild, 2010). According to the hypothesis, as a firm's action, dividend payout influences stock price and has an effect on the firm's returns from the stocks (Priya & Nimalathasan, 2013). This theory implies that any decrease or elimination of dividends is likely to be viewed with an extreme disfavor by financial markets (Hobbs, 2006).

Signaling hypothesis supports that investors and analysts can discern whether the firm's managers are just signaling positive information to the market or misleading the market with an aim of earning more profits in a short-term period (Salih, 2010). According to the signaling hypothesis, the main aim of paying dividends is to convey important information to the market and not to reach an optimal price level (Hobbs, 2006).

2.1.4 Tax Differential Theory

The theory is from the idea that capital gains are better than dividends because the tax rate on capital gains is lower than the tax rate on dividends. This theory was first proposed by Litzenberg and Ramaswamy (1982). It generally claims that investors prefer lower payout companies for tax reasons.

The theory was based on observation of American stock market where three reasons were given to justify this theory. Unlike dividends long-term capital gains allow the investor to defer tax payment until they decide to sell the stock in future which is cheaper than paying taxes immediately due to time effects. Capital gains also attract lower taxes than dividends themselves and also in case of death of individual investor, no capital gains is collected when the shares are transferred to the next of kin (Litzenberger & Ramaswamy, 1982).

This theory shows that investors are wary of taxes. It insinuates that companies that pay high taxes will have low demand of its shares that may lead to low share return. Investors will therefore choose companies that have less tax obligations to companies with high tax obligations.

2.2 Conceptual framework

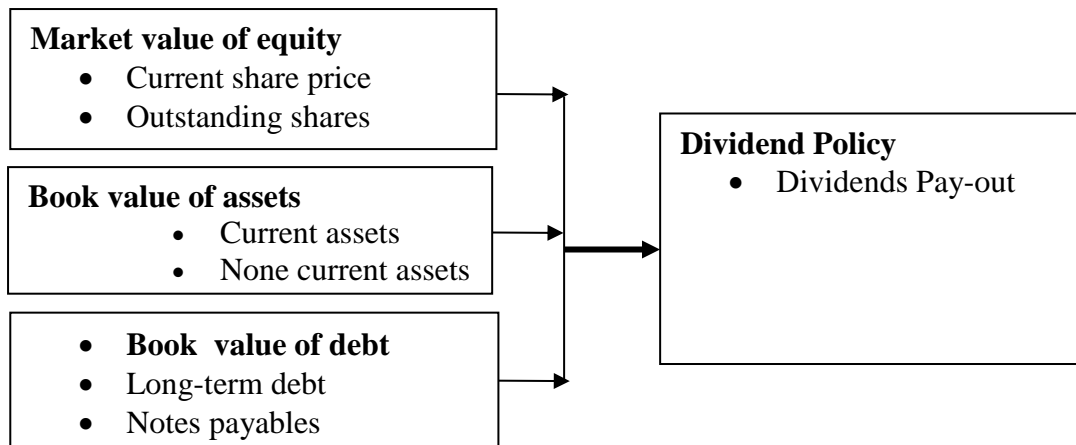


Figure 1: Conceptual Framework

2.2.1 Market Value of Equity

Market value of equity is the total dollar market value of all a company's outstanding shares. Market value of equity is calculated by multiplying the company's current stock price by its number of outstanding shares (Aggarwal & Zhao, 2007). A company's market value of equity is therefore always changing as these two input variables change. A company's market value of equity differs from its book value of equity, because the market value of equity does not consider the company's growth potential (Brown & Caylor, 2006).

Return on market value of equity measures the profit yield on a company's market capitalization, which is a function of its share price and the number of its shares outstanding. Some hedge funds employ a return on market value of equity strategy to identify undervalued shares to purchase. This strategy tries to evaluate a firm's intrinsic value and compare that value to the current observed market price of its shares. In general, a return on market value of equity based strategy is considered to be a tool used by value investors, but it also allows for the fact that future growth is an important component of assessing a stock's intrinsic value.

2.2.2 Book Value of Assets

Book value of an asset is the value at which the asset is carried on a balance sheet and calculated by taking the cost of an asset minus the accumulated depreciation. Book value is also the net asset value of a company, calculated as total assets minus intangible assets (patents, goodwill) and liabilities. For the initial outlay of an investment, book value may be net or gross of expenses such as trading costs, sales taxes, service charges and so on (Oladele, 2013).

The term book value derives from the accounting practice of recording asset value at the original historical cost in the books. While the book value of an asset may stay the same over time by accounting measurements, the book value of a company collectively can grow from the accumulation of earnings, generated through asset use (Fama & French, 2011). Since a company's book value represents the shareholding worth, comparing book value with market value of the shares can serve as an effective valuation technique when trying to decide whether shares are fairly priced.

2.2.3 Book Value of Debt

Velnampy and Pratheepkanth (2012) examined the financial position of the companies and the relationship between financial position and profitability with the sample of 25 public quoted companies in Sri Lanka by using the Altman Original Bankruptcy Forecasting Model. His findings suggest that, out of 25 companies only 4 companies are in the condition of going to bankrupt in the near future. He also found that, earning/total assets ratio, market value of total equity/book value of debt ratio and sales/total assets in times are the most significant ratios in determining the financial position of the quoted companies.

2.2.5 Dividend Policy

Dividend payout is the amount of cash that a company sends to its shareholders in the forms of dividends. The company can decide to send all the profits back to its shareholders or investors, or could keep a portion of it as retained earnings. Healthy dividends payouts thus indicate that companies are generating real earnings rather than cooking books (Barron, 2012).

Zhou and Ruland (2006) revealed that high dividend payout firms tend to experience strong future earning but relatively low past earnings growth despite market observers having a contradicting view. Arnoth and Asness (2013) also revealed that future earnings growth is associated with high rather than low dividend payout. A high payout ratio means more dividends and less funds for expansion and growth. A low payout, on the other hand, results in a higher growth (Pandy, 2012). Considering dividend payout in information perspective, the dividends signaling theory prescribes that dividend payout can be used as a device to communicate information about a company's financial performance to investors.

3.0 Research Methodology

The study adopted descriptive research design to analyze the effect of firm value on dividend policy of non – financial firms listed in the NSE. The target population of the study was 36 listed non- financial firms in the NSE. Data was obtained from financial statements and stock market information of companies listed in the Nairobi Securities Exchange. The study period of interest was 5 year that is, from 2012 to 2016. STATA software was used to analyze data. The study employed a dynamic panel data regression model.

Panel data model was as follows;

$$Y = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \epsilon$$

Where,

Y= Dividend Policy

X_1 = Market value of equity

X_2 = Book value of asset

X_3 = Book value of debt

ϵ = Error term

In the model, β_0 = the constant term while the coefficient $\beta_i = 1 \dots 3$ will be used to measure the sensitivity of the dependent variable (Y) to unit change in the predictor variables X_1 , X_2 and X_3 . ϵ is the error term which captures the unexplained variations in the model.

4.0 Research Results and Discussion

4.1 Descriptive Statistics

This section provides descriptive results for the variables. Descriptive statistics employed were mean, minimum, maximum and standard deviation. The results are presented in Table 1.

Table 1: Descriptive Statistics

Variable	Minimum	Maximum	Mean	Std. Deviation
Dividend Payout	-4857.55	50010	290.2718	3832.036
Market value of equity	0.000	683115547400	27303650434.6	91617554897.7
Book value of assets	-51648363	776092715	42943827	108349649.3
Book value of debt	0.000	241658479	15581315	40305820

The results show that the average mean of dividend payout ratio growth was 290.2718% which indicate the average of dividend payout ratio of non-financial listed firms at NSE in Kenya from the year 2012 to 2016. The minimum and the maximum of dividend payout ratio between the year 2012 and 2016 were -4857.55% and 50010% respectively. Its standard deviation was 3832.036 which indicated that dividend payout ratio varied throughout the measurement period. The results are in agreement with Zhou and Ruland (2006) who revealed that high dividend payout firms tend to experience strong future earning but relatively low past earnings growth despite market observers having a contradicting view.

The overall mean of Market value of equity (Firm Market Capitalization) was Ksh. 27303650434.6. The minimum and the maximum of Market value of equity between the year 2012 and 2016 were KES. 0.000 and KES683115547400 respectively. Its standard deviation was 91617554897.7 which indicated that Market value of equity varied throughout the measurement period. The results are in agreement with Ahmed and Javid (2008) that market capitalization has the impact on dividend payout policy which shows that the firms prefer to invest in their assets rather than pay dividends to their shareholders.

The overall mean of book value of assets (total assets) was 42943827. The minimum and the maximum of book value of assets between the year 2012 and 2016 were -51648363 and 776092715 respectively. Its standard deviation was 108349649.3 which indicated that book value of assets varied throughout the measurement period. The results contrast that of Forti,, Peixoto and Alves (2015) that more significantly leveraged companies that invest more heavily in fixed assets and that exhibit high liquidity, higher risk and less conflict between controlling and minority shareholders will be less likely to pay dividends to shareholders.

The overall mean of book value of debt (notes payables plus long term debts) was ksh. 15581315. The minimum and the maximum of book value of debt between the year 2012 and 2016 were ksh.0.000 and ksh.241658479 respectively. Its standard deviation was 40305820 which indicated that book value of debt varied throughout the measurement period. The results agree with Deshmukh, Goel and Howe (2013) who confirmed that the increase in debt decreases the dividend payout. It's quite logical that debt financing increases interest cost which eventually decreases profit and dividend payments.

4.2 Correlation Analysis

Correlation analysis is the statistical tool that can be utilized to determine the level of association between two variables (Levin & Rubin, 1998). Correlation matrix was developed to analyze the strength of association between the independent variables and dependent variable. Table 2 presents the results of the correlation analysis.

Table 2: Correlation Matrix

	Dividend payout ratio	Log of Market value of equity	Log of Book value of assets	Log of Book value of debt
Dividend payout ratio	1.000			
Log of Market value of equity	0.6643** 0.000	1.000		
Log of Book value of assets	0.6815** 0.000	0.7367 0.000	1.000	
Log of Book value of debt	0.6056** 0.000	0.5302 0.000	0.5979 0.000	1.000
Significant at 0.01				

The results revealed that Market value of equity and Dividend payout ratio are positively and significantly associated ($r=0.6056$, $p=0.000$). The results are in agreement with Tahir, Sabir, Alam and Ismail (2013) who conducted a study on impact of firm's characteristics on stock return: a case of non-financial listed companies in Pakistan and established that market capitalization significant impact on stock market returns. The results also revealed that Book value of assets and Dividend payout ratio are positively and significantly associated ($r=0.6815$, $p=0.000$) level of significance. The results are in agreement with Jabbouri (2016) that current profitability; liquidity and size have significant positive association with the dividend distributions. Lastly, the correlation results revealed that Log of Book value of debt and Dividend payout ratio are positively and significantly associated ($r=0.6643$, $p=0.000$) level of significance. The results agree with Aivazian *et al.* (2001) that dividend payout is affected by debts and risk.

4.3 Regression Analysis

After conducting the diagnostic tests, regression model was run. Regression analysis illustrates the relationship between variables. Results are presented in Table 3.

Table 3: Regression Results

Dividend payout	Coef.	Std. Err.	Z	P>z	[95% Conf. Interval]	
Log Market value of equity	25.37241	6.887651	3.680	0.000	11.87286	38.87196
Log Book value of assets	26.60971	9.859655	2.700	0.007	7.285136	45.93427
Log Book value of debt	11.51947	7.847678	1.470	0.142	-3.8617	26.90064
_cons	-422.891	63.2815	-6.680	0.000	-546.921	-298.862
R ²	=0.5437					
Wald chi2 (3)	=60.39					
Prob> chi2	=0.000					

The regression results revealed that market value of equity, book value of assets and book value of debt were found to be satisfactory variables in explaining dividend payout policy. This is supported by coefficient of determination also known as the R square of 0.5437. This means that market value of equity, book value of assets and book value of debt explain 54.37% of the variation in dividend payout policy. The results are in agreement with Oluwatoyin and Gbadebo (2009) who conducted a study the impact of share market capitalization on a company's performance the case study in the Nigerian confectionary industry and found that dividends has positive and statistically strong significance on the changes in the company's performance and the value of its market capitalization.

Further, F statistic results in Table 3 indicated that the overall model was statistically significant. The results imply that the independent variables (market value of equity, book value of assets and book value of debt) are good predictors of dividend payout policy. This was supported by Wald statistic of 60.39 and the reported p value (0.000) which was less than the conventional probability of 0.05 significance level. The results are in agreement with Luvembe, Njangiru and Mungami (2014) who conducted a study on the effects of dividend payout on market value among listed banks in Kenya and found that there is a significant and positive relationship between market value and dividend payout ratio and capital market investments in most of the years.

As per the results above, the estimated model was as shown below:

$$Y = -422.891 + 25.37241X_1 + 26.60971X_2 + 11.51947X_3$$

Where;

Y = Dividend payout policy (Dividend payout ratio)

X₁ = Market value of equity (Firm Market Capitalization)

X₂ = Book value of assets (Total asset)

X₃ = Book value of debt (Notes payable plus long term debts)

Regression of coefficients results in table 3 shows that the logarithm of market value of equity and dividend payout policy are positively and significantly related ($\beta=25.37241$, $p=0.000$). This means that a percentage increase in the market value of equity would lead to a subsequent increase in dividend payout policy by 25.37241 percent. The results are in agreement with Oluwatoyin and Gbadebo (2009) who conducted a study the impact of share market capitalization on a company's performance the case study in the Nigerian confectionary industry and found that dividends has positive and statistically strong significance on the changes in the company's performance and the value of its market capitalization.

The results also revealed that the logarithm of book value of assets and dividend payout policy are positively and significantly related ($\beta= 26.60971$, $p=0.007$). This means that an increase in the unit book value of assets by 1 percent, would lead to an increase in dividend payout policy by 26.60971 percent. The results are in agreement with Berger and DeYoung (1997) that performance of bank is related to asset quality (loan management) which leads to dividend payout decision. In addition, the results revealed that the logarithm of book value of debt and dividend payout policy are positively but insignificantly related ($\beta =11.51947$, $p=0.142$). The results agree with Gill et al. (2010) that dividend payout is based on sales, profit, tax and debts to equity ratio.

5.0 Conclusion

Based on the findings above, the study concluded that firm market value has a significant effect on dividend payout policy of publicly listed non-financial firms in Kenya. Firm value greatly influences dividend policy as far as public limited companies are concerned. In general, a return on market value of equity based strategy is considered to be a tool used by value investors, but it also allows for the fact that future growth is an important component of assessing a stock's intrinsic value. Understanding the relationship between market capitalization and dividend payout policy is important for traders, researchers and policy makers as it has implications for various financial models and risk management practices. The contemporaneous relationship helps in understanding the market clearing process and frictions in the market.

The study also concludes that book value of assets has a significant effect on dividend payout policy of publicly listed non-financial firms in Kenya. Book value of assets greatly influences dividend policy as far as public limited companies are concerned. Companies that do not pay dividends are smaller, less profitable, have a market value lower than book value and exhibit low liquidity and greater risk.

Finally, the study concludes that book value of debt has insignificant effect on dividend payout policy of publicly listed non-financial firms in Kenya. Book value of debt does not influence dividend policy as far as public limited companies are concerned. Book value of debt is insignificant in determining the financial position of the quoted companies. This finding is unique. The study predicted a significant relationship between book value of and dividend policy of publicly listed non-financial firms in Kenya. However, the regression results showed that book value was positively but insignificantly related to dividend policy.

6.0 Recommendations

The study found out that firm market value has a positive and significant effect on dividend payout policy of publicly listed non-financial firms in Kenya. Therefore, the study recommends that the management of publicly listed non-financial firms should monitor the liquidity and market capitalization positions of firms in their portfolios in order to ensure sound financial decisions that would guarantee a stable growth in client wealth and hence achieve enhanced risk positions when executing trades.

The study found out book value of assets has a positive and significant effect on dividend payout policy of publicly listed non-financial firms in Kenya. Therefore, the study recommends the expansion of publicly listed non-financial firms' asset base. Investment to total assets is considered as a safety measure for the reward of shareholders. There is a positive relationship between investment to total assets and dividend payout ratio.

The study found out book value of debt has a positive but insignificant effect on dividend payout policy of publicly listed non-financial firms in Kenya. Therefore, the study recommends that the company should make sound decisions on whether to pay cash dividends so as not to create liquidity constraints in publicly listed non-financial firms.

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