INFLUENCE OF DIVIDEND PER SHARE ON MARKET SHARE PRICES OF FIRMS LISTED AT THE NAIROBI SECURITIES EXCHANGE, KENYA

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Abstract:

Firms quoted on the Nairobi Securities Exchange usually declare their dividends and shareholders on the firm's share register as at a given cut-off date become eligible to receive a dividend once it is paid out. Once a dividend is declared, the stock prices commence trading cum-dividend until the dividend payment is made to shareholders. Shares trading cum dividend tend to sell at higher prices as they are expected to factor the proposed dividend component. It therefore goes without saying that there is still a gap to explain on the effect the earnings per share and dividends per share bears on the on the stock market price movements at Nairobi Securities Exchange. The aim of the study was to establish how dividend per share influence share prices of firms at Nairobi securities exchange. This study was guided by Signalling theory and descriptive research design. Target population were 61 firms at Nairobi Securities Exchange. The study utilized secondary data. Data analysis was carried out using descriptive and regression analysis. The R squared was .452 indicated that 45.2% of market share prices was explained by dividend per Share. The dividend per Share influenced market share prices (β=0.567 and p <0.05). The study concludes that the dividend per Share influenced the market share prices. The study concludes that there is a positive relationship between dividend per share as well as earning per share and share prices. An increase in dividend per share, is associated with enhanced share prices. The study recommends that policy makers should incorporate the role of dividend per share in assessing the share returns of firms. As such, policies that help improve the earnings and dividends of firms should be encouraged to enhance share prices for listed firms as well as for other organizations. The study recommends that firms should focus on improving their earnings and dividends in as this will translate to a positive share price.

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1. Introduction

Stock returns are basically measured in terms of dividends. Dividends are per-share payments designated by company's board of directors to be distributed among shareholders. For preferred shares, it is generally a fixed amount. For common shares, the dividend varies with the fortunes of the company and the amount of cash on hand. It may be omitted if the business is poor or the directors withhold earnings to invest in plant and equipment (Garver, 2011). A share price is defined as the price of one share among a number of commercially viable stocks of a firm. A share cost or price at a particular time represents the balance that buyers and sellers strike among themselves. The price reflects the collective knowledge and wisdom concerning the market (Sharma, 2011).

The alteration of a stock price determines the return on investment on that particular stock. Thus, the share price is among the most important factors that influence investment decisions made by investors. Specialists can hotspot at share costs from the stock market exchange. The share cost of a particular organization is plainly detectible from the stock trade, a portion of the capital market's security fragment (Seitz, 1990). The most well-known securities are alternatives, bonds, and stocks. Securities market permit demanders and providers of assets to carry out exchanges. They likewise permit less demanding and quicker exchanges at sensible costs (Feldstein & Green, 2013). Since most closely held companies do not pay dividends, when using dividend capitalization valuators must first determine dividend paying capacity of a business.

Dividend is the distribution of past or present earnings in terms of real assets among company shareholders proportionally as per their ownership (Sujata, 2009). They are thus, distributions made out of the firm's profits/revenues and the decision to pay out dividends is rooted on the dividend policy of the company. A dividend per Share (DPS) is the summation of all dividends declared by a company divided by the issued outstanding ordinary shares. According to Hashim, Shahid, Sajid and Umair (2013), there are varied reasons why firms allocate dividends. It may either be a way to lower the rise in agency cost between shareholders and managers or to reduce investor's insecurity. It could be the aim of an investor to receive dividends continuously, preferring to invest in companies that pay dividends. The research also concludes that firms paying more dividends have no trouble when accessing capital markets and dividends also influence the valuation of stock.

According to Denis and Osobov (2008), large, mature and more profitable firms are thought to be highly probable to pay dividends as they can even source for such funds to pay out dividends from cheap external debt sources at their disposal. Owino, (2011) also establishes that the firm's liquidity position, its earnings and leverage, the profitable opportunities available and its debt to equity ratio are important determinants of dividend payments by firms from the financial sector listed at the Nairobi Securities Exchange (NSE).

The linkage between earnings and dividends remains an issue that is not attended to. According former finance literature studies, it is possible to use dividends to predict future earnings. Miller and Modigliani (2008) utilized intelligent examination method to clarify firms' profit approaches. The two specialists guaranteed that in an impeccable market, the organization esteem ought to be novel as far as its profit arrangement. They included that a modification in profit arrangement can show an adjustment in the administration's point of view of future income. Benartzi, Michaely, and Thaler (2011) discovered restricted support for the point of view that profit modifications have information content an association's future income.

Mozes and Rapaccioli (2010) contemplated the linkage between corporate income and profits. They continued by giving confirmation that critical increments of profits can normally prompt increments in future income. They promote inferred that if an organization reported misfortunes, the profit decline would need to outperform a specific edge before it could be utilized as a part of the report of a misfortune. Mozes and Rapaccioli (2010) assumed that the linkage between the decrease of profits and future income cannot be direct and positive.

Zaredadeh et al., (2011) argues there is notably a negative correlation between DPS and P/E to a company. There was a significant positive insight to the relationship pertaining stock price of the company and EPS. In the Malaysian Market, Hooi et al., (2015) examined the relationship between dividend policy instruments and stock price volatility in selected companies from Kuala Lumpur stock exchange. Oyinlola and Ajeigbe, (2014) conducted a research on the effect of dividend policy on prices of stock in Nigeria. The outcome unveils a significantly relevant dividend payout as well as retained earnings in the market price per company share.

Attah-Botchwey, (2014) examined the effects of Dividend Payment on the prices of shares of several Listed Companies on the Ghanaian Stock Exchange. The findings revealed that share price rise as the company's dividends increased. Oyinlola & Ajeigbe, (2014) investigated the effects of dividend policy on prices of stock in Nigeria and established that dividend payout as well as retained earnings have a positive significant influence on market price per company share. Attah-Botchwey, (2014) examined the effects of Dividend Payment on the prices of shares of several Listed Companies on the Ghanaian Stock Exchange. The findings revealed that share price rise as the company's dividends increased.

Kalama (2013) studied the relationship between the prices of shares and earnings for companies listed at the NSE and coincidentally established that earnings and dividends are among the strongest predictors of share price. In sense, policy and need for companies to pay regular dividends. Kipronoh (2014) examined the reaction of prices to earnings information at the Nairobi securities exchange earnings announcements. The researcher noted abnormal price response pertaining earnings statement durations which suggest that earnings announcements contain significant information.

The Nairobi Securities Exchange is the central Kenyan stock exchange. It was established in 1954 as a foreign bod with Kenya as a British colony then. It was constituted

with authorization of the London Stock Exchange. There are two indices are primarily employed in the measure of performance. As of today, 61 firms are listed on the NSE (www.nse.co.ke, June, 2015). Since NSE is the primary and stock market in Kenya, most research work in the past has been based on it. To date, no study has involved the linkage between earnings and share price in regard to the NSE.

In Kenya most of the quoted companies pay dividend semi-annually. No legal requirements recommend firms to employ a particular divided payment schedule. Nevertheless, dividend distribution is monitored through some legal restrictions for instance the dividend should not be paid out of capital unless during liquidation. Financial signaling theory supposes that the dividend might be used to communicate information, which opposed to profits themselves, influences the price of shares. Dividend payment conveys the strength and health of the company in economic terms. It therefore causes the demand of the firm to raise share, leading to increase in stock prices.

1.1 Statement of the Problem

Earnings per share forms an important tool in the evaluation of company's performance in the eyes of investors as it reflects the portion an investor has or how much earnings he gets per share held. Since the investors own shares which are represented by the EPS on the company's announced earnings there is ground to believe that the EPS has an effect on the stock prices. The shares start trading ex-dividend immediately the dividend is paid, and the share prices tend to come down on the NSE (CMA, 2015).

Various empirical studies have been undertaken to seek an understanding of the factors influencing the stock market prices. Odumbe (2010) investigated the influence of bonus announcements on the stock prices, although we also need to understand the effect of the earning per share. Ngunjiri (2010) investigated the relationship between stock price volatility and payment policies found that payment systems had a great influence on the stock price volatility. Mbuki (2010) studied factors that determined dividend pay-out ratio among SACCOs in Kenyans. He found out that the dividends payout ratio rested on various factors including the availability of investments opportunities, the availability of cash to pay the dividend as well as the sustainability of the dividend in the future. Kalama (2013) studied the relationship between the prices of shares and earnings for companies listed at the NSE and coincidentally established that earnings and dividends are among the strongest predictors of share price.

Though various research efforts have been done to grasp the behaviour of stock prices, not many works have been done in the area of understanding the effect of dividends per share on the stock prices. Most of the studies have centered on the general aspects of the stock price patterns rather than on the impact of individual variable like DPS. It therefore goes without saying that there is still a gap to explain on the effect the earnings per share and dividends per share bears on the stock market price movements at NSE. Understanding this effect of the gains and dividends on the NSE share prices will add to the available body of knowledge on behaviour of share prices, help investors on

the NSE understand the variables behind stock prices and motivate managers to maximize earnings for maximization of shareholders wealth. This is the ground justifying the cause for this study. In seeking to understand this problem of predicting stock market price movements with the focus on the effect of the earnings and dividends, the study was on the shares of companies listed on the Nairobi Securities Exchange.

2. Literature Review

2.1 Signaling Theory
Developed by Ross (1977), claims that company's dividend policy release signals towards investors. In the view of Bhattacharya (1979) in his signaling model, claims that high quality firm pay more dividend compared to low quality firm. If signal increases with the information discrepancy between investor and manager, organization with higher information discrepancy should pay higher dividend. Ross (1977) argued that outside investors don't know the exact distribution of the inside company's income, but only inside management knows. If the internal management chooses to give dividend, it sends signal to more cash outflow and uses of more debt.

The issuing of dividend by the company has relation with the company's solvency ratio. Furthermore, there is relation between EPS of a company and its dividend payout (Kuczynski 2005). According to the signaling theory, corporate management may use dividends payout to signal information to the markets to value their firms. Lintner (1956) indicated that dividends provide a signalling device and the market uses dividend announcements to value firm's share. In fact, investors might not pay attention to dividends in particular, they, however, might look at changes in a company's dividend policy. Investors consider changes in dividends payout as signals of company's prospects. In case management increased dividend payout, it is viewed as good news and the stock market reacts positively. Whereas, reduction in dividend payout signals bad news, the stock market might react negatively. Hence, changes in dividend payout signal information about the company's prospects.

As observed by Murekefu and Ouma (2012), cash dividend announcements convey valuable information, which shareholders do not have, about management's assessment of a firm's future profitability thus reducing information asymmetry. Such information can be made use of by investors in assessing the firm's share price and making investing decision. Signaling theory, in turn, puts forth that stockholders consider dividends as tools of managing the forecast of earnings. For example, if investors or stakeholders anticipate a firm's dividend to increase by 5 percent, then it is expected that, on general terms, the stock price will not vary considerably on the moment of dividend announcement.

The theory underpinning this study is signaling theory, it is a theory suggesting that when a company announces an increase in dividend payout, it is an indication that it possesses positive future prospects. Dividend is an indication of the earnings of the firm that is increase in the level of divided payout may send positive signal to the

investors and the general public that the earnings of the firm is bright and vise-versa. Therefore, managers should plan carefully on the payout rate to avoid unnecessary speculations in the capital market as investors may not share the same information as managers have asymmetric information.

2.2 Market Price of Ordinary Share

Amihud and Mendelson, (2008) are of the view that market Value Ratios relate to an observable market value, the stock price, to book values obtained from the firm's financial statements. Price-Earnings Ratio (P/E Ratio). The Price-Earnings Ratio is calculated by dividing the current market price per share of the stock by earnings per share (EPS). (Earnings per share are calculated by dividing net income by the number of shares outstanding). Share price refers to the price of a single share of a number of saleable stocks of a company (Huang, 2004). Once the stock is purchased, the owner becomes a shareholder of the company that issued the share.

Shareholders have certain rights and privileges by virtue of owning shares in a firm (Brigham & Daves, 2010). Shareholders invest their money in the shares of a company in the expectation of a return on their invested capital. Share return is the gain or loss of a security in a particular period. The return consists of the income (dividends) and the capital gains relative on an investment. Capital gain is the profit that results when the price of a security rises above its purchase price when the security is sold (realized gain). Forces of demand and supply determine the prices of securities at a particular time. If a particular security is available in abundant supply, it will sell at a lower price than usual. Similarly, if there are more buyers than sellers the price will tend to rise.

2.3 Dividend Per Share (DPS)

Dividend is the return that accrues to shareholders as a result of the money invested in acquiring the stock of a given company (Eriki & Okafor, 2002). It is basically the benefit of shareholders in return for their risk and investment. Dividend policy refers to management's long-term decision on how to deploy cash flows from business activities, that is, how much to invest in the business, and how much to return to shareholders (Nazir et al., 2010). Ahmed and Javid (2009) are of the view that dividend per share is an important metric to investors because the amount a firm pays out in dividends directly translates to income for the shareholder, and the dividend per share is the most straightforward figure an investor can use to calculate his or her dividend payments from owning shares of a stock over time.

Meanwhile, a growing DPS over time can also be a sign that a company's management believes that its earnings growth can be sustained. Ahmed and Javid (2009) states that dividends over the entire year, not including any special dividends, must be added together for a proper calculation of DPS, including interim dividends. Special dividends are dividends that are only expected to be issued once and are, therefore, not included. Interim dividends are dividends distributed to shareholders that have been declared and paid before a company has determined its annual earnings. If a company

has issued common shares during the calculation period, the total number of ordinary shares

Dividend payout is the percentage of earnings a company pays in cash to its shareholders (Van, 2001). Dividend policy connotes to the payout policy, which managers pursue in deciding the size and pattern of cash distribution to shareholders over time. Managements' primary goal is shareholders' wealth maximization, which translates into maximizing the value of the company as measured by the price of the company's common stock. This goal can be achieved by giving the shareholders a "fair" payment on their investments. However, the impact of firm's dividend policy on shareholders wealth is still unresolved.

2.4 Effect of Dividend Per Share on Share Prices

Dehavi, Zarezadeh and Zraezadehand (2011) stated that the best ways of investment are investing in stock exchange. They observed that so far, many researchers have tried to discover the relationship between the stock price and financial and non-financial variables by using the regression method. However, the fuzzy regression is not used thoroughly for finding this relationship. In the present study, the regression method based on the fuzzy set's theory has been used to fit the relationship between the financial variables and stock price of Iran Khodro Company. Their financial variables for the study are Earning per Share (EPS), Dividends per Share (DPS) and Price to Earnings ratio (P/E). The empirical results indicate that there is a positive and significant relationship between Earning per Share (EPS) and stock price of the company. However, there is a negative and significant relationship between Dividends per Share (DPS) and Price to Earnings ratio (P/E) of the said company.

Wang, Fu and Luo (2013) empirically analyzes the relationship between accounting information and stock price with a few accounting information indexes. The results, based on 60 listed companies in Shanghai Stock Exchange for 2011, reveal that positive relationship exists between accounting information and stock price, but the significant degree varies. The result further reveals that earnings per share and return on equity have the most significant correlation.

Ebrahimi and Chadegani (2011) used cross-section, pooled data and panel data regression models. The study investigates whether current period earning divided by stock price at the beginning of the stock market period, current period dividend divided by stock price at the beginning of the stock market period, prior dividend divided by stock price at the beginning of the stock market period and the reverse of stock price at the beginning of the stock market period are relevant to explain stock market returns in Iran. The results indicate that in some years, shareholders take special interest in dividends and also the variable prior dividend divided by stock price at the beginning of the stock market period affects stock return. They also found that there is a significant relationship between current period earning divided by stock price at the beginning of the stock market period and stock return. The implication is that the results theoretically support the existence of relationship between earning, dividend and stock return.

The relationship between earnings figures and stock returns Dimitropoulos and Asteriou (2009). They carried out investigation of the above relationship in the context of the Greek capital market. They stated that previous studies resulted in controversial results regarding the usefulness of models which were using earnings levels or earnings changes as the explanatory variable. The results indicate a significant value relevancy of accounting earnings prepared under the Greek GAAP.

Umar and Musa (2013) studied the relationship between stock prices and firm earning per share (EPS) which appears to be contestable like any other performance measures. The study examined the relationship between stock prices and firm EPS from 2005 to 2009 employing a simple linear regression model on a panel of 140 Nigerian firms from a total population of 216 firms operated in Nigerian Stock Exchange (NSE). It was discovered that an insignificant relationship exists between stock prices and firm EPS in Nigeria. It was found that firm EPS has no predictive power on stock prices. They however suggested that firm EPS should not be relied upon for the prediction of the behavior of stock prices in Nigeria.

Musyoki (2011) did an examination of the predictability of accounting earnings using changes in share prices of companies listed at the Nairobi Stock Exchange in the finance and investment sector. Their study covered the period between the year 2001 and 2005. The data was obtained from the Nairobi Stock Exchange, where the information selected were Earnings per share, Dividend yield, Price to earnings ratio and the share price. Eleven companies were analyzed and all of them had positive change towards the accounting earnings in relation to the share price. Additionally, the relationship between accounting variables and the Nairobi Stock Exchange information indicated mixed results, with some companies showing a strong positive correlation and others weak correlation.

Zaredadeh et al., (2011) there is notably a negative correlation between DPS and P/E to a company. This is as attained after examining the co-existing relationship between EPS, DPS and P/E as independent variables of a specific company using the multiple regression model. There is, however, a significant positive insight to the relationship pertaining stock price of the company and EPS. Hooi et al., (2015) examined the relationship between dividend policy instruments and stock price volatility. The research was done on 319 randomly selected companies from Kuala Lumpur stock exchange in the Malaysian Market. It was discovered that Dividend pay-out and dividend yield were figuratively significant and adverse to share price volatility. Nonetheless, no significant relationship between price volatility and growth in assets was noted in the Malaysian Market.

Umar and Musa, (2013) applied a simple linear regression model on 140 out of 216 Nigerian firms that were controlled by the Nigerian Stock Exchange More so, it was discovered that firm EPS has no analytical power on stock prices. It was therefore recommended that stock prices should not be predicted depending on firm EPS. Oyinlola and Ajeigbe, (2014) conducted a research on the effect of dividend policy on prices of stock in Nigeria. The outcome unveils a significantly relevant dividend payout as well as

retained earnings in the market price per company share. Attah-Botchwey, (2014) Examined the effects of Dividend Payment on the prices of shares of several Listed Companies on the Ghanaian Stock Exchange. The findings revealed that share price rise as the company's dividends increased. Sulaiman and Migiro (2015) examined the impact of dividend judgement pertaining stock price changes in Nigeria. The pragmatic outcome of this study revealed that the earnings per share and dividend per share outline a massive positive correlation with stock price.

Munyua (2014) did a study on the Effect of dividend policy on firm's stock prices listed at the NSE. The study used a descriptive research design from a census analysis of the 61 listed firms at the NSE in the ten years between 2004 and 2013. The study found a convincing positive correlation between dividend per share and the share prices and that share prices are affected by the dividends per share paid out. Njeru (2015) carried out a study on the effect of dividend payout on the share prices of firms listed at the NSE. From the test of importance, dividend payment had a statistically noteworthy effect on share prices in all the 5 years. Therefore, confirming the presence of a negative effect of dividend payout on share prices of the listed companies at the NSE.

Kenyoru, Kundu and Kibiwott (2013) carried out a study to determine the impact of dividend yield on share price volatility in Kenya. The study findings depicted that the main determinants of price volatility were payout ratio which had a negative significant relationship while dividend yield had a negative significant relationship. Various studies have been done to understand the behaviour of stock prices both on the local context of the Nairobi Securities Exchange and others abroad, however most studies have been centered on other aspects and not many have been focused specifically on the effect of earnings and dividends.

3. Methodology

The study employed descriptive research design. Cooper and Schindler (2011), defines descriptive study design as a model used to describe behaviour or characteristic of a population being studied. The design fits the proposed study to determine the relationships between variables that is earnings and dividends and share price.

The target population of this research included all companies listed at the Nairobi Securities Exchange. The population of all the listed companies as at December 31, 2015, stood at 61. Quoted companies were employed since they are easily available in terms of information. This, further, owes to the disclosure requirements that are put in place by the Capital Markets Authority (CMA).

The study utilized secondary data. Data including share prices of stocks was collected from the Nairobi Securities Exchange (NSE). The share prices of stocks were obtained from NSE website and licensed stock brokers. Data from financial statements including income statements and statements of financial position from Capital Markets Authority (CMA) and company websites were used. The financial statements were

employed in obtaining the EPS and DPS. All businesses which were actively trading between 2011 and 2015 were studied

The data analysis involved descriptive statistics and linear regression model. Data analysis was carried out using computer software, SPSS, to run the regression model. SPSS was preferred because it has the ability to cover a broad scope of graphical and statistical, not mentioning that it is more systematic.

The regression model used was:

$$P = \beta_0 + \beta_1 DPS + \varepsilon \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\text{Equation (1)}$$

Where:
P = Market Share price
DPS = Dividends per share
β_1=Coefficient of Dividends per share
β_0 = regression constant.
ε = random error term that represents the combined effect of omitted variables.

The β coefficient from the equation represented the strength and direction of the relationship between the variables.

3.1 Share Price

The price of a stock at a specific time exemplifies the balance between the sellers and buyers (Zakir & Khanna, 1982). Daily price changes come about because of alterations in the selling and buying pressure. In present studies, arithmetic means of low and high market share prices within the firm's financial year were recorded, just like it had been done by Sharma (2011). It was calculated mathematically as:

$$\text{Share price (P)} = \frac{PH + PL}{2}$$

Where:
PH is the greatest market price,
PL is the lowest market price for the year which relates to the 't' period.

3.2 Dividend per Share (DPS)

Dividend is the portion of the profit after tax, which is distributed to the shareholders for their investment bearing risk in the company. It has a significant influence on the market price of the share. DPS shows how much the company has paid out as dividend. It refers to the actual amount of dividend (gross) declared per share. The net profit after taxes belong to shareholders but the income that they really receive is the amount of earnings distributed and paid as cash dividend. To arrive at the Divided Per share, the following procedure was carried out:

$$DOS = \frac{\text{Dividend}}{\text{No. of outstanding shares}}$$

4. Results

4.1 Descriptive Statistics
Descriptive statistics are the measures that define the general nature of the data under study. They define the nature of response from primary data and/or secondary data. Descriptive statistics for this study were: mean, standard deviation, minimum and maximum. Descriptive data analysis was performed on the share prices, earning per share and dividend per share. The descriptive statistics results are tabulated below.

4.2 Share Prices
From the table, it is construable that between 2011 and 2012 the share prices showed an upward trend from Kshs. 83.34 to Kshs.100.05. From 2012 the prices reflect a downward trend from Kshs. 100.05 to Kshs.50.96 but after that period, the trend goes upward from Kshs.50.96 in 2014 to Kshs.72.26 in 2015.

Table 1: Share prices

Year	Minimum	Maximum	Mean	Std. Deviation
2011	3.0	178.0	83.3	48.3
2012	5.6	276.9	100.1	96.0
2013	3.8	246.0	82.6	82.3
2014	3.2	493.0	51.0	78.6
2015	3.9	600.0	72.3	99.7

4.3 Earnings per Share
On average the EPS of the companies was sh.8.003 in 2011 and decreased to 4.3292 in 2015 over the period under review, however the EPS was widely dispersed with a high standard deviation. With a maximum sh.40.76 of and a minimum of sh.-14.79 it shows that while some companies were doing extremely well, others were doing very badly.

Table 2: Earning Per Share

Year	Minimum	Maximum	Mean	Std. Deviation
2011	-8.9	40.8	8.0	9.1
2012	-0.8	30.6	7.6	7.7
2013	-6.5	32.7	7.6	8.7
2014	-14.8	32.7	2.7	7.4
2015	-6.4	37.2	4.3	6.4

4.4 Dividend per Share
Based on the Table 3 above, an irregular pattern of dividend per share for all the firms listed at NSE over the five periods under study with the highest being 4.75 in year 2015, while the lowest being 3.46 in year 2014. Additionally, the standard deviation figures are

high for DPS, indicating that the data points are spread out over a wide range of values, meaning that there is high level of variability in the data.

Table 3: Dividend per share

Year	Minimum	Maximum	Mean	Std. Deviation
2011	0.0	17.0	4.3	4.6
2012	0.0	29.1	4.7	6.1
2013	0.0	30.5	4.4	5.4
2014	0.0	32.5	3.5	5.4
2015	0.0	37.0	4.8	7.7

4.2 Regression Analysis

A linear regression model was used to explore the effect of training on implementation of inclusive education. Fromm the study the dividend per share, (R square) explain 45.2% of market share price recorded at NSE in Kenya as indicated by the R^2 of 0.452 as shown in table 4. This implies different components not examined in this study contribute 45.2% of the variance.

Table 4: Model summary

Model	R	R Square	Adjusted R Square	Std. Error
1	.673[a]	.452	.450	.54970

a. Predictors: (Constant), Dividend per share

The regression model with earnings as a predictor was significant (F=247.74, p value =0.000). This indicated that dividend per share and share prices was significant as summarized in Table 5. The F statistic (247.74) was significant and this showed that the model had a good fit.

Table 5: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	74.861	1	74.861	247.743	.000[b]
	Residual	90.652	58	.302		
	Total	165.514	59			

a. Dependent Variable: Market share price
b. Predictors: (Constant), Dividend per share

From the findings the t-test associated with β-values was significant and dividend per share as the predictor was making a significant contribution to the model. The coefficients result in table 6 showed that the predicted parameter in relation to the independent factor was significant; β_5 = 0.567 (P<0.05). There was a significant effect of dividend per share on share prices (**β** = 0.567and p =0.000). The null hypothesis (**Ho**) was rejected. There dividend per share had positive influence on share prices.

Table 6: Coefficient of Dividend per share

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.433	.124		11.521	.000
	Dividend per share	.567	.036	.673	15.740	.000

a. Dependent Variable: Market share price

The study revealed that there is a strong positive relationship between dividend per share (r=0.567) and share prices. Therefore, it can be implied that an increase in dividend per share is associated with enhanced share prices. Therefore, a unit increase in dividend per share would lead to an increase in share prices by 0.567. This agrees with Dehavi, Zarezadeh and Zraezadehand (2011) that the best ways of investment are investing in stock exchange.

Ebrahimi and Chadegani (2011) that there is a significant relationship between current period earning divided by stock price at the beginning of the stock market period and stock return. Dimitropoulos and Asteriou (2009) stated that previous studies resulted in controversial results regarding the usefulness of models which were using earnings levels or earnings changes as the explanatory variable. Musyoki (2011) that there was positive change towards the accounting earnings in relation to the share price.

5. Conclusions

The study concludes that there is a positive relationship between dividend per share as well as earning per share and share prices. An increase in dividend per share, is associated with enhanced share prices. The study further concludes that earnings and dividends affect the value of shares of a firm in the long run and that this relationship is critical and positive. This demonstrates that profit strategy is applicable and along these lines influences the share cost of a firm subsequently its esteem in opposition to speculations that view profit arrangement as superfluous.

6. Recommendations for the Study

Investors who invest in stocks for short term or long-term purposes need to consider earning per share and dividend per share ratios when investing in shares. Investors should include counters with high earning per share and dividend per share ratios in their portfolios. The study also recommends that firms should focus on improving their earnings and dividends in as this will translate to a positive share price. Strategies to improve firm earnings and dividends should, therefore, be the focus of firms if they need to maintain a stable and a higher share price. The study also recommends that policy makers should incorporate the role of dividend per share in assessing the share returns of firms. As such, policies that help improve the earnings and dividends of firms should be encouraged to enhance share prices for listed firms as well as for other organizations.

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