Applicability of lintner's dividend policy to companies quoted on the Nairobi stock exchange

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Distribution of profit through dividends is a problem unique to companies due to segregation of management from the ownership. In 1956, John Lintner laid the foundation for modern understanding of dividend policy a model that has been used over the years to explain companies' dividend policies. Researches done in the developed world provide insights into the dividend policy of companies based on Lintner's earlier findings. In the developing world however, few studies on the dividend policies of companies exist. More research is therefore required to understand the dividend policy of companies in the developing world and in particular, Kenya. This study examined whether companies quoted on the Nairobi Stock Exchange follow Lintner's model in their dividend policies and planning as is the case in the developed world. In which data from the 48 Nairobi Stock Exchange (NSE) quoted companies for the period 1998 to 2004 was used giving a 336 firm-year data. The data was analyzed to ascertain applicability of the model. The research indicated that on average, NSE companies paid 59.4 percent of their net earnings as dividends and had a dividend yield of 6.1 percent. Also, it emerged that the NSE companies while declaring dividends to be paid in any particular period did not apply the Lintner's dividend model