EFFECT OF CORPORATE SHAREHOLDING STRUCTURE ON DIVIDEND POLICY OF FIRMS LISTED IN NAIROBI SECURITIES EXCHANGE

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DECLARATION AND RECOMMENDATION

Declaration

This research project is my original work and has not been submitted to any other university or institution of higher learning for the award of a degree or a diploma.

Signature ……. DATE……..

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CM11/00661/11

Recommendation

This research project has been submitted for examination with my approval as university supervisor.

Signature ……DATE……..

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DEDICATION

To my parents Mr. Isaac Ngotwa and Mrs. Elizabeth Ngotwa for their encouragement and financial support throughout the duration of my study. To my wife and daughter for their precious time they gave me and to my brothers and sisters for their unconditional assistance. They gave me all the reasons to keep holding on and working hard no matter the challenges that came with it.

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ABSTRACT

Every business organization has its own way of building its corporate shareholding structure and it affects the decision of dividend payment. The general objectives of the study were to study the effect of corporate shareholding structure on dividend policy of listed firms in Nairobi securities exchange. The specific objectives of the study were; to examine the effect of foreign shareholding structure on dividend policy of listed firms in NSE; to evaluate the effect of local individual's shareholding structure on dividend policy of firms listed in NSE, to determine the effect of local institution shareholding structure on dividend policy of firms listed in NSE. The study adopted stratified research design. The target population of the study comprised of all the 67 firms which have been listed in the NSE as at December 2018. The data for the study was obtained from 40 firms that had been consistently listed in the NSE from 2012 to 2016. Data for the study was collected from annual published financial statements. Both descriptive and inferential analysis was conducted. Regression analysis was applied to test the effect of shareholding structure on dividend policy. The data analyzed was presented in form of tables. The results of the study showed that there is statistical significant relationship between foreign shareholding structure and dividend payout ratio $P=0.000$ ($P<0.05$) and there is no statistical significance relationship between local institution shareholding structure and dividend payout ratio $p=0.012$ ($p<0.05$). It also shows that there is statistical significant relationship between local individual shareholding structure and dividend payout ratio $P=0.00$ ($P<0.05$).Therefore this study concludes that there is no statistical significant relationship between shareholding structure and dividend policy of firms listed in the Nairobi Securities Exchange. The research recommends that there should be a strike of balance between shareholding structures as they are useful to the firm management in deciding an appropriate dividend policy, and to the shareholders in making investment decisions. If manager considers that dividend policy is vital to their investors and has positive effect on share price, they should embrace managed dividend policy rather than the residual one. Appropriate firm disclosure with respect to dividend payout is needed to guard the investing public in making the right investment choices in listed firms in Nairobi securities exchange.

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LIST OFABBREVIATIONS & ACRONYMS

CEO Chief Executive Officers

CMA Capital Market Authority

DPR Dividend Payout Ratio

FAM Full Adjustment Model

M&A Mergers and Acquisitions

NSE Nairobi Securities Exchange

PAM Partial Adjustment Model

ROA Return on Asset

ROE Return on Equity

UK United Kingdom

USA United State of America

WM Waud Model

VIF variance inflation factor

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

The shareholder orientation is common in the Anglo-Saxon world led by the united state of America and the United Kingdom (USA &UK). Proponents of the Shareholder-Value Perspective assume that the firms should be run in the interest of the shareholders. They argue that corporate decisions should contribute to the increase in shareholder wealth, and that the interests of the other important stakeholders (employees, environment, suppliers, etc.) are to be protected by labour laws, or contracts (Denis & Mc Connell, 2002). The globalization process driven by stock market liberalization, foreign portfolio investments, mergers and acquisitions (M&A) across borders, and other factors has made it possible to sell or buy shares any where the issuing firms are listed and to take over foreign firms and control them partially or wholly. Foreign investments mainly in the form of M&A and foreign portfolio investments in corporations may have impacts in the changes of the ownership structures. The UK has historically similar equity ownership which is mainly dispersed, with that in the US, and it has a large numbers of publicly traded firms, most of which are relatively widely held. A study by Gillan and Starks (2003) stated that the US has substantially more dispersion in share ownership, and the largest shareholder often controls as little as 5% of voting rights. The recent studies on East Asian listed firms by Du and Dai (2005) show that the concentration of ownership rights in Japan is 6.12%, which indicates that there is a diffused ownership in Japan and the corporations of Thailand, Indonesia, Hong Kong, Taiwan and Korea display the concentrated ownership of 35.86%, 29.73%, 28.05%, 19.19% and 19.1% on average respectively. In China, Xu and Wang (1999) document high ownership concentration, with 'ownership split relatively equally between the government, institutions, and domestic individuals.

The concept of corporate shareholding structures has become the policy agenda in the African continent. The importance of shareholding structures is evident in the fact that corporate governance and the shareholding structures of companies is currently characterized by change processes as the economies of the world become more and more globally integrated. Shareholding structures are also of major importance in corporate governance because they affect the incentives of managers, and thereby the efficiency of firms. The increased volatility of corporate ownership portfolios observed in recent years has led to renewed interest in shareholding structures, especially with respect to Multinational

enterprises. Shareholding structures decisions also affect firm's capital base and the decision of either going for equity financing or debt financing (Heubischl, 2006)

Singh (2014) argued that corporate ownership structures encourage firms to create value in industry in terms of advanced innovation development in devising control system that affects the firm's financial performance. Shah (2009) examines the relationship between firm's performances and how managers view 4 their discretion is systematically related to ownership structure ability to select an effective board and the type of corporate governance structure adopted. Anselm (2014) emphasizes that the question of what may be the most efficient ownership structure is relevant as the owners of a firm have economic relations with the firm. Owners of the firm priority is to protect their interests even though this may lead to low investment returns, and low profitability as their investment choices are influenced by the extent to which they can take risks (Berk&DeMarzo, 2007).

Kenya being an emerging market economy, there are many widely dispersed corporate ownership, according to what is prevalent at the Nairobi securities exchange are many firms with concentrated ownership (George & Nyambonga, 2014). Despite the impressive performance at the Nairobi securities exchange (NSE), firms are still dogged with challenges of shareholding structures with higher ownership concentration providing the controlling shareholders with the opportunity to use their power to undertake activities intended to obtain personal gains to the detriment of minority shareholders and other stakeholders while adversely affecting the firms' performance. Even the NSE as an entity has been demutualized with key players indicating this will increase competitiveness, diversifying shareholding structures and also allow it raise capital from the public for further development (Mule, 2013).

Management of companies are increasingly separated from the ownership of the company and is one of the characteristics of the modern firm, which is in line with agency theory which wants owners of the company to hand over management to professionals that have a better understanding of running a business (Raji, 2012).The main purpose of a company management is to maximize shareholders wealth and to realize this purpose, the shareholders of the firm delegates over its management to agents. (Haruman, 2008).

The decision of investing in shares of a particular company relies to a large extent on the amount of dividend paid by the company. Dividend is usually distributed in cash form to stockholders of a corporation approved by the board of directors. Dividend policy is equally

important for managers and investors, as investors have to plan return on their investment portfolio. Thus, selecting a suitable dividend policy for a company is one of the most important decisions for the management and investors (Khan, 2011)

Foreign ownership refers to the percentage of stock of the whole company which consists of foreign partners, foreign financial entities and foreign nationalities (Swart 2013). Kang and Stulz (1997) find that foreigners investing in Japan tend to under look smaller and highly leveraged firms. Foreign ownership occurs when multinational corporations, which do business in more than one country, inject long-term investments in a foreign country, usually in the form of foreign direct investment or acquisition Firms with foreign shareholding structure are those whose share capital consists entirely or partially of subscribed contributions of foreign shareholders. The term of company with foreign ownership is associated most often with the term of foreign direct investment. The foreign direct investment is a long investing relation between a resident entity and a non-resident entity; as a rule, it implies that the investor exerts a significant managerial influence upon the enterprise he invested. (Swart 2013). found that the extent of a foreign firm's control over a domestic firm is positively associated with the degree of resource commitment to technology transfer. Stanisic (2015). find foreign investment to be associated with the provision of generic knowledge (management skills and quality systems) and specific knowledge.

According to (Mihai 2012), he demonstrated that the capital's country of origin generated productivity differences between domestic companies and those with foreign capital, in Ukraine, showed that the performance differences between companies with foreign capital and those with domestic capital can be explained by the capital's country of origin. Thus, the companies whose capital comes from developed economies have better performance than companies whose capital comes from less developed countries, and the capital coming from less developed countries negatively affects the company performance.

In a study made in Turkey on data panel covering the 2005-2007 periods, on non-financial listed companies, Gurbuz and Aybars (2010) demonstrated that companies with foreign capital between 10% and 50% had better performance than companies with domestic capital or companies with more than 50% foreign capital. Moreover, companies with more than 50% foreign capital had weaker performance than companies with domestic capital. According to the authors' opinion, foreign capital improves company performance up to a point beyond which the effect of foreign capital is reversed.

Individual shareholding refers to the percentage of shares at the hands of local individuals such as employees, managers, these are shareholders who entered the share market prior to 1990 are categorized into pre-globalization and those who entered after 1990 are termed as post-globalization shareholders. The investor of pre-globalization era was satisfied with the available dividend and performance o f the company. At the most, they expected a decent return a little bit higher than the bank return with periodical bonus shares. If at all they attend the annual general meeting is to get snacks and gifts. They are satisfied with the performance whatever it may be. If not they had not agitated much (Gurbuz & Aybars 2010).
Individual shareholders are the minority shareholders and they have both the incentive and the ability to effectively oversee management, their contribution may stand in the way of professional management effectiveness, and their use of corporate resources for private benefit may offset the value of their monitoring of management. Management itself might be a block holder group, especially with the support of private equity firms and through leveraged buyout mechanisms.

Benson (2011) conducted a study on the relationship between individual ownership structure and financial performance of companies listed at the Nairobi Securities Exchange. He concluded that ownership distribution had a negative relationship with financial performance of firms listed on the Nairobi Securities Exchange but the relationship was not statistically significant. It also concluded that ownership distribution did not have a significant effect on the financial performance of listed companies. Further, the study concluded that variations in ownership distribution, assets turnover and leverage had a moderate explanatory on the financial performance of companies listed on the Nairobi Securities exchange.

Institutional ownership as a percentage of equity owned by institutional investors such as insurance companies, unit trusts, mutual funds, pension funds and financial companies. Institutional investors are organizations that invest money on behalf of their beneficiaries. Institutional ownership supports further indebtness if it promises to improve financial position and shareholder value in the long run (Abdul Jalil, A., & Abdul Rahman, R2010). Jara & Bertin, (2012) suggested that there is significant relationship between the dividend policy and institutional ownership. Institutional investors are subject to a given legal and institutional framework. Their degree of involvement in corporate governance also depends on the nature of their investment strategies and their investment horizons, as well as on their

interaction with the market for corporate control, with large shareholders, with employees, and with other company stakeholders

Dividend policy is essential for an organization as it symbolizes the strength and gives information about an organization's prospect of development. Potential investors and shareholders decide to invest in the company by investigating its capacity of paying dividends. Moreover, dividend policy can be utilized to minimize agency costs. Since management prosperity can be determined by the wealth of its shareholders, management needs to completely comprehend dividend policy. (Baker, 2009).

Dividends are payments, or distributions, made to shareholders from the firm's earnings generated in the current or previous periods. For preferred shares, it is generally a fixed amount and for common shares, the dividends vary with the company returns. Hence dividends can be described as a reward to the shareholders for their investment in the company through distribution of the company's income. Dividends per share are calculated as the total amount of distributed dividends divided by the number of outstanding shares, and are adjusted for capital changes, in order for the inter-period comparison of the results to be meaningful. (Gugler,& Yurtoglu 2003).

According to (Baker, 2009), a firm's dividend policy can be defined as the plan of action adopted by its directors whenever there is a dividend decision to be made. Dividend policy determines the distribution of earnings between shareholders and reinvestment in the firm. The main elements included in the policy are: The mode of payment: - companies may decide to pay cash dividends or offer bonus issue to their shareholders, the frequency of payment:- companies may decide to pay both interim and final dividends while others may decide to pay only final dividends at the end of trading period and how much to pay, after considering earnings for a particular trading period and future growth projections. Moreover, because the success of a financial manager is tied to the maximization of shareholder wealth (and firm value), hence he or she must understand the dynamics of dividend policy. Indeed, the market value of a firm is dependent upon its stock price.

1.2 Statement of the Problem

Dividend payment is one of the rewards to the shareholders for their contribution in raising fund for a company and for bearing the relevant risks. In this regard, management of a company formulates a dividend policy to divide and distribute earnings among the shareholders for their investments. This is because a company has to maintain a state of equilibrium between the firm's growth policies and the dividend payout policies. A minor mistake can lead to shareholders dissatisfaction as well as can shake the firm's growth. Due to the extent of business relationships which led to agency problems, investors are skeptical that managers may take decisions for their self interest. So, the need for good governance is the necessity to restore investors' confidence in business operations through transparency and accountability. One of the main features of corporate governance system is the shareholders. They indirectly play a role in corporate decision-making especially when it comes to issues regarding dividend payment and capital gain and can be effective in reducing agency costs (Esmailzadeh, Jalili, & Zand, 2010).

The recent studies on East Asian listed firms by Qin,(2017) show that the concentration of ownership rights in Japan is 6.12%, which indicates that there is a diffused ownership in Japan and the corporations of Thailand, Indonesia, Hong Kong, Taiwan and Korea display the concentrated ownership of 35.86%, 29.73%, 28.05%, 19.19% and 19.1% on average respectively.

In Kenya, a number of problems relating to the way companies are controlled have been identified. The origins of these problems range from concentrated ownership, weak incentives, and poor protection of minority shareholders to weak information standards (Ongore &Obonyo, 2011). Mule and Oginda (2013), Studied on the effect of ownership concentration on financial performance of firms for the period 2007 to 2011.By using panel methodology comprising 53 firms listed at the Nairobi Securities Exchange.. The findings revealed that on average, firms listed at the Nairobi Securities Exchange enjoy a return on equity and return on assets of about 16.5 percent. The finding of the study show the highest ownership concentration is 96.310 %, while the lowest is 11.040%, with an average ownership concentration of 64.286 % and variability of 17.292 % implying that the percentage of shares held by those considered as large shareholders range between 96.310 % and 11.040 %, with a mean of 64.286 % and the results revealed non-significant relationship

between ownership concentration and performance of firms at the Nairobi Securities Exchange.

Despite impressive performance at the Nairobi Securities Exchange, firm's at the Nairobi Securities Exchange are still characterized by higher ownership concentration providing the controlling shareholders with the opportunity to use their power to undertake activities intended to obtain personal gains to the detriment of minority shareholders and other stakeholders while adversely affecting the firms' performance. Mbaabu (2010) who investigated the relationship between ownership, corporate governance structures and financial performance of forty one insurance companies in Kenya from 2005 to 2009, revealed a negative ROA when ownership was considered. Given to the above background, no studies have been done on corporate shareholding structure on dividend policy with specific reference to listed firms in Kenya. This study therefore will bridge this gap by evaluating the effect of corporate shareholding structure on dividend policy of listed firms in NSE.

1.3 General Objectives of the Study

To evaluate the effect of corporate shareholding structure on dividend policy of listed firms in the Nairobi securities exchange.

1.3.1 Specific Objectives of the Study

i. To examine the effect of foreign shareholding structure on dividend policy of listed firms in NSE, Kenya.
ii. To evaluate the effect of local individual shareholding structure on dividend policy of firms listed in NSE, Kenya.
iii. To determine the effect of local institution shareholding structure on dividend policy of firms listed in NSE, Kenya.

1.4 Research Hypotheses

H_{O1}: Foreign shareholding structure have no significant effect on dividend policy of firms listed in NSE

.**H_{O2}:** Local individual shareholding structure have no significant effect on dividend policy of firms listed in NSE.

H_{O3}: Local institution shareholding structure have no significant effect on dividend policy of firms listed in NSE.

1.5 Significance of the Study

The study is of paramount importance to practitioners and scholars. Potential investors who have different investment needs will be able to make more informed investment decisions. The study will be important in assisting the management in their pursuit to increase profits of their companies through finding strategies of managing shareholding structure. The information will help make informed decisions on their investments when it comes to buying of shares.

Scholars wishing to carry out a further study in the sector can find the resource useful since little has been done on the effect of corporate shareholding structure on dividend policy. The study will contribute to the existing body of knowledge and form the basis for further studies. It will help the government in coming up with policies that promote certain shareholding structures over others and policy makers in formulation of appropriate and applicable policies designed to maximize company performance and hence maximizing the performance of the companies.

1.6 Scope of the Study

This research studied the effect of corporate shareholding structure on dividend policy of firms that have been consistently listed in the Nairobi Securities Exchange for a period of five years from 2012 to 2016. The study targeted 40 firms whose annual financial reports for five years were used to draw conclusions on the study objectives. The study focused on NSE listed companies considering the availability of up to date data that facilitated the success of the study. In addition, NSE was considered due to the vibrancy of stock exchange activities which made it appropriate as the study area. The project was undertaken in 2019 and the budget of the project was estimated to be ksh 60,000.

1.7 Limitation of the study

This research was based on firms that have been consistently listed in the Nairobi Securities Exchange from 2012 to 2016. This was considered a limitation because some firms which have not been consistently listed were eliminated therefore reducing the sample size and compromising the generalization effect.

The study focused only on the dividend policy of firms and ignored the non-financial goals which can be of equal importance for managers and owners. Further the study only collected information and views from the company's financial statements and ignored other interested stakeholders.

1.9 Operational Definitions of Terms.

Dividend Is defined as distribution of earnings in corporation to shareholders as a reward for investing,

Dividend Payout ratio-: Measures the percentage of earnings that the company pays in dividends. The Dividend payout ratio of a firm indicates the percentage of earnings that is distributed to the owners in the form of cash; calculated by dividing the firm's cash dividend per share by its earnings per share.

Dividend Payout = Dividends per share/ Earnings per share

Dividend Yield ratio: Measures the return that an investor can make from dividends alone.

Dividend Yield = Dividends / Stock Price

Foreign shareholding structure: Refers to the percentage of stock of the whole company which consist of foreign partners, foreign nationalities, insurance companies, investment firms, private foundations, endowments or other large entities that manage funds on the behalf of other and are of international companies.

Local individual shareholding structure Refers to the percentage of shares at the hands of local individuals such as employees, managers,

Local institution shareholding structure Refers to the percentage of shares at the hands of local institutions such as banks, insurance companies, investment companies.

Shareholding structure: It is defined by the distribution of equity with regard to votes and capital, as well as the identity of the equity owners.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter presents Nairobi securities exchange, literature review on theoretical review, shareholding structure, dividend policy and empirical literature review from both global and local studies and a summary of the various studies.

2.2 Nairobi Securities Exchanges.

The securities exchange may be defined as an organized market where stock and shares are issued, bought and sold through the services of stockbrokers or dealers (Brealey, 2001). The Capital Markets Authority approved the listing of the NSE stock through an initial public offer and subsequently self-list its shares on the main investment market segment in 2014.According to the Economic Survey, 2010, Kenya's equities market recorded marked improvement in activity in both primary and secondary markets Market capitalization rose by 40% in 2010, exceeding the Kshs 1 trillion, with average annual return of 36 % based on the NSE20 Share Index. As a result, NSE was among the best performing equity markets in Africa after the Uganda Securities Exchange, which recorded an index return of 53 %. Equity turnover and share volume recorded 190 % and 127 % respectively, as market capitalization rose by 40%compared to 2009. This impressive performance was attributed to improved business confidence in the market on account of economic recovery, adoption of best practice within capital markets, resumed participation by foreign and institutional investors. For instance, turnover attributed to foreign investors reached a historical high of Kshs 50 billion or 46 % of total annual turnover, with a Ksh 15 billion net foreign portfolio inflow (Mule, 2013). The expansion of these companies is really boosting the Kenyan Economy (Mule & Oginda, 2013). The study therefore considers the NSE to be a good representative population to study because companies listed herein consists of many sectors of the Kenyan economy as well as the diversity in shareholding structures.

2.2 Theoretical Review

2.2.1 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)

2.2.2 Agency Theory

The theoretical framework presents the agency theory to explain the expected effect of shareholding structures on dividend payout ratio. According to (Clarke, 2004), Agency Theory stresses the potential conflicts of interest between insiders (managers, boards of directors, and majority shareholders) and outsiders (minority shareholders and creditors) of the company. One way to examine the link between a firm's ownership structure and firm performance is to consider the principal agent relationship, whereupon the agent acts on behalf of the principal. In this agency relationship, the shareholder and management are respectively the principal and agent. This separation between ownership and control creates different types of behaviour. The shareholders want to maximize profit for their company. If managers and shareholders are both utility maximizes, there is a good reason that managers are not always acting in the same interest as the shareholders. Under the Agent Principal theory, as argued by Hart (1995), there is trade-off between incentives and risk sharing where managers are motivated to work hard through "high powered" incentives while also protected from risk through "low powered" incentives such as compensation that is insensitive to a firm's performance. The shareholders need assurance that the management will run the company in a manner that serves and protects their interest, while management has their own

personal interest. Abdullah & Valentine (2009), states that since the agency theory argue that people are motivated by their own self-interest, managers will aim to maximize the firm's performance only if it is in line with their own best interests. This can effectively lead to a conflict of interest which in turn leads to agency cost for the company. The agency costs are described as the sum of bonding costs, monitoring costs and a residual loss from decision making (Jensen & Meckling, 1976). Reducing agency costs increases a firm's performance, Should conflict of interest arise, ownership structures can facilitate decisions that were not included in the original principal agent contract through the allocation of residual rights of control over the firms' non-human assets (Hart, 1995).

Jensen & Meckling (1976) suggested that the firm's ownership structure is the primary determinant of the extent of agency problem between insider and outsider investors, which has important implications on the value of the firm. The insiders who control corporate assets can potentially expropriate outsider investor by diverting resources for their personal use or by committing funds to unprofitable projects that provide private benefits. By diverting resources for their private benefits, controlling managers have the opportunity to increase their current wealth or perquisite consumption without bearing the full cost of the actions. Recent studies have shown that company performance decline the most in firms where managers employ ownership structures that allow them to effectively control the firm while reducing the cash flow rights associated with their control rights.

Lemmoa & Lins, (2003) argued that though indirectly, there is evidence that corporate ownership structure plays an important role in determining the performance of a firm. This study is interested in the relationship between principals who are in different classes of shareholders and the firm agents who are the management. Thus this theory will be relevant in answering the study's objectives as the theory will help in explaining the relationship between these parties in relation to dividend policies adopted. A major issue with respect to the firm is the information asymmetry between managers and shareholders. In agency relationship, insiders (managers) have an information advantage. Owners therefore face moral dilemmas because they cannot accurately evaluate and determine the value of decisions made. Thus, the agent takes advantage of the lack of observability of his actions to engage in activities to enhance his personal goals. To mitigate these agent-shareholder conflicts, formal contracts are thus negotiated (Ross, 1973).

2.2.3 Signaling Theory

This theory was suggested by Fama (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 (Inyiama 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 analysts and investors and analysts can discern whether the film's managers are just signaling positive information to the market or misleading the market with an aim 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). Dividend signaling is a theory that suggests that a company announcement of an increase in dividend payouts is an indication of positive future prospects. The theory is directly tied to game theory; managers with good investment potential are more likely to signal Ross, (1977) observed that there is a strong association between dividend payment and share prices. This theory states that investors regard dividends as signals of management's forecast earnings. An announcement of an increase in dividend payout is taken very positively in the market and helps building a very positive image of the company regarding the growth prospects and stability in the future.

The dividend signaling theory has several implications: Firms will pay dividends to signal quality to the market, firms will be very reluctant to cut their dividend because that will provide a negative signal, firm's will not increase their dividend unless they feel comfortable that they can maintain the dividend in the future; as a result, the pattern in dividend payments will be much smoother than the pattern in earnings or cash flows, dividend increases are associated with positive stock price changes, dividend cuts are associated with negative stock price changes and firms may forego projects that add value to the firm in order not to have to cut the dividend. Michael (1973) conducted research in this area and his work culminated

with the signaling theory, which he stated that the markets will be more efficient if sellers provided more information to the buyers. The importance of this theory in the financial markets is that for instance a firm which increased its dividends is conveying a message to the public that its earnings prospects are promising.

2.3 Shareholding structure

According to Ongero (2011), the concept of shareholding structure is defined along two dimensions; Ownership concentration refers to the shares of the largest owner and is influenced by absolute risk and monitoring costs Ownership mix is related to the identity of the major shareholder. Firm's owners are those persons who share two formal rights: the right to control the firm and the right to appropriate the firm's profits, or residual earnings. The importance of ownership structure is evident in the fact that corporate governance and the ownership structure of companies is currently characterized by change processes as the economies of the world become more and more globally integrated.

Shareholding structures are also of major importance in corporate governance because they affect the incentives of managers, and thereby the efficiency of firms. The increased volatility of corporate ownership portfolios observed in recent years has led to renewed interest in ownership structures, especially with respect to multinational enterprises. As the economies of the world become more and more globally integrated, such issues will become more prominent and will affect our understanding of the interweaving systems of corporate relations, through which formal and invisible networks of power are established (Heubischl, 2006).

Shareholding structure decisions also affect firm's capital base and the decision of either going for equity financing or debt financing. The type of Shareholding structure a firm adopts will impact on the firm either positively or negatively. More equity ownership by the manager may increase corporate performance because it means better alignment of the monetary incentives between the manager and other equity owners (Jensen & Meckling, 1999). State ownership has been regarded as inefficient and bureaucratic where individual citizens in these firms have no direct claim on residual income and are not able to transfer ownership rights. Ownership rights are exercised by some level of bureaucracy which does not have clear incentives to improve firm performance. An analysis of political control of state- owned firms decision making process show that transferring control rights from politicians to managers can improve firm performance largely because managers are more concerned with firm performance than the politicians (Ongore, 2011).

2.4 Dividend Policies of the Firms

Dividend is defined as distribution of earnings in corporation to shareholders as a reward for investing (Nuhu, 2014). When company makes a profit, management team should decide whether to payout the dividend or retain the earnings for capital expenditure or other investment opportunities. In the case of expanding and developing companies, it is advisable to retain the earnings to conduct research and development for expansion purposes. On the other hand, for the companies with consistent growth, management team mostly will distribute the profits to shareholders as dividends, Dividend policy is a guideline followed by the management in declaring of dividend. A dividend policy decides proportion of dividend and retains earnings. Retained earnings are an important source of internal finance for long term growth of the company while dividend reduces the available cash funds of company.(Subramaniam & Devi, 2011)

Dividend policy decision is one of the four decisions of financial management because it affects the financial structure, the flow of funds, corporate liquidity and investors' attitudes (Bijendra, 2009).dividend decisions are important because they determine what funds flow to investors and what funds are retained by the firm for investment. In this regard, Managers have to decide whether to pay dividend or not and if they decide to pay dividend, they will face a further question of how much they should pay. Therefore, dividend policy is intended to regulate and guide a firm's management when issuing dividends to shareholders (Wanjiku, 2013).

Dividends are the returns that accrue to shareholders as a result of the money invested in acquiring stocks of a given company. Thus, in maximizing shareholders wealth, both investment decisions and dividend decisions should be given serious attentions simultaneously (Oladipupo & Ibadin, 2013). As a consequence, dividend paid has an effect on the liquidity and profitability position of a firm. Additionally, when a firm issues dividends it reduces the amount of liquid cash that can be used to meet the demands of short time creditors and lenders. As a result, it can have an impact on the survival of a firm forcing the firm to an insolvency situation (Pandey, 2010).

Dividend payout decision is the primary element of corporate policy and has been viewed as an issue of concentration in the financial literature. Dividends, the reward to shareholders in return of their investment and risk exposure, depends on various factors. Primarily, these factors are profit level, financing limitation, investment chances, firm size, shareholders'

pressure and regulatory regimes. When company makes a decision regarding dividend payouts, one important subject of interest is the understanding its relationship with the share price of the company. However, the justification of commonly observed findings has been controversial and come up with two different questions; Is higher stock price a result of higher dividend payouts and vice versa? What is the influence of dividend announcements on the stock market?

Investors are constantly faced with the arrival of new information, such as macroeconomic releases, earnings and dividends announcements, political news etc. Such news leads investors to update their expectations about the fundamentals of the economy. The effect of news on stock returns is central to financial decision making. Investors need to know how return dynamics are affected by news for portfolio allocation, risk management and pricing options. The response of returns to news such as monetary policy decisions conveys important information for policy makers.

Furthermore, the effect of news on the stock market return has important implications for factor models used in security valuation. More importantly, the concept of market efficiency is closely related to the reaction of stock returns to news. Analyzing effects of public announcements on returns might shed some light on market efficiency. It is clear that the change in investors' expectations affect the stock market.

Prior studies have shown that dividend initiation announcements have information effects on the announcing firms. Also, there is evidence to suggest that firms in the same industry face similar operating conditions and production and cost structures. Hence if the initiation of cash dividend payment results from factors that affect the economic conditions of the industry as a whole, then the announcement could convey information on other firms in the industry. Also, extant literature has shown that corporate events such as dividend announcements can alter the risk of affected firms.

2.5 Empirical Literature Review

2.5.1 Foreign Shareholding Structure and Dividend Policy of the Firm

Foreign ownership refers to the percentage of stock of the whole company which consist of foreign partners, foreign financial entities and foreign nationalities (Ongore 2011). Kang and Stulz (1997) find that foreigners investing in Japan tend to under look smaller and highly leveraged firms. They argue that foreigners invest in firms that they are better informed about to reduce the costs associated with informational asymmetries. Kang, Stulz, Dahlquist and Robertsson (2001) found that foreign owners of Swedish firms show a preference for large

firms, paying low dividends, and firms with large cash positions on their balance sheets. The proportion of foreign institutional investors has gradually grown in the stock markets of developing countries as a result of financial globalization. This trend has led to an increasing concern as to whether these investors can influence the management decisions of the local firms in developing countries (Kang & Kim, 2010).

The effect of foreign ownership on firm performance has been an issue of interest to academics and policymakers. According to Gorg and Greenaway (2004), the main challenging question in the international business strategy is the outcome gained from foreign ownership of firms. It is mainly accepted that foreign ownership plays a crucial role in firm performance, particularly in developing and transitional economies. According to (Varcholova, & Beslerova,2013) they concluded that, on average, multi-national enterprises have performed better than the domestically owned firms. It is therefore, not surprising that the last two decades have witnessed increased levels of foreign direct investments in the developing economies.

Cao & Hansen (2017) Examines whether foreign institutional investment influences firms' dividend policies. Using data from all domestically listed nonfinancial firms in China during the period of 2003–2013, the results found out that foreign shareholding influences dividend decisions. Furthermore, changes in dividend payments over time positively affect subsequent changes in foreign shareholding. The study indicates that foreign institutional investors do not change firms' future dividend payments once they have made their investment choices in China. Moreover, they self-select into Chinese firms that pay high dividends.

Soufeljil, Sghaier, Kheireddine and Mighri (2016) revealed the existence of a positive impact and statistically significant concentration of ownership, on the performance of the company measured by the ROA. Also, the results show the existence of a positive effect of the ownership of institutional investors on the performance of the company. Foreign investors have a positive impact and statistically significant effect on the performance of the listed company.

A study by (Kang & Kim, 2010) on the relationship between foreign investors and dividend policy have shown that foreign institutional investors with more than five per cent of company's share, rather than whole foreign shareholders can exert a positive impact on corporate dividends. This implies that, one foreign shareholder who holds five per cent

ownership has more influence on dividends than do five foreign shareholders who hold one per cent each. Also, it partially confirmed that the more shares that foreign institutional investors have in relation to major domestic shareholders and the more shares that foreign institutional investors have against the previous year, the stronger the impact of the foreign institutional investors on the firm's dividend increases.

Jeon, Lee, & Moffett, (2011). examined the relationship between foreign ownership and the decisions on payout policy in the Korean stock market. The results indicate that foreign investors show a preference for firms that pay high dividends. The results are driven by the fact that most of the foreign investors in the Korean market are institutional investors and thus have both dividend clienteles and monitoring incentives.

Thanatawee (2014) examined the relationship between institutional shareholdings and firm value in a sample of 1,451 observations from 323 non-financial firms listed on the Stock Exchange of Thailand over the period 2007 to 2011. The institutional ownership data were obtained from the database of the Stock Exchange of Thailand and the financial data were drawn from the database of Euro money Investor. regression analysis and descriptive statistics was used to analyzes the data, the results indicates that equity ownership by domestic institutional investors has a positive impact on firm value while higher foreign institutional ownership is associated with lower corporate value.

Foreign ownership is a form of shareholding structure particularly in countries with poor shareholder protection (La Porta, 1999). It is a fact that government firms are generally extremely inefficient, since they tend to use firms to pursue political objectives and their losses result in massive deficiencies of their economies, which is contrary to the efficiency purpose for their existence (Kikeri, 1992). Further, Gugler (2003) argued that state-controlled corporations are likely to contain a double principal-agent problem. Although the citizens are the ultimate owners, they do not have direct control on these companies but their elected representatives do.

However, politicians might not vigorously or accurately monitor the government-owned corporation and this leads to even greater principal-agent conflicts between managers and the citizen owners of the state-owned corporations. In this respect, elected politicians, who are responsible for all government activities, may have a strong preference for dividends from a government-owned company, since dividend payments can be good enough to convince

citizens that the corporation performs well. Moreover, the awareness of massive failure of government companies that causes burdens on national budgets in most cases has recently generated a popular world-wide reaction, so called privatization that substitutes governmental control with private cash flow ownership and control. Privatization generally provides comparatively more effective organizational structures and a substantial enhancement in performance of privatized firms (Megginson, 1994).

However, it is possible that privatization does not work as well as intended; for instance, when companies are privatized in the absence of large owners, which provides managers with more discretion. In these cases, agency problems stemmed from managerial control might increase; although the inefficiency of governmental control decreases, the problems of managerial discretion can be almost as severe as the former problems of governmental control in these companies (Shleifer & Vishny, 1997).

Gugler (2003) found that principal-agent conflict is more severe in government controlled firms in Austria. The study reported that government ownership and control have a positive effect on target payout ratios, and state-controlled firms in Austria are more reluctant to cut dividends, which is consistent with the managerial agency cost explanation. Wei (2004) also showed that there is a significantly positive correlation between the government ownership and cash dividends in China. Similarly, Wang (2011) and Lam (2012) showed that Chinese firms with higher state ownership are likely to pay higher cash dividends. However, Kouki and Guizani (2009) found a significantly negative relationship between dividend per share and the government ownership in Tunisia.

Kiruri (2013), studied on the effects of ownership structure on bank profitability in Kenya. Primary data was obtained through questionnaires that were structured to meet the objectives of the study. The study used annual reports that were available from their websites and in the Central bank of Kenya website. The study found that ownership concentration and state ownership had negative and significant effects on bank profitability while foreign ownership and domestic ownership had positive and significant effects on bank profitability. The study concludes that higher ownership concentration and state ownership lead to lower profitability in commercial banks while higher foreign and domestic ownership lead to higher profitability in commercial banks

Ajanthan (2013) studied on the relationship between dividend payout and firm profitability of listed hotels and restaurant companies in Sri Lanka. The sample of this study consisted of 16 hotels and restaurant companies listed in the Colombo stock exchange. The dependent variable was net profit, independent variable was dividend payout and control variables were revenue, total assets.Regression and correlation analysis were carried out to establish the relationship between dividend payout and firm profitability.The findings indicated that dividend payout was a crucial factor affecting firm performance. Their relationship was also strong and positive. This therefore showed that dividend policy was relevant.

Fida (2012), conducted a study on the impact of ownership structure on dividend policy evidence from emerging markets kse-100 index Pakistan. Stepwise multiple regressions was used to check the different between variables of ownership structure with relation to the dividend payout policy. The study reveals that there is negative relationship between the managerial ownership and the dividend payout policy that cause the agency problem.

Rubin and Smith (2009) studied on the effect of firm's dividend policy on the relation between the levels of institutional ownership and stock return volatility. A sample of 2000 largest firms for the period 1998 to 2003 was selected in USA stock market. The independent variables were ownership and control variables and dependent variable is volatility and dividend policy. Descriptive statistic, multivariate regression are used to find that institutional ownership and volatility depends on the firm's dividend policy: institutional ownership is negatively related to volatility among non-dividend paying stocks and they find that there is negative correlation between volatility and institutional ownership, while a positive correlation obtains among dividend paying firms

Mule and Oginda (2013), Studied on the effect of ownership concentration on financial performance of firms for the period 2007 to 2011.By using panel methodology comprising 53 firms listed at the Nairobi Securities Exchange. Empirical estimations were conducted. The findings revealed that on average, firms listed at the Nairobi Securities Exchange enjoy a return on equity and return on assets of about 16.5 percent. The sectors that registered the highest return on equity included insurance, commerce and construction at 20.8 percent, 19.3 percent and 20.1 percent, respectively. On the other hand, the sectors that registered relatively higher return on assets include commerce, telecommunications and manufacturing with average ROA of 23.0 percent, 20.0 percent and 25.4 percent; respectively. The study also

found that the highest ownership concentration is 96.310 %, while the lowest is 11.040%, with an average ownership concentration of 64.286 % and variability of 17.292 % implying that the percentage of shares held by those considered as large shareholders range between 96.310 % and 11.040 %, with a mean of 64.286 % and finally the results of correlation analysis revealed non-significant relationship between ownership concentration and performance of firms at the Nairobi Securities Exchange.

Abdel (2003), examined the effect of ownership structure on firm value of actively listed and traded companies on Cairo & Alexandria Stock Exchanges in Egyptian Stock Market. Data was extracted from secondary data from financial statements of these firms. Regression analyses was done to analyzes the data and the findings indicate that the dispersed ownership percentage influences certain dimensions of accounting performance indicators (i.e. ROA and ROE) but not stock market performance indicators (i.e. P/E and P/BV ratios), which indicate that there might be other factors (economic, political) affecting firms performance other than ownership structure.

Manawaduge (2009) examined the impact of ownership concentration and ownership structure on firms' performance of a sample of public listed companies in Sri Lanka. The concentration and the performance of Sri Lankan companies measured in terms of an accounting performance measure of Return on Assets. However, no significant relationship was found between the Herfindahl index, which is a measure of ownership concentration. This study also did not find a relationship between market-based performance measures of companies and ownership concentration or the ownership structure of the Sri Lankan companies. This finding suggests the existence of market anomalies common to most of the emerging markets.

Pathirawasam (2012). Studied on the impact of ownership concentration and other firm specific factors on company financial performance of 102 listed companies at Colombo Stock Exchange (CSE) over a two-year period from 2008 to 2009. The data were gathered through annual reports of respective companies. Both pooled and ordinary least square (OLS) regressions were used to analyze the data. Using ROA as the dependent variable, it was revealed that ownership concentration does not have a significant positive relationship with ROA. However, firm size, quick ratio and inventory have positive impact on ROA.

Abukosin (2012) studied on the relationship between ownership structure and firm values of companies listed on Indonesia manufacturing listed on the Stock. The objective was aimed at identifying the influence of ownership structure (managerial, institutional, foreign, and central) on the prices to book values. The study uses secondary data and it is based on the annual financial reports of Indonesia Stock Exchange between 2009 –2011. A purposive sampling technique was applied, and 32 companies were selected as the sample. The data were analyzed using multiple linear regression and descriptive statistics. The research results show that the ownership structure significantly influences the firms values, the managerial ownership does not have a positive influence on firm value, the institutional ownership has a positive and significant influence on firm value, the foreign ownership has a positive and significant influence on firm value, the concentrated ownership does not have a positive influence on firm value.

Numazu and Kerman (2008) examined the relationship between ownership structure and firm performance in companies listed on the Tehran Stock Exchange. Sixty-six firms were used in this study. Two categories of ownership structure were used and these included institutional ownership and private ownership with the latter being subdivided further into corporate, management and external shareholders. The results indicated an inverse relationship between institutional ownership and performance and a linear relationship between corporate ownership and performance. Ownership by management has a negative impact on performance.

Ongore (2011) studied on the effect of corporate ownership structure in firm performance on listed companies in Kenya. Using Pearson's Product Moment Correlation and Logistic Regression, the study found that ownership concentration and government ownership have significant negative relationships with firm performance; foreign ownership, diffuse ownership, corporation ownership, and managerial ownership were found to have significant positive relationships with firm performance.

Sadeghi Sharif and Bahadori (2009) examined the impact of shareholding structure on firms Dividend Pay-out Ratio (DPR) in Tehran Stock Exchange. The results of ownership of the five largest shareholders and ownership of the largest shareholders have a positive impact on DPR of the company, that is, firms whose shares are held by its five largest shareholders tend to have a high DPR as compared to those firms whose ownership is not focused on the top five shareholders. The impact of institutional ownership on a company's DPR was

established, that there is greater institutional ownership in a firm led to an increased DPR over time. Greater individual ownership in a company led to a decreased DPR.

Ezazi (2011) studied the relationship between ownership structure and share price volatility of listed companies in Tehran stock exchange. The results shows that the share price of firms whose largest proportion shares are in the hands of their largest shareholders are very volatile than the share price of the firms whose majority shares held by individual shareholders is lower. However the measure of ownership of the top five shareholders and institutional investors and board members do not necessarily show any remedies for shareholders share price instability.

Ho (2003) conducted a comparative study of dividend policies in Australia and Japan. The results supported the agency, signaling and transactions cost theories of dividend policy. The study concluded that out of all the regressed variables of profitability, size, liquidity, leverage, risk, asset mix and growth, the dividend policies are affected positively by size in Australia and liquidity in Japan and negatively by risk in Japan only. An industry effect was also found to be significant in both Australia and Japan which indicates the importance of the industry in which a firm competes.

Ibrahim (2012) studied on the relationship between the ownership structure and performance on Stock Market in Ghana. The study used secondary data and the data were analyzed using Pearson's Product Moment Correlation and Logistic Regression. The finding indicates that there is a significant negative relationship between ownership concentration and firm performance.

Abira (2014) studied on the effect of ownership structures on financial performance of companies listed in the NSE. The study was conducted based on a sample of sixty two companies listed on the Nairobi Securities Exchange during the period 2008-2013. Empirical analysis was conducted using the linear regression analysis method. The study found a positive relationship between ownership concentration and financial performance.

Khan (2006) studied the relationship between dividend policy and ownership structure for a panel of 330 large listed UK firms over the period of 1985–1997. Generalized Method of Moments (GMM) was applied. The results revealed that ownership concentration and

individual ownership were negatively related with dividend. A positive relationship was observed for shareholding by insurance companies and dividend. Kumar (2006) analyzed a panel of Indian firms over the period of 1994-2000 to test the relationship between corporate governance, ownership structure and dividend payout. The results revealed that ownership by corporations and directors was positively related with dividend but the squared corporate ownership was negatively related. Earning trends and investment opportunities were positively associated with dividend. The relationship between debt to equity ratio and dividend was negative.

2.5.2 Local Individual Shareholding Structure and Dividend Policy

Benson (2011) conducted a study on the relationship between individual ownership structure and financial performance of companies listed at the Nairobi Securities Exchange. He concluded that ownership distribution had a negative relationship with financial performance of firms listed on the Nairobi Securities Exchange but the relationship was not statistically significant. It also concluded that ownership distribution did not have a significant effect on the financial performance of listed companies. Further, the study concluded that variations in ownership distribution, assets turnover and leverage had a moderate explanatory on the financial performance of companies listed on the Nairobi Securities exchange.

Ramli (2010), investigated the effect of the largest shareholder on the corporate dividend policy by examining Malaysian listed companies from 2002 to 2006. The sample contains 245 companies, which covers 1,225 firms-years observations. This study uses a systematic random sampling of one for every two companies in the population study. Dividend payout ratio was used as dependent variable while largest shareholder was used as independent variable. The study uses random-effects regressions to analyze the effect of large shareholders on the level of dividend payouts. The study found out that there is a positive impact on largest shareholder on dividend payout policy.

Bitok (2004), studied on the effects of dividend policy on the value of listed firms in Kenya for a six year period from 1998 to 2003. The population of interest in the study consisted of all firms quoted in NSE. Dividend policy was taken as independent variable and the value of firms as dependent variable. The data collected was analyzed using simple linear regression and correlation analysis. The results of the study revealed that there is a weak negative relationship between dividend policy and the value of firms quoted at the Nairobi securities exchange.

Managerial ownership refers to percentage of stock reserved by family members of the board of directors and it is considered as a tool for alignment of managerial interests with those of shareholders, while on the other hand it promotes entrenchment of managers which is especially costly when they don't act in the interest of shareholders (Almujamed, 2012). Jensen (1986) argued that managers prefer to retain earning instead of giving it to shareholders as a dividend. Managers want to use the resources for the growth of the firm as well as for their personal benefits. Eckbo and Verma (1994) showed that dividend decreases with the increasing power of managerial ownership and also argued that in the managers' controlled firms where they have absolute voting power, the cash dividend is zero. The analysis of Chen, Cheung, Stouraitis and Wong (2005) also showed a negative relationship between the managerial ownership and dividend policy. Zhang and Keasey (2002) found that there is a negative relationship between managerial ownership and dividend payout policy. Wen and Jia (2010) found that managerial ownership is negatively associated with dividend policy in the bank holding companies (Mehrani, Moradi & Eskandar, 2011) found the evidence in support of negative association between the managerial ownership and dividend payment policy. The relationship is also clearly recognized in the work of Short, Hao and Kevin (2002) who found a negative alliance between managerial ownership and dividend policy. Gugler and Yurtoglu (2003) found a large negative effect of announced dividend changes in German companies where corporate insiders have more power.

Huda and Abdullah (2013), examine the relationship between ownership structure and dividend policy of firms listed in Chittagong stock exchange using a set of cross-sectional time series data of companies listed on the cse-30 index over the period 2006-2010. The dividend per share of the firms for the various years was studied in relation to board ownership and institutional ownership, while controlling for leverage, return on equity and firm size. A hierarchical multiple regression and correlation analysis were conducted to arrive at the results. It was found that board ownership has a significant positive effect whereas, institutional ownership showed a significant negative effect on the dividend per share. Furthermore, return on equity showed a significant positive effect and leverage had a significant negative effect on the dividend policy of a firm.

Faccio (1999), studied on managerial ownership, board structure and firm value of all companies quoted on the London Stock Exchange over the period of June 1996 to June 1997, data on managerial ownership and board structure (number of directors, number of

nonexecutive directors, appointment of a non-executive as a chairman and the split of the roles of chairman and chief executive officer) from companies financial statements by using secondary data. The data was analyzes using univariate and multivariate analysis. The results revealed that the relationship between firm value and managerial ownership, board structure and the combination of managerial ownership and board structure is generally weak.

Shah (2012), analyzed the significant relationship of Ownership Structure with Firm Performance in non-financial companies listed at Karachi Stock Exchange during the period 2008 to 2010. Ownership Structure was represented by Managerial Ownership and Concentrated Ownership. Tobin's Q was used as a proxy for Firm Performance. Panel Data Technique was employed to foresee the significant relationship among the variables. Results showed that Managerial Ownership has a significant negative relationship with Firm Performance, whereas Concentrated Ownership has shown insignificant relationship with Firm Performance. Leverage, a controlled variable has shown a significant negative relationship with Firm performance.

Al- Gharaibeh (2013), examined the effect of ownership structure on dividends policy in Jordanian companies over the period 2005-2010. The population of the study consists of all Jordanian corporations listed in Amman stock exchange, with total number of 234 corporations 2which are listed at the end of the year 2010. A sample of 35 Jordanian listed corporations was used, dependent variable in this study was dividend policy and dividend payout ratio was a proxy of dividend policy. The independent variables used were; institutional ownership managerial ownership, control variables was firm size, free cash-flow, future growth opportunities and leverage. The model used was full adjustment and partial adjustment model. The finding of the study is that institutional ownership of a company make the shareholder have more power and it increase the value of the firm because the shareholder use their influence and did not allow a company to invest in low return projects.

Warrad (2013). Studied on the relationship between ownership concentration and company performance using pooled data for Jordanian non-financial listed companies over the time period from 1994 to 2005. The results show that ownership concentration whether it is managerial or non-managerial has no significant effect on firm's performance when it is measured by accounting measures, but has a significant effect on the largest managerial block holder when using market measure of firm's performance.

Kumar (2003) investigated the relationship between ownership structure and dividend payout policy in India. The sample data used in this study is all manufacturing firms listed on the Bombay stock exchange (BSE) covering the period 1994 to 2000. The independent variables are shares face value of managerial shareholding, institutional investor's shareholding, foreign investors shareholding, and corporate shareholding earnings growth, debt equity and growth in sales and dependent variable is dividend to asset ratio. The methodology used is Full Adjustment Model (FAM), the Partial Adjustment Model (PAM), the Waud Model (WM), the Earning Trend Model and the Modified model of firm. The result indicates that ownership structure does not influence dividend payout policy uniformly.

Noor (2009), examined the effects of managerial and family ownership structure on the company performance. The sample consists of four hundred and twenty companies listed on Bursa Malaysia for the year from 2003 to 2007. The study shows that equity ownerships in Malaysia are concentrated on few owners mainly by the State government, families or large corporations. Results reveal that managerial ownership relates significantly to return on assets (ROA) and return on equity (ROE) while family ownership relates significantly to Tobin's Q, ROA and ROE. The results further indicate that the firm performance decreases when the managers' share ownership increases. Managers with greater control and large shareholdings are more concerned with their own self-interests than the interests of the shareholders at large.

2.5.3 Local Institution Shareholdings Structure and Dividend policy

Institution ownership refers to the percentage of stock held by public companies. The companies include insurance companies, financial entities, banks, government companies and other parts of government. Institutional ownership supports further indebtness if it promises to improve financial position and shareholder value in the long run. Short (2002) suggested that there is significant relationship between the dividend policy and institutional ownership. Wen and Jia (2010) found that Institutional ownership is negatively associated with dividend policy in bank holding companies. The relationship is also clearly recognized in the work of Short et al., (2002) who found a positive alliance between institutional ownership and dividend policy.

Bichara (2008) conduct a study to examine a theory that links dividends to institutional ownership in a framework of both information signaling and agency costs by using a sample of U.S firms,. He finds that institutions are considered sophisticated investors with superior

ability and stronger incentive to be informed about the firm quality compared to retail investors. Institutional investors display monitoring capabilities and can detect and correct managerial pitfalls, thus their presence serves as an assurance that the firm will remain well run. Moreover, institutional holders respond positively to dividend initiation announcements by adjusting their portfolios through buying or increasing their holdings of the dividend paying stock following the announcement. In addition, the results reveal that positive abnormal returns to dividend initiation announcements are a decreasing function of institutional holdings in the dividend initiating firm, and that this mitigating effect of institutional ownership on the market reaction to dividend initiations is stronger for firms with higher information asymmetry and more potential for agency problems.

Miko and Kamardin (2015) evaluated the effect of ownership Structure on dividend policy of Conglomerate Firms in Nigeria. This study covers a period of ten years (2001-2010), with a sample of eight (8) conglomerate firms, consisting of 80 firm-observations. Data were extracted from the annual reports of the conglomerate firms. The empirical results depict a positive association between dividend pay-out and institutional ownership as well as block-holders ownership, but a negative association with managerial ownership. The results reveal that the higher the institutional and block-holders shareholdings the higher will be the firm dividend pay-out.

Clay (2001), examined the relationship between institutional investor ownership and firm performance between the years 1988 and 1999, he identified that institutional investor ownership has a positive and significant effect on business performance. On the other hand, Charfeddine and Elmarzougui (2010) who made a similar research using a sample of 35 businesses operating in France financial market between the years 2002 and 2005, he concluded that institutional investor ownership has a negative and significant effect on business performance.

Bolbol, Fatheldin and Omran (2004) studied the effect of ownership structure on firms' performance in Jordan. They use percentage of shares owned by the largest three block holders as a measure of ownership concentration and split the concentrated ownership into four separate groups of owners, individual investors, domestic institutional investors, government, and foreign investors. Return on assets (ROA), return on equity (ROE), and the firm relative market value (Q-ratio) were the variables to measure firm' performance. They find that ownership concentration is an endogenous response to poor legal protection of

investors, but have no significant effect on firms' performance and the identity of owner's matters more than the concentration of ownership.

Chege (2013) examined the relationship between ownership structures and financial performance among commercial banks listed in the NSE in Kenya. He found out that there is a positive relationship between profitability and foreign shares ownership and observed that, foreign shares were significant in explaining results as a unit changes in foreign shares were found to be significant in explaining profitability. However local ownership both retail, and corporate, has a negative relationship with profitability.

Akram (2013) examined the relationship between capital structure and dividend policy of Jordan industrial firms for the year of 2005-2009.The results indicate that there is a significantly negative correlation between the institutional ownership and dividend per share, and a significantly negative relationship between the state ownership and the level of dividend distributed to shareholders. The results also indicate that the higher the ownership of the five largest shareholders, the higher the dividend payment.

Al-Nawaiseh (2013) studied on the relationship between dividend policy and ownership structure on industrial companies in Amman Stock Exchange (ASE). the study sample consisted of sixty two industrial firms listed in ASE from (2000-2006), Tobit model was used to test the study hypotheses for the level of dividend. The independent variable used in the study was leverage ratio, profitability, firm size. Family, stock, insider, and foreigner as dependent variables. The fraction held by insiders has negative impact on the level of dividends paid. The other ownership, family is negatively but not significantly, and institution is positively and significant influence on the dividend policy. Foreigners have positive and insignificant relationship.

Warred (2012) examined the effect of ownership structures on dividend payout policy. The study period covers a period of 2005-2007.the main objectives were to determine the value of ownership structure on dividend payout policy. The dependant variable was dividend payout ratio while independent variable was private ownership, government ownership, foreign ownership and family ownership structure. The result of the study reveals that there is positive relationship between ownership structure and dividend payout policy.

2.6 Research Gap

From empirical literature reviewed, there are several literature gaps that are filled by this study. George & Nyambonga (2014) pointed out that despite the impressive performance of the NSE; firms listed at NSE are still dogged with challenges of shareholding structure where the controlling shareholders took the opportunity to use their powers to undertake activities of personal gain at the expense of minority shareholders. The studies done on the effect of shareholding structure on dividend policy have almost exclusively been derived from securities' markets outside of Kenya particularly USA, UK (Dennis & McConnell ,2003), From this perspective, studying shareholding structure and its effect on dividend policy among Kenyan firms helps expose the interlinkage between shareholding structure and their effects on dividend policy of listed firms in Kenyan environment and other emerging markets.

Olusanmi (2012) concluded that institutional ownership influences financial performance positively. However, Alipour and Amjadi (2011) studies reported a negative relationship. Omran (2008) found that foreign investors had no significant influence on performance while Wei (2005) found a positive influence. Ongore (2011) found that dispersed shareholders had a positive impact on performance while Mei (2013) found a negative relationship. Finally, literature is still inconclusive with regard to how the Kenyan capital markets reacts to ownership structures because World Bank's (2010) Investing across Borders Report found that Kenya restricts foreign ownership in more sectors than most other economies in sub-Saharan Africa. This is a significant literature gap given that Kenya is an emerging market and the fact that the economies of the world are becoming more and more globally integrated. This is even more critical given that shareholding structures are expected to have a direct consequence on expected returns to investors in public companies (Heubischl, 2006). These study want to bridge this gap as there is overwhelming evidence of knowledge gap in shareholding structures in developing economies, where the markets are undercapitalized with few listed companies.

2.7 Conceptual Framework.

A conceptual framework is a hypothesized model that graphically portrays the relationships (Mugenda & Mugenda, 2003). A number of studies have indicated that shareholding structures has a relationship on dividend policy. Shareholding structure is usually evaluated using ownership identity which comprise of foreign institutional shareholding, local

institutional shareholding, local government shareholding and local managerial shareholding. Strong shareholding structures enhance management efficiency thereby enabling a company to have sufficient capital for operation. This reduces liquidity risk and improves the firm's financial performance thus maximizing its value as well as that of the shareholders. Conversely, weak shareholding structure causes a firm to have inadequate capital. This in turn increases its liquidity risk and reduces its performance as well as the wealth of the shareholders. Dividend policy will be measure using dividend payout ratio and dividend yield ratio.

Figure 2.1 presents the relationship between corporate shareholding structure namely: percentage (%) of foreign shareholding structure, (%) of local individual shareholding structure, (%) of local institutions shareholding structure while dividend policy is the dependent variable measured by dividend payout ratio and dividend yield ratio. The dividend payout ratio however is influenced by the size of the firm which is the moderating variable.

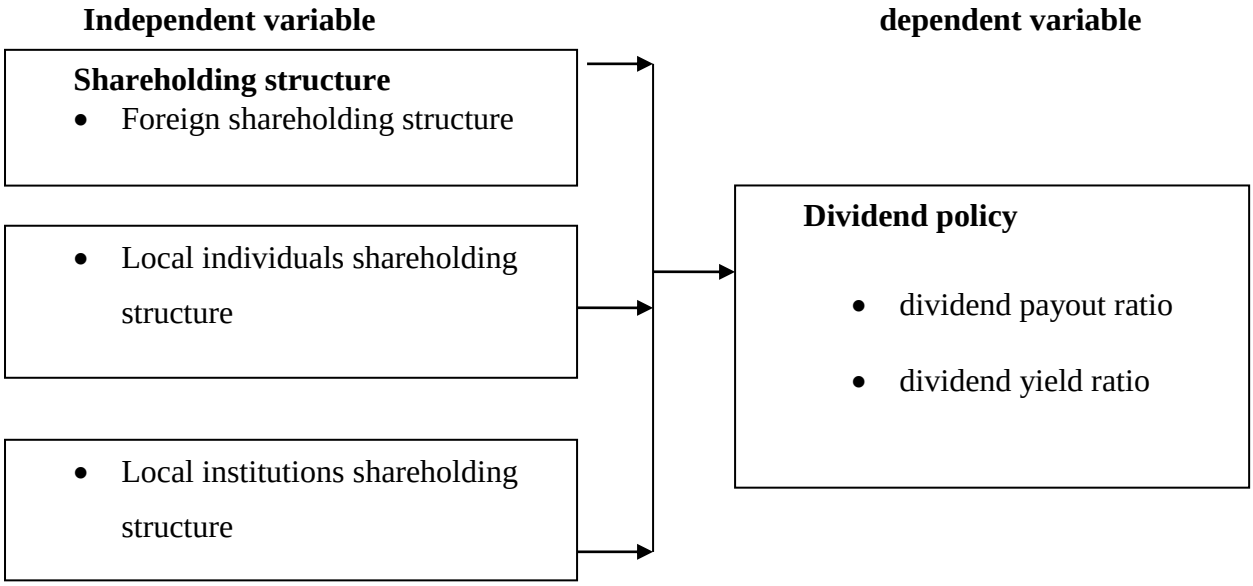


Figure 2.1: Conceptual framework on effect of corporate shareholdings structure on dividend payout ratio of firms.

2.7.1 Foreign Shareholding Structure.

Foreign ownership refers to the percentage of stock of the whole company which consists of foreign partners, foreign financial entities and foreign nationalities (Ongore 2011). Foreign ownership occurs when multinational corporations, which do business in more than one country, inject long-term investments in a foreign country, usually in the form of foreign direct investment or acquisition Firms with foreign shareholding structure are those whose share capital consists entirely or partially of subscribed contributions of foreign shareholders. The term of company with foreign ownership is associated most often with the term of foreign direct investment. The foreign direct investment is a long investing relation between a resident entity and a non-resident entity; as a rule, it implies that the investor exerts a significant managerial influence upon the enterprise he invested in.

2.7.2 Local Institutions Shareholding Structure.

Local ownership refers to the companies owned by locals and can be viewed in terms of diverse ownership and institution ownership. Diverse ownership refers to companies owned by local individuals with no single controlling shareholder institutional ownership is define as a percentage of equity owned by institutional investors such as insurance companies, unit trusts, mutual funds, pension funds and financial companies. Institutional investors are organizations that invest money on behalf of their beneficiaries. Institutional ownership supports further indebtness if it promises to improve financial position and shareholder value in the long run. Short et al. (2002) suggested that there is significant relationship between the dividend policy and institutional ownership. Institutional investors are subject to a given legal and institutional framework. Their degree of involvement in corporate governance also depends on the nature of their investment strategies and their investment horizons, as well as on their interaction with the market for corporate control, with large shareholders, with employees, and with other company stakeholders (Jara-Bertin, 2012).

2.7.3 Local individual Shareholding Structure

Refers to the percentage of shares at the hands of local individuals such as employees, managers, these are shareholders who entered the share market prior to 1990 are categorized into pre-globalization and those who entered after 1990 are termed as post-globalization shareholders. The investor of pre-globalization era was satisfied with the available dividend and performance o f the company. At the most, they expected a decent return a little bit higher than the bank return with periodical bonus shares. If at all they attend the annual

general meeting is to get snacks and gifts. They are satisfied with the performance whatever it may be. If not they had not agitated much (Nyaguthi Mike, & David, 2019)..

2.7.4 Dividend Policy

Baker (2009) define dividends as payments, or distributions, made to shareholders from the firm's earnings generated in the current or previous periods. For preferred shares, it is generally a fixed amount and for common shares, the dividends vary with the company returns. Hence dividends can be described as a reward to the shareholders for their investment in the company through distribution of the company's income. Dividends per share are calculated as the total amount of distributed dividends divided by the number of outstanding shares, and are adjusted for capital changes, in order for the inter-period comparison of the results to be meaningful. Moreover, because the success of a financial manager is tied to the maximization of shareholder wealth (and firm value), hence he or she must understand the dynamics of dividend policy. Indeed, the market value of a firm is dependent upon its stock price.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers research design, target population, sampling design, data collection procedure, and procedures for data analysis.

3.2 Research Design

According to Orodho (2003), a research design is defined as the scheme, outline or plan that is used to generate answers to the research problem. This study adopted the stratified research design since it provided a basis to determine the relationship between the various variables under study.

3.3 Target Population

The target population for this study comprised all the companies which were listed at the NSE. According to NSE (2018) 67 companies are listed at the NSE .These companies comprised the population of the study. The study therefore targeted information on the published annual financial reports of the companies considered active in the NSE.

Table 3.1: Population

Category	**Number of firms**
Agricultural sector	7
Commercial and services	12
Investment	5
Banking	11
Insurance	6
Manufacturing and allied	10
Construction &allied	5
Energy &petroleum	5
Automobiles and accessories	5
Telecommunication &technology	2
Investment services	2
Total	67

Source :(NSE website2018)

3.4 Sample Design

The study adopted a proportionate stratified sampling design. According to Sim and Wright (2000) proportionate stratified sampling involves determining sample size in each stratum in a proportionate manner to the entire population. The sample constituted 40 firms which have been consistently listed in the Nairobi Securities Exchange from 2012 to 2016.

3.5 Sample size.

Sample size refers to the number of items to be selected for observations in order to obtain accurate information on the universe (Oso and Onen, 2008). The sample size (n) of the study was determined using Nassiuma (2000) formula is as follows:

$$n = \frac{NC^2}{C^2 + (N-1)e^2}$$

C= coefficient of variation 20≤C≤30%;

e=error term≈02%≤ e ≤5%

N=population size

$$n = \frac{67*0.2^2}{0.2^2 + (67-1)0.02^2}$$

N = 40

Table 3.2: Distribution of population sample by sector

sector	Population per sector	Sample size
Agricultural sector	7	4
Commercial and services	12	7
Investment	5	3
Banking	11	7
Insurance	6	4
Manufacturing and allied	10	6
Construction &allied	5	3
Energy &petroleum	5	2
Automobiles and accessories	5	2
Telecommunication &technology	2	1
Investment services	2	1
Total	**67**	**40**

3.6 Data Collection.

The study used secondary data to draw research findings and conclusions. By this, data on shareholding structure and dividend policy was collected from secondary sources which majorly comprised of annual published financial statements covering the five year (2012-2016) period. Data on dividend policy comprised of dividend payout ratio and dividend yield ratio. Conversely, data on shareholding structure comprised the percentage of foreign shareholding structure, local individual shareholding structure and local institution shareholding structure. This method of data collection was considered appropriate as it provided readily available and accurate data.

3.7 Data Analysis

The statistical method for analysis for this study was both descriptive which include minimum, maximum. And mean and inferential statistics. Data analysis was done with the help of Statistical Package for Social Sciences computer software (SPSS) version 20. Inferential statistics, that is, Karl Pearson Correlation was used to apply a one-on-one relationship between the independent variables and the dependent variable, while holding all other factors constant. This formed the basis for rejecting or accepting the null hypothesis. Correlation co-efficient (r) value that is greater than 0.5 indicated a strong relationship

between the variables while r value below 0.5 indicated a weak relationship between the variables. The following time series model adopted from Makori and Jagongo (2013) and modified will be employed;

$$\mathbf{DP\ i,t = \beta_0 + \beta_{1x1} + \beta_{2x2} + \beta_{3x3} + \varepsilon_i}$$

Where

DP - dividend payout ratio = cash dividend per share / earnings per share.

-dividend yield ratio =Dividend Yield = Dividends / Stock Price

$\mathbf{X_1}$**-**: foreign shareholding structure

$\mathbf{X_2}$**-**: local individual's shareholding structure

$\mathbf{X_3}$**-**: local institution shareholding structure

$\mathbf{B_0}$**-** Coefficient of Intercept (Constant)

$\mathbf{ß_1}$**-** $\mathbf{ß_5}$ regression Coefficients

ε_i=Stochastic Error Term assumed to be normally distributed.

t=Represents time periods of the observations i.e. 2012 - 2016

i=Represents observations of each listed firm at the point in time.

3.8 Diagnostic Test

3.8.1 Tests for Linearity

Linearity is the ability to provide results that are directly proportional to the concentration of the analyze data in the test sample. According to (Saunders et al., 2009) it is the degree to which a change in a dependent variable is related to the changes in the independent variable(s).When there are extreme variables or variables that violate the linearity assumptions, action need to be done to eliminate these (Cooper & Schindler, 2014). Extreme variables are called outliers and are thus excluded from the analysis while those that violate the linearity assumptions can be addressed by transformation (Saunders et al., 2009). Values greater than 0.05 shows that there is a linear relationship between the independent and dependent variables.

3.8.2 Tests for Normality

These are tests based on assumption that the variables are normally distributed around the mean (Cooper & Schindler, 2014). These are tested by the use of normal probability curves such as P-P and Q-Q plots, and histograms (Kothari, 2004). Normality would be established on the P-P and Q-Q plots the points would fall on a narrow band within the straight line (Cooper & Schindler, 2014).

3.8.2 Tests for Autocorrelation

This is a measurement of the similarity between a certain time series and a lagged value of the same time series over successive time intervals. Durbin Watson is a test for autocorrelation in the residuals from a statistical regression analysis. Values between 0- 4 is acceptable (Saunders et al., 2009).

3.8.3 Collinearity Tests

This is a measure of the amount of Multicollinearity in asset of multiple regression variables. Using variance inflation it helps to identify the severity of any multicollinearity issues so that the model can be adjusted .variance inflation factor less than 10 are acceptable. If there is a high degree of correlation between independent variables, this is called multicollinearity (Kothari, 2004).

3.8.4 Homoscedasticity Tests

This states that the variance of error terms is similar across the values of the independent variables. A plot of values can show whether points are equally distributed across all values of the independent variables. Homoscedasticity can be noted to be a situation where dependent and independent variables have equal variances (Saunders et al., 2009). This was tested by plotting P-P and Q-Q plots between residuals and independent variables.

3.9 Data Presentation

The data analyzed was presented in form of tables. According to Gill and Johnson (2010), tables make it easier for a researcher to clearly capture the meaning of the data collected. In addition, they assist the readers to understand how the researcher arrives at a conclusion as well as the interpretations that are made in the study.

CHAPTER FOUR
RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the data analysis, presentation and interpretation of the results, the study analyzed the effect of corporate shareholding structure on dividend policy of listed firms in the Nairobi securities exchange.

4.2 Descriptive Statistics

The study sought to determine the effect of shareholding structure on dividend policy of firms listed in the NSE. The variables are described in details in terms of mean, minimum, maximum and standard deviations of recorded values. Tables are used to represent the description of each variable. The descriptive statistics findings are presented in tables.

Table 4.1 displays the descriptive statistics of the variables of foreign shareholding structure which have a mean of 35.97 and a standard deviation of 32.942 its minimum value was 0.00 and maximum value was 94.00, This implies that companies listed in the NSE have ownership of about 35.97 percent that is foreign ownership. Local individual shareholding structure had a mean of 19.9406 and a standard deviation of 11.57198 its minimum value was 3.00 and maximum value was 56.00 This Implies that companies listed in the NSE have ownership of about 19.9406 percent that is local individuals shareholding structure. Local institution shareholding structure had a mean of 43.5513 and a standard deviation of 29.16607its minimum value was 1.00 and maximum value was 83.000. Dividend payout ratio had a mean of 33.07and a standard deviation of 28.881 its minimum value was 0.0000 and maximum value was 115.000.This implies that on average, companies listed at the NSE enjoy a return on equity of about 33.07 percent. Dividend yield ratio had a mean of 13.37690 and a standard deviation of 23.863486 its minimum value was 0.0000and maximum value was 108.000 this implies that on average, companies listed at the NSE enjoy a return on dividend yield of about 13.36190 percent. Shareholding structure changes from year to year due to sale of shares in a firm especially if the firm wants to increase the number of foreign held share or local institution and local individual's ownership structure.

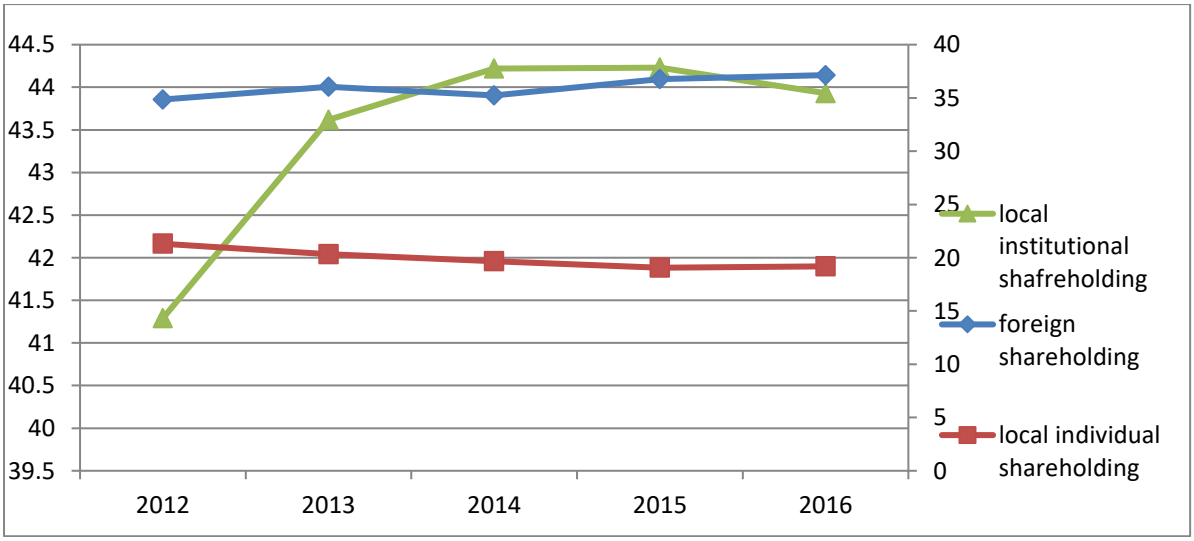
Table 4.1: Descriptive Statistics of shareholding structure

	N	Minimum	Maximum	Mean	Std. Deviation
foreign shareholding structure	200	.00	94.00	35.9714	32.94210
local individual shareholding structure	200	3.000	56.000	19.94057	11.571985
local institutional shareholding structure	200	1.00	83.00	43.5513	29.16607
dividend payout ratio	200	.0	115.0	33.067	28.8811
dividend yield ratio	200	.0000	108.0000	13.376667	23.8639786

4.3 Trend Analysis

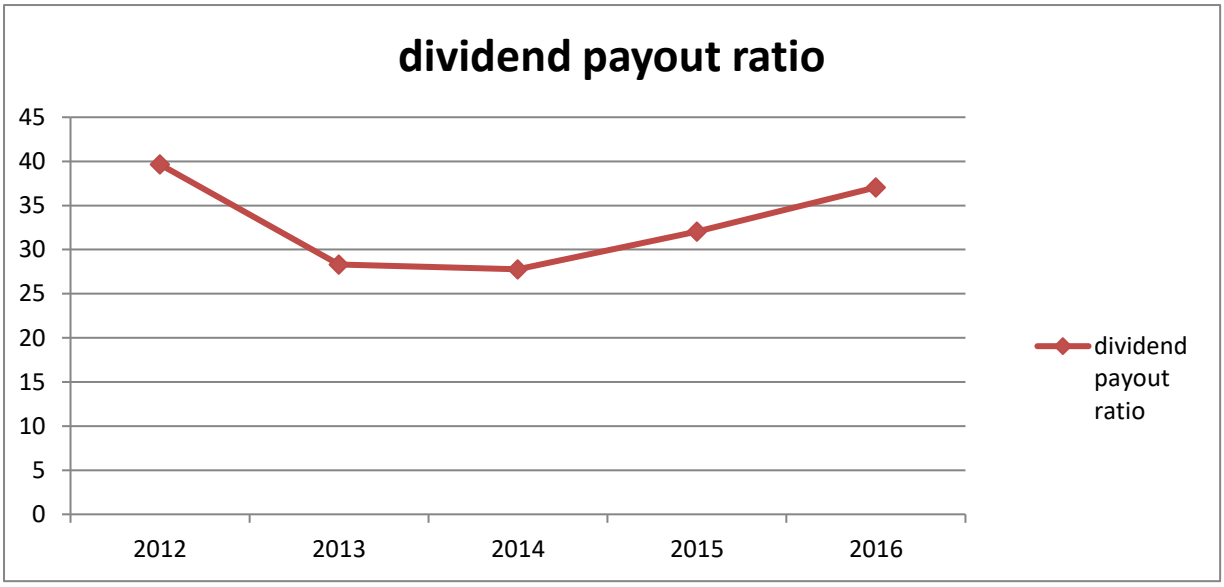
The study established the trends of shareholding structure of firms listed in NSE for the study period (2012-2016). Average means of shareholding percentages of the 40 firms listed on NSE for the period 2012 to 2016 were used to show the trends. As shown in Figure 4.1 the results for the trends of shareholding structure indicated unsteady fluctuation in this measure of shareholding structure firms. This implies that firms listed on NSE recorded fluctuating shareholding in terms of shareholding structure.

Figure 4.1: Trend Analysis of shareholding structure of firms listed in Nairobi securities exchange



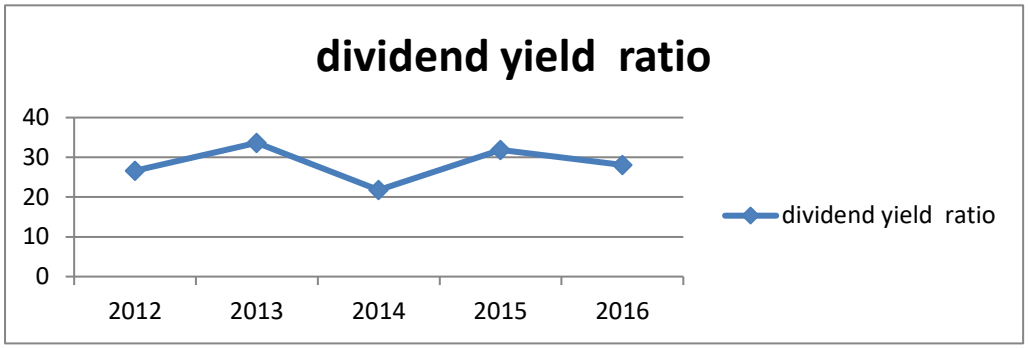
The study established the trends of the dividend payout ratio of firms listed in NSE for the study period (2012-2016.Average means of payout ratio of the firms listed on NSE for the period 2012 to 2016 were used to show the trends. As shown in Figure 4.2 below, the results for the trends of dividend payout ratio indicated unsteady fluctuation for the period 2012-2016. This implies that firms listed on NSE recorded fluctuating dividend payout ratio over the years.

Figure 4. 2: Trend Analysis of dividend payout ratio



The study established the trends of the dividend yield ratio of firms listed in NSE for the study period (2012-2016).Average means of dividend yield ratio of the firms listed on NSE for the period 2012 to 2016 were used to show the trends. As shown in Figure 4.3 below, the results for the trends of dividend yield ratio indicated unsteady fluctuation for the period 2012-2016. This implies that firms listed on NSE recorded fluctuating dividend yield ratio over the years.

Figure 4.3: Trend Analysis of dividend yield ratio



4.4 Pearson Correlation Analysis

Each variable is perfectly correlated with itself as indicated by the coefficient of -1 and +1. Foreign shareholding structure and dividend payout ratio are positively correlated as shown in table 4.2 by 0.262 Furthermore, the study indicates that there is statistical significant relationship between foreign shareholding structure and dividend payout ratio P=0.000 (P<0.05). From the table 4.2 , local individual shareholding structure and dividend payout ratio are negatively correlated by -0.309, the table also shows that there is statistical significant relationship between local individual shareholding structure and dividend payout ratio P=0.000 (P<0.05).local institutional shareholding structure and dividend payout ratio are negatively correlated by 0.177 and there is no statistical significance relationship between local institution shareholding structure and dividend payout ratio p=0.012 (p<0.05.

Foreign shareholding structure and dividend yield ratio are positively correlated as shown in table 4.3 by 0.213.Furthermore, the study indicates that there is statistical significant relationship between foreign shareholding structure and dividend yield ratio P=0.002 (P<0.05). From the table, local individual shareholding structure and dividend yield ratio are positively correlated by 0.049 The table also shows that there is no statistical significant relationship between local individual shareholding structure and dividend yield ratio P=0.486 (P>0.05).local institutional shareholding structure and dividend yield ratio are negatively correlated by -0.244 .it also show that there is no statistical significance relationship between local institution shareholding structure and dividend yield ratio p=0.000 (p<0.05).

Table 4.2: Pearson Correlation Analysis and two tailed t test of the relationship between shareholding structure and dividend payout ratio

		dividend payout ratio	dividend yield ratio	foreign shareholding structure	local individual shareholding structure	local institutional shareholding structure
dividend payout ratio	Pearson Correlation	1				
	Sig. (2-tailed)					
dividend yield ratio	Pearson Correlation	.284**	1			
	Sig. (2-tailed)	.000				
foreign shareholding structure	Pearson Correlation	.262**	.213**	1		
	Sig. (2-tailed)	.000	.002			
local individual shareholding structure	Pearson Correlation	-.309**	.049	-.443**	1	
	Sig. (2-tailed)	.000	.486	.000		
local institutional shareholding structure	Pearson Correlation	-.177*	-.244**	-.915**	.100	1
	Sig. (2-tailed)	.012	.000	.000	.159	

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

4.5 Multiple regressions

From table 4.3, coefficient correlation (R) was 0.291 (r<0.5) which means there is a weak positive relationship between shareholding structure and dividend policy of firms listed in the Nairobi Securities Exchange. The significance value was 0.030 (P<0.05) which shows that there is statistical significant relationship between shareholding structure and dividend policy. In addition, the coefficient of determination (R2) was 0.084 implying that dividend policy is explained by 8.4% of the variations in shareholding structure.

Table 4. 3: Multiple regression analysis of the relationship between shareholding structure and dividend payout ratio

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.291[a]	.084	.057	.58173	.084	3.107	3	101	.030

a. Predictors: (Constant), local institutional shareholding structure , local individual shareholding structure , local foreign shareholding structure

From table 4.4, the level of significance was 0.030 with an F value of 3.107.This indicates that there is statistical significant relationship between shareholding structure and dividend policy because P value is < 0.05.

Table 4.4: ANOVAs test of the relationship shareholding structure and dividend payout ratio

ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.154	3	1.051	3.107	.030[b]
	Residual	34.179	101	.338		
	Total	37.333	104			

a. Dependent Variable: dividend payout ratio

b. Predictors: (Constant), local institution shareholding structure , local individual shareholding structure , foreign shareholding structure.

From the regression result from table 4.5 below, the estimated model is given below:

Dp=1.174+0.185-0.464LOCIND+0.341LOCINST

At 5% level of significance all the variables are statistically significant in explaining the Variation in dividend policy of the companies listed in the NSE.

Table 4.5: Regression coefficients of the relationship between shareholding structure and dividend payout ratio

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	1.174	.381		3.084	.003	.419	1.929
	foreign investors	.185	.091	.285	2.036	.044	.005	.366
	Local individual investors	-.464	.229	-.219	-2.026	.045	-.918	-.010
	Local institution investors	.341	.147	.336	2.325	.022	.050	.632

a. Dependent Variable: dividend payout ratio

From table 4.6, coefficient correlation (R) was 0.255 (r<0.5) which means there is a weak positive relationship between shareholding structure and dividend policy of firms listed in the Nairobi Securities Exchange. The significance value was 0.152 (P>0.05) which shows that there is statistical significant relationship between shareholding structure and dividend policy. In addition, the coefficient of determination (R2) was 0.051 implying that dividend policy is explained by 5.1 % of the variations in shareholding structure.

Table 4. 6 : Multiple regression analysis of the relationship between shareholding structure and dividend yield ratio

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.225[a]	.051	.023	.56214	.051	1.799	3	101	.152

a. Predictors: (Constant), local institution shareholding structure , local individual shareholding structure , foreign shareholding structure

From table 4.7, the level of significance was 0.152 with an F value of 1.799.This indicates that there is no statistical significant relationship between ownership structure and dividend policy because P value is > 0.05.

Table 4. 7 : Anova test of the relationship shareholding structure and dividend yield ratio

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.705	3	.568	1.799	.152[b]
	Residual	31.916	101	.316		
	Total	33.621	104			

a. Dependent Variable: dividend yield ratio

b. Predictors: (Constant), local institution investors, local individual investors, foreign investors

From the regression result, table 4.8, the estimated model is given below:

Dp= -0.011+0.164FI+0.327LOCIND+0.067LOCINST

At 5% level of significance, the variables are statistically significance in explaining the variation in dividend policy of the companies listed in NSE since p>0.05

Table 4. 8: Regression coefficients of the relationship between shareholding structure and dividend yield ratio

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	-.011	.368		-.030	.977	-.740	.719
	foreign investors	.164	.088	.266	1.867	.065	-.010	.339
	Local individual investors	.327	.221	.162	1.477	.143	-.112	.765
	Local institution investors	.067	.142	.069	.473	.638	-.214	.348

a. Dependent Variable: dividend yield ratio

4.6 Simple regressions models

From table 4.9 below, coefficient correlation (R) was 0.242 (r<0.5) which means there is a weak positive relationship between foreign investors and dividend payout ratio of firms listed in the Nairobi Securities Exchange. The significance value was 0.013 (P<0.05) which shows that there is statistical significant relationship between shareholding structure and dividend policy. In addition, the coefficient of determination (R2) was 0.050 implying that dividend policy is explained by 5% of the variations in shareholding structure.

Table 4.9: Simple regression analysis of the relationship between foreign shareholding structure and dividend payout ratio.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.242[a]	.059	.050	28.15545	.059	6.430	1	103	.013

a. Predictors: (Constant), foreign shareholding structure

From table 4.10 below, the level of significance was 0.013 with an F value of 6.430.This indicates that there is statistical significant relationship between ownership structure and dividend policy because P value is <0.05.

Table 4. 10: Anova test of the relationship foreign shareholding structure and dividend payout ratio

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.097425	1	5097.425	6.430	.013[b]
	Residual	81.651109	103	792.729		
	Total	86.748533	104			

a. Dependent Variable: dividend payout ratio

b. Predictors: (Constant), foreign shareholding structure

From the regression result from able 4.11 below, the estimated model is given below:

Dp=25.422+0.213fi

At 5% level of significance all the variable is statistically significant in explaining the variation in dividend policy of the companies listed in the NSE.

Table 4. 11: Regression coefficients of the relationship between foreign shareholding structure and dividend payout ratio

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	25.422	4.079		6.232	.000	17.332	33.512
	foreign investors	.213	.084	.242	2.536	.013	.046	.379

a. Dependent Variable: dividend payout ratio

From table 4.12 below, coefficient correlation (R) was 0.178 (r<0.5) which means there is a weak positive relationship between shareholding structure and dividend policy of firms listed in the Nairobi Securities Exchange. The significance value was 0.069(P>0.05) which shows that there is no statistical significant relationship between shareholding structure and dividend policy. In addition, the coefficient of determination (R2) was 0.032 implying that dividend policy is explained by 3.2 % of the variations in shareholding structure.

Table 4.12: Simple regression analysis of the relationship between local individual shareholding structure and dividend payout ratio

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.178[a]	.032	.022	.592418	.032	3.375	1	103	.069

a. Predictors: (Constant), local individual shareholding structure

From table 4.13 below, the level of significance was 0.069 with an F value of 3.375.This indicates that there is no statistical significant relationship between ownership structure and dividend policy because P value is > 0.05.

Table 4. 13: Anova test of the relationship local individual shareholding structure and dividend payout ratio

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.185	1	1.185	3.375	.069[b]
	Residual	36.149	103	.351		
	Total	37.333	104			

a. Dependent Variable: dividend payout ratio

b. Predictors: (Constant), local individual shareholding structure

From the regression result from table 4.14, the estimated model is given below:

Dp=1.795-0.378ind

At 5% level of significance all the variables are statistically significant in explaining the variation in dividend policy of the companies listed in the NSE.

Table 4. 14: Regression coefficients of the relationship between local individual shareholding structure and dividend payout ratio

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	1.795	.258		6.962	.000	1.284	2.306		
	Local individual shareholding structure	-.378	.206	-.178	-1.837	.069	-.785	.030	1.000	1.000

a. Dependent Variable: dividend payout ratio

From table 4.15 below, coefficient correlation (R) was 0.027 (r<0.5) which means there is a weak positive relationship between shareholding structure and dividend policy of firms listed in the Nairobi Securities Exchange. The significance value was 0.783(P>0.05) which shows that there is no statistical significant relationship between shareholding structure and dividend policy. In addition, the coefficient of determination (R2) was 0.001 implying that dividend policy is explained by 0.1 % of the variations in shareholding structure

Table 4. 15: Simple regression analysis of the relationship between local institution shareholding structure and dividend payout ratio

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics			
					R Square Change	F Change	df1	df2	Sig. F Change
1	.027[a]	.001	-.009	.601824	.001	.076	1	103	.783

a. Predictors: (Constant), local institutional shareholding structure

From table 4.16 below, the level of significance was 0.783 with an F value of 0.076.This indicates that there is no statistical significant relationship between ownership structure and dividend policy because P value is > 0.05.

Table 4. 16: Anova test of the relationship local institution shareholding structure and dividend payout ratio

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.028	1	.028	.076	.783[b]
	Residual	37.306	103	.362		
	Total	37.333	104			

a. Dependent Variable: dividend payout ratio

b. Predictors: (Constant), local institutional shareholding structure

From the regression result from table 4.17, the estimated model is given below:

Dp=1.292+0.028

At 5% level of significance all the variables are statistically significant in explaining the variation in dividend policy of the companies listed in the NSE.

Table 4.17: Regression coefficients of the relationship between local institution shareholding structure and dividend payout ratio

Coefficients									
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
(Constant)	1.292	.162		7.953	.000	.969	1.614		
Local institution shareholding structure	.028	.100	.027	.276	.783	-.171	.226	1.000	1.000

a. Dependent Variable: dividend payout ratio

From table 4.18, the level of significance was 0.206 with an F value of 1.620.This indicates that there is no statistical significant relationship between ownership structure and dividend policy because P value is > 0.05.

Table 4. 18: Simple regression analysis of the relationship between foreign shareholding structure and dividend yield ratio

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.124[a]	.015	.006	.56689	.015	1.620	1	103	.206

a. Predictors: (Constant), foreign shareholding structure

From the regression result from table 4.19, the estimated model is given below:

Dp= 0.599+0.002fi

At 5% level of significance, foreign investors is statistically significant in explaining the variation in dividend policy of the companies listed in the NSE since p=0.206 (p>0.05).

Table 4. 19: Regression coefficients of the relationship between foreign shareholding structure and dividend yield ratio

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	.599	.082		7.290	.000	.436	.762
	foreign shareholding structure	.002	.002	.124	1.273	.206	-.001	.005

a. Dependent Variable: dividend yield ratio

From table 4.20 below, coefficient correlation (R) was 0.088 (r<0.5) which means there is a weak positive relationship between shareholding structure and dividend policy of firms listed in the Nairobi Securities Exchange. The significance value was 0.374(P>0.05) which shows that there is no statistical significant relationship between shareholding structure and dividend policy. In addition, the coefficient of determination (R2) was 0.008 implying that dividend policy is explained by 0.8% of the variations in shareholding structure.

Table 4.20: Simple regression analysis of the relationship between local individual shareholding structure and dividend yield ratio.

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.088[a]	.008	-.002	.569139	.008	.796	1	103	.374

a. Predictors: (Constant), local individual shareholding structure

From table 4.21 below, the level of significance was 0.374 with an F value of 0.796.This indicates that there is no statistical significant relationship between ownership structure and dividend policy because P value is > 0.05.

Table 4.21: Anova test of the relationship local individual shareholding structure and dividend yield ratio

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.258	1	.258	.796	.374[b]
	Residual	33.364	103	.324		
	Total	33.621	104			

a. Dependent Variable: dividend yield ratio

b. Predictors: (Constant), local individual shareholding structure.

From the regression result from table 4.22 below, the estimated model is given below:

Dp=0.461+0.176 lind

At 5% level of significance all the variables are statistically significant in explaining the variation in dividend policy of the companies listed in the NSE.

Table 4.22: Regression coefficients of the relationship between local individual shareholding structure and dividend yield ratio

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	.461	.248		1.860	.066	-.031	.952		
	Local individual shareholding structure	.176	.198	.088	.892	.374	-.216	.568	1.000	1.000

a. Dependent Variable: dividend yield ratio

From table 4.23, coefficient correlation (R) was 0.050 (r<0.5) which means there is a weak positive relationship between shareholding structure and dividend policy of firms listed in the Nairobi Securities Exchange. The significance value was 0.616(P>0.05) which shows that there is no statistical significant relationship between shareholding structure and dividend policy. In addition, the coefficient of determination (R2) was 0.002 implying that dividend policy is explained by 0.2% of the variations in shareholding structure.

Table 4.23: Simple regression analysis of the relationship between local institution sh

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.050[a]	.002	-.007	.570632	.002	.254	1	103	.616

a. Predictors: (Constant), local institutional shareholding structure

areholding structure and dividend yield ratio

From table 4.24, the level of significance was 0.616 with an F value of 0.254.This indicates that there is no statistical significant relationship between ownership structure and dividend policy because P value is > 0.05.

Table 4. 24: Anova test of the relationship local institution shareholding structure and dividend yield ratio

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.083	1	.083	.254	.616[b]
	Residual	33.539	103	.326		
	Total	33.621	104			

a. Dependent Variable: dividend yield ratio

b. Predictors: (Constant), institutional shareholding structure

From the regression result from table 4.25 below, the estimated model is given below:

Dp=0.748-0.048

At 5% level of significance all the variables are statistically significant in explaining the variation in dividend policy of the companies listed in the NSE.

Table 4. 25: Regression coefficients of the relationship between institution shareholding structure and dividend yield ratio

Coefficients[a]									
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	.748	.154		4.859	.000	.443	1.054		
	Local institution shareholding structure	-.048	.095	-.050	-.504	.616	-.236	.140	1.000	1.000

a. Dependent Variable: dividend yield ratio

4.7 Diagnostic Test

The study looked for data that would be able to meet the objectives of the study. The data collected from NSE handbook and annual financial statement of companies listed in NSE was cross checked for errors to test the validity of the data sources. The researcher assumed 5% significance level for the data used. These values helped to verify the truth or the falsity of the data. Thus the closer to 100% the confidence interval and the closer to zero % the significance level. The higher the accuracy of the data used and analyzed is assumed to be.

4.6.1 Test of Multicollinearity

Multicollinearity is said to occur when there is a nearly exact or exact linear relation among two or more of the independents variables. Variance inflation factor is a measure of the amount of multicollinearity in a set of multiple regression variables. The variance inflation factors (VIF) and tolerance values are computed where the values of VIF less than 10 and tolerance more than 0.2 signaling absence of multicollinearity. The VIF values in table 4.26 were less than 10 meaning there was no multicollinearity while tolerance factors were above 0.2.

Table 4. 26: Test of Multicollinearity

Model		Collinearity Statistics	
		Tolerance	VIF
	foreign shareholding structure	.463	2.160
1	Local shareholding structure	.778	1.285
	Local shareholding structure	.434	2.302

a. Dependent Variable: dividend payout ratio

4.6.2 Test of Autocorrelation

Autocorrelation is the measurement of the similarity between a certain time series and a lagged value of the same time series over successive time intervals,(Cooper & Schindler ,2015).The Durbin Watson (DW) statistic is a test for autocorrelation in the residuals from a statistical regression analysis. The Durbin-Watson statistic will always have a value between 0 and 4.the results in table 4.27 shows 1.633 which is between 0 and 4 which implies that there is no autocorrelation in the variables sets

Table 4.27: Test of Autocorrelation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.291[a]	.084	.057	.58173	1.633

a. Predictors: (Constant), local institutional shareholding structure, local individual shareholding structure, foreign shareholding structure
b. Dependent Variable: dividend payout ratio

4.6.3 Test of Normality of Data

Normality is a test for the assumption that the variables are normally distributed around the mean. The null hypothesis for the test was that the secondary data was normal. If the p value recorded was more than 0.05 the researcher would reject it, and if the p value is less than 0.05 then the researcher would fail to reject it. In table 4.28 below kolmogorov –smirnova and Shapiro-wilk test recorded 0.000 values less than 0.05,thus the null hypothesis is not rejected. According to Ghasemi & Zahediasl,(2012) the law of large numbers states that for samples larger than 30 you can assume normality even if the Shapiro or Kolmogorov test says otherwise.

Table 4. 28: Tests of Normality

Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
foreign shareholding structure	.293	105	.000	.788	105	.000
Local individual shareholding structure	.126	105	.000	.922	105	.000
Local institution shareholding structure	.357	105	.000	.706	105	.000

a. Lilliefors Significance Correction

4.6.4 Linearity test

Linearity test show that two variables x and y are related by a mathematical equation linear regression y=bx where b is a constant number. The linearity test was obtained through the scatted q-q plot and histograms represented below for each variables.

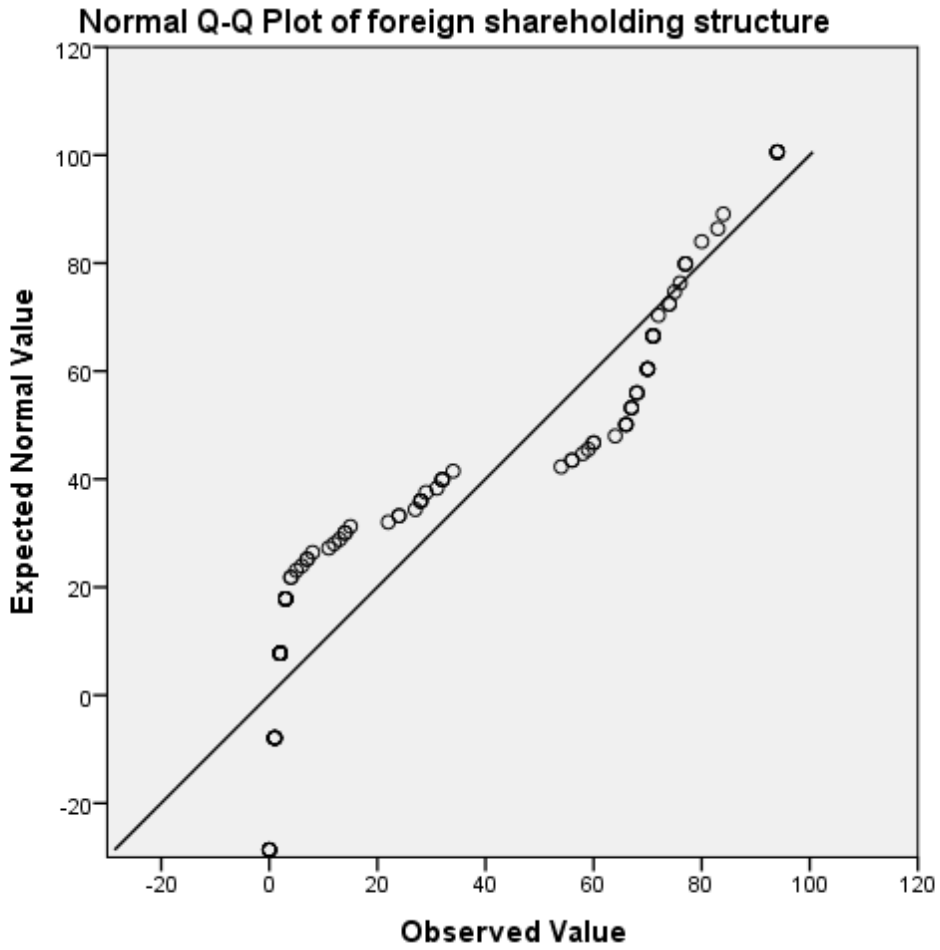


Figure 4.4: Normality q-q plot of foreign shareholding structure

Normality q-q plot is used to determine how well a variable fits to a specific distribution. In a normally distribution, the points in the Q-Q-normal plot cluster around the horizontal line. The foreign shareholding structure deviate from the straight line is minimal. This indicates normal distribution of the data collected.

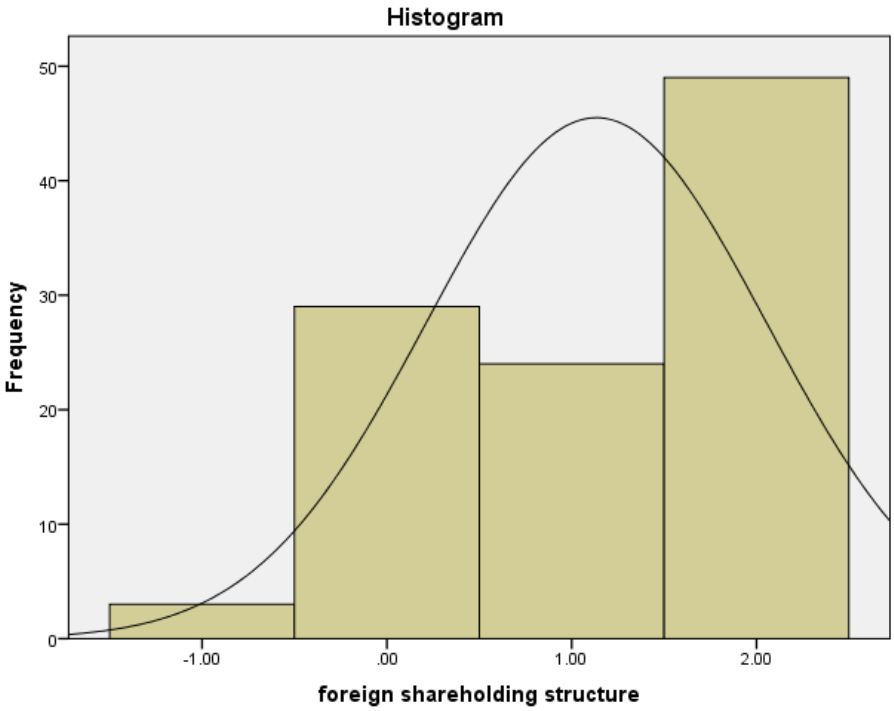


Figure 4. 5: Histogram showing distribution of data of foreign shareholding structure.

The histogram above revealed a normal positively skewed distribution of the observations of the foreign investors and the data was considered good for further analysis in the model.

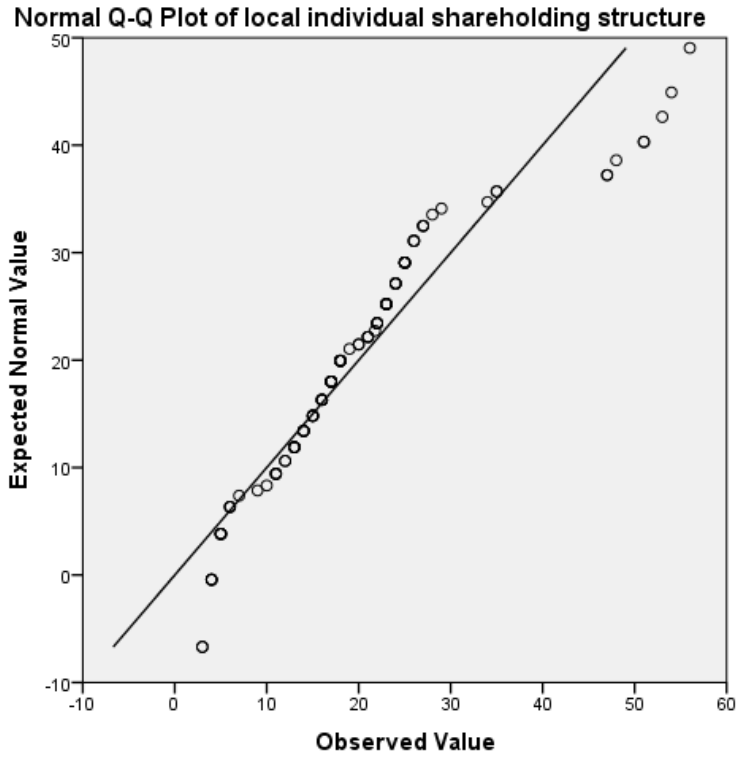


Figure 4.6: Normal q-q plot of local individual shareholding structure

In the figure above, the points in the Q-Q-normal plot cluster around the horizontal line. The local individual's shareholding structure deviate from the straight line is minimal. This indicates normal distribution of the observed values.

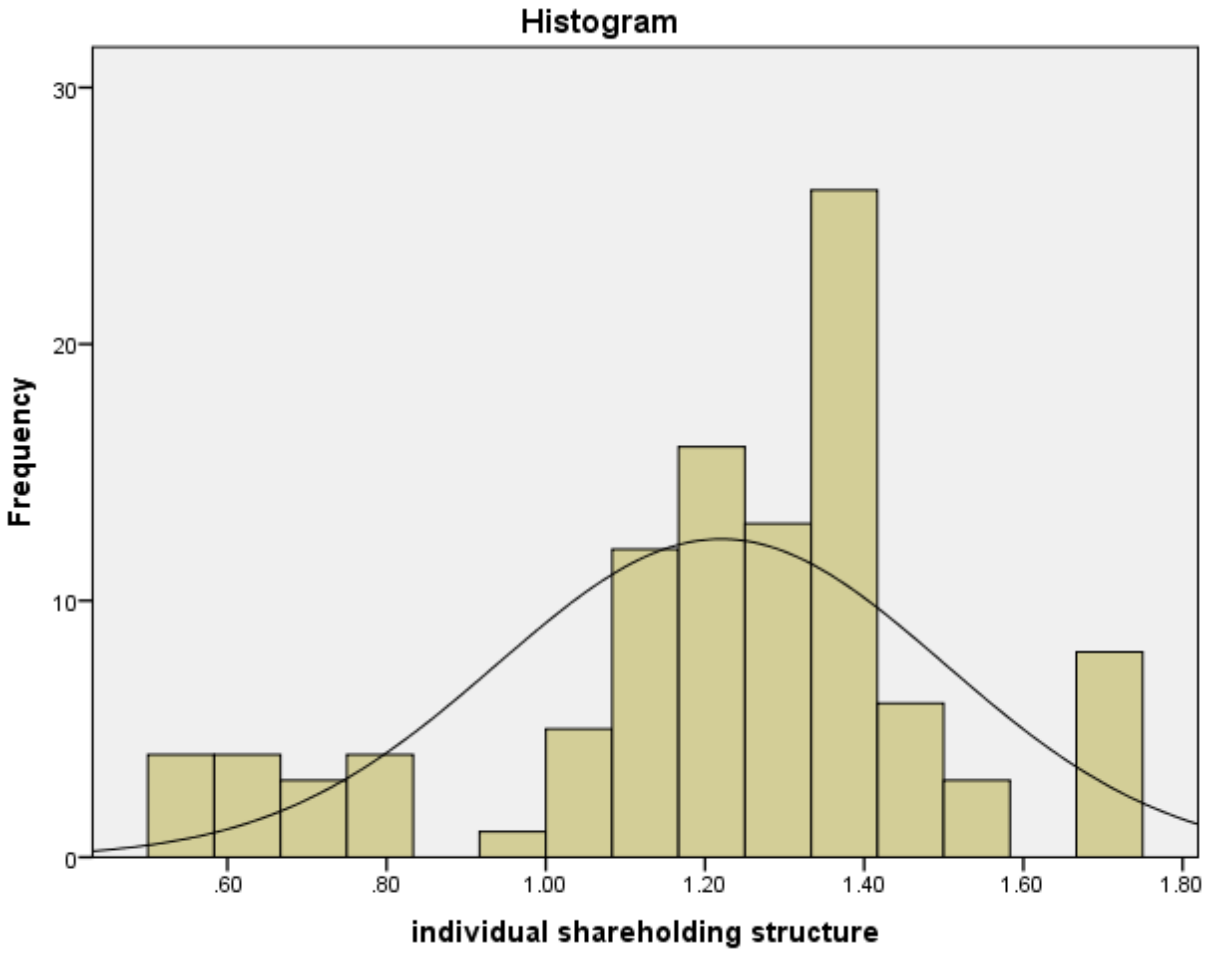


Figure 4.7: Histogram of local individual shareholding structure

The histograms above revealed a positively skewed distribution of the observations of the local individual investors and the data were considered good for further analysis in the model.

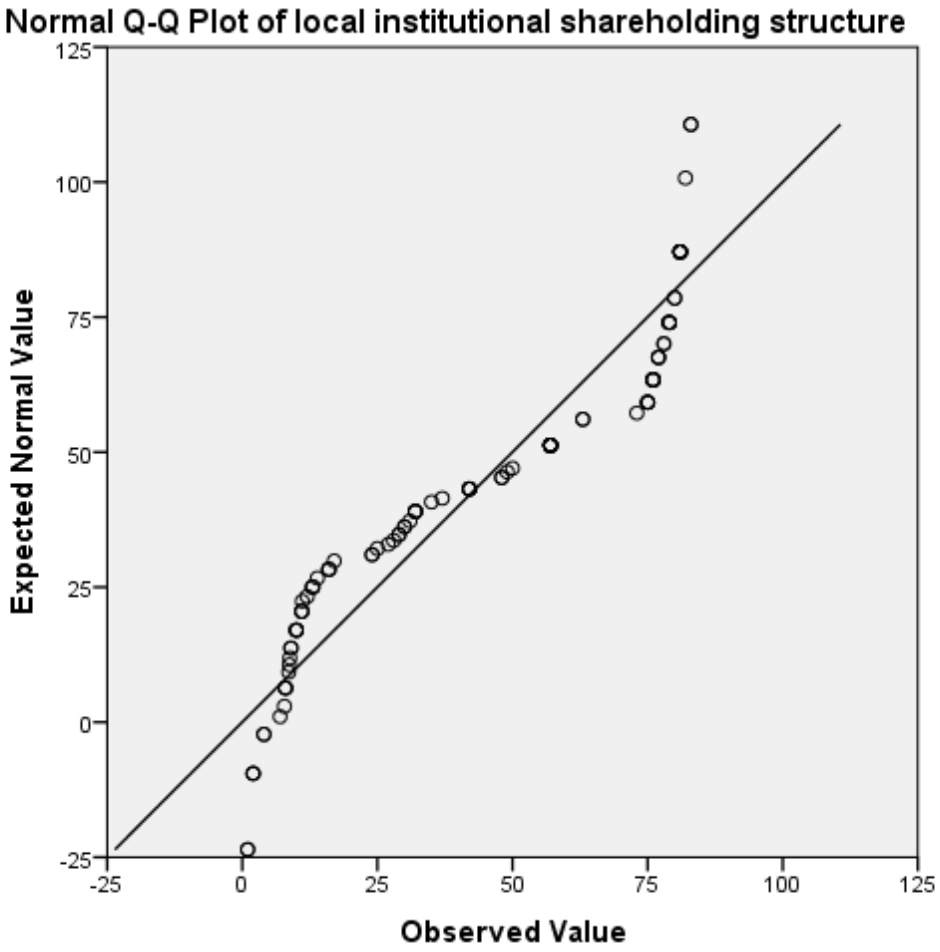


Figure 4. 8: Normal q-q plot of local institutional shareholding structure

In the figure above, the points in the Q-Q-normal plot cluster around the horizontal line. The local institutional shareholding structure deviate from the straight line is minimal. This indicates normal distribution.

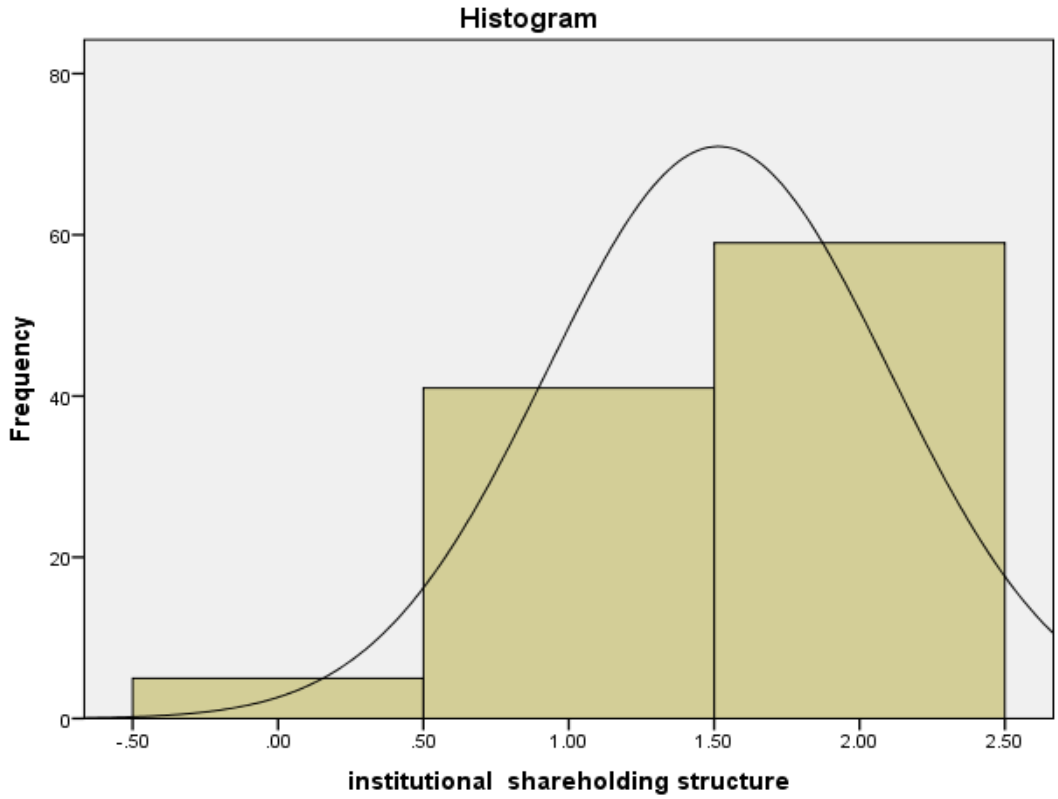


Figure 4.9: histogram of local institutional shareholding structure

The histograms above revealed normal positively skewed distribution of the observations of the local institutional shareholding structure and the data was considered good for further analysis in the model.

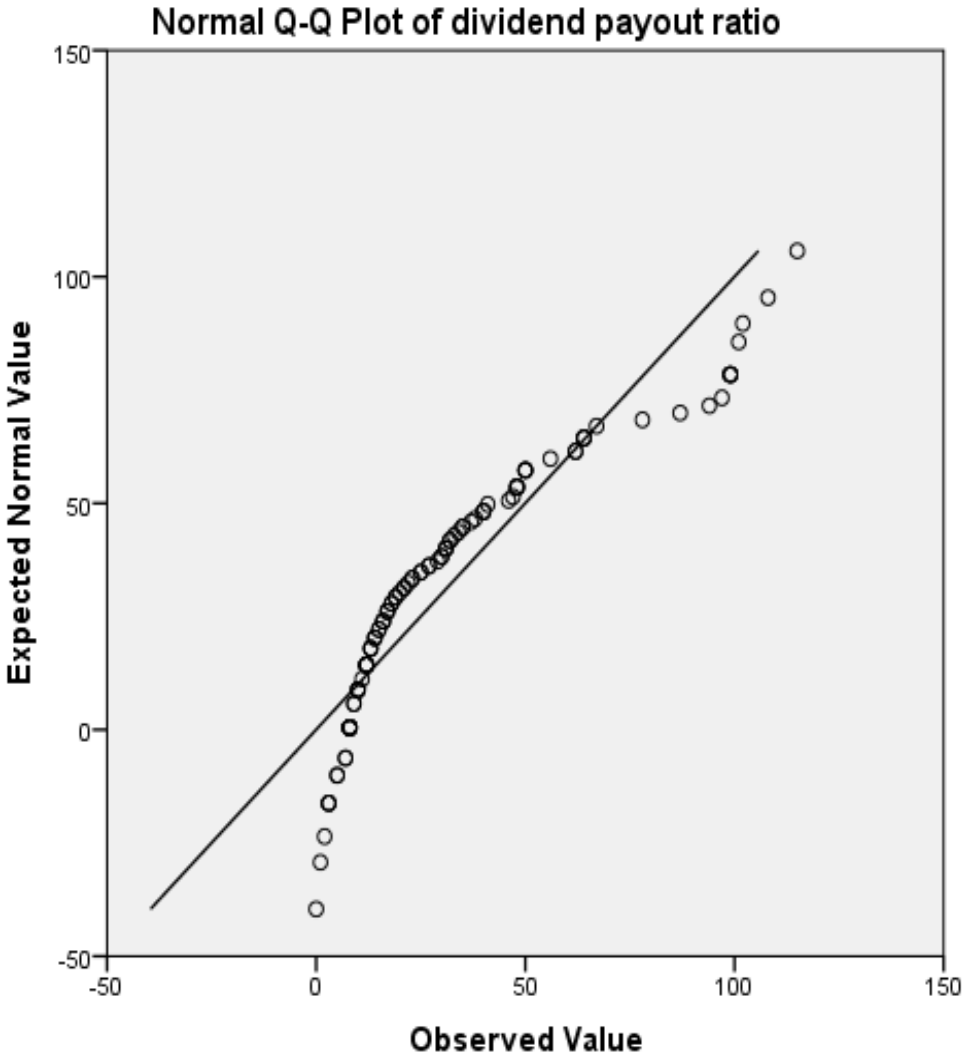


Figure 4.10: Normal distribution plot of dividend payout ratio

In the figure above, the points in the Q-Q-normal plot cluster around the horizontal line. The dividend payout ratio deviate from the straight line is minimal. This indicates normal distribution.

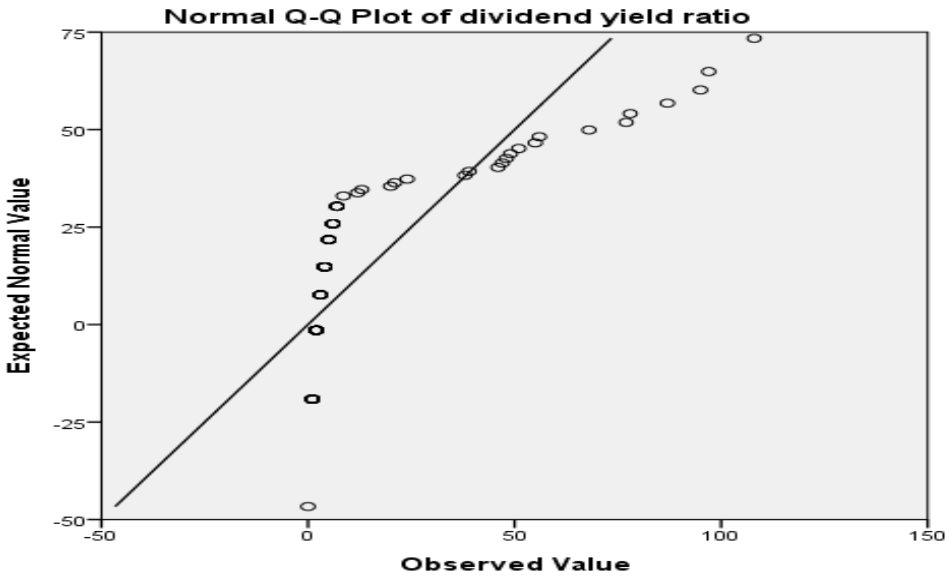


Figure 4. 11: Normal q-q plot of dividend yield ratio

In the figure above, the points in the Q-Q-normal plot cluster around the horizontal line. The dividend yield ratio deviate from the straight line is minimal. This indicates normal distribution.

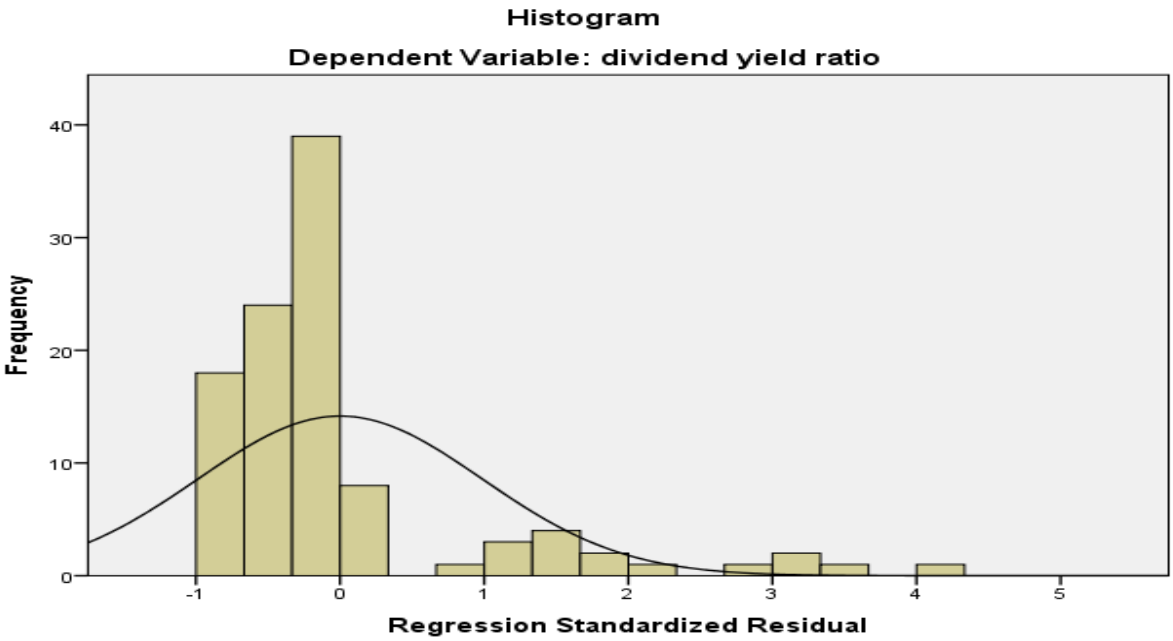


Figure 4.12: Histogram of dividend yield ratio

The histograms above revealed a positively skewed distribution of the observations of the dividend yield and the data was considered good for further analysis in the model.

4.7 Hypotheses Testing.

According to Gujarati & Porter,(2003), Hypothesis testing is a process by which the researcher infers the result of sample data on the larger population based on a presupposition made prior to commencement of research. The study performed hypothesis testing by determining statistical significance of the coefficients of explanatory variables. Test-of-significance method is meant to verify the truth or falsity of a null hypothesis by using the sample results, showing that the means of two normally distributed populations are equal. This was done by using the two-tailed t-test statistic and the corresponding *p*-values at 5% levels. The decision to use a two-tailed test was based on the fact that the alternative hypothesis of the study is composite rather than directional.

According to the decision rule: if the *p*-value observed is less than the set significance level), ($p<0.05$), this indicates strong evidence against the null hypotheses, then reject the null hypothesis and if the observed *p*-value is ($p>0.05$), this indicates a weak evidence against the null hypotheses, then do not reject the null hypothesis.

H01: There is no significant relationship between foreign shareholding structure and dividend policy of firms listed at the Nairobi Securities Exchange (NSE)

The analysis revealed in table 4.9, foreign investors has a significant positive relationship with dividend policy of listed firms at 5% significance level. This was evidenced by the *p*-value of $p<0.05$. The decision was to reject the null hypothesis with 95% confidence and conclude that foreign shareholding had a significant relationship with dividend policy of listed firms in Kenya. ($r=-0.242$, $p<.0.013$).

H02: There is no significant relationship between local individual shareholding structure and dividend policy of firms listed at the Nairobi Securities Exchange (NSE)

The analysis revealed in table 4.12 local individual investors has a significant positive relationship with dividend policy of listed firms at 5% significance level. This was evidenced by the *p*-value of $p>0.05$. The decision was to fail to reject the null hypothesis with 95% confidence and conclude that local individual shareholding had no significant relationship with dividend policy of listed firms in Kenya. ($r=-0.178$, $p<.0.069$)

H03: There is no significant relationship between local institution shareholding structure and dividend policy of firms listed at the Nairobi Securities Exchange (NSE)

The analysis revealed in table 4.15 local institution shareholding structure has a significant positive relationship with dividend policy of listed firms at 5% significance level. This was evidenced by the *p*-value of p>0.05. The decision was to fail to reject the null hypothesis with 95% confidence and conclude that local institution shareholding structure had no significant relationship with dividend policy of listed firms in Kenya. (r= 0.027, p<.0.783).

CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the study giving the implications of the findings based on the research objectives, conclusions and recommendations. The objective of the study was to establish the effect of corporate shareholding structure on dividend policy of listed firms in the Nairobi securities exchange.

5.2 Summary

The aim of the study was to study on the effect of corporate shareholding structure on dividend policy of listed firms in Nairobi securities exchange. The study intended to enhance understanding on the issue by finding out how the dividend policy is affected by the shareholding structure. To achieve this objective, all the sixty seven (67) companies listed in the NSE as at Dec 2018 for the period 2012-2016 were sampled. Only 40 companies were able to meet the selection criteria as they have the figures for all the variables in the study. Data was analyzed using descriptive and inferential statistics ranging from 2012 to 2016.

5.2.1 To determine the effect of Foreign Shareholding Structure on dividend policy.

The first objective of the study was to evaluate the effect of foreign shareholding structure on dividend policy. Foreign shareholding structure and dividend payout ratio are positively correlated as shown in table 4.2 by 0.262 Furthermore, the study indicates that there is statistical significant relationship between foreign shareholding structure and dividend payout ratio $P=0.000$ ($P<0.05$).

5.2.2 To evaluate the effect of local Individual Shareholding structure on Dividend Policy

The second objective of the study was to determine the effect of local individual shareholding structure on dividend policy. Local individual shareholding structure and dividend payout ratio are negatively correlated by -0.309 correlated as shown in table 4.2 it also shows that there is statistical significant relationship between local individual shareholding structure and dividend payout ratio $P=0.00$ ($P<0.05$).

5.2.3 To determine the effect of Local Individual Shareholding structure on Dividend Policy

The third objective of the study was to determine the effect of local individual shareholding structure on dividend policy. Local institutional shareholding structure and dividend payout ratio are positively correlated by -0.177 correlated as shown in table 4.2 and there is no statistical significance relationship between local institution shareholding structure and dividend payout ratio $p=0.012$ ($p<0.05$).

5.3 Conclusion

The researcher used secondary data which were totally independent of each other. These conclusions were made on an objective-by-objective basis.

The first objective was to determine the effect of foreign shareholding structure on dividend policy. Foreign shareholding structure and dividend payout ratio are positively correlated furthermore; the study indicates that there is no statistical significant relationship between foreign shareholding structure and dividend payout ratio Furthermore. These findings differed with those of Cao & Hansen (2017) who examines whether foreign shareholding structure influences firms' dividend policies and found that foreign shareholding structure influences dividend decisions

The second objective of the study was to determine the effect of local individual shareholding structure on dividend policy. Local individual shareholding structure and dividend payout ratio are negatively correlated. It also shows that there is no statistical significant relationship between local individual shareholding structure and dividend payout ratio. These findings concur with those of Fida (2012), who conducted a study on the impact of ownership structure on dividend policy evidence from emerging markets in Pakistan and reveals that there is negative relationship between the local individual's ownership and the dividend payout policy.

The third objective of the study was to determine the effect of local individual shareholding structure on dividend policy. Local institutional shareholding structure and dividend payout ratio are positively correlated and there is no statistical significance relationship between local institution shareholding structure and dividend payout ratio. This finding concurred with those of Clay (2001), who examined the relationship between institutional ownership and firm performance between the years 1988 and 1999, he identified that institutional investor

ownership has a positive and significant effect on business performance. Also Wen & Jia (2010) found that Institutional ownership is negatively associated with dividend policy in bank holding companies.

The study shows that dividend policy of listed firms does not depend upon shareholding structure because there is no statistical significant relationship between shareholding structure and dividend policy. The study therefore concludes that there is a weak positive statistical significant relationship between shareholding structure and dividend policy. These findings concur with those of Charfeddine and Elmarzougui (2010) who examined the relationship between institutional investor and firm performance using a sample of 35 businesses operating in France financial market between the years 2002 and 2005, he concluded that institutional investor ownership has a negative and significant effect on business performance. These findings does not concur with those of Warred (2012) who examined the effect of ownership structures on dividend payout policy and the results reveals that there is positive relationship between ownership structure and dividend payout policy. Miko and Kamardin (2015) evaluated the effect of ownership Structure on dividend policy of Conglomerate Firms in Nigeria. The empirical results depict a positive association between dividend pay-out and institutional ownership as well as block-holders ownership, but a negative association with local ownership. The results reveal that the higher the institutional and block-holders shareholdings the higher will be the firm dividend.

5.4 Recommendations for Policy & Practice

The study findings lead us to make important policy implications. First, the dividend policy of a company is directly attributed to the shareholding structure. In theory, the ownership concentration of the companies listed in the NSE does positively affect the dividend policy, but there are other factors that affect it that were not included in the model. The implication is that when more of shares are concentrated on a few hands, there is a tendency for the shareholders to be overzealous in their monitoring, controlling and ratification roles over managers. The results of the current study have therefore, shown there is dire need to reasonably diversify shareholding as a way of attracting more skills and competencies among the shareholders that can be tapped to improve firm performance. Further, the firms listed in the NSE seem to follow pecking order theory which is based on assumption of asymmetry of information. This being the case it then follows that the degree of asymmetry in Kenya may be quite high, the government should therefore make a deliberate effort to minimize

asymmetry in the country as this could cause market failure. In this regard the government can use various signaling devices to bring confidence into the market.

5.5 Areas for Further Research

The study only reviewed a sample of publically listed firms and did not cover private or small firms; therefore the study recommends a further study to be carried out to include private and small firms to enable generalization of the results of effects of shareholding structure on dividend policy of firms. The study focused only on the dividend policy of firms and ignored the nonfinancial goals which can be of critical importance to shareholding structure. Therefore, the study recommends future study to take into account both financial and non-financial goals and assess them in firms having different shareholding structure. The study only collected information and views from the company's financial statements and ignored other interested stakeholders which could be collected by use of primary data and therefore the study recommends that future studies should incorporate the views of other outside stakeholders and investors as they play a significant role in the performance of the company.

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APPENDICES

APPENDIX I: DATA COLLECTION SHEET

Name of the Company_____

year	%Foreign shareholding structure	%local individual shareholding structure	%local institution shareholding structure	Dividend payout ratio	Dividend yield ratio
2012					
2013					
2014					
2015					
2016					

APPENDIX II: TABLE TWO COMPANIES LISTED AT NSE

Sector	Year of listing	Suspended	Delisted	Relisted
Agricultural sector				
1. Kakuzi	1951			
2. Rea vipingo plantations	1996			
3. Sasini tea & coffee	1965			
4. Eaagads ltd	1972			
5. Kapchorua tea	1972			
6. Limuru tea	1967			
7. Williamson tea	1972			
Commercial and services				
8. Express kenya	1978			
9. Hutching biemer	1948	2012		
10. Kenya airways	1996			
11. Scangroup ltd	2007			
12. Longhorn kenya	2012			
13. Nation media group	1973			
14. Standard group	1954			
15. Tpsea (serena)	1997			
16. Uchumi supermarket	1992	2006	2011	

17. Atlas Development and Support Services	2014			
18. Deacons (East Africa) Plc Ord 2.50				
19. Nairobi Business Ventures Ltd				
Investment				
20. Olympia capital holdings	1976			
21. City trust	1950			
22. Centum investment	1967			
23. Kurwitu Ventures	2014			
24. Transncentury ltd	2011			
Banking				
25. Barclays bank	1986			
26. Cfc stanbic holdings	1970			
27. Diamond trust bank	1972			
28. Equity bank of kenya	2007			
29. Housing finance corporation	1992			
30. Kcb	1989			
31. Nbk	1984			
32. Nic bank	1971			
33. Standard chartered bank	1989			
34. The cooperative bank	2008			

35. HF Group Ltd				
Insurance				
36. Pan africa insurance	1963			
37. Jubilee holdings	1984			
38. Kenya re insurance	2007			
39. CIC Insurance Group Ltd	2011			
40. Liberty Kenya Holdings Ltd				
41. Britam Holdings Ltd				
Manufacturing and allied				
42. A Baumann & co ltd	1948	2012		
43. Bockenya	1969			
44. Bat Kenya Ltd	1969			
45. Carbacid investments	1971			
46. Unga group	1971			
47. Eveready East Africa	2007			
48. Flame Tree Group Holdings				
49. East africa breweries	1972			
50. Mumias sugar co	2001			
51. Kenya orchards	1959			
Construction &allied				
52. Athi river mining	1997			

53. Bamburi cement	1996			
54. Crown berger	1992			
55. E a cables	1973			
56. E a Portland cement	1950			
Energy &petroleum				
57. Kengen	2006			
58. Total Kenya	1988			
59. Kpl&c	1972			
60. Kenolkobil	1959			
61. Umeme Ltd				
Automobiles and accessories				
62. Car&general	1940			
63. Marshalls (e.a)ltd	1969			
64. Sameer Africa	1995			
Telecommunication &technology				
65. Access Kenya group	2007			
66. Safaricom ltd	2008			
Investment services				
67. Nairobi securities exchange	2014			

Source: Source; www.nse.co.ke **(December 2018).**