

**DETERMINANTS OF DIVIDEND POLICY IN KENYA**

**WASIKE, TITUS W**

**Department of Accounting and Finance ,**

**Kenyatta University**

**&**

**DR. JAGONGO AMBROSE**

**Department of Accounting and Finance ,**

**Kenyatta University**

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### **Abstract**

Successful companies earn income. This income can be invested in operating assets, used to acquire securities, used to retire debt, or distributed to shareholders. The income distributed to shareholders is the dividend. Issues that arise if a company decides to distribute its income to shareholders include the proportion to which such income would be distributed to shareholders; whether the distribution should be as cash dividends, or the cash be passed on to shareholders by buying back some shares; and how stable the distribution should be. Much controversy surrounds dividends policy as there seems understand it. Since then, the amount of theoretical and empirical research on dividend policy has increased dramatically. This paper sought to address this problem by investigating the determinants of dividend policy in Kenya. It's used panel regressions techniques to analyse the data of all listed 60 (sixty) companies at Nairobi Securities Exchange (NSE) for the period 2004-2014. The results show positive relationships between dividend policy and profitability, cash flow, and tax. The results also show negative associations between dividend policy and risk, institutional holding, growth and market-to-book value. However, the significant variables in the results are profitability, cash flow, sale growth and market-to-book value.

Key words: Determinants, dividend policy, cash flow, corporate tax rate and institutional holdings

**wasike titus**

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