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THE MODERATING EFFECT OF OWNERSHIP CONCENTRATION ON DIVIDEND PAYMENTS AND FIRM VALUE: THE CASE FOR NAIROBI SECURITIES EXCHANGE

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Abstract:
Empirical studies exploring the relationship between dividend policy, ownership concentration, and firm value have presented mixed findings. Several studies have explored this relationship across different contexts and markets, resulting in diverse and sometimes contradictory conclusions. One of the aspects of corporate ownership and management theory that researchers have increasingly focused on is the influence of large shareholders on value-creating metrics. The objective of this paper was to examine the effect of dividend payment on firm value and the moderating effect of ownership concentration on the dividend payment and firm value relationship at the Nairobi Securities Exchange. Dividend signalling and shareholder monitoring hypotheses were the key theories supporting this study. The study utilised longitudinal data for 2008-2017, the target population was sixty-six companies trading securities at the NSE in that period. Empirical results reveal that dividend payment has a positive effect on the firm value, which supports the signalling hypothesis, and ownership concentration negatively moderated the relationship between dividend payment and firm value, this implies that firms with high ownership concentration will not be affected by the changes in the

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amount of dividends, alternatively, firms with dispersed ownership will be negatively affected if they reduce the amount of dividends. Regular payment of dividends ensures that dominant shareholders don't disadvantage minority investors. Policymakers should consider stricter regulations and enforcement to ensure that large shareholders do not exploit their control at the expense of minority shareholders. Enhancing investor education and awareness can empower minority shareholders better to understand their rights and the implications of dividend policies. This study recommends that the regulatory body enforce stronger transparency measures to ensure dividends remain an effective signal of firm performance.

JEL: G14; G32; G35

Keywords: ownership concentration, dividend payment, firm value

1. Introduction

One of the schools of thought under the dividend theory supports the idea that dividend payment signals an enterprise's financial performance, which positively influences share price. Lintner (1956) in his signalling hypothesis saw dividend payment as a communication tool to inform investors about the performance of the enterprise. Miller and Merton (1961) contested the opinions and econometrically demonstrated that firm internal characteristics like profitability and business risk were more critical in determining firm value. The dividend payment is indeed influenced by other factors like growth prospects for the company, profitability and earnings per share; desire to maintain consistency in dividend payment and control of the firm (Gordon, 1959). Jensen and Meckling (1976) have argued that in the absence of congruence of interest between firm owners and stewards, the latter would extract benefits of control through improper contracting, and this would disadvantage firm owners. They saw managerial ownership as positively influencing firm decisions towards greater value. Shleifer and Vishny (1986) found institutional shareholders provided an alternative governance mechanism that helped to check on managers' excesses and misappropriation of wealth at the expense of minority shareholders. The role of dividend signalling and shareholder monitoring is a continuous empirical process; more recently, Lopez and Rodriguez (2012) observed that corporate governance decisions had different effects in different business environments.

From the above discussion it is clear that the current and ongoing debates in this area of study have focused on ownership structures and the level of dominance and how they affect agency problems in different ways, so that different ownership structures have varying degree of impact on dividend policies which affects cash retention, financing, profitability and the growth of enterprises. There is continuing debate regarding the relevance of existing theoretical literature in the context of developing and developed markets. This study extends the ongoing debate by exploring the possibility of value-creating synergy between ownership concentration and dividend payment.

At Nairobi securities exchange, there are 10 distinct business sectors: agriculture, automobiles and accessories, banking, commercial and services, construction and related industries, energy and petroleum, investment, manufacturing and related industries, and telecommunication and technology. There are sixty-six businesses listed and trading shares on the NSE. On average, Kenya-listed firms pay a significant amount of their earnings as dividends. A study by Ochieng and Kinyua (2013) on dividend pay-out for listed firms in Kenya saw an average pay-out of seventy-two per cent in 2002 and a low of forty-four per cent in 2008. Related studies have also determined that listed firms in Kenya have high ownership concentration. Kisavi, Mukras and Oginda (2013) observed an average shareholder concentration of sixty-four per cent. Aduda and Magutu (2013) noted an average Tobin Q of 1.4796 for listed firms in the period 2004-2007. These studies highlight the fact that some aspect of the phenomenon of interest has been empirically examined and point to a dynamic state of the securities market which requires more insightful analysis.

2. Study Problem

Existing empirical research presents mixed findings regarding the impact of ownership concentration and dividend policy on firm value. Various studies have explored this relationship across different contexts and markets, resulting in diverse and sometimes contradictory conclusions. Despite numerous studies, there is no clear consensus on how ownership concentration affects firm value. Some researchers, for example Khan (2006), identified a negative relationship between dividend payment and ownership concentration in the UK, but noted that the presence of large institutional shareholders had a positive relationship with dividend payment. Conversely, Gurgler and Yortuglu (2003) provide evidence from Germany indicating that ownership concentration by the largest shareholder negatively affects the wealth of other shareholders. They also note that the presence of a second major shareholder can enhance shareholder value through increased dividend payments. Demsetz and Lehn (1985) found no significant relationship between ownership concentration and the performance of large U.S. firms.

In Kenya, higher state ownership has been found to undermine bank performance, whereas higher ownership concentration by foreign and domestic firms has been shown to improve firm performance (Kiruri, 2013). Additionally, shareholder identity has been observed to influence managerial discretion and firm performance at the Nairobi Securities Exchange (Ongore, K'Obonyo, & Ogutu, 2011). Given these conflicting results, it is crucial to investigate further and clarify the role of ownership concentration in mitigating agency costs and creating firm value. The mixed findings highlight the need for more studies that consider various contexts, ownership structures, and market conditions to develop a more significant understanding of this relationship. By addressing this research problem, we aim to provide valuable insights that can guide policymakers, investors, and managers in making informed decisions about ownership concentration and its implications for firm value.

2.1 Study Objectives

1) Establish the effect of dividend policy on firm value for listed companies at the Nairobi Securities Exchange
2) Establish the joint effect of ownership concentration and dividend payment on firm value for companies quoted at the Nairobi Securities Exchange

3. Literature Review

In their 1961 seminar paper, Mondigliani & Miller (1961) stated that a firm's choice of dividend policy has no impact on shareholder's wealth because the net payout comprises dividends and share repurchases, according to them any desired stream of payments can be replicated by appropriate purchases and sales of equity and a firm can adjust its dividends to any level without offsetting a change in shares outstanding. Lintner (1956) had earlier suggested that the payment of dividends releases more information to investors, especially where they don't actively participate in the management of the firm. He also noted that managers would rather raise than lower dividends because lowering dividends would send the wrong signals to investors about the prospects of the firm. The role of dividends as a corporate governance mechanism has been supported by Jensen (1986). He argued that dividend payment reduces the amount of free cash flow available to the managers so that they are not tempted to overinvest in their gratifying projects at the disadvantage of investors.

Shleifer and Vishny (1986) have argued that the presence of large institutional investors in a firm helps to monitor managerial activity because, as large investors, they have the ability and incentive to monitor firm managerial activities. Large shareholders have costs and benefits to the firm, while the benefit of control lies in their effectiveness and ability to monitor the managers, like other rational entrepreneurs, large shareholders have their interest, which may not be the same as that of minority shareholders within the firm (Shliefer & Vishny, 1997; Demsetz & Lehn, 2005) According to Shliefer and Vishny (1986), investors can put in place mechanisms that will ensure managers work in the best interest of the firm, these mechanisms include incurring agency cost through active monitoring, adequate compensation through salaries and bonuses and curtailing managers' discretion. The role of managers as a control mechanism when they own a significant amount of ownership can mitigate agency problems and lower the cost of control to investors, but there are other corporate control mechanisms like institutional investors, dividend and debt policy, which are less costly.

3.1 Empirical Review

Gurgler and Yurtoglu (2003) have studied the relationship between Tobin q and dividend yield for different types of ownership subgroups in Germany and observed the control power of the highest shareholder to be seventy percent and noted majority controlled firms had higher Tobin Q when dividends increased, firms that decrease dividends had lower Tobin Q. Georgeta and Ştefan (2014) measure ownership as percentage of equity

stock held by three largest investors they find a positive link when ownership concentration is spread to three investors and negative when the concentration is with a single investor at Bucharest securities market. Genc and Angelo (2012) saw that ownership concentration by the largest shareholder had a positive influence on firm value in Italy. These studies suggest that ownership structure significantly impacts firm value. For instance, firms with concentrated ownership among a few large shareholders or a majority shareholder tend to have higher firm value. This may be due to better monitoring and more effective control over management decisions. Dividend increases are often viewed positively by the market, leading to higher firm value, as observed by (Gugler & Yurtoglu, 2003). This aligns with signalling theory, where dividend changes provide information about the firm's prospects and financial health.

Studies on shareholder influence in developing securities markets have mixed findings. Hong and Nguyen (2014) observed that managerial ownership had a positive effect on dividend payment, but dividend payment and leverage are negatively related in the Ho Chi Minh City Stock Exchange (HOSE). Abdul and Masdar (2015) found that company size and profitability have a positive impact on company value, and ownership structure has no influence on company value, but all the variables affect company value through dividend payment in the Indonesian stock exchange (IDX). The mixed findings from developing markets, such as the studies in Indonesia and Vietnam, indicate that the effectiveness of dividend policies and ownership structures may vary based on the regulatory environment, market maturity, and investor behaviour in different regions. Jensen's (1986) argument that dividends reduce free cash flow available to managers aligns with the finding that dividend payments can prevent managers from engaging in non-value-adding projects. This reduction in agency costs enhances firm value by ensuring that resources are used efficiently.

Nkobe, Simiyu, and Limo (2013) observed that dividend payment was a major determinant of share price volatility, and dividend payout negatively affects share price volatility at the Nairobi Securities Exchange. Yegon, Cheruiyot and Sang (2014) observed that dividend payment was positively related to fixed assets, return on capital employed (ROCE), and earnings per share (EPS) at the NSE. Dividend payments are positively correlated with key financial metrics, including fixed assets, return on capital employed (ROCE), and earnings per share (EPS), as noted by Yegon *et al.* (2014). This implies that firms with strong financial performance are more likely to pay dividends, reinforcing the idea that dividends are a sign of financial health. The relationship between dividend payments and share price volatility, as observed by (Nkobe et.al., 2013; Yegon et.al.,2014), suggests that stable and predictable dividend policies can reduce uncertainty and volatility in share prices, which is beneficial for investors seeking steady returns.

4. Materials and Methods

This study followed a descriptive survey design with longitudinal data. This was necessary to discern the pattern of change for the variables over time. The target

population for this study was sixty-six companies listed at the Nairobi Securities Exchange as of 31st December 2017. This was a census study, and the population was chosen because they are public entities with diverse ownership concentration and a common platform for ownership transferability, which is of interest to the researchers. Empirical studies in this field have focused on firms listed at stock exchanges. This study obtained data through secondary sources, mainly from annual financial statements obtained from the respective company's website and the capital market authority, where necessary. Data was derived from published financial statements by use of a pre-set data collection form. Operational definition and measurement of each variable in this study is as follows: firm value is defined as Tobin Q and measured as the firm market value over its book value; dividend payment is operationalized as dividend yield and measured as the dividend paid over the market value of the firm; ownership concentration is defined as the level of ownership concentration which is measured as the total of percentage of shares held by ten largest shareholders in the firm. A summary of statistical tests and regression models used to examine the research hypothesis is as follows:

4.1 Dividend payment (DP) and Firm value (FV)

Simple linear regression

$$FV = \beta_0 + \beta_1 DP_{it} + e_{it}$$

4.2 The moderating effect of Ownership concentration on Dividend payment and Firm value

Multiple regression Equation

Step 1: Dividend payment, ownership concentration (OC) and Firm value

Multiple linear regression

$$FV = b_0 + b_1 Dyield_{it} + b_2 OC_{it} + b_3 Dyield * OC_{it} + e_{it}$$

FV = firm value (Tobin Q),
b_0 = intercept,
Dyield = dividend payments,
OC = ownership concentration,
b_1, b_2, b_3 = regression coefficients,
e_1 = error term.

A multiple linear model equation was applied to examine the moderating effect of Ownership concentration on Dividend payment and Firm value. The model applied to test this relationship is the multiple linear regression model process as recommended by Baron and Kenny (1986):

$$Y = b_0 + aX + bM + cXM + E \quad (1)$$

According to Baron and Kerry (1986) moderation effect is measured as an interaction between X (Dyield) and M (OC) variables, measured with coefficients b and c where a is the simple linear effect of X (Dyield) and Y (Firm Value) and b is the influence of M(OC) on Y and c measures the interaction between X (Dyield) and M(OC) in explaining Y. The relationship in this study is defined in the following regression equation.

$$FV_{it} = \beta_0 + \beta_1 Dyield_{it} + \beta_2 OC_{it} + (\beta_3 Dyield_t * OC_{it}) + e_{it}$$

Ownership concentration is the moderator factor in the model, and moderation exists if the coefficient β_2 is significant; β_3 measures the interaction (strength) effect of the relationship. Moderating effect occurs if b_1 increases when ownership concentration is included in the model, and is statistically significant (Baron and Kenny, 1986), model reliability (r^2) and F-test is significant ($\varrho<.05$)

FV = Firm Value = Tobin's q
OC = Ownership concentration
DY = Dividend yield (Dividend payment)
β_1, β_2, = Regression coefficients
e_1= error term

A relationship exists if at least one of the regression coefficients is statistically significant, and the relationship is strong if r^2 and the F-test are significant, where $\varrho<0.05$

5. Results and Findings

5.1 Data Summary

Data for the analysis was derived from annual financial reports of listed companies at the Nairobi Securities Exchange for the trading period between 2008 and 2017. The total observations included in the analysis are presented in Table 1 below.

Table 1: Data summary

	Cases					
	Included		Excluded		Total	
	N	Percent	N	Percent	N	Percent
Tobin q	524	91.9%	46	8.1%	570	100.0%
Ownership concentration	487	85.4%	83	14.6%	570	100.0%
Dividend yield	398	69.8%	172	30.2%	570	100.0%

Forty-six observations were missing for firm value over the period, which represents (8.1%) of total expected observations, eighty-three observations were missing for ownership concentration over the period, representing (14.6%) of total observations for ownership concentration; one hundred seventy-two observations were missing for dividend payment over the period, representing (30.2%) of total observations for dividend payment. Incomplete data sets were eliminated from the analysis through a

listwise deletion method, so that only 356 complete data sets were included in the analysis.

5.2 Descriptive Statistics

A summary of descriptive statistics for shareholder concentration, dividend payment and firm value is presented in Table 3. This information is derived from listed companies at the NSE for ten years (2008-2017).

Table 2: Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Tobin q	524	.00	68.60	2.2394	5.23860	8.063	.107	77.813	.213
OC	487	.22	.99	.7195	.14853	-.690	.111	.442	.221
DYield	398	.01	.43	.0457	.03995	4.992	.122	39.818	.244
Valid N (listwise)	356								

Tobin Q and dividend yields are strongly and positively skewed, with a skewness statistic of 8.063 and 4.992, and this poses a challenge to parametric statistical analysis. To improve the normality characteristic of the data, the data were transformed to logarithmic values. Firms listed in NSE have a high level of ownership concentration (71%), the firm value measured by Tobin's Q is 1.67. The number of complete observations for this analysis was 356 out of the possible 570.

5.3 Inferential analysis

The relationship between dividend payment and the firm value was analysed by a linear regression model. The statistical hypothesis was to test whether there was a significant relationship between dividend payment and firm value. The statistical model for the relation was:

Hypothesis (I) Null Hypothesis (H_0): Dividend payment does not have a significant influence on firm value. Alternative Hypothesis (H_1): Dividend payment has a significant influence on firm value.

The lagged Tobin q variable was introduced into the regression model to address the problem of serial dependency of the dependent variable, as indicated by (Maddala & Rao, 1973; Luke & Nathan, 2006).

Regression Model 1: Tobin $q = \beta_0 + \beta_1 Dyield_{it} + e_{it}$
FV (Tobin q) = Firm Value
β_1 = coefficient
e_1 = error term

The results for the analysis are presented in the statistical summary below.

Table 3: Statistical results hypothesis (I)

Coefficients[a]							
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.047	.079		-.604	.546
	Dyield1	.136	.036	.091	3.803	.000
	Tobinq1	.911	.024	.900	37.521	.000

Model	R	R Square	Sig. F Change	Durbin-Watson
1	.896[a]	.803	.000	2.256

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	47.010	2	23.505	703.917	.000[b]
	Residual	11.554	346	.033		
	Total	58.564	348			
a. Dependent Variable: Tobinq						
b. Predictors: (Constant), Tobinq1, Dyield1						

Regression analysis for Dyield and company value had a parameter estimate of .136 with a significance of .000<.001, therefore the variable had a discernible effect on firm value. This finding was in line with the underlying existing literature, a significant number of recent studies confirm that dividend distribution has a good impact on enterprise value (Hong & Nguyen, 2014; Thanatawee, 2013; Nkobe *et al.*, 2013; Yegon *et al.*, 2014). The model is significant ANOVA (.000), R^2 (.80) and Dividend yield coefficients (.136) is significant (.000) dividend payment has a significant positive effect on firm value, the inclusion of lagged Tobin q variable helped to improve Durbin Watson, (1951) statistic (DW) to 2.25, therefore the model output can be relied upon to make statistical inference for dividend policy and firm value.

Hypothesis (II). Null Hypothesis (H_{0a}): Ownership concentration has no significant moderating effect on dividend payment and firm value. Alternative Hypothesis (H_{1a}): Ownership concentration significantly moderates the effect of dividend payment on firm value.

Step 2: Dividend payment, ownership concentration (OC) and Firm value

Table 4: Statistical summary for hypothesis (ii)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.175	.100		1.742	.082		
	Dyield1	.328	.041	.220	7.917	.000	.632	1.582
	OC	.296	.071	.100	4.195	.000	.858	1.166
	OCDyield	-.314	.041	-.219	-7.631	.000	.590	1.695
	Tobinq1	.923	.023	.912	40.662	.000	.969	1.032

a. Dependent Variable: Tobinq

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.912[a]	.832	.830	.16893	2.247

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	48.747	4	12.187	427.023	.000[b]
	Residual	9.817	344	.029		
	Total	58.564	348			

a. Dependent Variable: Tobinq

b. Predictors: (Constant), Tobinq1, OCDyield, OC, logDyield1

To test the moderating effect of ownership concentration, the variable OCDyield is included in the model, and a multiple regression analysis is used to examine the relationship among dividend payments, ownership concentration and firm value. Results of the analysis indicate the regression model is strong, R^2 (.83), the model is significant, ANOVA (.000), the coefficient for dividend yield improves significantly to (.33) Ownership concentration OC (.29) is significant. The negative Standardized Coefficient (Beta: -0.219) indicates that OCDyield reduces the effect of Dyield1 and OC on the dependent variable. Since the t-value (-7.631) is highly significant (p-value = 0.000), this effect is statistically strong. A negative coefficient for OCDyield implies that ownership concentration reduces the effect of dividend yield on the dependent variable (Tobin Q) and this suggests that firms with higher ownership concentration experience a weaker positive impact from dividend yield on performance compared to firms with dispersed ownership. This implies that firms with high ownership concentration will not be affected by the changes in the amount of dividends. Alternatively, firms with dispersed ownership will be negatively affected if they reduce the amount of dividends. Further, this observation supports the shareholder monitoring and entrenchment hypothesis that the presence of large shareholders in the firm can influence dividend policy, and that can negatively affect minority shareholders.

6. Discussion of the Findings

The objectives of the study were to investigate the influence of dividend payment on shareholder value and the moderating effect of ownership concentration on the relationship between dividend payment and shareholder value at the Nairobi Securities Exchange. Shareholder influence was operationalized as ownership concentration and defined as the percentage of shares held by the top ten shareholders. Dividend payment was defined as dividend yield and measured as dividend paid over market value. A simple linear regression model was used to test whether a predictive relationship exists between dividend payment and firm value, and a multiple regression equation was used to test the moderating effect of ownership concentration on dividend payments and firm value. Dividend payment has significant effect on firm value at NSE, with a model significance (.000), R^2 (.80) and Dividend yield coefficients (.136) which is significant (.000). The second objective was to examine the moderating effect of ownership concentration on dividend payment, the results of the analysis presented in table 4, is as follows; F- test = 000, ϱ<.01, R^2=.80, the overall regression model is significant (Table 4). The coefficient for ownership concentration (.29) is significant (*.000)* <05 implying that ownership concentration has a significant moderating effect on dividend payment and firm value at the Nairobi securities exchange. The inclusion of the ownership concentration variable in the model helped to improve dividend payment coefficient to (.33), implying that dividend has positive effect towards firm value, however increases in ownership concentration reduces the effect of dividend payments on Tobin Q. This suggests that changes in dividend policy have no impacts for ownership concentrated firms. But a change in dividend payment could significantly affect the firm value for a dispersed ownership firm. The above results contradict the findings of Kisavi *et al.* (2013), who found insignificant results for shareholder concentration on firm performance. But supports the findings of Genc and Angelo (2012) who found a significant shareholder influence on firm value when a single investor had control in Italy and Thanatwee, (2013) who observed that managerial ownership had a positive effect on dividend payment in the Ho Chi Minh City Stock Exchange (HOSE) in Vietnam.

Shareholder monitoring by level of ownership concentration is a corporate governance mechanism that finance theory suggests can moderate other corporate governance mechanisms in the firm. There is a high level of shareholder concentration at NSE. (71%) a significant improvement from 65.3% observed by Kisavi *et al.* (2013), firm value as indicated by Tobin's Q is on average 1.65, which compares favourably against Kisavi *et al.* (2013), 1.32. The influence of shareholder concentration on dividend payment and firm value was positively significant, but an increase in the dividend payment coefficient implied that ownership concentration has a significant negative moderating effect.

7. Conclusion

The study provides significant contributions to the current literature by addressing key gaps highlighted by previous research. This study validates the assumptions of agency cost theory by Jensen and Meckling (1976) and the institutional monitoring hypothesis by Shleifer and Vishny (1986). It highlights how large shareholders may entrench themselves, benefiting from control but potentially neglecting the interests of minority shareholders. This gap is crucial in understanding how entrenched ownership structures impact corporate governance in developing markets. The study focuses on the Nairobi Securities Exchange, a developing market, revealing the high rate of dividend omission and fluctuating dividend policies. This contrasts with more stable and predictable dividend policies often observed in developed markets. The study fills the gap by providing empirical evidence on how dividend policies are applied in developing markets and their implications for shareholder value. The study emphasizes the inadequacy of self-regulation through market forces in protecting minority shareholders in developing markets. It calls for more active regulatory interventions and stricter enforcement of laws governing investor education and awareness. This addresses a gap in the literature regarding the effectiveness of regulatory frameworks in developing markets compared to developed markets. Researchers are encouraged to empirically test the relevance and applicability of finance theories developed in developed markets to the context of developing markets. The study highlights how different business environments can lead to different theoretical conceptualizations, addressing the gap in the literature about the contextual application of finance theories.

This study has important implications for developing markets like the Nairobi Securities Exchange, where ownership structures and market dynamics differ from more developed financial markets. A negative moderating coefficient for OCDyield suggests that highly concentrated ownership reduces the impact of dividend yield on firm value. At the NSE, ownership is concentrated in the hands of institutional investors, family-owned businesses, or government entities. This limits the effectiveness of dividend policies in signalling firm value, as the majority shareholders might prioritise control over shareholder returns. If ownership concentration weakens dividend impact, minority shareholders in NSE-listed firms may not fully benefit from dividend policies. This could lead to reduced investor confidence, lower stock liquidity, and weaker market participation.

This study recommends that the regulatory body (Capital Markets Authority) should enforce stronger transparency measures to ensure dividends remain an effective signal of firm performance. Further, this study recommends that Investors at NSE not to rely solely on dividends as an indicator of firm strength, especially in companies with concentrated ownership. They should focus on other financial metrics like earnings growth, governance structures, and market trends. The finding highlights a structural challenge in developing markets. High ownership concentration could reduce the effectiveness of traditional financial indicators like dividend yield, which reinforces the

need for market reforms that encourage better corporate governance, diversified ownership, and more transparent financial practices.

Policymakers should consider stricter regulations and enforcement to ensure that large shareholders do not exploit their control at the expense of minority shareholders. Enhancing investor education and awareness can empower minority shareholders better to understand their rights and the implications of dividend policies. Regular and predictable dividend payments can reduce share price volatility and provide a stable income stream for investors. Companies should consider the benefits of maintaining consistent dividend policies to enhance shareholder confidence and firm value. Future research could explore how technological advancements and digital finance platforms impact corporate governance and dividend policies in developing markets. This can shed light on emerging trends and opportunities for market development. Comparative studies across different developing markets should help to understand how varying regulatory environments and market structures impact dividend policies and corporate governance practices. The study is limited to the Nairobi Securities Exchange, which may not fully represent the diverse range of developing markets. The findings may not be directly applicable to other regions with different regulatory environments and market dynamics. Future studies could extend the analysis over a longer timeframe to provide more comprehensive insights. The findings may be influenced by market-specific factors unique to the Nairobi Securities Exchange. Therefore, caution should be exercised when generalizing the results to other developing or developed markets.

Conflict of Interest Statement

The authors declare no conflicts of interest

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