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FINANCIAL STRUCTURE AND DIVIDEND POLICY OF NON-FINANCIAL LISTED COMPANIES IN NAIROBI SECURITIES EXCHANGE

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Abstract

Financial structure refers to the combination of debt, equity, and other sources of finance that the management of a firm uses to finance its activities. It demonstrates how a company finances its assets by combining shareholder funds, debt, and hybrid securities. The specific objectives of the study were to determine the influence of, long term debt, short term debt, total equity and firm size on dividend policy of non-financial companies listed in the Nairobi securities exchange. The study was guided by the following theories; pecking order, dividend irrelevance, agency and lifecycle theories. The target population was 47 non-financial firms in the Nairobi Securities Exchange. The study used secondary data obtained from the respective companies' historical financial reports. The study considered data for the period spanning from 2011 to 2020. Data was recorded in a data collection sheet so as to ensure uniformity in the process. Data was then subjected to descriptive statistics which included means, standard deviation, maximum values and minimum values. The study also employed the correlation and a fixed panel regression analytical tool to determine the level of association between financial structure and dividend payout at Nairobi securities exchange. The results from the regression coefficient established that firm size has a moderating effect on dividend payout of non-financial companies listed in NSE in Kenya.

Keywords: Long-term Debt, Non-financial Listed Firms: Short-term Debt, Equity, Listed Company



INTRODUCTION

Decisions about dividend policy are one of the core elements of business policy and have drawn attention in the financial literature. Profitability, financial limitations, investment opportunities, firm size, shareholder and regulatory pressure, and investment opportunities rank first among these determinants the key determinants. A recent advancement in corporate finance theory has focused on the issue of how dividend payout can be utilized to lower agency costs. This relationship between dividend payout and agency costs is a result of this.

This association is based on the notion that keeping an eye on the company and its management can help to reduce agency disputes and persuade the market that the managers do not have the authority to abuse their position. The main justification for agency models of dividends is that if a company's revenues aren't distributed as dividends, corporate managers may divert the cash flow for their own use or to invest in unsuccessful ventures. Signaling theory states that the announcement of dividends will influence investors' perspectives on the market (Rajverma et al., 2019).

The firm's dividend payments provide insight into the welfare of the shareholders. Dividends are gains that the management distributes to the stockholders after deducting retained earnings. One method to assess the dividend variable is the dividend payout. Many researchers have sought to explain why companies pay out a sizable portion of their earnings as dividends if the amount of dividends given to shareholders has no bearing on the firm's value in the wake of Miller and Modigliani's (1961) argument of dividend irrelevance proposition. One of the most common arguments is the free cash flow hypothesis, which is based on the notion that managers and shareholders have competing interests.

Dividends policy, according to Jensen (1986), limit the amount of money that managers might fritter away. Therefore, a way to reduce the agency cost of free cash flows could be dividends. La Porta et al. (2000) discovered that businesses tend to pay lower dividends in nations with poor corporate governance and shareholder protection than they do in nations with high ownership concentration. Grinstein and Michaely (2005) provide evidence that institutions favor dividend-paying companies over non-dividend-paying companies for US-based businesses.

Harada and Nguyen (2011) examined the dividend payouts of Japanese companies and found that companies with higher ownership concentration pay lower dividends and are less likely to increase payouts when earnings or debt decline. Van Horne & Wachowicz (2003), assert that dividend payout has a major impact on corporate financing choices. As a result, the company's dividend policy's main objective is to determine how to fairly split profits between dividend payouts and retained earnings. Legal difficulties, liquidity and control issues, stability of

dividends, stock distributions and splits, share repurchases, and various administrative considerations are additional crucial elements relevant to the company's entire dividend strategy. The relationship between the dividend payout ratio and dividend policy is close. The dividend payout ratio is calculated as the annual cash dividend divided by annual earnings, or as dividends per share divided by earnings per share.

The dividend payout ratio establishes the amount of profit that can be used as a source of funding for the business. If the company chooses to distribute profits as dividends both the amount of retained profits and the quantity of internal finance will be reduced. In contrast, the company's ability to generate money internally will increase if it chooses to keep the profits. As a result, the company's dividend policy main objective is to add retained earnings in order to determine the proper allocation of profits among dividend payments. However, the other issues relevant to the company's complete dividend payout, such as the legal issues, liquidity and control issues, dividend stability issues, as well as many administrative aspects, are equally important (Thanatawee, 2013).

Al-Najjar (2009) examines the decisions made about dividend policies in emerging nations by looking at non-financial enterprises in Jordan. The study concludes that criteria resembling those affecting industrialized countries, such as leverage ratio, institutional ownership, profitability, business risk, asset structure, growth rate, and company size, have an impact on Jordan's dividend policy. Additionally, the same variables that determine the dividend policy also affect how likely it is that dividends will be paid. Finally, the outcomes demonstrate that the Lintner model is applicable to Jordanian data, that Jordanian enterprises have goal payout ratios, and that they do so relatively more quickly than their counterparts in industrialized nations.

When a business generates profits, the retained earnings are either reinvested in the business or distributed as dividends to shareholders. Dividend payment is calculated as a percentage of the total dividends paid to shareholders to the company's revenue (Husna & Satria, 2019). Investors also prefer to see a stable target payout ratio since it shows financial prudence. On the dividend payout problem, finance management is split. Businesses frequently leave it up to shareholders of ordinary shares to decide how much of a dividend to pay. Consistent differences in dividend behavior across firms, countries, times, and payout kinds have been shown by empirical study (Yasin & Wepukhulu, 2019).

Statement of the problem

Financial structure decision is very critical decision with great implications for the firm's dividend payout (Amjed, 2011). The management must carefully consider the financial

structure decision (Fosberg, 2013). However, financing decisions are complex and varies between the firms. Despite of the substantial theoretical developments over the past several decades, the gap between financial structure theories and practices still exist (Vatavu, 2015).

Payment of dividends is one of the major aspects in corporate management due to its effect on the company's value and overall perception by shareholders. Therefore, the management should be considerate of the nature of the dividend policy it adopts; for instance a policy whose aim is growth profits' re-investment is dominant or a policy of minimal growth where dividends are rolled out to the shareholders. A question arises on the role of the financial structure on the companies' performance and consequently the dividend payout. The dominant financial structure possesses powers with respect to how a company's finance is utilized, dividend payment policy inclusive. This leaves the minority financial structures with little or no choice with regards on how the financial affairs of a company are conducted.

The dividend payout ratios of a significant number of non-financial firms listed at the Nairobi Securities Exchange has been declining (Muchiri, Muturi & Ngumi, 2016). Based on the reviewed studies, the effect of financial structure on the dividend payout of non-financial firms listed at the Nairobi Securities Exchange is under-researched. In response to the COVID-19 pandemic outbreak in early 2020, attempts to lessen the pandemic's negative impacts and steer the economy toward recovery took up most of the 2020–21 fiscal year. The ability of businesses to raise cash and finance their investment operations has been negatively impacted by this. The businesses have failed to fulfill their shared obligations in the country (CMA, 2021). Thus, a review of the literature indicates that the majority of past empirical studies Bokhari & Khan, 2013; Aziz & Abbas, 2019) have analyzed the effect of financial structure on the dividend policies adopted by the firms. The preceding scholars have only illustrated the theoretical understanding of the effect of financial structure on this performance. None of the reviewed studies precisely examined the effect of short-term debt, long-term debt and equity on the dividend payout of non-financial firms listed at the Nairobi Securities Exchange with a moderating effect of the firm size. The study intended to fill this knowledge gap by focusing on the effect of financial structure on the dividend payout of non-financial firms listed at the Nairobi Securities Exchange.

General objective

The study's main objective was to examine the influence of financial structure on dividend payout of non-financial companies listed in the Nairobi securities exchange.

Specific objectives

- i. To determine the influence of long-term debt on dividend payout of non-financial companies listed in the Nairobi securities exchange.
- ii. To establish the influence of short-term debt on dividend payout of non-financial companies listed in the Nairobi securities exchange.
- iii. To determine the influence of total equity on dividend payout of non-financial companies listed in the Nairobi securities exchange.
- iv. To determine the moderating effect of firm size on the influence of financial structure on dividend payout of non-financial companies listed in Nairobi securities exchange.

LITERATURE REVIEW

This section evaluates studies theories that had a interrelation with the study variables (Myers & Majluf, 1984). explain why loans are thought to be the best way to finance a firm's spending and why firms frequently employ internal cash rather than external capital to finance their needs. According to the theory, firms have a preferred chain of command for making financial decisions. When internal cash flow is insufficient to cover capital expenditures, the theory explains how firms finance their operations. Utilizing internal funding before choosing an alternative to external financing is the preference. If the business must use loans, the preferred course of action is to pursue a funding base structure that includes taking out a loan, convertible securities, preferred stock, and common stock (Miller, 1977). Danso & Adomako (2014), for instance, claim that capital markets are susceptible to transaction and bankruptcy costs.

According to Easterbrook (1984), there are two characteristics that affect how much it costs for an agency to monitor a company and how risk-averse people are. Investors that are risk averse choose low profits with known hazards over larger yields with unknowable risks. Managers typically have their wealth tied to the company, disregarding investors. Consequently, the agents' wealth end up being considerably impacted if the company is unproductive or even becomes insolvent. In contrast to investors, the agent must be less risk-averse. Conflict can occasionally develop within agency partnerships. Without engaging the shareholders, the management may make decisions that may not be popular with them and may increase costs for the agency. In solving such a case, there may be prevalence by entities in the increment of the dividends, which in return reduces agency costs through the free supply of the cash flow.

DeAngelo, DeAngelo, and Stulz (2006) made a significant contribution to the lifecycle theory of a corporation. They observe that businesses in the growth stage are typically smaller and more interested in investing on chances for expansion. As a result, they pay out less or no dividends in comparison to more established companies, which are frequently big and offer lots

of room for expansion. El-Ansary & Gomaa (2012) used a sample of the top 100 companies in terms of activity between 2005 and 2010 to test this idea in the Egyptian market. When the firm's characteristics have been taken into account, a random-effects panel data model is used. They discovered that the returned earnings to total equity ratio significantly and favorably impacts dividend. On the other hand, it was discovered that the total equity to total asset ratio had no appreciable impact.

METHODOLOGY

In the spirit of achieving the set objectives, only secondary data obtained from the Nairobi Securities Exchange and capital market authority was relied upon in this study. The data obtained from the audited financial statement of the quoted companies was compared with the documentation of the Nairobi Securities Exchange to ensure correctness in data collection. The study therefore involves the use of secondary data collected from the non-financial company's financial statements for the period of ten years from 2011 to 2020 during this time period adequate and reliable data will be obtained over the ten year period. The data was obtained from the audited financial statement of the quoted companies was compared with the documentation of the Nairobi Securities Exchange to ensure correctness in data collection.

This study employed fixed effect Model to estimate the effects of long- term debt to total assets ratio, short-term debt to total assets ratio, equity ratio, firm size on non-financial companies listed in NSE. It makes sense to use the fixed-effect model if two conditions are met. First, there is good reason to believe that all the studies are functionally identical. Second, our goal is to compute the common effect size, which would not be generalized beyond the (narrowly defined) population included in the analysis. By definition, these groups must share a common mean. Finally, fixed effect Model is more appropriate with small sample size unlike other estimation techniques that requires large data set for validity (Borenstein et al. 2010).

The fixed effect model took the form:

$$Y_{i,t} = \alpha + LTD_{i,t} + STDB_{i,t} + EQT_{i,t} + FMZ_{i,t} + FMZ * LTD_{i,t} + FMZ * STDB_{i,t} + FMZ * EQT_{i,t} + \mu_{it} + \varepsilon_{it}$$

LTD = Long term debt, *STDB* = Short term debt, *EQT* = Total equity and *FMZ* = Firm size, *FMZ_{it}* is the moderating variable.

Where *Y* is the dividend policy (dividend payout ratio); represent long- term debt to total assets ratio, short-term debt to total assets ratio, equity ratio, firm size respectively; represent the regression coefficients of the model and ε_{it} represent the error term.

ANALYSIS AND FINDINGS

Results from the model summary revealed that; Long Term Debt, Short Term Debt, Equity and Firm size accounts for 0.765604% in the variations of dividend payout of non-financial companies listed in NSE while the other percentage is accounted by other factors not included in the study.

Unit Root Test

Table 1: ADF - Fisher Chi-square Unit root Test

Method	Statistic	Probability
Series: Dividend Policy ADF - Fisher Chi-square	112.710	0.0391
Series: Long Term Debt ADF - Fisher Chi-square	117.561	0.0135
Series: Short Term Debt ADF - Fisher Chi-square	125.579	0.0053
Series: Firm Size ADF - Fisher Chi-square	123.468	0.0076
Series: Total Equity ADF - Fisher Chi-square	173.054	0.0000

The findings of the unity root approach used to determine whether research variables were stationary are shown in Table 1. The findings demonstrate that all study variables are stationary at the level. Dividend Policy's PP- Fisher Chi-square has a value of 112.710 and a p-value of 0.0391, or less than 0.05. Consequently, imply that the presence of a unit root was rejected as the null hypothesis. Therefore, the p-values for long-term debt, which was 117.561, short-term debt, which was 125.579, company size, which was 123.468, and total equity, which was 173.054, which was 0.0000, are all 0.5, indicating that all the variables are stationary at level. This will be important for regression analysis to avoid sub-optimal results.

Correlation matrix

Table 2 shows that the correlation between the independent variables and the dependent variables was positive for Long Term Debt with a p-value of 0.6041, Short Term Debt with a p-value of 0.032995 and a p-value of 0.4960, Equity with a p-value of 0.002551 and a p-value of 0.9580, and Firm Size with a p-value of 0.048189 and a p-value of Although not perfect, the correlation between the independent variables was found to be high.

Table 2: Correlation Matrix

Probability Correlation	Dividend Policy	Long term debt	Short term debt	Total equity	Firm size
Dividend Policy	1.000000				

Long term Debt	0.025131	1.000000			
P-Value	0.6041	-----			
Short term Debt	0.032995	0.765567	1.000000		
P-Value	0.4960	0.0000	-----		
Total Equity	0.002551	0.780242	0.789353	1.000000	
P-Value	0.9580	0.0000	0.0000	-----	
Firm size	-0.048189	0.800361	0.829152	0.871772	1.000000
P-value	0.3199	0.0000	0.0000	0.0000	-----

Table 3: Pairwise Granger Causality Tests

Null Hypothesis:	F-Statistic	Prob.
Long term debt does not Granger Cause Dividend Policy	0.12306	0.8843
Dividend Policy does not Granger Cause long term debt	0.60530	0.5465
Short term debt does not Granger Cause Dividend Policy	0.68096	0.5068
Dividend Policy does not Granger Cause short term debt	0.01156	0.9885
Total Equity does not Granger Cause Dividend Policy	0.06579	0.9363
Dividend Policy does not Granger Cause total equity	1.50951	0.2225
firm size does not Granger Cause Dividend Policy	0.37657	0.6865
Dividend Policy does not Granger Cause firm size	1.08844	0.3379

The results of the Granger causality tests are shown in Table 3. Given that the crucial value was discovered to be 0.12306 and 0.60530, and the corresponding p-value was 0.8843 and 0.5465, it was determined from the data that long-term debt does in fact create Granger's Dividend Policy. The findings also demonstrate that short-term debt does not increase the likelihood of dividend policy because the crucial values were discovered to be 0.01156 and 0.68096, with related p-values of 0.5068 and 0.9885. The findings also demonstrate that equity does not increase the likelihood of a dividend policy, as the crucial values were discovered to be 0.06579 and 1.50951, with corresponding p-values of 0.9363 and 0.2225. The results also show firm size does not granger cause dividend Policy since the critical value were found 0.37657 and 1.08844 and the associated p-value was 0.6865 and 0.3379. The checking of granger causality is important for the optimal introduction of the lags and optimal model identification. For all the other pairs there is no granger causality problem.

Co-Integration Test

Table 4: Pedroni Residual Co-integration Test

Pedroni Residual Co-integration Test; Series: Dividend Policy, Long term debt, Short term debt Total, equity Total, assets, Sample: 2012 2021 non-parametric (PP) test; parametric (ADF) test, Null Hypothesis: No co-integration				
Test statistic	Statistic	Prob.	Weighted Statistic	Prob.
Panel PP-Statistic	-22.58024	0.0000	-10.56020	0.0000
Panel ADF-Statistic	-9.381236	0.0000	-3.693169	0.0001

Findings indicate that there is at least one linear association with the other independent variables for dividend policy as the dependent variable. Table 4 findings demonstrate that the variables have a linear relationship when dividend policy is the dependent variable, as indicated by the Panel PP-Statistic and Panel ADF-respective Statistic's critical values of -22.58024 and -9.381236 and p-values of 0.0000 and 0.0001. Table 4 findings also demonstrate that there is a linear relationship between the variables in the case of a potential regression where dividend policy is the dependent variable.

Table 5: Heteroskedasticity Test

Heteroskedasticity Test: Glejser			
F-statistic	1.782988	Prob. F(3,424)	0.1497
Chi-square	5.332157	Prob. Chi-Square(3)	0.1490

The heteroskedasticity test that was used to determine whether the variance for the model was stable is shown in Table 5. The findings demonstrate that none of the test statistics, including F-statistic, Chi-square, are significant because their respective p-values are more than 0.05, 0.1497, and 0.1490. This suggests that the model has been identified at its best. This indicates that the model is stable.

Autocorrelation Test

Table 6: Residual Autocorrelations

Lags	Q-Stat	Probability	Adj Q-Stat	Probability	df
1	29.37068	---	29.51977	---	---
2	77.50253	---	78.14276	---	---
3	109.0015	---	110.1263	---	---
4	118.9179	---	120.2471	---	---
5	118.9179	0.5108	120.2471	0.4765	120

The results of the Residual Autocorrelations are shown in Table 6. It was discovered that the probability for Q-statistics was 118.9179 p -value 0.5108 and that for Adj Q-Stat was 120.2471 p-value 0.4765, respectively. The null of serial correlation presence was rejected in favor of the null of no serial correlation because these p-values at lag 5 are greater than 0.05. It can be concluded from this that the models were correctly identified.

Dependent Variable: dividend policy, Method: Panel EGLS (Cross-section weights), Sample (adjusted): 2013 2021, Periods included: 9, Cross-sections included: 46, Total panel (unbalanced) observations: 377 and Linear estimation after one-step weighting matrix.

Table 7: Hausman Test

Correlated Random Effects - Hausman Test			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Probability
Cross-section random	1.273679	7	0.9891

The Hausman test (Table 7) was conducted to establish which model was suitable. The Chi-square test statistic was found to be 1.273679 with an insignificant probability value of 0.989. This means that the null hypothesis was rejected and that the Random effects model was preferred. Therefore, we accepted the Random effects model as suitable for this study.

Table 8: Regression Coefficients

Dependent Variable: divided policy, Method: Panel EGLS (Cross-section weights), Sample (adjusted): 2013 2021, Periods included: 9, Cross-sections included: 46, Total panel (unbalanced) observations: 377 and Linear estimation after one-step weighting matrix.				
Variable	Coefficient	Std. Error	t-Statistic	P-value
Long Term Debt	1.549273	0.490014	3.161691	0.0017
Short Term Debt	1.465227	0.740547	1.978574	0.0487
Equity	-1.421893	0.667620	-2.129793	0.0339
Firm size	0.156123	0.834054	0.187186	0.8516
Long Term Debt* Firm size	-0.075640	0.031129	-2.429873	0.0156
Short Term Debt* Firm size	-0.075129	0.049543	-1.516444	0.1304
Equity* Firm size	0.101731	0.042279	2.406168	0.0167
C	-2.36E-14	0.009616	-2.45E-12	1.0000
R-squared	0.765604	Mean dependent var		-32.07488
Adjusted R-squared	0.727984	S.D. dependent var		175.1643
S.E. of regression	12.83484	Sum squared resid		53373.51
F-statistic	20.35142	Durbin-Watson stat		2.023880
Prob(F-statistic)	0.000000			

Regression Equation

$$Y_{i,t} = -2.36E - 14 + 1.549273LTD_{i,t} + 1.465227 STDB_{i,t} - 1.421893EQT_{i,t} + 0.156123 FMZ_{i,t} + -0.075640 FMZ * LTD_{i,t} + -0.075129 FMZ * STDB_{i,t} + 0.101731 FMZ * EQT_{i,t}$$

Effect of long-term debt on dividend payout

The first hypothesis of the study stated that there is a positive significant effect of long term debt and dividend payout of non-financial companies listed in NSE. Long-term debt has a positive and significant impact on the dividend distribution of non-financial companies listed on the NSE, according to the regression coefficient results (Beta = 1.549273, p-value = 0.0017). According to the data, raising long-term debt by one unit would result in a 1.549273 unit increase in dividend payout levels for non-financial companies listed on the NSE. However a study conducted by Ali, Mohamad and Bahruddin (2018) discussed Malaysian listed firms. One of the objectives was to evaluate the effects of long-term debt, which was represented by leverage and measured as a ratio of long-term debt to total assets of the firms. The study used panel data gathered over a five-year period, from 2009 to 2013, from 141 publicly traded companies. By using pooled ordinary least square regression, it was discovered that the relationship between long-term debt and dividend policy was negative. The results clash with the results finding of this paper that demonstrated Long-term debt has a positive and significant impact on the dividend distribution of non-financial companies listed on the NSE.

Effect of Short Term Debt on dividend payout

The second hypothesis of the study stated that there is a positive significant effect of short-term debt and dividend payout of non-financial companies listed in NSE. According to the regression coefficient results (Beta = 1.465227, p-value = 0.0487), short-term debt has a positive and substantial impact on the dividend distribution of non-financial companies listed on the NSE. According to the data, raising short-term debt by one unit causes the dividend payout levels of non-financial companies listed on the NSE to grow by 1.465227 units. Uwuigbe (2013) investigated how short-term debt affected Nigerian business dividend payouts. The annual reports for the years 2006 to 2010 were used to assess a sample of 50 chosen listed companies from the Nigerian Stock Exchange Market using the judgmental sampling technique.

Based on the financial structure and the information that is readily available for the listed companies, the selected corporations are chosen. The data gathered from the annual report of the chosen organizations were analyzed using the regression analysis method as a statistical methodology. The study conclusions showed a substantial positive association between

Nigerian sampled enterprises & dividend distribution and short-term debt. The results concur with the research finding of this paper and earlier research that demonstrated short-term debt has a positive and substantial impact on the dividend distribution of non-financial companies listed on the NSE.

Effect of Equity on dividend payout

The third hypothesis of the study stated that there is a negative significant effect of equity and dividend payout of non-financial companies listed in NSE. According to the regression coefficient results (Beta = -1.421893, p-value = 0.0339), equity has a negative and substantial impact on the dividend distribution of non-financial companies listed on the NSE. According to the statistics, increasing equity by one unit has a -1.421893 unit increase on dividend payout levels for non-financial companies listed on the NSE. Hosain (2016) examined the factors influencing the dividend payout policies for private commercial banks listed on the Dhaka Stock Exchange in Bangladesh. The equity component was examined in terms of the overall equity held by insider shareholders. In the study, secondary data from 2005 to 2015 were used. An analysis using a fixed effects model was done. According to the research, there is no meaningful correlation between insider equity and dividend payout for banks listed on the DSE. The findings discredit with the research finding of this paper and earlier research that demonstrated equity has a negative and substantial impact on the dividend distribution of non-financial companies listed on the NSE.

Moderation Effect of Firm Size on dividend payout

The fourth hypothesis of the study stated that there is no moderating effect of firm size and dividend payout of non-financial companies listed in NSE. Because R-squared improved from 0.764425 to 0.765604, the regression coefficient findings showed that firm size has a moderating influence on dividend payout of non- after interaction factors were introduced were another indication of moderation. The introduction of company size as a moderator resulted in a significant moderating according to these high changes in values both positive and negative. Adamu, Ekundayo and Bala (2020), assessed whether firm size mattered in the association between dividend policy and foreign ownership. Size of the firm positively moderated the association between foreign structure of ownership and dividend payment propensity. The finding of this research affirms previous studies that firm size could flip to be positive or negative depending on the association between foreign structure of ownership and dividend payment propensity.

SUMMARY OF THE FINDINGS

Examining the financial structure and dividend practices of non-financial listed companies on the Nairobi Stock Exchange was the main goal of the current study. The study specifically looked at how equity, business size, long-term debt, and short-term debt affected the dividend payout of non-financial listed companies on the Nairobi Securities Exchange. The non-financial listed companies in Nairobi's stock exchange were the focus of the investigation.

Long-Term Debt

According to the results of the correlation research, the dividend payout of Nairobi Securities Exchange-listed non-financial enterprises is correlated with long-term debt. Additionally, the results of the multiple regression analysis showed that long-term debt has a favorable and significant impact on the dividend policy of non-financial listed companies in Nairobi. This suggests that the Nairobi Securities Exchange should improve the dividend policies of listed non-financial companies.

Short Term Debt

According to the results of the correlation research, the dividend payout of Nairobi Securities Exchange-listed non-financial enterprises is correlated with short-term debt. Additionally, the results of the multiple regression analysis showed that short-term debt has a favorable and significant impact on the dividend policy of non-financial listed companies in Nairobi. This suggests that the Nairobi Securities Exchange should improve the dividend policies of listed non-financial companies.

Total Equity

According to the results of the correlation analysis, equity and the dividend payout of Nairobi Securities Exchange-listed non-financial companies are correlated. Additionally, the results of the multiple regression analysis showed that equity has a favorable and significant impact on the dividend policy of non-financial listed companies in Nairobi. This suggests that the Nairobi Securities Exchange should improve the dividend policies of listed non-financial companies.

Moderation Effect of Firm Size

According to the findings of the correlation analysis, the Nairobi Securities Exchange's non-financial listed companies' dividend policies and firm size are correlated. Additionally, the results of the multiple regression analysis showed that Firm Size has a positive and substantial

impact on the dividend policy of non-financial listed companies in Nairobi. This implies that Firm Size has an impact on the dividend policy of listed non-financial companies in Nairobi.

CONCLUSIONS

Long-Term Debt

The study finds that organizations, especially those involved in the stock market, must have management policies that seek to improve long-term debt and allocate significant resources to long-term debt management. The findings indicate there is a favorable association between long-term debt and dividend payout of non-financial listed companies in Nairobi stock exchange are also supported by the regression results.

Short Term Debt

The study comes to the conclusion that organizations, especially those involved in the stock market, must have management policies that work to increase short-term debt and put a lot of effort into managing short-term debt. The findings indicate there is a positive correlation between short term debt and dividend policy of non-financial listed companies in Nairobi Securities Exchange are also supported by the regression results.

Total Equity

The study comes to the conclusion that organizations, particularly those involved in the stock market, must have management policies that aim to increase equity and invest significant resources in equity. The findings suggest there is a positive association between equity and dividend policy of non-financial listed companies in Nairobi stock market are also supported by the regression results.

Moderation Effect of Firm Size

The study's findings support the need for organizations, particularly those that trade on the stock market, to have management policies that focus on growing their firm size and allocating significant resources to doing so. Because R-squared improved from 0.764425 to 0.765604, the regression coefficient results showed that business size has a moderating influence on dividend payout of non-financial companies listed in Kenya's NSE. The significant differences in the values of the regression coefficients before and after the introduction of interaction variables provided additional support for moderation. The introduction of company size as a moderator results in significant moderating, according to these high changes in values, both positive and negative.

RECOMMENDATIONS

Managers

The management of the listed non-financial companies benefit from this study as they will understand the impact of effect of financial structure and dividend payout respectively. Additionally, the management will be better informed on the shareholders' wealth management.

Capital Market Authority

Further, the study findings will be beneficial to Capital Markets Authority (CMA) since from the findings, they will develop policies that will guide optimal investment policies. This in turn guides senior management in these companies to adopt different measures that help in the performance of their firms.

Financial Consultants/Analysts

The results of this study will help financial advisors and analysts provide their clients with better investment recommendations. This relates to the dividend-based return on their investments as a result of the financial structure they choose.

Researchers and academics

The study will help researchers, academics, and those wishing to apply the study's findings to deepen their understanding of financial policies and their use in their future research. Additionally, the study will add to what is currently known. The study will also offer a useful justification for how financial structure affects dividend payout.

AREAS OF FURTHER STUDIES

The Nairobi Securities Exchange's non-financial listed companies were the subject of the current investigation. Since this study was restricted to the Kenya Securities Exchange, it is necessary to perform additional research on other non-financial listed companies in other nations. The study went on to prove that the management of financial structures, including long-term debt, short-term debt, total equity, and business size, accounts for 76.5604% of variations in non-financial listed companies in Nairobi securities exchange. The report suggests conducting additional research on additional non-financial listed businesses' metrics in Nairobi stock market 23.4396%.

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