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INFLUENCE OF FIRM SELECTED CHARACTERISTICS ON DIVIDEND PAYOUT IN DEPOSIT TAKING SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES IN KENYA

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ABSTRACT

This study examined the influence of profitability, investment opportunities, SACCOs size, and growth opportunities on dividend payout in deposit taking Saccos in Western Kenya. The study was guided by several pertinent theories, among them, Modigliani and Miller theory of dividend irrelevance, bird in hand theory, residual theory of dividends, dividend signaling effect theory, clientele effect theory on dividend distribution, pecking order theory and financial intermediation theory. The study targeted 74 respondents comprising CEO, internal auditors, finance officers; FOSA supervisors and accountants. The study adopted census sampling procedure. Primary data was collected using structured questionnaire. Secondary data was collected from audited financial books and company information filed at SASRA by the SACCOs under study. Data was analyzed through the use of descriptive statistics, correlation analysis and regression analysis methods using SPSS version 20.0 by regressing each variable on the dependent variable and at the end of the research, the link between each independent variable and dividend payout in deposit taking. The results revealed that selected firm characteristics have significant relationship with dividend payout of deposit taking Saccos in Western Kenya. Profitability was found to have significant positive influence on dividend payout. Other variables, investment decision, Sacco Size and growth opportunities were also found to have significant positive influence on dividend payout. The study concluded that selected firm characteristics have significant influence on dividend payout of deposit taking SACCOs in Western Kenya. The study recommended that there is need for management of DTS to increase their profitability so as to achieve higher dividend payout over time. The study recommended that large Deposit Taking SACCOs should take advantage of their size to achieve higher dividend payout. The study recommended that management of Saccos should consider investment decision making to be made through careful planning for expansion, equipment purchases or investment in any form and the Saccos should make financing decision in a planned way; The study recommended that the management of Saccos should ensure that they have reliable and effective access to information regarding growth opportunities both locally and internationally.

Key Words: *Profitability, Investment Opportunities, SACCOs Size, Growth Opportunities, Dividend Payout*

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INTRODUCTION

Dividend payout policy in Saccos is an issue that has generated a major interest in financial literature. Researchers have come up with many theoretical models in attempting to describe the factors that business managers should consider when arriving at dividend payout decisions. Dividend payout policy refers to the sort of strategy that for-profit organization managers ought to follow in determining the size of individual payouts and frequency in time of cash distribution to shareholders that they should follow in paying dividends. Miller and Modigliani (1961) had argued that with perfect capital market conditions, the decision on whether to pay or not to pay dividends does not usually affect a firms' share value and is therefore, irrelevant.

In Kenya, the financial sector is made up of deposits taking institutions (banks, mortgage finance companies, microfinance banks and deposit taking Savings and Credit Co-operatives (DT-Saccos)), non-deposit taking institutions such as insurance industry, pensions industry, capital markets industry, and Development Finance Institutions (DFI), and other financial markets infrastructure providers and enablers.

The sector is regulated and supervised by among others; The Capital Markets Authority (CMA); The Central Bank of Kenya (CBK); The Insurance Regulatory Authority (IRA); The Retirement Benefits Authority (RBA); and the Sacco Societies Regulatory Authority (SASRA) and some Government Ministries. The banking sector, which is made up of commercial banks, mortgage finance companies and microfinance banks accounted for more than 68% of total assets in the sector as at December 2018.

Dividend payout policy has become a major item of discussion in corporate finance boards. Dividend can be described as a distribution or appropriation of part of the net profit to members of the Sacco. The amount of money paid, and the frequency of payments are usually decided by the board of directors of the Sacco while working together with the management teams and is usually paid either on a quarterly, biannually or annually basis, depending on the implemented dividend payout policy of the Sacco. Research studies on dividend payout policies in Saccos were provoked by Miller and Modigliani's (1961) initiatives to study the impact of dividend payout on share value, which concluded that in perfectly working capital markets, dividends are not relevant as they do not significantly affect in any way the investment decisions taken by the members in the markets that were under study.

In corporate finance, dividend payout policy is among the most intensively researched topics that academics have looked at. Numerous researchers have attempted to resolve what has been referred to as the "dividend puzzle" as identified in Black (1976) but these studies have not yet arrived at a common and agreeable conclusion. A mixture of shared opinions therefore exist around why firms should or should not pay dividends and whether the choice of a dividend payout policy can influence the value of a firm as perceived by the members. From a general perspective, financial researchers on this topic have been divided into three groups based on their beliefs about the impact of dividend policy on the value of the firm.

The first group of thinkers believe that dividend payouts has information content that can help guide members in making financial decisions, such that, an increase in the dividend payout increases a DT-Sacco value position (e.g. Lonie et al., 1996; McCluskey et al., 2006). The second group of thinkers are of the contrary opinion to the first group, and they believe that any increase in dividend payout usually tends to reduce share price for the following two reasons, one, it suggests that Saccos are experiencing a dip in positive NPV projects needing investment (Woolridge & Ghosh, 1985; Soter et al., 1996) and two, it results to higher taxation payments when the tax on income is higher than that of the capital gains made (Lasfer,

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1995; Bell & Jenkinson, 2002). The third and final group of thinkers claim that dividend payout policy has no effect whatsoever (it is inconsequential) on the perceived value of a DT-Sacco (Uddin, 2003; Kaleem & Salahuddin, 2006) to the investing members.

Statement of the Problem

Several explanations exist describing why DT-Saccos should pay or not to pay dividends to their members. Figuring out why Saccos pay dividends and why some members pay attention to the dividend payout has been a major problem in corporate finance. Studies by scholars such as Aivazian and Booth (2003) and Bernstein (1996), researched on the dividend puzzle and found out that some pertinent questions remained unexplained. They noted and concluded that the dividend payout policy remains controversial and involves judgment by decision makers such as the board members and the management team.

Over the years and after several academic studies, there has been emerging consensus and general agreement among scholars that there is no single explanation of dividend payout in most business firms. According to Brook, Chalton and Hendershott (1998), it is believed that there is no reason, financial or otherwise, to believe that a DT-Sacco's dividend payout policy is driven by any set of fixed goals.

It has also been observed that, even though some Saccos pay dividend, there is no consistency in value, time and methods considered in the build up to the payment and most Saccos usually pay less than the expectation of most of the members. In Kenya, several studies have been undertaken around dividend payout in Saccos, key among them being studies by Njuguna (2006) and Njiru (2003). Njuguna (2006) found out that the determinants of a Sacco leadership to payout dividend to its members were availability of cash flow, company's profitability, new and existing growth opportunities and the strategic dividend policy set out by the Sacco.

However, incomprehensive explanations have further been made on the determinants of dividend payout by other scholars to conclusively resolve the dividend puzzle as highlighted by Black (1976).Other related studies outlined factors such as past growth rate, corporate tax, future growth rate, systematic risk, cash flow, profitability, institutional holding and organizational dividend payout policy as some of the determinants of dividend payout decisions. This study, therefore, aimed at adding onto the existing literature that had been done around dividend payout in SACCOs by looking at in-depth and analyzing the significance of some of the known determinants of dividend payout in DT-Saccos in Western Kenya.

It deviates from other similar studies carried out before, in that, the economic footing has changed and government regulation on taxation of dividends issued by SASRA through Saccos to its member has already taken effect. Although Saccos can change their dividend policy over time, it is advisable that each Sacco establishes and sticks to its own dividend policy. Lintner (1956) contends that Saccos follow a well-considered dividend payout strategy. To solve the dividend puzzle, Chiang, Frankfurter, Kosedag and Wood (2006) concluded that the academic research must now turn towards learning about motivation and on what perceptions this motivation to pay dividends is based on, and therefore, it is against this background that this research study has been proposed.

Objectives of the Study

The general objective of this study was to establish influence of firm selected characteristics on dividend payout in Deposit Taking Savings and Credit Co-Operative Societies In Kenya. The specific objectives were to:

- To establish the influence of profitability on dividend payout in DT-Saccos in Western Kenya.
- To assess the influence of Sacco size on dividend payout in DT-Saccos in Western Kenya.

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- To evaluate the influence of investment decision on dividend payout in DT-Saccos in Western Kenya.
- To evaluate the influence of growth opportunities on dividend payout in DT-Saccos in Western Kenya.

To address the specific objectives of the study, the following hypotheses were tested.

- **H_{01}:** Profitability has no significant influence on dividend payout in DT-Saccos in Western Kenya.
- **H_{03}:** Sacco size has no significant influence on dividend payout in DT-Saccos in Western Kenya.
- **H_{03}:** Investment decision has no significant influence on dividend payout in DT-Saccos in Western Kenya
- **H_{04}:** Growth opportunities has no significant influence on dividend payout in DT-Saccos in Western Kenya

LITERATURE REVIEW

Miller and Modigliani Theory of Dividend Irrelevance

Towards the end of the 1950s Merton Miller and Franco Modigliani came together, drafted and proposed this theory and in a book titled "The Cost of Capital, Corporation Finance and the Theory of Investment," and then presented it in a publication with the American Economic Review. This theory, which was then referred to as the Miller and Modigliani theory, states that the overall market valuation of a firm is arrived at using its total earning power and the risk of its underlying assets and is basically independent of the way it finances investments or how it chooses to distribute its dividends.

From as far back as the late 1950s, Lintner (1956) showed that business managers ought to maintain constant growth in dividends paid out and avoid making reductions in those payments. Wood and Frankfurter (2002), using a sample from 400 US firms, noted that Lintner's model of 1956 remains the best description of the dividend payout setting process in that Sacco managers are reluctant to reduce dividend payments, even in times of financial distress, and that dividend payouts are increased only if the business directors are sure that the higher levels can be sustained.

Furthermore, Brav et al.'s (2005) survey of 284 financial managers reports that Lintner's findings were still valid and true even at the start of the twenty-first century. Other similar studies evidence from Germany (Frankfurter & Wood, 2002), the UK (Dhanani, 2005) ,Turkey (Frankfurter et al., 2004) and Ireland (McCluskey et al., 2003) suggests that business managers from other countries hold similar approaches to dividend payout. This theory is relevant in this proposed study in that it explains the origins of the dividend discussion and why some researchers thought that the payment of dividends to members would not in any way influence the value of a firm. It is from these thoughts that other researchers decided to delve deep into the importance of dividends and how often it should be paid.

Dividend Preference Theory

The dividend preference theory was first proposed by Myron Gordon (1963) and then by John Lintner (1964). They put forward this theory while responding to the dividend irrelevance theory that had been suggested by Miller and Modigliani (1958). Miller and Modigliani in their dividend preference theory, also known as the bird in hand theory had argued and concluded that most investors prefer stock dividends to potential capital gains owing to the uncertainty of capital gains in stable market conditions. The theory was developed as a counterpoint to the Miller and Modigliani dividend irrelevance theory, which maintains that investors don't care where their returns come from. Capital gains investing represents the less favored option of "two in the bush" choice of the common saying that "a bird in the hand is worth two in the bush."

Gordon and Lintner (1963) explained that Sacco members who are risk averse prefer dividends over the promise of future capital gains in that paid dividends provide an assurance of regular and certain returns; while future capital gains are less

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certain, whereas the dividend irrelevance theory maintains that investors are don't care as to whether their returns from holding stock arise from dividends or capital gains.

Miller and Modigliani (1961) while responding to this explained that members are indifferent when it comes to the selection between capital gains and dividends paid to members hence dividend policy has no significant effect on the total cost of capital employed. They also further stated that many members of the firm would plough back the dividends that they have received in the same or similar firms as shares, and they are more concerned about the total risk of the cash flows to the firm and not to themselves. Bird-in-hand theory informs that there exists relationship exists between a business market valuation and its dividend payout policy. It states that dividends are less risky than capital gains since they are more certain.

It is because of this uncertainty that investors prefer current dividends, even if at a lower required rate of return on equity, to future capital gains because something paid today is more certain to be received than something expected in the future (Mayo, 2007). Investors would therefore prefer dividends to capital gains (Amidu, 2007). Accordingly, because dividends are supposedly less risky than capital gains, firms should set a higher dividend payout figure and offer a higher dividend yield to maximize its market share price. In a world of uncertainty and information asymmetry, dividends are valued differently from retained earnings (capital gains): A bird-in-hand or the dividend payout, is worth more than two in the bush or the capital gains. In conclusion, the basic thinking behind the bird in hand theory by Gordon and Lintner (1959) is that a low dividend payout results into an increase in the cost of capital. Therefore, the higher the dividend payout amount, the hire is the share price. The bird in hand theory claims that members' behavior is affected more by the dividend payout as opposed to the accrued capital gains. The theory also indicates that the higher the proportion of capital gain in total return that is given to the investors, the higher the required rate of return of investors, and therefore the higher the cost of capital of company. In this study, it provided the theoretical underpinning of why investors insist on dividend payout instead of allowing the management to reinvest the profit back into the business.

Residual Theory of Dividends

The residual dividend model is an outgrowth of the Modigliani and Miller theory that posits that in most business setups, dividends are irrelevant to investors and consequently, to the value of the shares of that business. This school of thought believes that investors do not state any preference between current dividends given to them and capital gains that they will get (Black & Scholes, 1974). It goes on to say that dividend policy does not determine or dictate market value of a stock of a company. The theory informs that the dividend paid by a Sacco should be viewed as a balance or a residual – the net amount that remains after all acceptable future investment opportunities have been factored and catered for.

This approach to dividend policy has its own merits. First, it ensures that the business decision makers put into consideration the target capital structure when raising funding for capital for investment. Second, it ensures that the capital budgeting process is designed to exhaust all positive NPV projects in designing its annual investment spending plan before other uses of the funds are considered. Third, the method reinforces the idea that earnings that can't be put to work in profitable projects should rightly be returned to members as dividends.

Finally, and most important, while most organizations are not encouraged to use the residual model to set annual dividend payouts because of its nature of discouraging dividend payouts, they can use the model to set the firm's long-run target dividend payout figure and dividend policy. This theory is anchored in this study to explain why some firms would opt to forego

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dividend payment and risk investor confidence to reallocate funds into new and emerging business opportunities.

Dividend Signaling Effect Theory

Signaling theory was introduced by Ross (1977). Dividend signaling is a theory that suggests that Saccos announcements of dividend increases are an indication of positive future results. Increases in a Sacco's dividend payout generally forecast a positive future performance of the Sacco's stock. The dividend signaling theory suggests that Saccos that pay the highest dividends are, or should be, more profitable those paying smaller dividends. In this theory capital structure decisions signals outsiders on insiders' decisions. The main idea of the theory is that the capital structure decisions signals outside investors about insiders' information. In other words, only managers know the true distribution of the firm's returns.

The term signal refers to the action taken by management in providing a hint to the investor about how the management examines the firm's prospects (Brigham, Houston, Chiang, Lee & Ariffin, 2010). Managers are more relaxed with equity financing than debt financing because if firms go bankrupt managers may lose their jobs. When managers keep on increasing debt it signals higher future cash flows and the confidence that managers have towards the firm. Consequently, investors would interpret the high level of debt as a sign of high quality and profitability (Brigham et al., 2010).

Petit (1972) equally agreed that the amount dividends paid by a firm seems to carry great information about the prospects of that firm and that this can be seen by monitoring the movement of the stock price in the stock exchange market. On the other hand, Lintner (1956) observed that some management teams have been reluctant to reduce dividends paid to members even when there is a need to do so and only increase dividends when it has been monitored and it is believed that earnings have permanently increased. Dividend policy under this model is therefore relevant (Al-Kuwari, 2009). This theory postulates a positive relationship between earnings and leverage hence this theory supports the explanatory variable earnings. Any increase in dividends paid should be interpreted as good news and brighter financial prospects, and vice versa.

Clientele Effect on Dividend Distribution

Elton and Gruber (1970) were the first to test Miller and Modigliani's hypothesis of the existence of a clientele effect in the U.S. market. This theory states that a firm's share price increases or decreases according to changes in the firm's policies on dividend payout. For example, if the firm raises its dividend, investors are more likely to buy that it's stock, which would increase the price. Likewise, if the firm has an excessive amount of debt, investors are unlikely to want to buy the stock and the price will decrease.

Farrar and Selwyn (1967) also noted that the difference in fiscal treatment of dividends as compared to the treatment of capital gains together with the structure of the income tax existing at the time of their research study meant that investors with different tax brackets would be exposed to different marginal taxes on dividends payout. Since the clientele effect is anchored on the fact that investors are partial to a firm's policies and that changes will result in the purchase or sale of the underlying firm's stock based upon the member's preferences (Farrar & Selwyn, 1967), the theory is relevant in this study.

Pecking Order Theory (Asymmetric Information Theory)

This theory was developed by Myers in 1984 and postulated that firms first used earnings for investment into positive NPV projects before proceeding too use debt and equity as a last option. The pecking order theory arises from the studied concept of asymmetric information. Asymmetric information, also known as information failure, occurs when one party possesses better information than the other party due to its exposure to the source of the information, which causes an imbalance in transaction power between the two parties. Sacco managers typically possess

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more information regarding the Sacco's performance, prospects, risks, and outlook than the information possessed by external users such as creditors (debt holders) and investors (shareholders).

Pecking Order theory says that the firms pursue a financing hierarchy due to information costs (Myers & Majluf, 1984). When firms approach the external markets to raise capital, they primarily face information asymmetry costs and transaction costs, those additional costs make external capital more expensive and automatically lead firms to use internal over external funds. Baskin (1989) indicates in his study that, "borrowing costs can be as low as 1% of the amount raised whereas the costs for issuing equity are anywhere between 4% and 15% of the total amount". Thus, this statement proof that debt can be a favored source of external financing than compared to equity, when the problem of asymmetric information is considered as the most important issue.

Therefore, the pecking order theory is a result of information asymmetries that exist between insiders of the firm and outsiders. And it proposes steps to raise the capital, that firms meet their capital requirement through internal funds first, then go for external borrowing and finally equity issuance. The theory is applicable to this research as it explains why Sacco management would opt not to pay dividends to members but instead reinvest the same funds into equity because of being privy to the organizations financial position. According to pecking order model management is reluctant to issue underpriced equity. Profitable firms finance their investment following the pecking order theory but using retained earnings first and then followed by debt and finally by equity shares (Graham & Harvey, 2001).

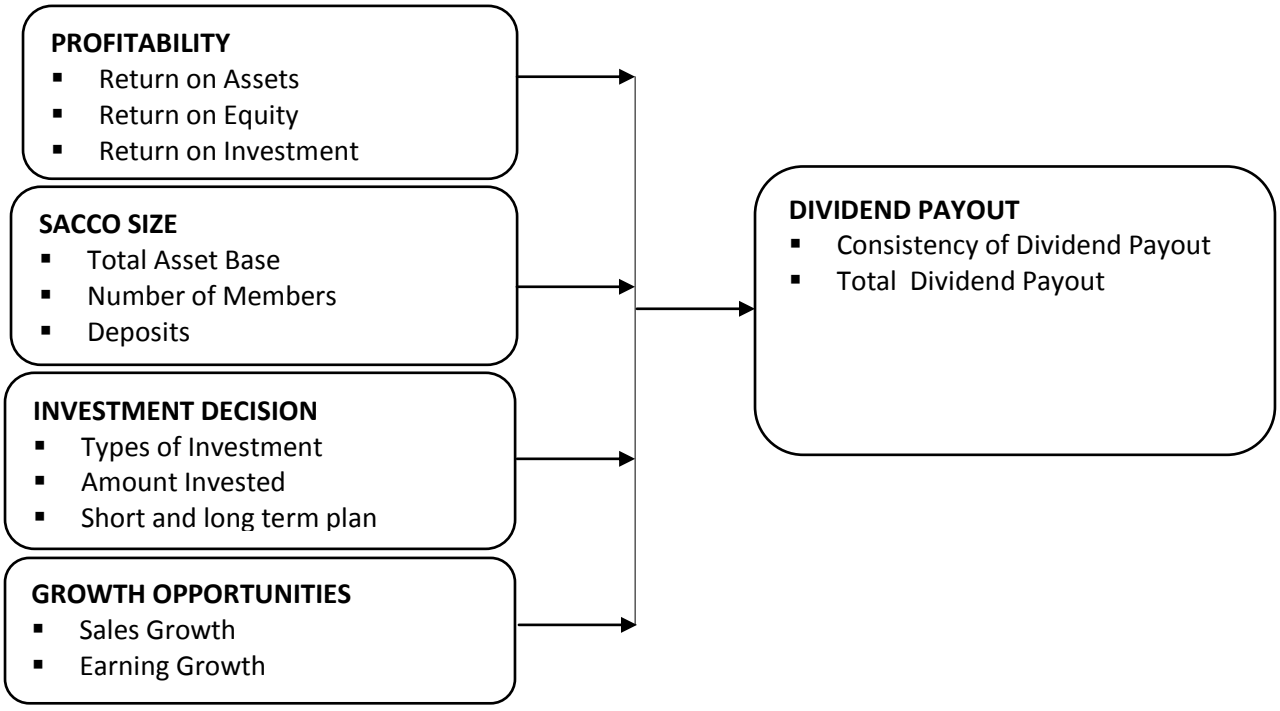

Figure 1: Conceptual Framework

Empirical Review

Profits have long been regarded as the primary indicator of a SACCOs capacity to pay dividends. Baker, Farrelly and Edelman (1985) found out that a major cause of dividend payment was the anticipated level of future gain. By analysis of 338 responses from manufacturing, utility, retail and wholesale Saccos, found that the major reasons

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behind dividend payments were the expected levels of future gain and the pattern of past dividends payments.

Pruitt and Gitman (1991), in their scholarly report showed that, current and past years' profits are important elements in determining dividend payment hence influencing dividend payout policy. They went ahead and suggested that important aspects on the ratio of dividends paid were current and past year's profits, the growth in earnings and the year-to-year variability of earnings.

Chege (2006), studied the effects on non-remittance of members deductions by employers to Saccos as deposits and savings and found out that non-remittance of members deductions by employers has a negative impact on Saccos financial performance. According to his findings, the negative effects included liquidity problems, low turn arounds for loans and lack of funds for the Sacco to meet its daily operational expenses. He went on to say that if loans are not given, profitability will decline, and members will not be given dividends.

Risal and Endang (2017) examined and analyzed the effect of the investment decision, financing decision, and dividend payment policy and company size on company value. The population of this research is manufacturing companies listed in Indonesian Stock Exchange in the period 2010-2014 with a population of 143 companies. Sampling was done by using purposive sampling method and produced 116 companies as research samples. The method used is quantitative method. The results of multiple regression analysis showed that the financing decision variable has a significantly positive effect on the company value.

Firms with higher growth opportunities are likely to retain a greater portion of their earning, resulting in lower dividend payout ratio and use the available funds to finance the investments with positive NPV (Shisia et al., 2014). Amidu and Abor (2006) study results indicate that there is significant negative relationship between firm growth and dividend payout.

A study by Makori, Muturi and Munene (2013) on the difficulties facing Saccos in Kisii areas of Kenya revealed that investment in non-interest earning stocks and inadequate managerial competency contributed heavily to the failure of most Saccos in Kisii County, Kenya. They used structured interview, questionnaires and focused discussion with selected persons to collect primary data.

Olando, Jagongo and Mbewa (2013) in their study on the contribution of financial leadership and management to the growth of DT-Saccos in Kenya said that DT-Saccos did not adequately cover their costs on investments undertaken using investors savings. According to Mwaura (2005), the annual delegates conferences and the government's ministry of co-operatives are to blame solely for investment initiatives undertaken by DT-Saccos because they are the ones who are supposed to authorize and approve such investments.

METHODOLOGY

This study adopted a quantitative research design. The study targeted 74 employees from 7 Deposit taking Sacco's in former western province, these were Mufate, Wevarsity, Invest & Grow Sacco in Kakamega County, Faridi in Busia County, Stawisha and Ngarisha in Bungoma County while Vihiga County Sacco in Vihiga County. The sampling frame for this study comprised of Chief Executive Officer, Finance Officers, Credit Officers/managers, FOSA Supervisor, internal Auditors and Accountants. Both primary and secondary data was used in this study. The primary data was collected using structured questionnaire. Secondary data from the sampled Saccos was also collected on; dividend payout, Sacco Deposit, Sacco assets and profitability. Secondary data was collected from internal documents from the Saccos and the annual financial statements, as reported to the regulating authority, SASRA. Data was collected by use of self-administered questionnaires under the researcher's guidance. The equation below shows the multiple

linear regression equation that was used to assess the determinants of dividend payout in DT-Saccos in Western Kenya:

$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 3X4 + \varepsilon$

Where: **β0, β1, β2** and **β3** are coefficients;

Y stands for Dividend Payout

X1 stands for Profitability;

X2 stands for Sacco Size;

X3 stands for Investment Decision;

X4 stands for Growth Opportunities;

ε stands for Stochastic Error term which represents the disturbance terms that are not captured within the regression model.

FINDINGS AND DISCUSSIONS

Descriptive Statistics

The study analysed the data using quantitative approach to produce descriptive statistics. These descriptive statistics were used to derive conclusions and generalizations regarding the relationship between the Independent Variables (IVs) and the Dependent Variable (DV). In its effort to establish the relationships, the study analyzed the data with respect to the objectives. Notably the respective questions were in line with the study objectives. The questions in the questionnaire were measured using the 5 point Likert Scale (1-5) where; Strongly Disagree = 1; Disagree= 2: Neutral = 3: Agree =4: Strongly Agree = 5.

During the analysis, the study obtained a mean (M) and a standard deviation (SD) for each observable items for specific latent variable. Using mean of means, the study thereafter obtained the mean for each IV and the DV.

Descriptive Statistics for Profitability

The respondents were asked to indicate the degree of agreement from strongly disagree (1) to strongly agree (5) in relation to five statements related profitability. The results were as shown in Table 1.

Table 1: Descriptive Statistics for Profitability

Profitability	Mean	SD
Dividend payout depends on current level of profitability	3.780	0.8401
Dividends depend on profits stability	3.034	1.2726
Dividends depend on future profitability	3.746	1.1233
Dividends are influenced by previous profits	3.542	1.2638
Dividends are paid even when profits drop temporarily	3.458	1.1191
	3.512	**1.1661**

From Table 1, respondents agreed that dividend payout depends on current level of profitability (M=3.780, SD=0.8401). The insignificant deviation implied that all DTS dividend payout depends on current level of profitability. Respondents were neutral that dividends depend on profits stability (M=3.034, SD=1.2726). The significant standard deviation implied that not all respondents were neutral dividends depend on profits stability. The results also revealed that respondents agreed that dividends depend on future profitability (M=3.746, SD=1.123). The significant standard deviation implied that all DTS' dividends depend on future profitability.

The results also revealed that majority of the respondents agreed that dividends are influenced by previous profits (M=3.542, SD=1.2638). The significant standard deviation implied that there is some variation in terms of dividends is influenced by previous profits. Lastly, respondents were neutral that dividends are paid even when profits drop temporarily (M=3.458, SD=1.11). A significant standard deviation implies that not all respondents were for the opinion that dividends are paid even when profits drop temporarily. This results confirmed AlNajjar and Hussainey (2009) mentioned that the ability of the firm to have excess funds after committing to its expenses is key in deciding to pay dividend or increasing the dividend paid to the shareholders. They were quick to add that profitability is supported by signaling theory as the firm wants to boost the standing of its

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performance as compared to the other years and to its competitors.

Descriptive statistics for SACCO size

The respondents were asked to indicate their agreement from strongly disagree (1) to strongly agree (5) in regard to 5 statements related to Sacco size. The results were as shown in Table 2.

Table 2: Descriptive statistics for Sacco size

Sacco Size	Mean	SD
The number of deposits has increased dividend pay-out	3.96	1.09
The number of customers who have deposits has increased dividend pay-out	3.72	.97
The net value of the Sacco is large enough to cover expected dividend pay-out	3.57	0.95
Sacco's assets are adequate to support existing dividend payout.	3.55	.72
Sacco's market share has increased significantly in the recent past.	3.52	1.27
	3.671	**1.0689**

From Table 2, respondents agreed that the number of deposits had increased dividend pay-out (M=3.96, SD=1.09). The significant deviation implied that not respondents were in agreement that the number of deposits has increased dividend pay-out. Respondents also agreed that the number of customers who have deposits has increased dividend pay-out (M=3.72, SD=0.97). The significant standard deviation implied that not all customers who have deposits with Saccos have increased dividend pay-out. The results also revealed that respondents agreed that the net value of the Sacco is large enough to cover expected dividend pay-out (M=3.55, SD=0.720). There was no significant deviation from the mean implying that the net value of the Sacco is large enough to cover expected dividend pay-out.

The results also revealed that respondents agreed that Sacco's assets were adequate to support existing dividend payout (M=3.55, SD=0.72). The significant standard deviation implied that there is no variation in regard to Sacco's assets is adequate to support existing dividend payout. Lastly, respondents agreed that Sacco's market share has increased significantly in the recent past. (M=3.52, SD=1.27). From the standard deviation, there is some variation in regard to Sacco's market share has increased significantly in the recent past. Dickens et al., (2002) asserted that large companies tend to be more competitive, with access to capital, better credit rating, and more customers, which will enhance their profitability and increase their ability to pay higher dividends.

Descriptive statistics for Investment decision

The respondents were asked to indicate the extent from strongly disagree (1) to strongly agree (5) in regard to 5 statements related to investment decision. The results were as shown in Table 3.

Table 3: Descriptive Results for Investment decision

Investment decision	Mean	SD
Shareholder's wealth is maximized through effective investment decision	3.593	1.1160
Change of investment decision alters dividend pay-out policy	3.983	.797
Dividends are cut or reduced if faced by increased need for cash for new investments	3.576	.8206
The Sacco investment in other assets that boost dividend pay-out	3.593	0.9307
Investment decision determines earning per share	3.729	1.0311
	3.695	**1.059**

From Table 3, respondents agreed that shareholder's wealth is maximized through effective investment methods (M=3.593, SD=1.12). The significant deviation implied that shareholder's wealth is maximized through effective investment methods. Respondents were also in agreement that

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change of investment decision alters dividend pay-out policy (M=3.98, SD=0.797). The insignificant standard deviation implied that change of investment decision alters dividend pay-out policy.

The results also revealed that respondents agreed that dividends are cut or reduced if faced by increased need for cash for new investments (M=3.57, SD=0.8206). The insignificant standard deviation implies that ddividends are cut or reduced if faced by increased need for cash for new investments. The results also revealed that respondents agreed that the Sacco investment in other assets that boost dividend pay-out (M=3.593, SD=0.930). The significant standard deviation implies that is variation in regard to Sacco investment in other assets that boost dividend pay-out. Lastly, respondents agreed that investment decision determines earning per share (M=3.729, SD=1.032). A significant standard deviation implied that not all respondents confirmed that investment decision determines earning per share. These findings were supported byDhanani (2003) who postulated that a firm's dividend policy will influence its capital structure or investment choices and successively enhance the firm's value to shareholders. Wealth of shareholders is increased via effective investment methods, supported by an optimum capital structure. Financial managers thus cannot alter the investment choices of their companies by ever-changing their dividend payout policy.

Descriptive statistics for Growth opportunities

The respondents were asked to indicate their agreement from strongly disagree (1) to strongly agree (5) in regard to 5 statements related to growth opportunities. The results were as shown in Table 4.

Table 4: Descriptive statistics for Growth opportunities

Investment decision	Mean	SD
Dividend pay-out depends on available growth opportunities	3.390	.8909
Dividends depend on investment opportunities	3.322	1.1809
Dividends depend on earnings growth	3.136	1.2100
Dividends depend on sales growth	3.593	1.2473
Dividend are paid due to growth opportunities expectation	3.644	0.8757
	3.417	**1.1184**

From Table 4 respondents were neutral that dividend pay-out depends on available growth opportunities (M=3.390, SD=0.890). The insignificant deviation implies that dividend pay-out depends on available growth opportunities. The respondents were also neutral that dividends depend on investment opportunities (M=3.32, SD=1.18). The significant standard deviation implies that there is some variation in regard to dividends depends on investment opportunities. The results also revealed that respondents agreed that dividends depend on earnings growth (M=3.136, SD=1.31). The significant standard deviation implies that not all respondents confirmed that dividends depend on earnings growth.

The results also revealed that respondents agreed that dividends depend on sales growth (M=3.593, SD=1.247). From the standard deviation, there is some deviation from the mean implying that some respondents did not confirm that dividends depend on sales growth. Lastly, respondents agreed that dividend are paid due to growth opportunities expectation (M=3.644, SD=0.8757). There was no significant variation in regard to Dividend is paid due to growth opportunities expectation.

These findings were supported by Myers & Majluf (1984) as cited in Ndungu (2009) who postulated that firms that have high investment opportunities rather pay higher dividends.

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Descriptive statistics for Dividend Payout

The respondents were asked to indicate their agreement from strongly disagree (1) to strongly agree (5) in regard to 5 statements related to growth opportunities. The results were as shown in Table 5.

Table 5: Descriptive statistics for Dividend payout

Dividend Payout	Mean	SD
The Sacco regularly pays dividend	3.576	.890
Dividends are based on dividend per share growth	3.729	.8475
Dividend Pay-out gives a strong signal about the future prospects of the Sacco	3.695	1.0214
Dividend Pay-out indicates predictable earnings to investors and thus, makes the company a good investment	3.458	0.9706
The Sacco offers stable dividend payout	3.610	0.9472
	3.417	**1.1184**

From Table 5 majority of the respondents agreed that the Sacco regularly pays dividend (M=3.8, SD=0.890). The insignificant deviation implied that the Sacco regularly pays dividend. The respondents were also agreed that dividends are based on dividend per share growth (M=3.729, SD=0.47). The insignificant standard deviation implies there is no variation in regard to dividends being based on dividend per share growth. The results also agreed that dividend Pay-out gives a strong signal about the future prospects of the company (M=3.695, SD=1.02). The significant standard deviation implies that not all respondents confirmed that dividend Pay-out gives a strong signal about the future prospects of the company.

The results also revealed that respondents were neutral in regard to dividend pay-out gives a strong signal about the future prospects of the Sacco (M=3.458, SD=0.97). From the standard deviation, there is some deviation from the mean implying that some respondents did not confirm that dividend Pay-out gives a strong signal about the future prospects of the company. Lastly, respondents agreed that the Sacco offers stable dividend payout (M=3.610, SD=0.947). There was significant variation in regard to the Sacco offers stable dividend payout.

The findings indicated that Dividend payout is taken to be one of the most vital financial decisions that corporate managers encounter, Lintner (2001) agrees to this as he contends that dividend decision is very important to the investors and firms. It is the choice of company's management that determines what proportion of the earnings ought to be invested and which percentage should be given to investors in form of dividends.

Inferential Analysis

Pearson Correlation Analysis

The correlation coefficient (r) results were presented as shown in Table 6 using Pearson correlation analysis, which computes the direction (Positive/negative) and the strength (Ranges from -1 to +1) of the relationship between two continues or ratio/scale variables.

Table 6: Multiple Correlation Matrix

		Profitability	Sacco size	Investment decision	Growth opportunities
Profitability	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	59			
Sacco size	Pearson Correlation	.351**	1		
	Sig. (2-tailed)	.006			
	N	59	59		
Investment	Pearson Correlation	.538**	.457**	1	

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decision	Sig. (2-tailed)	.000	.000		
	N	59	59	59	
Growth opportunities	Pearson Correlation	.633**	.248	.408**	1
	Sig. (2-tailed)	.000	.058	.001	
	N	59	59	59	59
Dividend payout	Pearson Correlation	.736**	.569**	.672**	.655**
	Sig. (2-tailed)	.000	.000	.000	.000
	N	59	59	59	59

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

From the correlation Table 6, profitability is positively correlated to dividend payout the coefficient was 0.736 (p value < 0.01) this was significant at 99% confidence level. Thus increase in profitability would make dividend payout of Deposit Taking Saccos also to increase. Similarly, the correlation coefficient for investment decision was 0.569, P=0.000, suggesting that there is significant positive relationship between investment decision and dividend payout of Deposit Taking Saccos in Kenya. This implies that increase in investment decision would results to significant increase in dividend payout. Similarly, a correlation coefficient of 0.672** implied that there is significant positive relationship between Sacco size and dividend payout of Deposit Taking Saccos in Kenya. Lastly, there is significant positive relationship between Growth opportunities and dividend payout of Deposit Taking Saccos in Kenya as indicated by 0.655**, p=0.000. This implied that improvement in Growth opportunities would results to increase in dividend payout.

Multiple Linear Regressions

Objective of this study sought objective of the study was to investigate the influence of influence of firm selected characteristics on dividend Payout in Deposit Taking Savings and Credit Co-operative Societies in Kenya. This was achieved by carrying out standard multiple regressions. The study was interested in knowing the effect of each of firm selected characteristics constructs on dividend payout when all these constructs were entered as a block on the model. This aided in coming up with the coefficients of the study model as well as R square of the study hence, test the null research hypotheses. The results were as shown in Table 7.

Table 7: Model Summary for Dividend payout

Model Summary[b]

					Change Statistics			
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**R Square Change**	**F Change**	**df1**	**df2**	**Sig. F Change**
1	.865[a]	.748	.730	.68836	.748	40.119	4	54	.000

a. Predictors: (Constant), Growth Opportunities, Sacco Size, Investment Decision, Profitability

b. Dependent Variable: Dividend Payout

Table 8: Coefficients of the Independent Variables and Dividend Payout

	Unstandardized Coefficients		**Standardized Coefficients**		
Model	**B**	**Std. Error**	**Beta**	**t**	**Sig.**
(Constant)	-3.240	.632		-5.129	.000
Profitability	.746	.221	.327	3.381	.001
Sacco Size	.343	.100	.266	3.437	.001
Investment Decision	.537	.177	.262	3.032	.004
Growth Opportunities	.338	.109	.274	3.094	.003

a. Dependent Variable: Dividend Payout

A regression of the four predictor variables against dividend payout established the multiple linear regression model as below:

Dividend Payout = -3.240 + 0.746 $\mathbf{X_1}$ +0.343 $\mathbf{X_2}$ + 0.537 $\mathbf{X_3}$+ 0.338$\mathbf{X_4}$

$X_{1=}$ Profitability

$X_{2=}$ Sacco size

$X_{3=}$ investment decision

$X_{4=}$ Growth opportunities

From the results, profitability, Investment decision, growth opportunities and Sacco size carried positive and significant predictive power (P<0.05). If firm selected characteristics is held at zero or it is absent, the dividend payout will be -3.240, p<0.05. This implied that dividend payout will be negative and significant. When investment decision, growth opportunities and Sacco size are controlled, profitability with a beta of 0.746 is at statistically significant level and is a good predictor of dividend payout implying that an increase in profitability by a unit will result to significant increase in dividend payout by 0.746 units. This is supported by Arnott & Asness (2013) who in their study showed that profitability are directly linked to high dividend payout. Further Arnott & Asness (2013) stated that basing on free cash flow theory, there is a positive relationship between current dividend payout and profitability. Growth of future earnings is increased by discipline and reducing disagreements through choosing investments carefully. Dividend increase is related to future investments for a minimum of two years when the dividend amendment is made, whereas dividend reduction is not related to future investments. They propose that this lack of association is explained by accounting ideology. Additionally Nissim & Ziv (2011) indicated that a company whose dividend payout is high gets high future earnings and on the other hand, firms report low earnings in the past in terms of firm's growth. Potential investors and shareholders in a company consider dividends as vital because it shows company earnings to being made in a given period and also future growth.

When investment decision, growth opportunities and profitability are controlled, Sacco size with a beta of 0.343 is at statistically significant level implying that an increase in Sacco size by a unit will result to significant increase in dividend payout by 0.343 units. The results are in agreement with Redding (2007) showed that firm size and liquidity explain the decision of whether to pay dividends well, whereas existing informational explanations (such as monitoring and signaling) explain the level of dividends well. Further, Packkwsamy and Ramachandran (2010) using cross-sectional OLS Model for the selected sample firms under various sectors show that there is a significant effect of selected independent variables. Therefore, this study proves that the Dividend Payout of Small Size, Medium Size, Large Size, and Overall Corporate Firms across industries in India is dependent on the level of debt in CS. In another study, Lestari (2018) aimed to investigate the determinants factors that affect the dividend policy. After analyzing the data using the program software Eviews 9.0 by multiples regression analysis reveal that firm size has significant effect on dividend payout.

When Sacco size, growth opportunities and profitability are controlled, Investment decision with a beta of 0.537 is at statistically significant level implying that an increase in investment decision by a unit will result to significant increase in dividend payout by 0.537 units. These findings are supported byDhanani (2003) who postulated that a firm‟s dividend policy will influence its structure of capital or choice of investment and successively enhance the firm's value to shareholders. Wealth of shareholders is increased via effective investment methods, supported by an optimum capital structure. Financial managers thus cannot alter the investment choices of their companies by ever-changing their dividend payout policy. Further Aivazianet al. (2003) posits that since company investment is sensitive to monetary constraints, a firm's dividend choices that directly affect its free income may have an effect on its investment. This arises once a firm's dividend policy

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is viewed as a residual to its Investment selections and capital structure; internally created cash flows from current investment is going to be used to optimize the firm's capital structure and future capital decisions on investment and additional goes to shareholders as dividends.

Lastly, when Sacco size, investment decision and profitability are controlled, growth opportunities with a beta of 0.338 is at statistically significant level implying that an increase in growth opportunities by a unit will result to significant increase in dividend payout by 0.338 units. These findings were supported by Ndungu (2019)who postulated that firms which have high investment opportunities rather pay higher dividends. Nonetheless, Al-Shubiri (2011) noted that dividends have been used to signal the general public about a company's stability and growth prospects; the dividend policy adopted by a company influences its capital structure specifically the residual dividend policy which requires that a firm pays dividends when investment opportunities with profitability are not available and a company's stock price is also affected by the dividend pattern. A company will grow from investments as long as these are profitable, will pay fewer dividends and will instead pay securities dividends as it will be pre-occupied with retention for ploughing back of such money to finance viable ventures. Further Gill et al. (2010) contradicted this statement as he asserted that investment opportunity is not an important factor influencing dividend payout decisions.

Testing for null hypotheses

The null hypotheses were based on B Coefficient and P Values. If B coefficient is not equal to zero (B≠0) and P<0.05 then hypothesis is reject (Uriel, 2013) as illustrated hereunder;

- H_{01}: Profitability has no significant influence on dividend payout in DT-Saccos in Western Kenya
- H_{A1}: Profitability has significant influence on dividend payout in DT-Saccos in Western Kenya
- T-Test Statistics results: (t=3.381; P=0.001<0.01)
- Beta Standardized Coefficient results: $\beta_1 \neq 0$ (β_1=0.746) and P=0.001<0.01
- Verdict: First null hypothesis was rejected
- Interpretation: Profitability has significant influence on dividend payout in DT-Saccos in Western Kenya.

- H_{02}: Sacco size has no significant influence on dividend payout in DT-Saccos in Western Kenya
- H_{A2}: Sacco size has significant influence on dividend payout in DT-Saccos in Western Kenya
- T-Test Statistics results: (t=3.437. P=0.011<0.05)
- Beta Standardized Coefficient results: $\beta_2 \neq 0$ (β_2=0.343) and P=0.001<0.01
- Verdict: Second null hypothesis is rejected
- Interpretation: Sacco size has significant influence on dividend payout in DT-Saccos in Western Kenya

- H_{03}: Investment decision has no significant influence on dividend payout in DT-Saccos in Western Kenya
- H_{A3}: Investment decision has significant influence on dividend payout in DT-Saccos in Western Kenya
- T-Test Statistics results: (t=3.032; P=0.004<0.05) Beta Standardized Coefficient results: $\beta_3 \neq 0$ (β_3=0.537) and P=0.004<0.01
- Verdict: Third null hypothesis is rejected
- Interpretation: Investment decision has significant influence on dividend payout in DT-Saccos in Western Kenya

- H_{04}: Growth opportunities has no significant influence on dividend payout in DT-Saccos in Western Kenya
- H_{A4}: Growth opportunities has significant influence on dividend payout in DT-Saccos in Western Kenya
- T-Test Statistics results: (t=3.094; P=0.003<0.01) Beta Standardized Coefficient results: $\beta_4 \neq 0$ (β_4=0.338) and P=0.003<0.01
- Verdict: Fourth null hypothesis is rejected
- Interpretation: Growth opportunities has significant influence on dividend payout in DT-Saccos in Western Kenya

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CONCLUSION AND RECOMMENDATIONS

The study concluded that there is significant influence of profitability on dividend payout of Deposit Taking Saccos in Kenya. DTS that are more profitable are more likely to increase their dividend payout. It implied that firms change dividends payout infrequently and dividends are much less volatile than earnings. Profitability is vital to the firm's manager as well as the owners and other stakeholders that are involved or associated to the firm since profitability gives a clear indication of business performance.

The study also concluded that there is significant influence of Sacco size on dividend payout of Deposit Taking Saccos in Kenya. Large firms are more likely to increase their dividend payout as compared to smaller firms due accessibility to leverage options and bigger profit margins. Further, with larger firms, Sacco's assets are adequate to support existing dividend payout.

The study further concluded that investment decision significantly influenced dividend payout of Deposit Taking Saccos in Kenya. This suggested that improvement in investment decision results to increase in dividend payout. Deposit taking Saccos in Western Kenya ensured that shareholder's wealth is maximized through effective investment decision.

Lastly, the study concluded that growth opportunities significantly influenced dividend payout of Deposit Taking Saccos in Kenya. Increase in growth opportunities such as investment opportunities, earnings growth, sales growth and in expectation of growth opportunities would results to increase in dividend payout.

The study recommended that there is need for management of DTS to increase their profitability so as to achieve higher dividend payout over time. This can be achieved by increasing the rate of return of assets. In this case, management are recommended to utilize their assets in a profitable manner so as to achieve greater dividend payout.

The study recommended that large Deposit Taking Saccos should take advantage of their size to achieve higher dividend payout. This because large firms are able to increase their dividend payout when they have sizeable total assets.

Investment decision is a required managerial tool through which investment decisions are based. The study recommended that management of Saccos should consider investment decision making to be made through careful planning for expansion, equipment purchases or investment in any form and the Saccos should make financing decision in a planned way.

The study recommended that the management of Saccos should ensure that they have reliable and effective access to information regarding growth opportunities both locally and internationally. This would ensuring that Saccos can continue fulfilling to shareholders what they require which is a steady source of income for some of the shareholders who prefer consistent dividend payout.

Suggestion for further studies

This research was mainly focused on firm selected characteristics influencing dividend payout in Deposit Taking Savings and Credit Co-Operative Societies in Western Kenya. This research can be extended to look firm specific financial characteristic that influence dividend payout such as leverage and liquidity. The study did not focus on moderating variable; however, other variables may have specific moderating effect. Therefore, further studies should analyze the moderating effect of inflation on the relationship between the internal factors and dividend payout in DT-Saccos in Kenya. Lastly, further studies can investigate influence of firm selected characteristics on dividend smoothing in Deposit Taking Savings and Credit Co-Operative Societies in Western Kenya

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