# Title: Corporate Governance and Dividend Payout: Analysis of Firms Listed At the Nairobi Securities Exchange

Author: Mwangi Kevin Njugi


## *ABSTRACT*

The study aims to examine the effect of corporate governance on dividend payout of firms listed at the Nairobi Securities Exchange. Based on agency theory, the study considers the effect of two conflicting hypotheses, the outcome and substitution hypothesis, where dividends can be an outcome of corporate governance or a substitute of corporate governance. Using a sample of 37 listed firms covering the period 2003-2012 the paper employs a fixed effects and random effects method of estimation. Corporate governance measured used were the size of the board, proportion of independent directors to the board size, institutional shareholding and women representation. The results show that the size of the board, proportion of independent non-executive directors and institutional ownership are not statistically different from zero in explaining dividend payout. Women representation in corporate boards represented, as a dummy variable is statistically significant in explaining dividend payouts as women are seen as more risk averse and will disgorge more cash in form of dividends to minimize agency costs. The results are consistent with the outcome hypothesis. This present study contributes to the corporate governance literature by looking at the importance of corporate governance in influencing firms' dividend behaviour in Kenya.