Corporate Governance Practices, Liquidity and Dividend Policy of Deposit Taking SACCOs in Kenya

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A Thesis Submitted in Partial Fulfillment of the Requirement for the Award of the Degree of Doctor of Philosophy in Business Management (Finance Option) of Masinde Muliro University of Science and Technology

October 2024

DECLARATION AND CERTIFICATION

I declare that this Thesis is my original work prepared with no other than the indicated sources and support and has not been presented elsewhere for a degree or any other award

Signature ………………………….. Date ……………………………

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PBH/01-52812/2018

CERTIFICATION

We declare that we have read and hereby recommend for acceptance of Masinde Muliro University of Science and Technology of a thesis entitled "**Corporate Governance Practices, Liquidity and Dividend Policy of Deposit Taking SACCOS in Kenya**".

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DEDICATION

This thesis is dedicated to my beloved family for moral, financial support and encouragement during research engagement.

ACKNOWLEDGEMENT

First and foremost, I thank Almighty God for his grace and the gift of life as well as good health during the period of the study. I thank Him for giving me knowledge and wisdom to conduct this study. I would also wish to highly appreciate my supervisors Prof. Ondiek Benedict Alala and Dr. Dennis Bulla for their tireless guidance and direction on this proposal. Thank you very much my seniors for your input in this work.

To the university of choice, Masinde Muliro University of Science and Technology, thank you very much for giving me an opportunity to study here and for a conducive study environment as well as thorough programmes under PhD. in Business Management. Specifically I thank the entire school of business and economics for their competent lecturers who taught me with dedication.

I am grateful to my classmates whom I consulted oftenly on matters of academics as well as group discussions, you really encouraged me in this undertaking. I also thank colleagues and friends who gave me moral support and encouragements on matters of academics. Lastly I thank my employer for according me humble time to study and through the job I was able to finance my studies.

ABSTRACT

Corporate governance is increasing interest to Saccos as it is contemplated to be one of the weakest areas in the finance industry. Sacco Societies Regulatory Authority insisted that any decisions to pay dividends must be made with utmost diligence considering the potential impact on liquidity and earnings of the Saccos. Lack of proper financial policies, regulation and supervision of Saccos business is a big challenge in the Saccos movement in Kenya. Therefore, this study sought to examine corporate governance practices, liquidity and dividend policy of deposit taking Saccos in Kenya. The specific objectives were to determine effect of board characteristics, audit committee composition, ownership structure, transparency and liquidity on dividend policy of Deposit Taking Saccos in Kenya. The study is guided by agency cost theory, stewardship theory, liquidity preference theory and dividend irrelevance theory. The study adopted causal design and descriptive survey design and anchored on the philosophy of pragmatism. The targeted population in this study was 403 stakeholders of deposit taking Saccos in Kenya. A sample size of 201 was selected using stratified simple random sampling. The unit of inquiry was chairperson/director and Chief executive officer/Chief finance officer. Primary data was collected using structured questionnaires while secondary data was collected from 2017 to 2021. A pilot study was conducted on 20 Saccos in Starehe Sub County, Nairobi County to establish reliability and validity of research instruments. Cronbach Alpha was employed to ascertain reliability, whereas content and construct validity were utilized to attain validity. The data underwent analysis through the application of both descriptive and inferential statistics. The descriptive analysis encompassed the examination of frequencies, percentages, mean, and standard deviation, whilst the inferential analysis entailed the utilization of correlation and regression techniques. The investigation ensured that the assumptions of linear regression were satisfied before conducting numerous linear regressions. Data was presented in form of tables. The results revealed that there is a positive significant relationship between corporate governance practices and dividend policy of DT Saccos in Kenya P of $0.000<0.05$. On addition of liquidity, all variables remained significant as t values were greater than 1.96 at 95% significance level, board characteristics t value 12.212, audit committee composition $t=12.914$, ownership structure $t= 10.833$ and transparency of financial statements $t =13.519$, furthermore the P of $0.000<0.05$. It is conclusive that deposit-taking Saccos in Kenya focused on board characteristics as envisaged, audit committee composition, ownership structure, transparency procedures of financial data and liquidity which had positive significant effect on dividend policy. The study recommended that Sacco's should diverse the board features to ensure they accommodate the dividend policy framework. Gender parity should be considered always. Sacco's to continuously refine audit committee. Well composed audit committee on basis of skills and experience would add value on dividend policy. Sacco's should allow members to save as many shares as possible to strengthen their ownership ability in the Saccos for better dividends. Sacco's should have policies regarding disclosure and financial data transparency. Sacco's should maintain the minimum liquidity threshold, advocate for deposits, withdrawals, savings, investment and dividend payout.

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ABBREVIATIONS AND ACRONYMS

CEO	Chief Executive Officer
CFO	Chief Finance Officer
CG	Corporate Governance
DPR	Dividend Payout Ratio
DT	Deposit Taking
ROA	Return on Assets
ROE	Return on Equity
SACCO	Savings and Credit Cooperatives
SASRA	Sacco Society Regulatory Authority

OPERATIONAL DEFINITION OF TERMS

Audit Committee:	Refers to the audit team for the organization and its composition such as size, qualification, independence, competence.
Board Characteristics:	This refers to board of directors features such as independence, size of board, gender diversity and competence.
Corporate Governance practices:	This refers to a system by which companies are supervised and controlled to ensure interest of the stakeholders are preserved and protected. This is attained through board characteristics, audit committee, ownership structure and transparency.
Dividend Policy:	Refers to the decision regarding whether to pay dividends or not, the pattern of payment and the level of payout. This is obtained by taking yearly dividend per share and dividing it by the earnings per share
Liquidity	Refers to cash inflows and cash outflows and balance between inflows and outflows. Liquidity will be measured using total loans to total deposit and loans to total assets ratio.

Ownership Structure Refers to shareholding strength for an organization. This is attained through the institutional, block holder and managerial ownership.

Transparency: Openness in decision making and honest reporting of activities of events in an organization that may affect a firm's performance. This is tested through disclosure of all material transactions, presentation of financial data and reports, board accountability and decision making

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Today's businesses compete to succeed based largely on their dividend policy, transparency and governance structure. They operate to serve many interests both internally and externally like shareholders, management, employees, customers, suppliers, lenders, and the community as a whole. Corporate governance has been defined as the process, structure, relationship through which the board of directors oversees what the executives do to achieve the goals and objectives of the organization (Kevin, Steve & Mike, 2016). The board oversees key financial concepts such as board characteristics, audit committee composition, ownership structure and transparency. Studies are majorly guided by agency theory to align management and employee relationships.

Njuguna (2021) perceives corporate governance as both the structure and relationships which predicts corporate direction and performance. It has also been defined as a system by which companies are supervised and controlled to ensure interest of the stakeholders are preserved and protected (Mallin, 2016). Corporate governance basically addresses issues of board accountability, values and strategy, risk management, transparency, stakeholder interaction and more. Thus corporate governance is considered as the whole set of actions taken within the enterprise to favor the economic agents to engage in the productive process towards creating organizational surplus with the cooperatives. The purpose of implementing corporate governance is to encourage responsible ethical behavior that accelerates performance while protecting the interest of shareholders and stakeholders. Dividend policy that maximizes share value comes from a well thought out decision guided by good corporate governance practices (Karamoy & Tulung, 2020).

Corporate failure especially those in the USA including Enron and World com resulting from insufficient monitoring and accountability mechanisms have increased attention on corporate governance (Alaali, Mouzaek & Aburayya, 2021). This is further build by institutional theoretical underpinning.

Zhou, Owusu-Ansah, and Maggina (2018) found that the stock market liquidity of European firms with effective governance exhibited superior performance compared to organizations with inadequate governance. The Cadbury Report in the UK provided the initial corporate governance rules in 1992. Presently, the majority of developed and developing nations have adopted these recommendations to oversee and enforce best practices among corporate entities. Moreover, corporate governance principles have been supplied by international organizations and associations such as the Organization for Economic Co-operations and Development (OECD) and the Commonwealth Association. The aforementioned study conducted by Gnan, Hinna, Monteduro, and Scarozza (2013) highlights the substantial impact of corporate governance best practices on the success of organizations.

Goswami (2013) asserts that the emergence of the corporate governance movement in India can be attributed to a series of business scandals that gained prominence during the initial stage of economic liberalization in 1991. The stock market experienced a prolonged period of closure. The insufficient liquidity of the stock market caused panic among investors and brokers. The establishment of the Securities and Exchange Board of India (SEBI) was the initial stride towards corporate governance in India. The introduction of the Companies Act 2013, together with other laws, has made corporate governance a significant issue in India. This legislation has established stringent regulations on governance and imposed penalties for non-compliance with these regulations (Abraham, Marston, & Jones, 2015).

SACCOs are mostly found in Ethiopia, Kenya, Tanzania, Uganda, Zambia, and Ghana. They are also present in other African countries, with a total of 27 countries in Africa having SACCOs (WOCCU 2017). According to the African Corporate Governance Network (2016), Africa is now in its nascent phase with respect to corporate governance. Nevertheless, many countries such as South Africa, Nigeria, Kenya, Egypt, and Mauritius have implemented revised regulations and code of conduct pertaining to corporate governance. According to a report by the African Corporate Governance Network in 2016, African nations have undertaken efforts to establish and enhance their corporate governance structures in response to the unique political and economic contexts they face. South Africa remains at the forefront of corporate governance on a global scale, particularly in terms of implementing global standards in an emerging market setting. On the other hand, Mauritius has made significant strides in establishing internationally acknowledged corporate governance standards for its small island economy.

The development of the corporate governance concept in South Africa can be attributed to the founding of the King committee on corporate governance in 1992, which was initiated by the Institute of Directors of Southern Africa. This committee's efforts culminated in the issuance of the first King Report in 1994 (Marrone & Oliva, 2020).

During the late 1990s, South Africa witnessed several notable instances of corporate failures, including as the collapse of Macmed, Leisure net, and other bank organizations. These failures were mostly ascribed to the absence of effective corporate governance best practices. According to Merwe, Jongh, Schulschenk, and Nieuwoudt (2015), the legislative impact of the New Companies Act of 2008 is significant in shaping the manner in which enterprises are conducted in South Africa.

World Bank debarred nine Nigerian individuals and firms from executing any contract with it due to corporate governance issues, including corruption, fraud and collusive practices (Abdulmalik & Ahmad, 2020). The distress syndrome was first observed in 1989 when there was mass withdrawal of deposit by government agencies and other public sector institutions which revealed the financial weakness of certain banks like the National bank of Nigeria and the Commercial trust bank limited which was bedeviled by boardroom cries and inside abuse. The turmoil in the Nigerian banking system has required the Government to set up some policies in form of corporate governance to stem the tide of bank failures and distress in Nigeria (Chukwujioke, 2018).

Despite the fact that Uganda’s public and private companies have adopted the three pillars of corporate governance, the country has continued to witness massive scandals resulting from failure of corporate governance (Lwanga & Basemera, 2021).Recent cases include a court case of Uganda Pentecostal University, where the board turned against the founders over ownership of the University, the wrangles and court cases of Uganda Muslim Supreme Council in which trustees turned against the Muslim fraternity over property management, collapse of the Crane Bank, closer of giant supermarkets Nakumatt and Uchumi in Kampala (Lwanga & Basemera, 2021).

The development of the corporate governance guidelines was informed by the considerable research conducted by many jurisdictions (Nyakeri, 2020). Several task forces and committees, such as those from the United Kingdom, Malaysia, South Africa, the Organisation for Economic Co-operation and Development (OECD), and the Commonwealth Association for Corporate Governance, were involved in the implementation of this initiative. In Kenya, the implementation of corporate governance principles was not driven by any instances of corporate failures or financial scandals. The rules serve as a carbon duplicate of the corporate governance codes of Hong Kong, Singapore, and Malaysia, which are replications of the Combined Code of the United Kingdom. Kenya has implemented non-statutory rules and an enforcement paradigm known as comply or explain. No attempt was made to synchronize them with the specific conditions and establishments of the local context (Outa & Waweru, 2016).

Corporate governance has been increasingly prominent in Kenya, similar to other countries. The investigation conducted by SASRA in Kenya revealed that Harambee Sacco's corporate governance processes were found to be inadequate. Inadequate leadership was identified as a contributing factor to significant liquidity issues, hence posing a risk to the money of its members (SASRA, 2022). According to Otieno's (2022) findings, the collapse of Cent Sacco in Kisumu resulted in a financial loss of 60 million Kenyan Shillings for its members. The Financial Sector Development Trust Kenya study (2016) states that Kenyan SACCOs are jeopardizing the funds of its members due to the presence of inadequate accounting and control mechanisms. Shibutse et al. (2019) noted that the dividend policy in Kenyan Saccos remains enigmatic, which is the prevailing challenge.

In Kenya, Kamau, Machuki and Aosa (2018) in a recent study on sound governance and performance of Kenyan financial institutions presumed that implementation of effective corporate governance structures enhances organizational performance. Kinyuira (2017) also in a study in Kenya on cooperative governance and sustainable performance of SACCOs concluded that effective cooperative governance positively impacts SACCOs' performance. A growing number of SACCOs in Kenya are experiencing significant challenges due to mismanagement, fraudulent activities, and non-performing loans. These issues have led to a state of instability within the sector, which, if left unaddressed, could potentially have adverse effects on the whole economy (Ogongo, 2016). The presence of numerous instances of financially distressed money and Credit Co-operative Societies (Saccos) has brought attention to the potential loss or vulnerability of substantial amounts of members' money, amounting to hundreds of billions of shillings. Three SACCOs, namely Mwalimu, Ekeza, and Stima Investment Co-operative, have collectively incurred a financial loss exceeding Sh3.6 billion due to mismanagement or fraudulent activities perpetrated by its officers and boards. In response to the escalating situation, the State Department of Co-operatives has enlisted the assistance of the Ethics and Anti-Corruption Commission (EACC) to investigate and prosecute individuals involved in fraudulent activities. The purpose of this action is to safeguard the savings of approximately 14 million Kenyans who are members of Saccos (Kibue & Mang'ana, 2022).

Corporate governance attributes have been investigated by different researchers using several attributes. For instance Omar (2020) used board independence, Blockholder ownership, board size, managerial ownership, board size and board composition (Huu Nguyen, Minh & Doan, 2020), CEO tenure and managerial ownership (Ikunda, 2016), Board composition, structure, rules and regulations (Kanojia & Bhatia, 2022), commitment index (Pahi & Yadav, 2019), financial reporting, transparency and disclosure, internal control system (Atanassov & Mandell, 2018) while Baker, Dewasiri and Koralalage (2020) used a triangulation approach to investigate the relationship between corporate governance and dividend policy among Sri-lankan firms. Whereas research in the relationship between corporate governance and dividend policy is rich, there is no consensus or conclusions arrived at. The study thus attempts to integrate four key factors defining corporate governance as explored by various authors and relate them to dividend policy of deposit taking SACCOs in Kenya. The general objective is; whether board characteristics, audit committee characteristics, Ownership structure and level of transparency significantly effect Sacco Society dividend policy. Further, the effect of liquidity as a moderator is tested on the relationship between corporate governance practices and dividend policy. The purpose is to provide solutions to the dividend question facing SACCO societies given the governance mechanism structure and process in Kenya.

Liquidity is the capacity of financial institution to meet its financial related responsibilities as they fall due (Koussis, Martzoukos & Trigeorgis, 2017). Liquidity is a significant pointer of financial sustainability in a Sacco society as it's how the SACCOs capacity to meet commitments as they fall due. Liquidity risk management helps a SACCOs meet income commitments, which are unpredictable as they are effectd by the external environment (Nguyen, 2020). To financial institutions such as banks and Savings and Credit Co-operative societies (SACCO), where in relation to financial institutions, liquidity is defined as ability to meet cash and collateral obligations without incurring substantial costs (Pattiruhu & Paais, 2020).

Liquidity is a significant marker of financial sustainability in SACCOs as it shows their capacity to meet money related commitments as they fall due (Kimathi, 2014). SACCOs should manage demand and supply of liquidity in a suitable way all together forwell running f their business, keep up great relations with the partners (Njeri, 2017). In order to remain liquid Deposits taking SACCOs require to coordinate the level of liquid resources to the short-term FOSA deposits and liabilities. The minimum regulatory ratio is 15%. Deposit-taking SACCOs are required to maintain a minimum regulatory ratio of15% and acquire external borrowings not more than25% relative to deposits.

It is widely believed that corporate governance plays a crucial role in enhancing stock market liquidity through the mitigation of information asymmetry that exists between managers and investors. Corporate governance is expected to enhance organizations' capacity to engage in large-scale trading efficiently and at a reduced expense. In order to examine the liquidity of the firm's stock market, it was important to ascertain the quantifiable characteristics. According to Feizal, Sudjono, and Saluy (2021), the primary metrics employed in the examination of stock market liquidity encompass three key dimensions: tightness, trading time, and price impact. Stock market liquidity is a multifaceted concept that cannot be immediately observed. It is evident that the phenomenon cannot be adequately represented by a singular dimension. Furthermore, it should be noted that the existing data does not quite align with the dimensions mentioned earlier (Zainuddin & Mananohas, 2020).

1.1.1 Dividend Policy

Dividend policy is the decision regarding whether to pay dividends or not, the pattern of payment and the level of payout (Al-Najjar & Kilincarslan, 2016). Dividend policy refers to the internal criterion employed by a firm to determine the proportion of its earnings that is allocated to shareholders. Dividend policy is a fundamental decision in corporate finance that companies must make. Since Lintner's seminal work in 1956, numerous research have been conducted to comprehend the significance of managed dividend policy in generating business value. Policies on dividend policy are always stringent However, the concept of dividend policy continues to be an unresolved enigma (Farrukh, Irshad, Ishaque, & Ansari, 2017).

Firms pay dividends either to signal better financial prospects or to reduce agency costs associated with asymmetric information between investors and managers. This situation occurs when managers have free cash flows that they cannot invest in positive NPV projects and thus instead of misallocating resources, they are compelled to distribute cash dividends (Shibutse, Kalunda & Achoki, 2019). By paying dividends the corporate manager will be forced to use external finance like issues equity or borrow from the capital market. Consequently, the cost of monitoring managerial activity is transferred to other claim holders.

Dividend payout policy is an important financial policy not only from the firm's perspective but also from that of shareholders, employees, lenders and other stakeholders (Kathuo, Oluoch, & Njeru, 2020). For shareholders' dividends whether declared today or accumulated and paid at later date it's not the only source of their income but an important determinant of their firm value. Employees are flexible on how much to invest in new projects since it depends on how much dividends to pay shareholders. Lenders also have interest on how much dividends are paid since more dividends means the firm will have less to meet their claims (Koduk, 2016). This brings the issue of agency situation on all stakeholders but it can be managed by a good dividend policy. This is so because payment of dividends reduces the discretionary funds available to managers for perquisite consumption and in case they need money for capital investment they will seek financing in capital markets. This monitoring by the external capital markets will encourage the managers to be more disciplined and act in owners' best interest (Ali, Muema & Muriuki, 2021).

SACCO profits are distributed as dividends on share capital and core capital. Dividends declared on share capital are usually higher than that declared on core capital/deposits. The purpose of the payments is to attract and retain members. In the last decade, the payout of dividends among DT SACCOs has averaged 10 percent. Some SACCOs like Nyati SACCO declared a very high payout of 21 percent on share capital and 11.3 percent on core capital. This means that some SACCOs pay dividends that are above their return on assets. Continuing this trend may lead to serious financial problems for the SACCOs because they may not be able to service external loans and other obligations. Kathuo, Oluoch and Njeri (2021) argue that small and medium sized SACCOs are the ones paying above average dividends while they are most at risk of collapsing due to high leverage compared to large SACCOs.

Overall SACCO dividend policy appears inconsistent with variability of payout between and within the societies. This study thus investigates how dividend policy is effectd by corporate governance practice with measurement of dividend policy based on actual payout and propensity to pay. The approach is meant to enrich the study and enhance understanding of the dividend payout behavior of SACCOs in Kenya.

Liquidity position of the SACCOs in Kenya represented by cash and cash equivalent between 2020-2021 indicates a rise from shs. 51.23 billion in 2020 to kshs. 79.96 billion in 2021 (WOCCU, 2017). Net loan portfolio dominates total assets by proportion (70.64 percent) representing kshs. 488.2 billion followed by cash and cash equivalent (11 percent), property and equipment (7.44 percent) , financial investments (5.73 percent) and lastly prepayments and receivables (4.61 Percent) from a total asset value of kshs. 627.68 billion.

The Sacco Societies Regulatory Authority (SASRA) is a state corporate under the ministry of Agriculture, Livestock, Fisheries and Cooperation mandated to licensing, regulatory and supervising Saccos in Kenya particularly deposit taking Saccos societies (Alukwe, Ogollah & Orwa, 2015). The regulator issued the corporate governance guidelines to set minimum standard of conduct and sound governance practices to be followed by deposit taking Sacco Societies in Kenya (SASRA, 2017).

SASRA through the guidelines based on broad principles however has observed through onsite and offsite monitoring that DT Saccos did not follow certain common governance policies and practices as provided in the guidelines (SASRA, 2017). This has resulted in managerial and operational challenges that make it necessary to review matters of effectiveness of boards, transparency, accountability, risk management, internal control, ethical leadership and good corporate citizenship (SASRA, 2017). The findings from the report by SASRA has motivated the study to investigate just how various aspects of corporate governance bear on the SACCO society decision to pay dividends in Kenya (Ncurai & Rambo, 2022).

1.1.2 Deposit Taking Saccos in Kenya

Deposit-taking SACCOs in Kenya are authorized to conduct quasi-banking activities, including the provision of current and transactional accounts to members, similar to those offered at conventional banks. There are 175 SACCOs in Kenya that accept deposits, as reported by SASRA (2021). Most deposit-taking SACCOs in Kenya are regulated to protect their depositors, according to a WOCCU (2021) report; most of these organizations are also part of the SACCOs industry in Kenya (CBK, 2020). According to Wamukota, Musiega, and Alala (2022), in order to meet the lending demands of their members, deposit-taking SACCOs have turned to commercial banks for assistance.

The study on the governance-dividend relation for DT Sacco Societies is necessary due to the wavering performance of Saccos in terms of dividend policy, mismanagement and loss of depositor funds that has been reported by the regulator. By using both primary and secondary data, the analysis and conclusion of the key governance issues and their effect on dividend policy of DT Sacco societies was robust. Therefore, data validation by the two approaches is considered more accurate and reliable for a problem that continues to register missed results across the region and the world. A mixed approach adopted in this study is unique to the subsector since many studies have only adopted a singular approach.

1.2 Statement of the Research Problem

Dividend policy is one of financial decisions taken by corporative societies and thus would be considered as part of the key performance indicators for Sacco societies (SASRA, 2021). Governance, managerial and operational challenges have paralyzed SACCO progress (SASRA, 2022). There have been reports of poor dividend policy where dividends are awarded regardless of profitability impacting negatively to SACCO earnings (SASRA, 2022). As a result some investors and members of Saccos have been withdrawing their membership from Saccos Societies. Challenges facing Saccos in Kenya have been explained on different contexts. Marete (2016) noted that Bandari Sacco officials engaged in a game of assigning blame on Kshs 5m. According to Anyanzwa (2018), Harambee Sacco resorted to conducting auctions of houses and land in order to enhance its cash flows. Conversely, Munaita (2018) reported that Metropolitan Sacco faced scrutiny due to financial difficulties. Three Savings and Credit Cooperatives (SACCOs), namely Mwalimu, Ekeza, and Stima Investment Co-operative, have collectively incurred a financial loss exceeding Sh3.6 billion due to mismanagement or fraudulent activities perpetrated by its officers and boards. Furthermore net income after tax declined from kshs. 17.12 billion to Kshs. 12.16 billion representing a 6 percent decline. The provision for loan loss nearly doubled from 5.22 percent to 9.77 percent from kshs. 5.08 billion to kshs. 10.6 billion (SASRA, 2021). Return on asset value for return on assets was 11 percent. Previous studies show inconsistent results, Jepkosgei (2022) examined corporate governance of deposit taking Saccos in North Rift Counties, Kenya which was found significant. However Wanjiru and Jagongo, (2022) found corporate governance to be insignificant on dividend policy of DT Saccos in Kenya. Wanjiru and Jagongo, (2022) proposed further study on individual corporate structure entities affecting dividend policy. This study investigated the corporate governance and dividend policy of DT Saccos in Kenya.

1.3 Research Objectives

The study was guided by general objective and the specific objectives.

1.3.1 General Objective

The main objective of this study was to examine the effect of corporate governance practices on dividend policy of Deposit Taking Saccos in Kenya.

1.3.2 Specific Objectives

i) To determine the effect of board characteristics on dividend policy of DT Sacco Societies in Kenya

ii) To examine the effect of audit committee composition on dividend policy of DT Saccos in Kenya

iii) To assess the effect of ownership structure on dividend policy of DT Saccos in Kenya

iv) To determine the effect of transparency on dividend policy of DT Saccos in Kenya

v) To examine the moderating effect of liquidity on the relationship between corporate governance practices and dividend policy of DT Saccos in Kenya

1.4 Research Hypotheses

H_{01}: Board characteristics have no statistically significant effect on dividend policy of DT Saccos in Kenya

H_{02}: Audit committee composition has no statistically significant effect on dividend policy of DT Saccos in Kenya

H_{03}: Ownership structure has no statistically significant effect on dividend policy of the DT Saccos in Kenya.

H_{04}: Transparencyhas no statistically significant effect on dividend policy of DT Saccos in Kenya

H_{05}: Liquidity has no statistically moderating significant effect on the relationship between corporate governance practices and dividend policy of the DT Saccos in Kenya.

1.5 Significance of the Study

The research was centered on examining the impact of corporate governance viewpoints on the dividend policy of Deposit Taking Sacco societies in Kenya. The results yielded significant corporate governance indicators that can be utilized by regulators, investors, and managers of organizations to enhance policy formulation and facilitate informed decision-making. This section highlights the significance of the study findings for the stakeholders listed below:

The study's findings will provide valuable insights for policymakers, regulators, and decision-makers across many levels. Specifically, it will shed light on the significant impact of enhanced corporate governance on market operations and its potential to mitigate transaction costs. Furthermore, the results offer comprehensive governance metrics that may be utilized to develop policies and make well-informed choices with the goal of reducing costs. It is possible for regulators and policymakers to gain insight into the political dynamics behind the corporate governance of Deposit Taking Saccos. This may aid individuals in enhancing their performance in areas that are adversely affected, with the aim of mitigating transaction costs. The general public and policymakers have the potential to acquire further insights regarding the efficacy of corporate governance. The findings of the study have the potential to facilitate informed decision-making and, to some extent, promote liquidity and improve dividend policy. This study aims to contribute to the management of DT-Saccos by examining the relationship between corporate governance characteristics, liquidity, and dividend policy. This understanding is important for decision makers who possess diverse perspectives and skills, as it is crucial for their financial success and the establishment of trust among stakeholders of the companies. The evaluation of organizational governance and identification of areas for development are advantageous for the board of directors of DT-Saccos.

The research would provide significant benefits to shareholders and investors by sharing information on governance barriers and suggesting solutions that will enhance the efficient operation of deposit-taking Saccos, thereby maximizing investors' investments. The implementation of effective corporate governance standards would lead to enhanced performance of DT-Saccos, hence positively influencing the overall economic performance of the nation. Financial advisers can employ the findings to provide guidance and guidance to their customers regarding investments in companies that exhibit robust corporate governance, hence yielding the most favorable returns. The study's findings have substantial implications for scholars and academics, since they add to the existing information on the effects of corporate governance, liquidity, and dividend policy in the Kenyan setting, which has been previously investigated by other academic researchers. The study's findings have the potential to serve as a repository for future academic researchers to refer to.

1.6 Scope of the Study

Geographically this study covered all the registered deposit taking SACCOs in Kenya. According to SASRA report 2021, these DT SACCOs are 175 in number categorized on three tiers, namely large, medium and small. Dividends paid by SACCOs have become key drivers of growing membership. The investment return is important to shareholders that many SACCOs are competing on the basis of dividend payout to attract and retain members. The SACCOs pay an average of 10 percent return on members' investments capital. Muchira and Mwangi (2019) argue that the financial success of a SACCO is measured by the profits made and from which dividends are paid. In turn divided decisions depend on investment opportunities, prior dividends, level of profitability, earnings growth and governance practices among other factors.

Conceptual scope of study examines four perspectives of corporate governance namely; board characteristics, audit committee, ownership structure and transparency. Additionally, Sacco liquidity which has a relationship with dividend payout is tested as a moderator. It depicted how liquidity effect SACCO governance decisions that bear on dividend policy. The data analyzed was quantitative and drawn from the questionnaire adapted by the researcher. Secondary data was also collected from SASRA 2021 report from 2017-2021 and this was used to triangulate the results.

1.7 Limitations of the Study

The researcher encountered the challenge of unwilling respondents in providing information due to reluctance of the respondents to respond to the questionnaires. The researcher gave reasons for study as academic purpose by producing NACOSTI letter and documentation permitting the study.

The management's hesitance to fully make information available for the purpose of evaluating the profitability and losses of the SACCOs posed a challenge, as this information was considered confidential by certain SACCOs. The researcher assured respondents confidentiality for study as academic and not investigative. Furthermore published financial statements were accessible through website.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviewed theories and literature related to corporate governance and dividend policy. The concepts and constructs have been investigated by many scholars around the world but no consensus exists as yet regarding their findings in different settings and methodologies used. Literature on specific studies is also reviewed to provide a benchmark for the current study. Ultimately the proposed study shall find its niche around what other authors have documented and this shall be important to future researchers, practitioners and academics. The section concludes with an illustration of the conceptual framework representing the model for study and also discusses identified research gaps arising from existing empirical studies.

2.2 Theoretical Review of Literature

2.2.1 Agency Cost Theory

Agency theory by Jensen and Mecklin (1976) explains the relationship between management and shareholders embodied in corporate governance literature. Corporate ownership and control is often separated that a situation arises where management actions are not necessarily in the interest of stockholders. Managers are agents of shareholders hired for the purpose of looking after the interest of shareholders. To do this, shareholders usually provide managers with appropriate incentives and monitor their activities. These become the cost that stockholders have to incur to safeguard their interest. Incentives include stock options, bonuses, perquisites, while monitoring take place through bonding the agent, reviewing of perks, auditing of financial statements and limiting managerial decisions. When managers or directors ownership of shares in a company is less or zero, there is less the likelihood that they may behave in a manner consistent with maximizing shareholder wealth and the greater the need for monitoring by stakeholders.

As Jensen (1986) argue, firms that do not pay dividends to shareholders are likely to misallocate resources in their control for private benefit. Thus to eliminate agency conflicts of this kind, effective corporate governance need be in place to ensure optimum dividend policy is in place. Agency cost theory posits that by separating the roles of the board chair and CEO, investor compensation is protected. It argues that high payouts reduce internal resources and consequently the cost of monitoring managerial activities. The cost is transferred to lenders when capital is sourced from external sources particularly debt. Managers are unable to engage in less-than-ideal investments since dividend payments decrease free cash flows (Choi, Park, & Kim, 2020). Consequently, increased returns from optimal investments boost a company's performance and value. The capital market regulator raises the extent of external scrutiny of business activity since dividend payments require corporations to raise cash externally for new investments (Imamah Handayani & Hung, 2019). There is thus improved corporate governance which has a positive effect in the firm’s performance. Agency theory posits that board size is a key determinant in monitory mangers. The reasoning here is that larger boards allow for specialization which lead to effective monitoring (Pareek, Pandey & Sahu, 2019).

A positive relationship between corporate governance and dividend policy is consistent with free cash flow theory. When board independence and external members are part of the board, monitoring is intensified and this reduces rent extraction by management (Gyapong, Ntim & Nadeem, 2021). In outcome hypothesis, dividends are a result of good cooperate governance practices so that poorly governed firms would be expected to pay less or no dividends so as to maximize management personnel wealth. In contrast well governed firms operating in environments with stronger minority shareholder protection tend to pay high dividend to increase shareholder wealth (Elmagrhi *et al* 2017). Higher and more consistent dividend payout is argued to occur when stronger corporate governance structures are present (Aydin & Cavdar, 2015). External and independent members of the board and audit committee reduce management's tendency to divert funds to their own benefit. A positive relationship is expected between corporate governance and dividend policy under this theory.

According to this hypothesis, poorly governed firms pay larger dividends in order to build a reputation with shareholders (Tahir, Masri & Rahman, 2020). Thus a negative relationship is expected between corporate governance and dividend policy. The theory considers dividends as a substitute for weak corporate governance (Elmagrhi *et al*, 2017). According to the substitution hypothesis, dividend payment is important for the establishment of reputation for weak firms but this need is weaker for firms with stronger shareholder rights (Aydin & Cavdar, 2015).

The flexibility provided by cash holdings can also have a dark side. As Jensen (1986) originally proposed, excess liquidity can lead managers to waste resources in bad projects if managers have private benefits of control. In practice, firms are likely to rely on other governance mechanisms to fine-tune their liquidity. For example, debt investors may use covenant violations to renegotiate with firms and help select valid uses of firms' cash reserves (Chava & Roberts, 2020). Monitoring by large shareholders in private firms (Gao, Harford & Li 2013), country-level investor protection (Dittmar,Mahrt-Smith & Servaes 2013), and pressure from the control market if a firm lacks antitakeover provisions (El Ghoul, Guedhami, Mansi & Yoon, 2022) can also help assure that firms do not waste their liquidity in bad projects.

Bulla (2021) postulated that high payouts reduce internal resources and consequently the cost of monitoring managerial activities. The cost is transferred to lenders when capital is sourced from external sources particularly debt. Dividends given to shareholders cut into free cash flows, preventing managers from engaging in less-than-ideal investments (Choi et al., 2020). Consequently, increased returns from optimal investments boost a company's performance and value. Increasing the amount of external supervision of company operations by the capital market regulator is a direct result of dividend payments forcing corporations to raise cash externally for new investments. There is thus improved corporate governance which has a positive effect in the firm's performance.

Stock options, bonuses, and profit-related pay are all ways to incentivize agents to work in tandem with principals, since their value is based on how effectively management's decisions benefit shareholders. Agency theory posits that managers and employees should prioritize their own self-interest, necessitating agents to carry out their responsibilities while considering the interests of the principals. The agents are subject to regulations established by the principals, with the primary goal of boosting shareholders' value. Therefore, the application of a more individualistic perspective is evident in this theory (Omware, Atheru & Jagongo, 2020). The recognition of an agency problem between shareholders and managers in a corporation is of utmost importance in this study, as it highlights the potential for mitigating this problem through the implementation of corporate governance tools. An effective governance process would ultimately result in the optimization of shareholder value, either through the increase in shares or the distribution of dividends.

The relationship between corporate governance and dividend policy in businesses is elucidated by two hypotheses that provide support for agency theory. One of the fundamental hypotheses is the Outcome Hypothesis. Consistent with the principles of free cash flow theory, there exists a positive correlation between corporate governance and dividend policy. The inclusion of board independence and outsider members inside the board enhances the level of monitoring, hence mitigating the occurrence of rent extraction by management (Mutuku, 2016). In outcome hypothesis, dividends are a result of good cooperate governance practices so that poorly governed firms would be expected to pay less or no dividends so as to maximize management personnel wealth. In contrast well governed firms operating in environments with stronger minority shareholder protection tend to pay high dividend to increase shareholder wealth (Elmagrhi *et al* 2017). Higher and more consistent dividend payout is argued to occur when stronger corporate governance structures are present (Njuguna, 2021). External and independent members of the board and audit committee reduce management's tendency to divert funds to their own benefit. A positive relationship is expected between corporate governance and dividend policy under this theory. The last is

Substitution Hypothesis. According to this hypothesis, poorly governed firms pay larger dividends in order to build a reputation with shareholders (Kipkosgei, 2019). Thus a negative relationship is expected between corporate governance and dividend policy. The theory considers dividends as a substitute for weak corporate governance (Elmagrhi *et al* 2017). According to the substitution hypothesis, dividend payment is important for the establishment of reputation for weak firms but this need is weaker for firms with stronger shareholder rights (Aydin & Cavdar, 2015).

Agency theory has been critiqued to be dependent on institutional factors. As Brudney (1985) asserts scattered stock holders lack the necessary information and institutional mechanism to bargain over terms of management employment or even to monitor and control management activities. In addition, outside directors are not sufficiently independent from management to serve as agents for shareholders. Therefore agency conflict may not necessarily be cured by the structure and characteristics of the board alone but may require government intervention. Overall institutional mechanisms in emerging markets are more critical to addressing corporate governance issues in organizations rather than board structure and composition. Emerging market firms operate in environments that are different from that of the American society where agency theory was developed. Governance relies on agency relationship therefore board characteristics, audit committee, ownership structure and transparency are well guided under agency theory making this the main theory.

2.2.2 Stewardship Theory

Stewardship theory by Donaldosn, (1990) and Donaldson and Davis (1991) as cited in Chege (2015) contend that the role of the board chair and CEO is shared and this protects investor interests. It argues that directors are stewards whose interests and practices are aligned with that of their principals. By fulfilling the expectations of the principals, manager's goals shall also be met by association. Shareholder wealth is enriched and expanded through firm performance and this also benefits the manager in the organization.

The stewardship theory places significant importance on the function of top management as stewards. Hence, the corporate governance framework confers authority upon managers who assume the role of stewards, affording them a heightened level of control. This, in turn, fosters trust among managers, resulting in a reduction in monitoring expenses. In order to safeguard their standing within the organization, the executives and directors, acting as decision-makers, strive to optimize the financial performance of the organization through the augmentation of its wealth and the enhancement of shareholders' profits (de Barros, dos Santos, Orso & Sousa, 2021). By doing this, their objective is to be perceived as responsible individuals who are efficient in managing their organization, therefore safeguarding their professional trajectories (Fama, 1980). This theoretical framework acknowledges managers as stewards who prioritize the interests of shareholders in their operational activities. Consequently, the primary objective of corporate governance is to empower these stewards, thereby mitigating monitoring expenses and ultimately optimizing shareholder wealth through dividend disbursements and share appreciation.

In this perspective, stewards being company executives and managers working for the shareholders, protects and make profits for the shareholders. It is upon the management to work with the board, auditors in a transparent manner. Stewardship needs transparency. Matters regarding disclosure needs honesty. When it comes to dividend payout it is upon the stewards to give true position and advise the board and shareholders on best dividend decisions to undertake. This theory addresses the transparency corporate structure element for the executive and management in general.

2.2.3 Liquidity Preference Theory

Keynes (1936) was the mind behind the theory. Lima and Terra (2021) state that investors favor short-term investments like treasury bills and other money market instruments over long-term investments like bonds and equity capital market products, as stated in Keynes' 1964 Liquidity Preference Theory. The need to have cash on hand for speculative, precautionary, and transactional purposes is what motivates this choice (Chen *et al*., 2020).

The transactional money function pertains to the disbursement of salaries and other operational expenses incurred by a firm, whereas the precautionary function entails the retention of cash in anticipation of potential claims initiated by the insured party (Baker, 2018). Likewise, the utilization of funds by an insurance company for speculative purposes involves the imperative to generate profits by capitalizing on market inefficiencies that are marked by the misevaluation of stocks and other financial assets

(Raongo, 2015). In a similar vein, investors exhibit a preference for elevated interest rates when the investment term is marked by fluctuations in interest rates.

Al Matari (2021) investigated determinants of bank profitability of gulf cooperative council (GCC) with liquidity as moderator. The findings indicate that bank liquidity has a positive moderating effect on profitability. Increased liquidity is likely to improve profits because liquidity and working capital finances operational costs and in the case of financial institutions like SACCOs, adequate liquidity supports lending to members and payment of dividends. Bank liquidity according to Barhanu (2015) is effectd by internal and external factors and the regulatory environment. The SACCO regulators stipulate that SACCOs should maintain at least 15 percent of their assets in liquid cash and equivalent. The variable is measured using ratio of total loans to total assets. The downside of low liquidity is borrowing from financial institutions at considerable cost which reduces SACCO society returns. Increasing investments using cash and cash equivalent is likely to decrease bank liquidity (Chowdhury & Rasid, 2015).

2.2.4 Theories of Dividend Policy

Miller and Modigliani (1966) identified the three policy theories emerge in finance literature to explain dividend payout behavior. The first is that dividends are paid at a constant rate regardless of earnings changes. This policy argues for constant dividend payout. Payout ratio is kept constant by adjusting dividend paid out in relation to the earnings results (Van Horne & Dhamija, 2012). In this policy, the actual level of dividends paid remains the same each year. In case earnings increase, more of it is retained to maintain a flat payout. Conversely when earnings fall, retention reduces.

The second policy is the smoothed residual policy. This policy posits that dividend payment lags behind earnings. Companies applying this policy delay paying dividend and do not respond to short term changes in earnings. The dividend per share is kept stable and only changes if long term profitability forecast of the firm is adjusted (Kyle & Frank, 2013). A low dividend adjustment rate relative to a target payout ratio explains dividend smoothing.

The third dividend policy theory is the pure residual dividend policy where dividends are only paid after all the financing needs of the firm have been provided for from the earnings. The policy compares a firms return on equity and the rate of return that an investor could earn if they invest their dividend in a venture of their choice. If a firm would achieve a high return on equity than an equally risky investment in the market, then the firm would rather reinvest dividends (plowback) rather than pay dividends. In other words, dividends are only paid out as residual funds after the firm's capital needs have been met. Under this policy, dividends paid out fluctuate widely since the decision is purely a residual one.

2.3 Conceptual Review

2.3.1 Board Characteristics

Board characteristics refer to board of director's features in an organization. Board characteristics have an effect on dividend policy since the board has powers to determine the dividend position whether to invest or pay the dividend. This can be possible and it has resultant effect on liquidity position as far as dividend payment is concerned. To ascertain board characteristics the board independence, the size of the board, the board members gender and competencies are key. Board independence is a crucial function for any effective board. Many independent directors care about their reputation (Mwendia, 2018). The proportion of independent directors has a significant positive impact on performance and asset quality of banks (Kosgei, 2017).

Board size and firm performance relationship has divergent views. Kahindi (2020) argue that a board membership of more than eight is not likely to be effective because of the difficulty in coordination, communication and decision making. Board gender diversity in terms of number of male and female members of the board is hypothesized to effect quality of board decision. Mucheru (2019) realized a positive effect of female board members on dividend policy especially for firms with weak governance. Njogu (2019) also discovered a significant positive relationship between boards with more women and higher dividend payout compared to those with fewer women.

2.3.2 Transparency

Transparency refers to openness in decision making and honest reporting of activities of events in an organization that may affect a firm's performance. This is tested through disclosure of all material transactions, presentation of financial data and reports, board accountability and decision making. The nature and amount of information disclosure is ultimately determined by the board of directors (Shibutse, Kalunda & Achoki, 2019). Therefore, the board should be characterized by competence and independence so as to promote transparency and disclosure of information (Keben & Maina, 2018).

2.3.3 Ownership Structure

Ownership Structure refers to shareholding strength for an organization. This is attained through the institutional, block holder and managerial ownership. Institutional ownership and dividend policy research by Eshikumo and Makokha, (2021) report a positive relationship while Kamau, Machuki and Aosa (2018) in a recent study on sound governance and performance of Kenyan financial institutions document a negative effect. Significant ownership of shares leads to a decrease in dividend distribution, resulting in a conflict between a dominant owner and a minority external shareholder (Rasugu, 2019). Institutional shareholders have the potential to serve as an alternative mechanism for monitoring, hence diminishing the necessity for external monitoring by capital markets. However, Kahan and Rock (2017) disagrees claiming many institutional owners would tend to free ride when it comes to monitoring activities. Large shareholders have considerable power and discretion over key decision like dividend payout. In Nigeria, large institutional ownership characterized shareholding of firms but despite this, much of it is in foreign hand and shareholder rights are not well protected. Empirical findings indicate that managerial ownership is positively related with dividend policy (Njuguna, 2021) while Kariuki (2016)documented a negative association with dividend policy and while similar findings were reported by Jepkosgei (2022) while examining the determinants of dividend decisions on performance of deposit taking Saccos in North Rift Counties

2.3.4 Audit Committee Characteristics

Audit Committee Characteristics refers to the audit team for the organization and its composition such as size, qualification, independence, competence. These features may set apart the performance of the board with regard to developing procedures and practices that will improve accountability systems and reporting standards (Chijoke-Mgbame & Mgbame, 2020). It is imperative to have this committee so that internal controls can be instituted to protect resources and ensure efficiency and effectiveness in resource use. The committee collaborates with external and internal auditors, appoints external auditors, crafts the procedures and responsibilities of appointing internal and external auditors, designs internal control systems and determines duration for contracts, rotation process and their remuneration (Baker, *et al*., 2020). A strong and independent audit committee comprising external auditors is associated with higher dividend payout

2.3.5 Liquidity

Liquidity refers to cash inflows and cash outflows and balance between inflows and outflows. Liquidity is expected to moderate the relationship between the corporate governance and dividend policy. Liquidity will be measured using total loans to total deposit and loans to total assets ratio. Firms at the Nairobi Securities Exchange reduce dividends if they faced cash shortage and this was a leading factor affecting dividend payments for a majority of firms at the exchange (Bulla, 2021). Therefore, SACCO societies require adequate liquidity to pay dividends to shareholders. The relationship between liquidity and dividend payout is thus positive. In the study, liquidity is used as another control variable to investigate effect on the relationship between corporate governance and dividend policy (Feizal, Sudjono & Saluy, 2021).

2.3.6 Dividend Policy

Dividend policy is the decision related to whether to pay dividends, how much, how many, and with what consistency (Kaur & Kaur, 2012). This is obtained by taking yearly dividend per share and dividing it by the earnings per share own commonly known as dividend payout ratio. Payment of dividend signals better financial prospects for the payer and this action is interpreted favorably by the shareholders who expect this payout (Michaely & Roberts, 2012). Sacco society members earn dividends annually on their shares and the expectation of dividend payout rises with each year. However, this has been disappointing for some societies that are unable to maintain a given dividend trajectory leading to dissatisfaction among members. Two aspects of this dividend problem arise, first, should dividends be paid and what payout ratio is satisfactory. Paying dividends reduces free cash flow and thus reduce agency costs associated with asymmetric information between investors and managers.

2.4 Empirical Review of Literature

2.4.1 Board Characteristics and Dividend Policy

Dissanayake and Dissabandara (2021) examined the correlation between board features and dividend policy, focusing on its nature and magnitude. A positivistic approach was employed in this work, utilizing the Spearman correlation metric, descriptive statistics, and binary regression models as analytical tools. The data reveals that the food and drinks sector exhibited the largest proportion of dividend payouts during the years 2015 and 2019. The land and property industry exhibited the largest proportion of women on boards, reaching 13%. The selected organizations had an average board size of 8. There was a notable positive correlation observed between the probability of dividend payments, the presence of women on boards, the size of the board, and CEO duality. According to the findings of the panel regression analysis, there is no statistically significant association between board qualities and the extent of dividend payout within the chosen sample. However, while conducting a sectorial study, it is observed that the size of the audit committee is significantly inversely correlated with the level of dividend payment in the manufacturing sector. Conversely, in the food and beverage sector, there is a strong positive correlation between board gender diversity and the same level of dividend payment. In brief, the determination of dividend allocation has been effectd by several board attributes; however, these considerations did not yield a substantial effect on the magnitude of dividends announced inside the market. The findings of the sectorial analysis indicated that many factors effectd the dividend levels within two specific sectors. The study based on board size and CEO duality failing to outline other corporate governance comprising of ownership structure, audit committee and transparency.

Ncurai, Rambo, and Oloko (2022) aimed to find out how Board Diversity affects the success of Kenyan SACCOs that take deposits. The research was conducted within the field of corporate governance and was grounded on the theoretical framework of Resource Dependence Theory. The objective of this study was to contribute to the current body of knowledge regarding the adoption of board diversity as a means to improve organizational performance. Gaining insight into the impact of board diversity is essential for advancing the field of corporate governance in both policy and academia. A descriptive cross-sectional survey and correlational research designs were employed in this study. The research employed a combination of proportionate stratified and basic random sampling methods in order to determine the appropriate sample size. A variety of analytical methodologies were employed to analyze the data, including descriptive statistics, content analysis, Pearson's correlation, hypothesis testing, and regression analysis. The results indicate a significant association between Board diversity and the performance of deposit-taking SACCOs in Kenya. The study determined that there exists a substantial correlation between the diversity of the Board and the performance of deposit-taking SACCOs in Kenya. The research primarily examined the variety of the board rather than its specific qualities.

Ong'ure (2021) examined the impact of board diversity on the financial performance of deposit taking Saccos in Siaya County, Kenya. The primary objective of this study was to examine the impact of gender diversity, educational diversity, age diversity, and board size on the financial performance of deposit-taking Saccos in Siaya County, Kenya. The study was guided by several pertinent ideas, namely the Balanced Scorecard Model, Agency Theory, Stakeholders' Theory, and Human Capital Theory. The study utilized a descriptive research design. The study focused on a sample of 57 deposit-taking Savings and Credit Cooperative Organizations (SACCOs) located in Siaya County. The unit of analysis consisted of 5 board members from each SACCO, resulting in a total of 285 respondents. Questionnaires were utilized to gather data. The researchers employed the stratified random sampling technique, resulting in the selection of 50% of the board members from each SACCO. Hence, the dataset consisted of 143 participants. The data collection process involved the utilization of semi-structured questionnaires. The content validity of the tool was assessed by consulting the assigned supervisor and testing it to determine if it accurately assesses the stated goal of the study. The test-retest approach was utilized to confirm the questionnaires' dependability. The quantitative data underwent descriptive analysis, while inferential analysis was employed to determine the extent of relationships between variables. This involved conducting multiple regression analysis. The research findings indicate that a significant presence of male board members was associated with a favorable impact on financial performance. Deposit-taking Savings and Credit Cooperative Organizations (SACCOs) that possess boards comprising individuals with a wide range of skills are likely to exhibit superior performance compared to SACCOs with boards comprising individuals with fewer skills. The presence of a diverse board of age had a notable impact on the financial success of deposit-taking Saccos. The implication of this is that having a certain number of board members from diverse ages will have considerable effect on the financial performance of deposit taking Saccos and smaller board size is more correlated with the quality of monitoring and board might become less effective in monitoring management when its size increases. The study based on board diversity and not characteristics equally it was done only in Siaya and not Kenya at large.

Nguta (2021) aimed to ascertain the potential impact of specific board characteristics on the financial challenges faced by Deposit Taking SACCOs in Nairobi county. The present study investigated the effect of related party transactions and the mediating role of business income on the relationship, together with the moderating effect of external borrowing. The present study is grounded in the theoretical framework of Stewardship theory, which acknowledges managers as stewards of the financial resources of their members. Furthermore, the framework integrates components from Agency Theory, Stakeholder theory, and Upper echelons theory. Extended duration A descriptive research approach was utilized in 2019 to investigate a sample of 43 Savings and Credit

Cooperative Organizations (SACCOs) from a population of 174 SACCOs that held licenses to operate in Kenya. The selection of Nairobi County was intentional, and a census was carried out on deposit-taking SACCOs located within the county. The secondary data was acquired from SASRA through the utilization of a data collection sheet. The researchers proceeded to perform a panel data analysis utilizing the STATA software, and subsequently presented the findings in a tabular style. The study revealed a positive association between the features of the board and the level of financial difficulties experienced by Deposit Taking SACCOs. The study revealed that there is a statistically significant and unfavorable relationship between board composition, board education, and board tenure and financial difficulty. In contrast, the study revealed that both return on assets (RPTs) and board size exhibited a statistically significant and beneficial effect on financial distress. The relationship between board qualities and financial distress is not significantly impacted by firm revenue, and the effect of external borrowing on this correlation is negligible. The study did not investigate other business characteristics, such as transparency.

Nguta (2021) sought to determine whether certain board traits contributed to the financial difficulties experienced by Deposit Taking SACCOs in the county of Nairobi. It was determined that related party transactions, the intervening effect of firm revenue, and the controlling effect of external borrowing all had an impact on this connection. This research is based on four theories: stewardship, agency, stakeholder, and upper echelons. Stewardship theory views managers as guardians of members' money. Time series Out of 174 SACCOs that were authorized to operate in Kenya for 2019, 43 were selected for descriptive research. The SACCOs that accepted deposits in Nairobi County were the subject of a census that was conducted with deliberate intent. Tables were used to display the results of a panel data analysis that was conducted using STATA software. A data collecting sheet was used to retrieve secondary data from SASRA. In Deposit Taking SACCOs, there are specific board traits that have been linked to financial difficulties. Financial distress was positively and significantly impacted by RPTs and board size, but negatively by board tenure, board education, and board composition, according to the study. The correlation between board features and financial stress is unaffected by external borrowing, and business income also does not significantly intervene in this relationship. Additionally, there are additional business.

Munene, Ndegwa, and Senaji (2020) aimed to determine if deposit-taking SACCOs in Nairobi County were financially distressed and, if so, what role did board characteristics play in this distress. Agency Theory serves as one of the study's pillars. The study used a descriptive research approach, with Nairobi County being selected on purpose, and a census of deposit-taking SACCOs in the county was conducted. A data collection sheet and a panel data analysis conducted using STATA software were used to gather secondary data from SASRA. Tables were used to display the results. There was a statistically significant negative correlation between financial difficulty and board makeup, board education, and board tenure in Deposit Taking SACCOs, according to the study's conclusions. Finally, SACCOs should implement lean boards, diversify their board members to include more women, increase representation of members with advanced degrees and relevant work experience, institute term limits for board members, and use an analysis based on Altman's Z score models. Additional study may be conducted to identify additional causes of financial difficulty and potential solutions for SACCOs who are currently facing difficulties. This study will cover the entire country, unlike the last one which just focused on Nairobi. In addition, the research did not address dividend policy but rather financial hardship.

Nyangau and Oluoch (2021) look at how the board members of deposit-taking SACCOs in the country affect the banks' financial health. In order to solve the research challenge, the study used a descriptive survey design. Nineteen Saccos in Western Kenya that accept deposits and are licensed by SASRA were the intended recipients of this survey. From 2015 through 2019, the SASRA received yearly financial statements that were analyzed using content analysis and entered on a data collecting sheet. A total of 95 data points were obtained. In order to ensure reliability and validity, research professionals were consulted. With $\beta = 0.320$, $p = 0.021$, and $t = 2.078$, the study concluded that board responsibility significantly improved financial performance. The results show that the financial performance of the DT-SACCOs improves by 32.0% for every unit raise in board responsibility. According to the results ($\beta = 0.308$, $p = 0.06$, $t = 3.020$), the size of the board significantly impacts financial performance in a positive way. So, the bottom line is that financial performance improved by 30.2% for every board size unit increase. The results showed that financial performance was positively and significantly affected by board independence ($\beta = 0.101$, $p = 0.01$, $t = 5.941$). This means that the financial performance of the DT-SACCOs improves by 10.1 percent for every unit increase in board independence. Board independence has a substantial impact on the financial performance of DT-SACCOs in Western Kenya, board size is an important factor in DT-SACCOs' financial performance, and board accountability is a significant variable in both. The current study filled a knowledge gap by studying SACCOs throughout the nation, not just in the Western region, and its target population comprised of 19 deposit-taking Saccos. Factors like openness that were not considered in the research.

Haddad and Souissi (2022) explored the relationship between the selected variables through the application of the fixed and random effects method; they used 180 Islamic banks from 56 countries during the period (2010–2019). The empirical results revealed that the Shariah Advisory Board size, the number of meetings and the presence of Shariah advisers improved the Islamic banks' financial performance of Islamic banks. However, the presence of financial or accounting experts in the Shariah Advisory Board deteriorated their financial performance. Because the real impacts generated by the Shariah Advisory Board on the Islamic banks' financial performance are not yet investigated in detail, we analyzed not only the practical symptoms of the Shariah Advisory Board's effects on the Islamic banks' financial performance, but also, we tried to solve the ambiguity, and we provide the first detailed analysis that concentrated on the impacts of the determinants' quality of the Shariah Advisory Board on the Islamic banks' financial performance. The study majored on banks and specifically Islamic ones and not SACCOs. Furthermore the element of corporate governance was not factored and focus was on financial performance.

Unda, Ahmed and Mather (2019) examined the role of board characteristics on the performance of Australian credit unions during the period 2004–2012. Credit unions are unique as they are member-owned institutions, and their directors are democratically elected by their members an unusual governance structure that poses challenges for board effectiveness. We find that board remuneration; board expertise and attendance at meetings are associated with increased credit-union performance and are consistent with the goal of maximizing member benefits. While the unique features of credit unions limit the presence of external monitoring mechanisms, we provide evidence that these board characteristics are relevant for credit unions. The study was based on global study Australian credit unions and based on the geographical scope SACCCOs in Kenya was the focal point for current study.

Kahindi (2020) investigated the variables impacting the expansion of SACCOS's financial resources in Kilifi County. Stratified random sampling was employed to determine the sample size, and descriptive design was employed for the presentation of information. A likert scale questionnaire was used to collect primary data. The majority of SACCOS (78.17% to be exact) acknowledged that member loan defaulting was common and had an impact on the organization's bottom line. 68.25% of people who took the survey believe that dividend policy has an effect on SACCOs' ability to expand financially. Sixty-five percent of Kilifi County residents agreed that operational costs affect SACCOs' ability to develop financially, and 67 percent said that membership size does the same. Finally, the study narrowed its attention to Kilifi County rather than Kenya as a whole, neglected to analyze dividend policy in favor of financial performance, and failed to describe corporate governance norms in favor of financial growth.

Mucheru (2019) looked at what happened to the performance of Savings and Credit Cooperative Societies when they started using corporate governance methods. However, looking at how corporate governance practices relate to organization performance was the study's overarching goal. The results showed that companies' bottom lines improve when their leaders practice excellent corporate governance. Therefore, low performance and, in the worst case scenario, the company's demise, result from its absence. Similarly, when it comes to corporate governance, the leadership organizations are crucial. Corporate dividend policy and performance were not addressed in the study.

2.4.2 Audit Committee Characteristics and Dividend Policy

Nelson (2019) sought to assess the effect of audit committee characteristics on the financial performance of deposit-taking SACCOs in Kenya. The research was undertaken with the distinct aims of evaluating the effect of audit committee size, composition, and autonomy. The study utilized a descriptive research design. The study's target sample comprised 166 individuals who were employed in deposit-taking SACCOs. The study has established a direct relationship between the level of experience of the audit committee and the performance of the organization. Both descriptive statistics and inferential statistics were utilized in the investigation. The findings of the research suggest that the inclusion of independent auditors has a negative effect on the operational effectiveness of companies. The research findings indicate that augmenting the size of the audit committee is crucial for improving the financial performance of SACCOs.

Zraiq and Fadzil (2018) sought the correlation between audit committees and the success of Jordanian businesses. The study utilized ordinary least squares (OLS) regression analysis to investigate the relationship between the independent variable and the dependent variable, as described in the study's methods section. A total of 228 firms operating in the industrial and services sectors were included in the dataset. The primary objective of this study was to fill the existing research vacuum by investigating the correlation between the establishment of audit committees and the performance of firms operating in the emerging market of Jordan. Although there was a positive correlation observed between the size of the audit committee and ROA, it is important to note that this association did not reach statistical significance. There exists a positive and statistically significant correlation between the size of the audit committee and EPS. Furthermore, the results suggest a noteworthy and favorable association between audit committee meetings and ROA. The audit committee meetings involving EPS demonstrate a positive trajectory, while lacking statistical significance. In conclusion, this study provides recommendations for future investigations.

Al-Jalahma (2022) looks at how various aspects of audit committees relate to how well Bahraini enterprises do. The objective of this research endeavor is to analyze the impact of audit committee size, independence, and meeting frequency on the performance of a company. Metrics utilized in this investigation include ROE, ROA, and Tobin B. From 2005 to 2019, the dataset comprised data from each of the fourteen publicly traded non-financial companies on the Bahrain Bourse. The results suggest that organizations that have substantial audit committees in terms of size and consist of independent audit committees demonstrate below-average performance. Moreover, empirical data indicates that there is minimal correlation between the number of audit committee meetings and the performance of the organization. Furthermore, no statistically significant correlation was found between the frequency of audit committee meetings and the organization's overall performance in the present study. The findings suggest that there may be a lack of comprehensive understanding among shareholders concerning the importance of corporate governance measures. The results of this study hold substantial importance for various stakeholders, including regulators, investors, and auditors, who are all interested in improving corporate performance and monitoring systems in developing countries.

Nduviri (2022) examined the relationship between the audit committee's characteristics and the financial performance of manufacturing companies traded on the Nairobi Securities Exchange in Kenya. This research investigated the impact of various audit committee components size, gender diversity, meetings frequency, and independence on the financial performance of manufacturing firms listed on the NSE. As anchoring theories, stakeholder, stewardship, and resource-based theories guided the research. This study utilized a hybrid research design, which integrated elements of both descriptive and longitudinal research designs. The study's scope extends to incorporate the complete population of seventeen manufacturing enterprises that are publicly traded on the Nairobi Securities Exchange under the following sectors: construction and related, agricultural and commercial, and services. As a result of the restricted dimensions of the target population, sampling methods were not utilized in the study; rather, a census was administered. Secondary data sources were used in this study, including published financial statements accessed via a data collection questionnaire. Diagnostic testing were performed on the model utilizing the STATA statistical software. To perform data analysis, pooled ordinary least squares regression was utilized on a dataset comprising 127 years of firm observations for the purposes of this study. According to the findings of the research, a 22 percent swing in financial performance could be attributed to the audit committee's collective qualities. Nevertheless, the findings with respect to the precise effect of each specific variable proved to be inconclusive. According to the findings of the research, enterprises' financial performance was positively and statistically significantly correlated with their scale, level of expertise, and degree of independence. The research findings unveiled significant adverse consequences regarding the correlation between audit committee meetings and financial performance. However, the findings of the research indicated that the relationship between gender diversity on audit committees and financial performance was not statistically significant.

Khalifa (2018) investigated into how the composition of audit committees and boards affected the bottom lines of UAE-based publicly listed corporations. The research was centered on the period spanning from 2006 to 2015. The study cohort comprised 47 listed enterprises in the United Arab Emirates in total. By integrating agency theory and resource dependence theory, the current study utilized a multi-theoretic approach to develop a corporate governance framework that was customized to the unique circumstances of the United Arab Emirates (UAE). The study's results indicated a positive correlation between the size of the board, the frequency of board meetings, and financial performance. Nevertheless, upon adopting a more comprehensive perspective, there was no statistically significant correlation found between the presence of independent directors on boards and financial performance. No statistically significant correlation was found between the educational attainment and experience of board members and the financial performance of the organization. In relation to the attributes of audit committees, no correlation that was deemed statistically significant was identified between the magnitude of the audit committee and the financial performance of the institution. However, strong positive associations were observed between the educational attainment of audit committee members and the financial performance of the organization. In essence, a positive correlation can be observed between the frequency of audit committee meetings and financial performance.

Orjinta and Evelyn (2018) looked into how the success of a group of non-financial companies listed on the Nigerian Stock Exchange was affected by the audit committee's features. From 2007 to 2016, a representative sample of 50 publicly traded companies was employed. The study utilized a cross-sectional and ex post facto research design, with secondary data being utilized for the analysis. The acquired data were analyzed utilizing descriptive statistics, Pearson correlation analysis, and Ordinary Least Square regression. The results of the study indicate that audit committee independence, audit committee meeting frequency, and firm performance are all positively correlated with Nigerian non-financial companies at a significance level of 5%. Additionally, there is a positive correlation of 10% between audit committee size and return on assets, and audit committee qualification and return on assets; however, this correlation does not reach statistical significance. The findings revealed that 76% of the variances in the performance of non-financial corporations can be ascribed to the characteristics of the audit committee. The stochastic error factor accounted for the remaining 24%, which was not taken into account.

Galal, Soliman, and Bekheit (2022) explore at how audit committee elements affect earnings management in Egypt. By employing a dataset comprising eighty publicly traded Egyptian companies that do not engage in financial activities and are listed on the Egyptian Stock Exchange, the analysis covers the eight-year fiscal period from 2012 to 2019. An Audit Committee is characterized by a multitude of attributes, including but not limited to its size, composition, communication frequency, member expertise, and gender. As a proxy for the practice of earnings management, discretionary accruals are utilized. In the examination of archival modeling, panel data regression was utilized. The empirical support for the claim that Audit Committee Size, Audit Committee Expertise, Audit Committee Gender, and Earnings Management are all negatively correlated is provided by the results of this study, which employ a multiple regression model.

Furthermore, it is critical to specify that no significant correlation exists between Earnings Management and Audit Committee Meetings. Significantly and positively correlated with earnings management is the independence of the audit committee.

Ashari and Krismiaji (2020) investigated the relationship between the financial performance (PERF) and audit committee attributes namely, independence (ACIN), size (ACSIZE), competence (ACCO), and meeting frequency (ACMT) of manufacturing firms that were publicly traded on the Indonesian Stock Exchange in the years 2016 and 2017. A sample of 466 observations of publicly traded companies on the Indonesian Stock Exchange during the fiscal year 2016-2017 was utilized for this study. The information was gathered from 660 publicly traded companies. According to the findings of the study, each characteristic of the audit committee positively effects the performance of the organization.

Zábojnková (2016) investigated the impact of various audit committee characteristics on the financial performance of non-financial companies that are publicly traded on the London Stock Exchange. The position of the audit committee has been the subject of continuous scrutiny in consideration of recent accounting issues. However, scholarly investigations into the correlation between audit committee characteristics and firm performance, specifically in the European context, are scarce. Hence, through an examination of the aforementioned correlation, this study endeavors to fill the aforementioned void in knowledge and provide a significant addition to the existing corpus of knowledge. The main findings of this research suggest that the functions and standing of audit committees have a significant impact on the performance of businesses located in the United Kingdom. The findings of our research demonstrate a statistically significant and positive correlation between the financial performance of the organization and the audit committee's size, meeting frequency, and financial expertise. On the contrary, a negative correlation was identified between the audit committee's independence and the performance of the corporation.

Meah, Sen, and Ali (2021) investigated the effect of audit features and gender diversity on the performance of both family and non-family enterprises in Bangladesh. This study employs the system generalized technique of moments methodology to conduct regression analysis using data from 61 non-family enterprises and 48 family firms spanning the years 2013 to 2019. Subsequently, the assessment of result consistency is conducted through a comprehensive examination of sample interactions. This study provides evidence that the presence of Big4 audit firms (Big4) and female directors on board (FDR) in non-family enterprises has a notable and favorable effect on firm performance. On the other hand, the frequency of audit meetings (AMF) has a detrimental impact on the performance of the organization. Regrettably, the findings indicate that there is no statistically significant relationship between audit committee size (ACS) and audit committee independence (ACI) with business performance. This study reveals that ACS and ACI have a substantial adverse effect on the performance of family enterprises. In addition, the Big4, AMF, and FDR do not make a major impact on business performance. This observation suggests that the corporate governance procedures within family firms are ineffective and, to a certain degree, have a negative impact on the overall performance of the organization.

Shamsuddin and Alshahri (2022) sought to examine the relationship between two financial performance indicators ROA and Tobin's Q and audit committee (AC) features, specifically ACS size, ACI, and ACM meetings. The research was carried out on a sample of 63 non-financial companies that are publicly traded on the Muscat Securities Market (MSM) in Oman. The study covered the time frame from 2016 to 2019. The data has been analyzed using multiple regression approaches to provide empirical results. The results of the study indicate that two out of the three independent variables are not statistically significant in their impact on financial performance. Additionally, the analysis reveals that ACI has a considerable negative effect on Tobin's Q. The findings suggest that there is a need for improvement in the corporate governance process and AC structure of Omani enterprises. It may be imperative for government authorities to implement more stringent regulations in order to guarantee that corporations select AC members who possess the ability to improve the firm's performance and make valuable contributions to the economic growth of the country.

Mwendia (2018) investigated the effect of corporate governance standards on the financial performance of SACCOs that accept deposits and are situated in Nairobi City County, Kenya. The principal aim of this research endeavor was to analyze the impact of several variables on the financial performance of deposit-taking SACCOs in Nairobi City County. These variables included board size, gender diversity, education level of board members, ethnic diversity of the board, duality of chief executive officers, transparency, and accountability. The research investigation utilized a descriptive design. This research investigated the financial performance of SACCOs that accept deposits in Nairobi City County. The primary focus of the analysis was the dependent variable, Return on Assets. The demographic of interest comprised all 37 deposit-taking SACCOs in Nairobi City County between 2012 and 2016. The study utilized primary data collected through a custom-made questionnaire, in addition to secondary data extracted from the financial reports of credit and savings cooperatives that had been submitted to the Sacco Society Regulatory Authority. For data analysis, the statistical software SPSS-22 was utilized. Analytic techniques of correlation and regression were utilized in the study. A significant inverse relationship exists between the magnitude of the board and the financial performance of SACCOs, according to the study's findings. There exists a positive correlation between the financial performance of SACCOs and a multitude of factors, encompassing the educational attainment of board members, the ethnic composition of the board, and the degree of transparency and accountability. The Chief Executive Officer's absence Because duality existed in every Savings and Credit Cooperative, the variable was shelved. The findings of the research indicated that the corporate governance practices of deposit-taking SACCOs in Nairobi City County had an impact on their financial performance. Based on the findings of the study, it appears that Savings and Credit Cooperatives would benefit from a more rigorous implementation and a more robust integration of these practices into their culture. The present report incorrectly states that the scope of this survey encompassed the entire country; rather, it was restricted to Saccos in Nairobi County. The primary objective of this research was to evaluate financial performance in contrast to dividend policy.

Kosgei (2017) conducted a study in Kenya with the objective of identifying the factors influencing the dividend pay-out policy of publicly traded companies listed on the Nairobi Securities Exchange. The research employed a primary data collection method, specifically a questionnaire, to ascertain the factors influencing dividend policy. The study's results suggest a notable correlation between investment choices and dividend distribution strategies. The study additionally suggests that managers of publicly traded companies in the Nairobi Securities Exchange should prioritize the provision of accurate and timely information regarding the future prospects of the firm, rather than solely relying on potential investors. Managers should utilize fluctuations in dividends as a means to effectively communicate information to the financial market regarding a firm's anticipated earnings and growth. This research was conducted on companies that were publicly listed on the Nairobi Securities Exchange, excluding deposit taking Saccos. Additionally, it identified determinants rather than corporate governance.

2.4.3 Ownership Structure and Dividend Policy

Bataineh (2021) investigated the effect of ownership structure on Jordan's dividend policy. The principal aim of this research is to examine the effect of foreign ownership, state ownership, family ownership, institutional ownership, and institutional ownership on dividend selection in a sample of 66 publicly traded Jordanian industrial and service firms on the Amman Stock Exchange (ASE) from 2014 to 2017. A Tobit Panel Regression analysis is utilized in this study to test the hypotheses. The results suggest that there is a positive and statistically significant relationship between dividend yield and institutional ownership. Furthermore, there exists an observed correlation between foreign ownership and a diminished likelihood of dividend disbursements. The assertion that dividend yield is effectd in any way by family ownership and state ownership is not supported by empirical evidence. Hence, the research provides persuasive evidence that the imperative to distribute dividends is heightened when substantial institutional ownership is utilized as an external control mechanism. Additionally, the results indicate that there is a notable degree of ownership concentration among publicly traded companies in Jordan, with families holding the majority of shares, followed by financial institutions and foreign investors. On the contrary, the state maintains comparatively minor ownership interests. Based on the findings of the research, investors are encouraged to contemplate the ownership structure as a determining factor in their investment choices, as this aids in the identification of the most advantageous investment opportunities.

Hasan, Wahid, Amin, and Hossain (2021) examined the impact of various ownership structures public, regulatory, institutional, foreign, and family on the dividend policy of nonfinancial firms in Bangladesh. The research specifically examined the distribution of dividends. The current investigation employs a dynamic panel data model, more precisely the differenced generalized method of moments (GMM), a procedure comprising two distinct steps. From 2008 to 2017, the research employs annual data obtained from a sample of 159 nonfinancial companies that are publicly traded on the Dhaka Stock Exchange. The data presented here comprises a panel dataset comprising 1,590 observations of firm-year data. The findings of this research demonstrate that dividend distributions are significantly and positively effectd by family and public ownership, while government and institutional ownerships have a substantial yet negative impact. This research incorporates a number of significant controlled variables and establishes that, apart from size, each of the selected controlled variables age, financial crisis, lagged-one dividend payout, returns on assets, debts to assets, price-earnings (PE) ratio, and debts to assets has a substantial effect on dividend payouts. The findings of the research offer corroboration for a multitude of dividend-related theories and hypotheses, such as the reputation hypothesis, agency cost theory, and dividend stability theory.

Alhileen (2020) sought independent variables in order to assess the effects of ownership systems that encompassed foreign, familial, public, and private ownership. Moreover, this study integrates significant control variables, which include leverage, firm size, probability of future expansion, and free cash flow. Undoubtedly, the aforementioned components enhanced the study's pertinence. In order to accomplish the aim of the study, descriptive statistics and regression analysis were performed. The research sample comprised 191 publicly and privately traded Jordanian companies that were indexed on the Amman Stock Exchange from 2014 to 2018.A significant correlation exists between ownership structures, the incorporation of control factors, and dividend policy, according to the study's findings. However, only two of the hypotheses receive support, whereas several others do not. The examination of ownership structure is of considerable significance to organizations and researchers. Furthermore, it is recommended that future investigations explore alternative ownership structures, including institutional and managerial ownership, as they may offer valuable insights and corroborate the aforementioned findings.

Khan (2021), investigated the impact of board composition and ownership structure on dividend policy in Turkish publicly traded corporations between 2013 and 2019. The dividend payout probability, dividend yield, and dividend payout ratio are all utilized in this study. By employing suitable regression techniques, the research hypotheses are investigated, with particular attention given to a panel data set obtained from the Borsa Istanbul (BIST) 100 index. Included in the dataset are no financial or utility companies. A robust and positive correlation has been observed between dividend distributions and institutional and concentrated ownership, as supported by empirical evidence. However, it has been demonstrated that family ownership has no bearing on dividend policy. On the other hand, a negative correlation has been observed between dividend policy and chief executive officer duality, while a positive correlation has been observed between board size and dividend policy. Moreover, the extent to which boards are independent and the presence of female directors do not significantly effect the decision of corporations to distribute substantial dividends.

Awen, Adewinmisi, and Yahaya (2022) examines the relationship between dividend policy and ownership structure in Nigerian nonfinancial services companies from 2012 to 2021. The propensity score matching method was utilized by the researchers in order to address the concern of endogeneity. By using this methodology, we are able to circumvent numerous econometric challenges encountered in prior research within the academic literature. Among the 112 firms that are currently engaged in trading activities on the floor of the Nigerian Exchange Group, a sample of 75 companies, accounting for 70 percent, has been selected. This sample was chosen due to the exclusion of financial services firms, as they are subject to distinct regulatory frameworks. The findings of this study indicate that there is no significant relationship between ownership structure and dividend policy in the non-financial services sector listed in Nigeria. The findings align with empirical evidence pertaining to the characteristics of the organized private sector in Nigeria. Nevertheless, it is important for users of this paper to be aware of certain limitations. Specifically, this study only focuses on listed firms. Although we have incorporated control variables into the regression model to mitigate deviations in dividend policy calculations, we were unable to account for all potential residual variables. Consequently, we are unable to estimate the impact of ownership structure on dividend policy, despite the regression model indicating a relationship. However, the findings of this investigation would be of value to regulators, creditors, and prospective investors.

Endang, Suhadak, Saifi, and Firdausi's (2020) study tries to find out how ownership structure and debt affect dividend policy and firm value for manufacturing companies listed on the Indonesia Stock Exchange from 2012 to 2016. The study encompasses the entire population of manufacturing companies listed on the Indonesia Stock Exchange, specifically those that published regular financial statements between 2012 and 2016. This population consists of 145 companies. The sample population consisted of 28 companies that satisfied the specified requirements. The research employed the Warp-PLS methodology. The findings were presented as follows: It was determined that ownership structure had a negative, albeit non-statistically significant, effect on dividend policy. On the contrary, it was observed that ownership structure had a negative and statistically significant effect on the value of the firm. Additionally, it was determined that leverage had a negative and statistically significant effect on dividend policy. In addition, it was discovered that the correlation between leverage and firm value was marginally significant but negative. A marginal and statistically significant inverse correlation was observed between the dividend policy and the value of the corporation.

Ngo, Duong, and Nguyen (2020) investigated the impact of ownership structure on dividend policy, with a particular focus on the effect of controlling shareholders in influencing dividend policy. The research was conducted on a sample of enterprises that engage in both dividend payments and the issuance of new shares concurrently. The findings indicate that managers in firms with inadequate governance are more inclined to begin tailored payouts to cater to the demands of external major shareholders, while also utilizing expensive external capital to fund new investment initiatives. This study makes a valuable contribution to the current body of work on agency problems by elucidating the rationale behind enterprises' adoption of a suboptimal dividend policy, which enables significant shareholders to derive personal advantages.

Jayanti and Puspitasari (2019) investigated the relationship between dividend policy and company structure. The scope of this study includes all manufacturing companies listed on the Indonesia Stock Exchange from 2008 to 2012. The sample was chosen using purposive selection, which led to the inclusion of a total of 81 enterprises in the sample. A multiple linear regression analysis was utilized in the investigation. Various characteristics, such as managerial ownership, institutional ownership, foreign ownership, ownership concentration, and the control variable free cash flow, collectively have a significant effect on dividend policy, as indicated by the data. The results of the partial effect study, which was done at a significance level of 5%, suggest that there is a statistically significant positive relationship between managerial ownership and dividend policy. Conversely, the impact of institutional ownership and foreign ownership on dividend policy is found to be insignificant. Nevertheless, the level of ownership do really exert a statistically significant and favorable effect on dividend policy. Furthermore, the inclusion of the control variable of free cash flow exhibits a statistically significant and favorable impact on dividend policy.

Kien and Chen (2020) examined the correlation between the ownership structure and dividend policy of firms listed in Vietnam. The empirical evidence indicates that enterprises under government control, those with a high concentration of ownership, and those that have recently engaged in right issue activities tend to exhibit greater levels of dividend payments. Furthermore, as a result of the modification in the dividend tax rate in Vietnam aimed at promoting market growth in the aftermath of the global economic crisis, it has been observed that even with a higher personal income tax rate of 5%, state-owned companies listed on the Ho Chi Minh Stock Exchange continue to distribute higher dividends. This observation signifies the dividend preferences of investors, the stable development of firms, and the efficacy of national economic policies. Ann (2019) investigated the potential correlation between ownership structure and the dividend payout policy of companies listed in Vietnam from 2009 to 2015. The research examined a total of 642 publicly traded companies registered on the Hochiminh stock exchange and Hanoi stock exchange, employing panel data analysis techniques. The concept of ownership structure encompasses two primary sub-variables, namely ownership concentration and ownership composition. The Herfindahl index, often known as the H-index, was utilized to assess the degree of ownership concentration or dispersion among the primary shareholders of the company. This encompassed the five largest investors, corporate institutional investors, the amount of ownership concentration, and international investors. The analysis reveals that the H-index of major shareholders exhibits an average value below 0.5. However, the H-index of institutional investors, which stands at 0.594, suggests a higher likelihood of concentration among large institutional investors. The findings indicated a distinct correlation between institutional ownership and the dividend rate, while the correlation between managerial ownership and dividend payout ratio did not reach statistical significance.

Njuguna (2021) examined how well saccos in Kiambu County that were allowed to take deposits between 2015 and 2019 did financially and how well they were run as businesses. Examining the effect of corporate financial reporting on the financial performance of licensed deposit-taking SACCOs was the principal objective of this study. Furthermore, an evaluation of the degree of accountability, compliance with disclosure obligations, and transparency pertaining to the fiscal performance of authorized deposit-taking SACCOs was the objective of the research. Additionally, the research aimed to ascertain the impact that internal controls have on the operational effectiveness of licensed deposit-taking SACCOs situated in Kiambu County, Kenya. This study utilized a descriptive research design to examine the relationship between the financial performance of licensed deposit-taking Savings and Credit Cooperative Organizations (SACCOs) in Kiambu County, Kenya, and corporate governance. Multiple regression models were utilized by the researchers in order to determine the relationship between the independent and dependent variables. The researcher utilised the census method of data collection as a result of the restricted quantity of fourteen SACCOs that were granted licences by SASRA. As of December 2019, fourteen licensed deposit-taking SACCOs operating in Kiambu County were the subject of the study. Through the distribution of a questionnaire to executive officers, senior managers, employees, and SACCO members, primary data was gathered. The survey was designed with a Likert scale as its framework. Secondary data were obtained from the fourteen audited financial statements held at SASRA offices from 2015 to 2019. The examination of primary data entailed the application of descriptive methods, such as frequency, mean, and standard deviation. The results of the study reveal that the dependent variable, which is the financial performance of deposit-taking SACCOs, is positively correlated with the independent variables (corporate financial reporting, transparency and disclosure, and internal control system), as measured by Pearson correlation. A number of dimensions of corporate governance, such as board characteristics, the audit committee, and ownership structure, were insufficiently examined in the study. In addition, the study's scope was restricted to Kiambu County from 2015 to 2019, with the exclusion of Kenya as a collective entity. Moreover, the fiscal years 2020 to 2023 were excluded from the analysis. The study placed less emphasis on elucidating the dividend policy and more on examining the financial performance.

Eshikumo and Makokha (2021) conducted a study in Nairobi to examine the correlation between SACCO financial performance and corporate governance. The study utilized resource dependency theory, agency theory, and stakeholder theory as its theoretical foundations. This study utilized a descriptive research design to examine the senior management, middle management, and personnel of seventeen SACCOs that are operational within Nairobi City County. Purposive sampling was utilized to obtain a sample of 51 individuals; three employees were intentionally selected from each SACCO. The sample comprised individuals occupying various positions of authority, including chief executive officer, risk manager, and finance manager. The data for this study was gathered through the utilization of structured questionnaires. The data that was gathered was cleansed prior to being entered into the SPSS software, which was utilized for the analysis of the data. To ensure a thorough depiction of the variables, descriptive statistics will be computed, including but not limited to percentages, mean trends, and standard deviation. Additionally, the character and extent of the relationship between the variables will be determined through the utilization of inferential statistics. Multiple regression and analysis of variance were utilized in the study to investigate the relationship between two variables. The study's findings indicate the presence of a positive correlation between the shareholding of directors and the financial performance of SACCOs located in Nairobi City. The study placed less emphasis on elucidating the dividend policy and more on examining the financial performance. The research was limited to Saccos located in Nairobi County, with no consideration given to Kenya as a whole.

Rasugu (2019) conducted an examination of the performance of deposit-taking savings and credit co-operative societies authorized to operate in Kisumu county, Kenya, in relation to the impact of prudential policies implemented by SACCOs. The principal aim of this research was to ascertain the potential effect of liquidity management, capital adequacy, and capitalization on the operational performance of DTSACCOs situated in Kisumu County. The research was undertaken with the framework of the Market Power Theory and the SACCO Theories as sources of information. The investigational approach employed in this study was correlational in its design. 66 senior and middle-level management personnel from all DT-SACCOs authorized to operate in Kisumu County comprised the sample for this investigation. This cohort comprises members occupying various leadership roles, including Deputy Chief Executive Officers, Chief Executive Officers, Finance Managers, Fosa Managers, Credit Managers, and Internal Auditors. Primary data from the participants was collected for the study using a structured questionnaire, which included both independent and dependent variables. In order to establish reliability, a preliminary study was undertaken to examine the data, and internal consistency was evaluated using Cronbach's alpha. Additionally, the content validity method was utilized to validate the research data. The data analysis involved the implementation of descriptive, correlational, and regression methodologies. The present study investigates the effect of capitalization strategies, liquidity control, and adequate capital on the operational performance of DTSACCOs situated in Kisumu County. While the study emphasized prudential practices, corporate governance procedures were not explicated in detail. The analysis refrained from examining dividend policy and instead prioritized performance. Lastly, Kisumu County was the focus of the investigation as opposed to Kenya as a whole.

2.4.4 Transparency and Dividend Policy

Bhimavarapu, Rawal, Singh, and Rastogi (2022) assess how disclosure and transparency policies (TD) affect Indian banks' decisions about how to distribute dividends. Additionally, this study assesses the effect of shareholder activism (SHA) as a moderating factor in the association between turnover (td) and dividends. The study involves the collection of secondary data from all nationalized banks in India for the period of 2010-2019. The data is analyzed using the panel data model (PDM). This study reveals many key findings. Firstly, a notable linear relationship is observed between td and the decision to distribute dividends. Secondly, a non-linear relationship is identified between td and equity dividends. Lastly, a negative moderating effect of SHA is observed in the relationship between td and equity dividends. The results of this study offer further perspectives on the dividend distribution strategy of banks, so benefiting scholars, investors, and firms operating in diverse global economies. To far, there has been a lack of research examining the non-linear relationship between the td and dividends, as well as the potential moderating effect of shareholder activism (SHA) on this correlation specifically within the context of banks. However, our research has just focused on the banking industry and has solely examined the effect of SHA as a moderator in the association between td and dividends.

Ramzan (2022), investigated the effects of ICD on dividend policy. The estimation of ICD is conducted by the utilization of the intellectual capital index, while DPO is employed as a proxy for dividend policy. The ICD has a strong positive impact on the DPO, indicating that a higher level of intellectual capital disclosure results in a higher DPO. These data also indicate that the decrease in information asymmetry has led to a significant increase in the level of information sharing. Christian and Farooq (2015) The findings of this study align with previous research, which also establishes a positive correlation between greater ICD and higher DPO. According to Nilsen and Farooq (2015), there is a claim that a high degree of insider exploitation of a firm's resources can be attributed to the presence of a suitable information environment. The results of this study align with previous research, indicating that a decrease in agency problems is associated with an increase in DPO (Li & Zhao, 2008). The effect of firm size on dividend policy is found to be statistically insignificant across all three models. The findings of this study align with the research conducted by Shehzad Khan (2015), which similarly indicates that firm size does not have a significant effect on dividend policy. This finding contradicts the conclusions reported by Nilsen and Farooq (2015). The return on asset (ROA) ratio is employed as a means of assessing a firm's profitability, with the assumption that the dividend policy is largely effectd by the ROA. Pratolo, Jatmiko, Anwar, and Widiyanta (2018) utilized information technology and adopted an empirical approach to verify and analyze the effect of financial management transparency on the performance of local administrations. The researchers adopted a value for money framework to achieve this objective. While the survey covered a total of 34 provinces, accessibility is limited to 30 of them. Furthermore, it is disclosed that the average accuracy of the financial statements is 43.5%, the budget realization stands at 60%, and a mere 17% of the financial statements are documented. The research utilizes a survey methodology, incorporating questionnaires and observational techniques. Bantul District is inhabited exclusively by SKPD, which places a particular emphasis on financial administration. Particularly when the value-for-money approach and the use of information technology are taken into account, the results indicate that financial management transparency has a strong and positive effect on the performance of local governments. Furthermore, apart from the contextual discrepancy, the research solely utilized value for money as a metric to assess financial management. In addition, it was discovered that the utilization of information technology had an effect on the effect of transparency on financial management.

Wanjau, Muturi, and Ngumi (2018) sought to examine the relationship between financial openness and the financial performance of East African publicly traded companies. The principal aim of this research endeavor was to analyze the effect of liquidity disclosures, investment policy, and financial policy on economic performance. A correlational research design and purposive sampling were utilized to select 73 participants for the study between 2006 and 2015. The analysis of secondary data involved the utilization of descriptive, correlation, and regression techniques. The findings of the research demonstrated a statistically significant and favorable correlation between financial policy, investment policy, financial liquidity, and financial performance. Previous research employed secondary data, however the present study will utilize primary data. The measurement of transparency in the previous study was based on the notion of disclosure, but the current study employed alternative measures of transparency principles.

Jeriansyah and Mappanyukki (2020) sought to ascertain how local government performance at the Inspectorate of the Special Capital Region of Jakarta (DKI Jakarta Province) was impacted by the transparency of regional finance management. This study utilized primary data collected by a questionnaire, encompassing a population of 265 individuals. The sampling strategy employed non-probability sampling methods, resulting in a sample size of 80 individuals for this investigation. The findings of this study suggest that there is a positive and statistically significant relationship between the transparency of regional financial management and the performance of local governments. In addition to the contextual gaps, the study did not specify the method used to sample 80 respondents from a target population of 265 respondents.

Jepkosgei (2022) studied the reasons why North Rift Counties, Kenya, Savings and Credit Cooperative Organizations (SACCOs) that accept deposits decide to pay dividends. The principal aim of this research was to analyze the effect of Sacco returns on the operational performance of Saccos that accept deposits. The study also sought to assess the effect of growth opportunities on the performance of Saccos in North Rift Counties, Kenya, as well as the effect of Sacco size on the performance of deposit-taking Saccos. Theories of agency, the signaling effect, the Bird in the Hand Theory, and the Dividend Irrelevance Hypothesis effectd the research. Therefore, as of July 2017, the target demographic comprised all nine Savings and Credit Cooperative Organizations (Saccos) in the North Rift Region that SASRA had formally acknowledged. Therefore, the sample consisted of all the board members and administrators of Savings and Credit Cooperative Organizations (Saccos) that accepted deposits in the North Rift Region. The research utilized a combination of primary and secondary sources of information, and data was gathered via the distribution of closed-ended questionnaires. The data analysis process encompassed the application of descriptive and inferential statistics. The computation of the data was performed utilizing SPSS Version 24. The results of the study suggest that the existence of Sacco returns significantly and statistically effects the performance of Saccos that accept deposits. Although corporate governance characteristics might not be the exclusive determinants of dividend determinations, the research centered on performance as opposed to dividend policy.

Kariuki (2016) explored the link between the stability of approved deposit-taking SACCOs in Kenya and their corporate governance. The primary objective of this research was to examine the effect of internal controls, boards' responsibilities, and transparency and disclosure on the financial stability of licensed deposit-taking SACCOs in Kenya. The SACCOs' chief executive officers and other senior management personnel were administered a survey. The aforementioned individuals were regarded as well-informed with respect to corporate governance issues within their respective SACCOs. By utilizing regression analysis, the research investigated the relationship between SACCO financial stability and corporate governance. The findings of the conducted research indicated that internal controls had a significant impact on the domain of corporate governance. It was determined that three main variables affect the financial health of SACCOs: board responsibility, disclosure and transparency, and internal controls. However, in relation to the financial well-being of SACCOs, board accountability was deemed the least influential determinant. The coefficients for protection and rates of return, when used as indicators of financial integrity, failed to account for individual variations in board accountability, transparency, and internal controls, according to the results of the regression analysis. The three independent variables accounted for the observed variation when the effective financial structure and liquidity factors were considered. The findings derived from the multiple regression analysis suggested that the three independent variables were capable of explaining the variations in financial integrity. The results of the study indicate that senior executives and chief executive officers possess the capacity to evaluate the importance of financial stability by employing the PEARLS framework. The aforementioned approach provides a more extensive assessment and surveillance of the financial systems of SACCOs in contrast to the traditional CAMEL methodology. The evaluation of the financial stability took precedence over the dividend policy in the study. Furthermore, the research examined the effect of internal controls, accountability, and transparency of boards on the performance of the organization, as opposed to the emphasis on audit committee composition, ownership structure, and board characteristics. The primary objective of the current investigation was to assess financial performance in contrast to dividend policy.

2.4.5 Corporate Governance Practices, Liquidity and Dividend Policy

Zainudin, Kantakji, Thabet, Ani, and Rahman (2019) sought to experimentally investigate the relationship between debt and financial performance, specifically focusing on the extent to which these impacts are effectd by several other factors. In this context, it is postulated that liquidity has a moderating role in the association between debt and financial performance. The objective of this study is to concurrently determine the ideal liquidity level that can enhance the financial performance of Real Estate Investment Trusts (REITs). The study's sample comprises all MREITs over the time span from 2005 to 2016. The results of the study indicate that the association between financial performance and debt is effectd by liquidity, and maintaining a specific level of liquidity is found to have a negative impact on the relationship between debt and financial performance. Therefore, it is imperative to maintain an ideal level of liquidity in order to achieve the desired level of liquidity and enhance financial performance. Research indicates that in order to achieve optimal financial performance, each MREIT must maintain a liquidity level exceeding 5.78% of its total net assets. Kusuma and Semuel (2019) sought to examine and assess the impact of corporate performance on dividend policy within the context of manufacturing firms. Subsequently, the author will employ liquidity as a moderating variable to examine the potential impact of a high liquidity level on the company's decision to distribute dividends. This study utilizes a sample of 77 manufacturing industry businesses that were listed on the Indonesia Stock Exchange between 2010 and 2016. These companies were selected based on their distribution of dividends. The data utilized in this study is derived from the yearly financial reports of the selected companies. The study's data were analyzed using the SEM smart PLS 3.0 model. This research elucidates the effect of profitability, leverage, and liquidity variables on dividend policy, as well as the potential synergistic effect of liquidity on the association between profitability and dividend policy, as well as the relationship between leverage and dividend policy. Aritago, Saputra, Hakim, and Djalil (2020) aimed to examine the impact of growth, profitability, liquidity, debt, and firm size on dividends, while also considering business risk as a moderating factor. The topics of this study consist of companies that were listed on the LQ-45 Index between the years 2013 and 2017. The findings indicated that the dividend was effectd by the company's growth, profitability, leverage, and firm size collectively, but only the company's growth, profitability, and leverage had a partial impact on the dividend. The impact of firm growth, profitability, and leverage on dividends is moderated by business risk.

Kordlouie and Ebrahimi (2019) examined the impact of liquidity on dividend payouts in companies listed on the Tehran Stock Exchange. The researchers utilized data from 102 companies spanning the years 2006 to 2015. The model was estimated using the panel logit method in Stata15 software. The findings suggest that there are notable impacts of different liquidity parameters on the distribution of profits. The impact of moderating variables on profit sharing is more significant when the liquidity index represents the share of zero returns, compared to other variables. Furthermore, based on the findings of the moderating variables, it can be shown that the inclusion of the float as a moderating variable results in a notable augmentation of the liquidity index effect. Based on the findings, it can be shown that the liquidity and moderating variables exert a more significant effect on the cash dividend, as measured by the cash flow from operational activities (DVC), in comparison to the dependent variable of cash dividend, as measured by earnings (DVE). The endogeneity of the DVC, DVE, and liquidity variables should be acknowledged. Hence, it can be inferred that there exists a unidirectional causal relationship from liquidity to both DVC and DVE.

Vo (2022) examined the relationship between corporate dividend decisions and liquidity, which serves as an indicator of information asymmetries. The research utilized a dataset consisting of publicly traded companies in Vietnam, an emerging economy. More precisely, we employ a dataset consisting of companies that are publicly traded on the Ho Chi Minh City stock market (HOSE) between 2007 and 2015. A correlation is observed between stock market liquidity and dividend payout in Vietnamese enterprises, indicating a negative relationship. The results of the study validate the notion that company managers in Vietnam exhibit a tendency to offset reduced liquidity by increasing dividend payouts. The article additionally posits that dividends may serve as a viable alternative to stock liquidity.

Bahrudin, Saddam, Mustaffa, and Sahudin (2021) examined the relationship between dividend policy and business characteristics in the consumer goods and trading services sector from 2015 to 2019. The static panel data analysis is the optimal approach as it integrates two analytical components, namely time series and cross-sectional, to accomplish the purpose of this study. According to the results of the fixed-effect model, only liquidity and profitability characteristics had a substantial effect on dividend policy in these two industries. The aforementioned data suggest that companies with greater liquidity tend to distribute higher dividends to their shareholders.

Aisyah, Zainudin, and Hamdani (2021) investigated the relationship between dividend policy and liquidity. The corporations comprising the study's sample were those that were included in the LQ-45 index from 2015 to 2019. The selection process employed was purposive sampling. A subset of sixteen businesses has been chosen in accordance with the predetermined criteria. When employing Smart PLS 3 applications to analyze data, moderated regression analysis (MRA) procedures are implemented. The results of the study suggested that liquidity had an insignificant negative effect on dividend policy. Nurchaqiqi and Suryarini (2018) investigated the effect of liquidity and debt on cash dividend policy, with a particular focus on the moderating effect of profitability. The research comprises a sample of 59 companies operating in the real estate, property, and building construction sectors, all of which were publicly traded on the Indonesian Stock Exchange (IDX) from 2013 to 2015. The data utilized in this study was collected via purposive sampling, which yielded a sample size of 23 companies. 69 was the unit of analysis utilized with this sample. The study utilized a data acquisition strategy that was documentation-based. The data were analyzed using descriptive statistical analysis and regression moderation, with the test of absolute difference value being implemented. The results suggest that a positive correlation is statistically significant among cash dividend policy, liquidity, and leverage. Profitability has no effect on the relationship between leverage and cash dividend policy; however, profitability can have an effect on the relationship between liquidity and cash dividend policy. According to the results obtained from this research, the cash dividend policy is susceptible to the impacts of liquidity and leverage. Profitability has no effect on the relationship between leverage and cash dividend policy; however, profitability can have an effect on the relationship between liquidity and cash dividend policy.

Mutuku (2016) examined the impact of corporate governance on the financial performance of SACCOs in sub-counties. The research was centered on individuals residing in the sub-counties of Machakos and Athi-river who were members of savings and credit cooperative societies. The data collection process involved the utilization of self-administered questionnaires. The questionnaires were physically delivered to the workplaces of the respondents by the researcher. A blend of qualitative and quantitative data was collected and subsequently analyzed through the application of descriptive analytic methods. The data were represented through the use of tables, charts, percentages, tabulations, averages, and additional measures of central tendency. The findings of this research have established a strong and positive correlation between the financial performance of Savings and Credit Cooperative Organizations (SACCOs) and the composition of their boards. Moreover, a strong positive correlation was found between the effectiveness of board leadership and the financial performance of SACCOs. Furthermore, the study unveiled a strong and positive correlation between disclosure and transparency and the financial performance of SACCOs. The scope of this research was limited to Saccos that permit deposits, as opposed to those that do not. Furthermore, the research focused on Saccos in the sub-counties of Machakos and Athi-river, as opposed to the entire nation as claimed in the present study. The primary objective of this research was to evaluate financial performance in contrast to dividend policy.

Kipkosgei (2019) investigated the effect of internal control systems on the financial performance of Kenyan Savings and Credit Cooperative Societies. The objective of this research was to analyze the effect of risk assessment and control environment on the financial performance of SACCOs located in Tharaka Nithi County. A non-probabilistic purposive sampling technique was employed in this study to select 69 members of the staff population as participants. The investigation made use of both primary and secondary sources of information. The research utilized secondary sources of information covering a four-year duration, from 2013 to 2016. A multiple 36 regression analysis was utilized by the researchers in order to determine the relationship between the dependent and independent variables. At a 5% significance level, the overall significance of the regression model and the hypothesis were examined using the t-test and F-ratio. The control environment and risk assessment had a positive and statistically significant effect on the financial performance of SACCOs, according to the study's findings. The internal control system probably exerts a substantial effect on the financial performance of savings and credit cooperative societies, as suggested by the theory. However, the scope of the research was limited to an analysis of the regulatory framework and an assessment of prospective risks, which served as the principal limitations for internal control. The main aim of this research was to investigate the integration of supplementary attributes related to internal controls, concentrating on Deposit Taking SACCOs situated in Kiambu County, Kenya. The primary emphasis of the research undertaken by Kipkosgei (2019) was the internal control system, as opposed to corporate governance. Furthermore, the research evaluated fiscal performance as opposed to dividend policy. The emphasis of a study conducted by Kipkosgei (2019) shifted from corporate governance to the internal control system. Furthermore, the research also examined financial performance in contrast to dividend policy.

In their study, Shibutse, Kalunda, and Achoki (2019) sought to evaluate the effect of dividend payout and liquidity, two capital structure influencing factors, on the Return on Assets (ROA) financial performance of DPS and CCS in Kenya. The investigation was conducted utilizing the theoretical frameworks of the Free Cash Flow Capital Structure Analysis and Pecking Order. The study utilized a mixed methods design, integrating primary and secondary sources of information, and covered the period from 2013 to 2017. The research investigated a sample size of 174 participants who utilized DPS and CCS. The research employed a technique of stratified and purposive sampling. Utilizing descriptive statistics and a regression model, the data were examined. The results of the study revealed that liquidity and dividend payout had a significant and positive effect on the financial performance of DPS and CCS in Kenya. The research findings indicate that liquidity and dividend payout have a substantial impact on the financial performance of DPS and CCS. The research placed a higher emphasis on capital structure in comparison to corporate governance procedures, evaluated performance in lieu of dividend policy, and ultimately focused on Kisumu County as opposed to Kenya.

Njeru (2016) investigated the effects of liquidity management on the financial performance of Savings and Credit Cooperative Organizations (SACCOs) in Kenya that accept deposits. The present study utilized a descriptive survey approach to collect data regarding the effect of liquidity management on the financial performance of Savings and Credit Cooperative Organizations (SACCOs) in Kenya that accept deposits. Utilizing self-administered structured questionnaires, primary quantitative data were gathered. Despite SACCOS employing rigorous cash flow projections, exogenous factors can effect cash management, thereby increasing the operational risk for these institutions, according to the findings. Hence, it is crucial to undertake a thorough examination of the cash management components, including those from the internal and external environments, which may effect cash management within an organization. Furthermore, it is imperative to recognize and execute strategies to alleviate the aforementioned factors. The study centered on the examination of liquidity in its capacity as an independent variable, as opposed to a moderating element. However, the analysis shifted its focus from examining dividend policy to assessing financial performance.

Keben and Maina (2018) sought to examine the effect of liquidity risk management on the financial performance of SACCOs that accept deposits in Uasin Gishu County, Kenya. The theoretical framework upon which this analysis was built was that of liquidity risk. The research investigation utilized a cross-sectional survey design. Liquidity risk management was found to be a critical factor in enhancing the financial performance of SACCOs in Uasin Gishu County, Kenya, according to the study's findings. The study centered on the examination of liquidity in its capacity as an independent variable, as opposed to a moderating element. However, the analysis shifted its focus from examining dividend policy to assessing financial performance.

2.5 Research Gap

Current literature from researchers across the world show inconsistent findings with regard to the relationship between corporate governance dimensions and dividend policy. Differences are also noted between industries and individual firms in the same industry. It is these inconsistencies that make it necessary to attempt a triangulation method to improve the quality of findings reported on dividend policy and corporate governance relationship among DT Sacco societies in Kenya. Few researchers have attempted to study this relationship in the Sacco Society sub sector in Kenya. Besides those that have been done have focused on organizational performance measured by profitability and other non metric measures of performance and not dividend policy. Thus this study finds relevance in this space. It shall present the governance-dividend relationship among Sacco Societies in Kenya to help shareholder, managers and board of directors understand what role they play in optimizing dividend policy in the Sacco industry. Previous studies have not conceptualized the moderating role of liquidity.

Table 2.1 Summary and Research Gap

Author/Title	Objectives	Findings	Research Gap
Omar, (2020) Effect of corporate board characteristics & ownership structure on dividend payment decision of Bahrain listed companies.	To examine effect of corporate board characteristics & ownership structure on dividend payment decision of Bahrain listed companies.	Board independence is negatively related with dividend payout Board size has appositive relationship with dividend payout.	A survey method used but could be combined with market data. Current study employed mixed research design
Oduor & Kosgei (2020). The effect of Chief Executive Officer power on Diversity of gender and Dividend policy in Kenya. African Journal of Education Science & Technology 6(1) 255-265	Assess the effect of gender diversity on dividend policy of Kenyan enterprises Examine the moderating effect f CEO powers on the relationship between gender diversity and dividend policy	CEO power moderates the relationship between gender diversity and dividend policy of firms in Kenya. Gender diversity effect dividend policy of firms in Kenya.	Focus on CEO Power as moderator between gender diversity and dividend policy. Current study examines other perspectives of corporate governance as moderated by liquidity.
Khan & Iiyas (2021) An empirical analysis of the relationship between corporate governance and dividend policy of Pakistan listed firms : the moderating role of political instability Webology 18(5) 2375-2390	Examines the moderating role of political instability in the relationship between corporate governance and dividend policy	Corporate governance has no effect on dividend policy, frequency of meeting managerial ownership and board diversity negatively effect dividend policy while board effect and audit committee size have appositive impact on DP.	Population of firms studied is outside Kenya and political instability used as the moderator. A survey method used whereby mixed study design was used to bridge the gap.
Aydin& Cavdar (2015) Corporate governance and dividend policy: An empirical	To determine effect of ownership structure, size of firm and dividend policy	Ownership concentration, managerial ownership. Foreign ownership is positively significant affect dividend policy decision. A significant negative	Study is conducted outside the country and is based on empirical data alone. Study tests firm size relationship as well

analysis from Bursa Istanbul corporate governance index accounting & finance research 4(3) from 66-76		relationship between ownership concentration and dividend policy, managerial ownership and dividend policy. Positive relationship between firm size and DP	but that is not in the current study. The study used longitudinal study hence mixed design was diverse.
Moriyasu & Uchida (2015). payout premium in the course of corporate governance reform	To examine whether investors prefer high payout firms during governance reforms	Institutional investors increase their investment in high payout firms upon corporate governance reform Individual investors add premium to high payout companies during corporate governance reform	The study concentrates on investor preference for dividend paying firms during period of governance reforms. The governance coverage is wider conceptually and in scope.
Kamran & Raza (2021) Corporate governance mechanism, dividend policy and firm efficiency KASBIT business journal.	To determine effect of board diversity index on dividend policy	Board diversity index is significantly associated with dividend policy	This study has investigated only one aspect of corporate governance but this proposed study includes more perspectives of governance. The method applied was also more robust compared to many approaches adopted by researchers works reviewed.
Rinawiyanti et al (2020) adopting Management control systems through CSR strategic integration and investigating its impact on company performance. evidence from Indonesia, International journal of Business in society	Examine affect of management control systems and company performance	Favourable CG factors have a considerable positive impact on dividend policy	Dividend policy is significantly impacted by favourable governance factors. These factor sensitivities differ across firms, industries and countries.

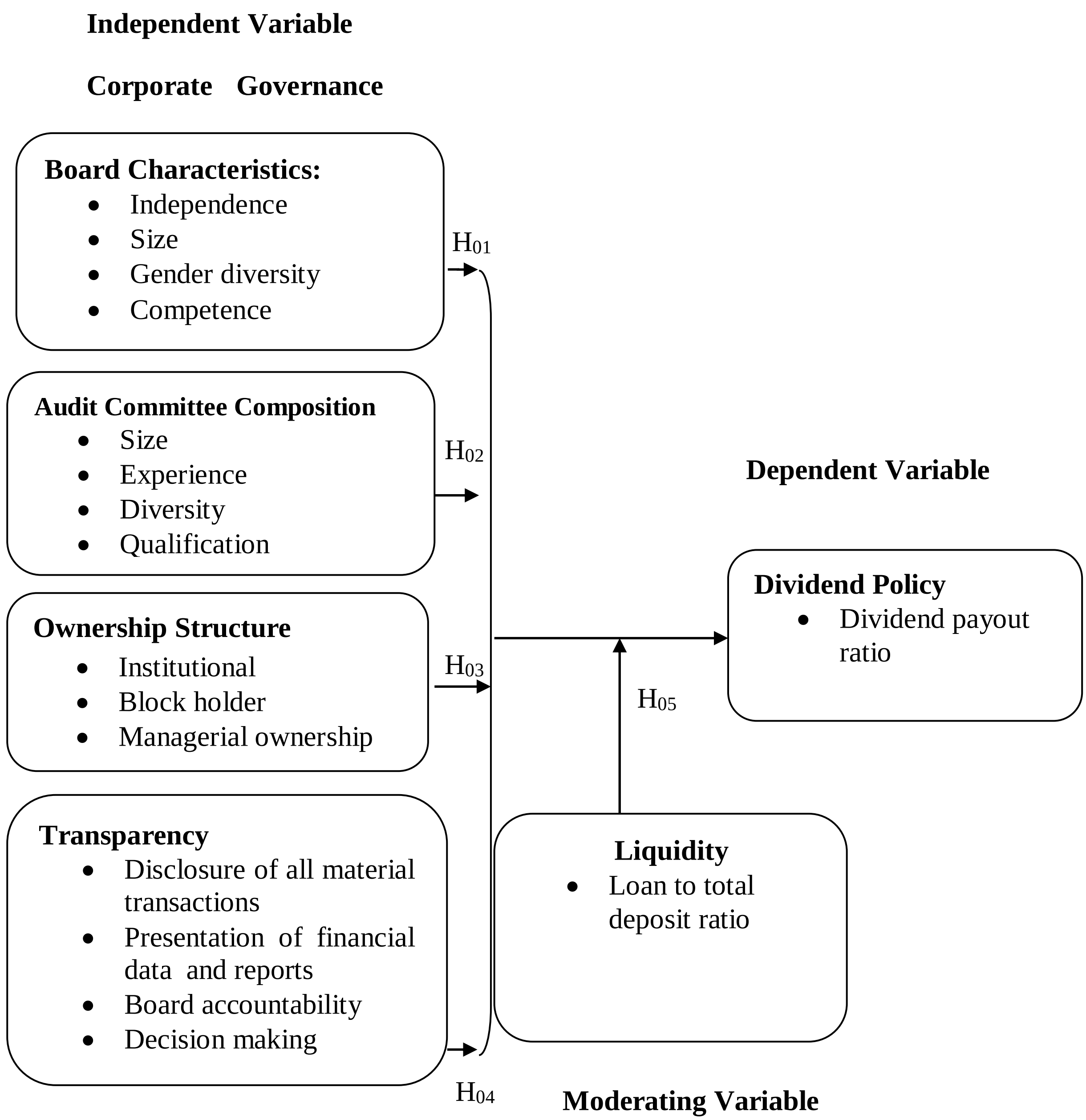
Njuguna (2021) Corporate governance and financial performance of licensed deposit taking Sacco in Kiambu county Kenya.(MBA thesis) Kenyatta university	To examine effect of corporate governance on financial performance of DT sacco societies in Kiambu county.	Corporate financial reporting, transparency and disclosure, internal control system is positively related to financial performance (ROA, ROE) and liquidity.	The study focused on profitability and liquidity as the dependent variables while this study targets dividend decisions measured by propensity to pay and dividend payout ratio.
Ahmed & Rugami (2019) Corporate governance and performance of Saccos in Kilifi county , Kenya	To assess effect of corporate governance on performance of SACCOs in Kilifi county, Kenya	Board composition, size of board, board members qualification and gender balance positively relate to performance.	This study utilizes financial performance based on cross section data in Kilifi county away from the study that use dividend policy for all DT saccos in Kenya.
Baker & Dewasiri (2020) Corporate governance and dividend policy in Sri Lankan firms. A data triangulation approach	To examine the relationship between corporate governance and the propensity to pay dividends and actual dividend payout by Sri Lankan firms	A positive and significant relationship between corporate governance on propensity to pay dividends and dividend payout Audit committee, board characteristics ownership structure Transparency	This study is only different by the kind of firms examined and where they are domiciled.-Sri Lanka. The approach used (mixed) is similar to the one adopted. Much of the findings was comparable with this study.
Naimah & Hamidah (2017) The role of corporate governance in firm performance SHS web of conferences 34 1-6	To determine effect of corporate governance dimensions on profitability	Board size, board independence, outside directors, audit committee size, audit committee meeting, audit quality and profitability Firm size and board independence negatively effect profitability ACM and Audit quality positively effect profitability.	The dependent variable here is profitability which is an intervening factor in dividend decisions that this study sought to investigate.
Sahay (2016) Effectiveness of corporate governance and measurement	To propose corporate governance measurement indicators, ownership and control	Develop an effective model for measuring effective corporate governance index.	Measurement indicators used in this study for corporate governance perspectives are

challenges, corporate ownership and control 141 297-303			widely used by other scholars. Board characteristics, audit committee composition, ownership structure and transparency index.
Fayza (2016) Performance Measurement and corporate governance New Perspectives in management accounting. research journal of finance and accounting 7 (16) 121-144	To assess performance measurement for corporate governance	Measurement of performance can either be metric or non metric.	The study adopts a combination of metric and non metric measurement for dividend performance to make the a mixed method research possible.
Ncurai & Oloko & Rambo (2022) Effect of corporate governance on performance of Deposit Taking Sacco in Kenya. European journal of business & management 14(8)	To examine effect of board diversity, audit committee and top management team on performance.	Other dimensions of corporate governance need to be tested on performance in only board diversity was significant Result: No significant relationship between Corporate Governance and performance of DT Saccos in Kenya	The study does not investigate ownership structure as possible predictor of performance of DT saccos. The research does not use dividend policy as measure of performance and indicators used are different.
Ngwenza & Kariuki (2017) Effect of corporate governance practices on financial performance of listed agricultural firms in Nairobi Securities exchange Kenya.	To examine relationship between board characteristics and financial performance of listed Agricultural firms at NSE	Board composition & size, board independence and audit committee relation with financial performance. Result: Corporate governance practices had insignificant effect on ROE and ROA but significant on debt-equity ratio (capital structure)	Corporate governance practices are related to financial performance for Agricultural firms at the NSE. This study investigated CG on dividend policy for SACCO societies in Kenya.

Source: Researcher (2024)

2.6 Conceptual Framework

Conceptual framework provides a view of study variables in this context the independent variable, dependent variable and moderating variable.



Source: Researcher (2024)

Figure 2.1 Conceptual Framework (Adopted from Baker & Dewasiri (2020), Omar (2020), Aydin & Cavdar (2015).

In this study, the connections between the study variables that is the independent variable which is corporate governance and the dependent variable which is dividend policy while liquidity as moderating variable are conceptualized. Indicators of corporate governance include: board characteristics, audit committee, ownership structure and transparency.

Board characteristics have an effect on dividend policy since the board has powers to determine the dividend position whether to invest or pay the dividend. They are key on dividend policy making. This can be possible and it has resulted effect on liquidity position as far as dividend payment is concerned. The board independence, the size of the board, the board members gender and competencies possessed by board members definitely affects dividend policy as well as liquidity.

Audit committee clearly spells out the dividend policy gaps. Through investigations auditors outlines their audit on dividend payout and there direct effect to liquidity position of the firm. Therefore the number of audit committee thus size, auditors experience on dividend matters, diversity and audit qualification.

Ownership structure explains the ownership of SACCOs where directors and management clearly spells out the structure. Owners are affected by liquidity as they need to ensure all activities are in proper position. The institutional, block holder and managerial ownership counts when dividend policy decisions are made.

Transparency explains the attributes of being open to explain the true situation for the firm. Transparency is attained through disclosure of all material transactions, presentation of financial data and reports, board accountability and decision making. It is important for firm stakeholders to explain the true state of dividends to avoid overstatement or understatement as this would affect liquidity position. Dividend policies would be affected if transparency is compromised.

The dependent variable under investigation is dividend policy, where dividend payout ratio is computed. Dividend payout ratio was obtained by taking yearly dividend per share and dividing it by the earnings per share.

Liquidity refers to cash inflows and cash outflows and balance between inflows and outflows. Liquidity is expected to moderate the relationship between the corporate governance and dividend policy. Liquidity was measured using total loans to total deposit and loans to total assets ratio.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The research methodology section traces the research plan from the design, study area, philosophy, target population, sampling technique, data collection and analysis. It employs the method of assembly organization and analysis of data to fulfill the requirements of the research objectives and hypothesis. The results of any investigation are as valid and accurate as the tools and approaches used to measure and analyze the data and report findings.

3.2 Research Design

A research design commonly denotes the structure that directs the researcher's selection of methodologies, establishing the conditions for data collection and analysis. Its objective is to strike a balance between the study purpose and efficiency in the approach (Orodho, 2008).The study used panel data this assembled cross sectional and time series data. Data triangulation between dividend policy and dividend yield shall be used to gain insights into the relationship between CG and DP with the moderator role played by liquidity. The relationship between corporate governance (CG) and dividend policy (DP) was explained by outcome and substitution hypotheses.

3.3 Research Philosophy

Suri (2011) posits that research philosophy serves as a foundational framework that might strengthen a research endeavor. A research philosophy pertains to one's beliefs regarding the methods of gathering, analyzing, and utilizing phenomena. It is associated with epistemology, which pertains to the connection between the researcher and the known truths, and ontology, which pertains to the beliefs about what is true. The present study mostly employed a positivist approach. Positivists adhere to this theory, asserting that reality is stable and can be objectively observed. Positivists say that some phenomena can be isolated and observations can be replicated. The process entails the manipulation of reality through the introduction of variations in independent variables, with the aim of identifying patterns and establishing connections among the many components of the social realm (Schwandt, 2014). Researchers that adhere to positivist methods adopt a systematic approach to doing research, which involves the identification of a study topic, formulation of research hypotheses, and selection of an appropriate methodology. Positivism facilitates the utilization of statistical methodologies for hypothesis testing and the analysis of research data obtained through quantitative research procedures, making it well-suited for the present study This research also adopted pragmatism approach. This philosophy is pursued by pragmatists who believe concepts are only relevant if they support action (Kelemen & Rumen 2008). The objective of this study was to examine the correlation between variables related to corporate governance, liquidity, and dividend policy. This was achieved by employing scientific models to ascertain the logical sequence of these relationships. The present study employed a value-neutral approach, utilizing rigorous scientific and organized methodological protocols to mitigate any potential subjective bias in the analysis of company governance, liquidity, and dividend policy. The constructed hypothetical model seeks to elucidate the impact of corporate governance and liquidity on dividend policy, with a focus on deductive logic rather than comprehending the underlying reality.

3.4 Study Area

This study targeted board members and top management team of all deposit taking SACCO Societies in Kenya. Kenya is a sovereign state in East Africa located with its capital city being Nairobi. The population according a World Bank report (2021) Kenya has 53.3million people with over 40 different communities speaking Bantu, Nilotic and Cushitic languages. Kenya lies between latitude $4^{1/20}$N and $4^{1/20}$S. At the north it borders Tanzania and East of Uganda, South of Ethiopia and South Sudan and west of Somalia. The area is approximately 583000 km$^{2.}$ Kenya has heavily invested in SACCOs and corporate management has been cited often on SACCO trends (SASRA, 2022). This crowned purpose for this area.

3.5 Target Population

The targeted population in this study is the entire deposit taking SACCOs in Kenya. According to SASRA 2021, the number of registered DT SACCOs is 175 spanning the production, service and agricultural sectors of the economy. The target was 403 SACCO stakeholder as follows; 2 SASRA management staff members, 2 KUSCO management staff members, 2 CAK Corporation Alliance staff members, 47 County directors for cooperatives, 175 Chairperson/Director and 175 CEO/CFO (SASRA, 2022). The list of the DT SACCOs is attached at the Appendix V. The board of directors was represented by one member and top management team also represented by either CEO or CFO.

These participants are key decision makers on matters corporate governance and dividend policy.

3.6 Sampling Size and Sampling Procedures

The sampling unit is identified as 403 of the total participants (SASRA, 2021). Yamane (1967) sample determination formula was used to arrive at the sample size given as;

$Sn = N/1+N(e)^2$

Where; N= target population

Sn = Sample size

e= error margin

Thus

$$n = \frac{N}{1 + N\,(e)^2}$$

$$\frac{403}{1 + 403\,(0.05)^2}$$

$$\frac{403}{2.0075}$$

$$=200.7= 201$$

Each of the DT SACCO in Kenya provided two key participants comprising a board member and one CEO/CFO. The respondents were selected using a stratified formula to allocate participants across the job designation of the SACCOs. The allocation is shown on Table 3.1 below. A proportionate stratified random sampling was used to determine the number of SACCOs targeted in each category to participate in the study.

Table 3.1: Sample Size

Designation	Population	sample
SASRA management	2	$\frac{2}{403}\text{X } 201 = 1$
KUSCO management	2	$\frac{2}{403}\text{X } 201 = 1$
CAK Corporation Alliance	2	$\frac{2}{403}\text{X } 201 = 1$
County directors for cooperatives	47	$\frac{47}{403}\text{X } 201 = 24$
Chairpersons/Directors	175	$\frac{175}{403}\text{X } 201 = 87$
CEO/CFO	175	$\frac{175}{403}\text{X } 201 = 87$
Total	**403**	**201**

Source: (SASRA, 2024)

3.7 Data Collection Instruments and Procedures

3.7.1 Types and Sources of Data

The term "data" denotes objective information that is examined and employed to acquire knowledge or arrive at well-informed decisions (Kothari, 2004). principal and secondary information are the two principal categories of data. The data utilized in the course of this investigation was acquired from two primary sources. The sources mentioned above consist of primary and secondary resources. Primary data is defined as information that is collected for the first time, thereby possessing an original quality (Kothari, 2004). The examination of the research was predicated on primary data collected from participants via a questionnaire devised by the researchers.

3.7.2 Instrumentation

The research employed primary data obtained through the administration of a questionnaire. The questionnaire was used for this study due to the assumption that the study participants were literate and capable of providing satisfactory responses to the questions posed. The survey instrument was broken into four distinct sections. Section 1 comprises statements designed to gather general information from the respondents. Section 2 has closed-ended statements aimed at gathering data on particular independent variables of the study. Section 3 focuses on the moderating variable. Lastly, Section 4 solicits information regarding the dividend policy of SACCOs. A five point Likert-type scale ranging from 1(Strongly Agree) to 5(Strongly Disagree) was used for all the constructs with 5-Strongly agree, 4-Agree, 3-Undecided, 2-Disagree and 1-Strongly disagree. Interviews was conducted on top tier leadership comprising of 1 SASRA management staff members, 1 KUSCO management staff members, 1 CAK Corporation Alliance staff members, 24 County directors for cooperatives adding up to 27. This aided access of first hand information regarding dividend policy.

In addition, the study made use of secondary research. The primary emphasis of this study was on the aspects of liquidity and dividend policy. Audited financial accounts of deposit taking Saccos in Kenya were used to gather secondary data. The published reports were acquired from the official websites of DT-Sacco and SASRA, encompassing a timeframe of five years spanning from 2017 to 2021.

3.8 Data Collection Procedures

The present study utilized a self-administered questionnaire and a secondary data schedule to gather quantitative data. The participants were duly notified by the researcher that the instruments being administered would be exclusively utilized for research objectives, and the replies provided by the participants would be treated with utmost secrecy and confidentiality. To collect data from the sampled respondents, the researcher acquired an introductory letter from the Masinde Muliro University of Science and Technology and NACOSTI. The questionnaires were distributed to the respondents by a team of five research assistants, who subsequently collected them using the drop and pick procedure after they had been completed. The research assistant oversaw the data gathering procedure to ensure that all items were adequately addressed. The questionnaires were stored individually based on the SACCOs. The collection of secondary data involved accessing the individual DT-Sacco website and the SASRA website, which provided financial accounts for analysis. Ratios were calculated and used during the analysis process.

Table 3.2: Quantitative Measures of Variables for Primary Data.

Variable	Item	Method of testing	Questionnaire Item
Board Characteristics	i) Independence, ii) Size iii) Gender diversity	5 point likert	SECTION II; PART A

	iv) Competence		
Audit Committee Composition	i) Size, ii) Experience, iii) Diversity iv) Qualification	5 point likert	SECTION II; PART B
Ownership Structure	i) Institutional, ii) Block holder iii) Managerial ownership	5 point likert	SECTION II; PART C
Transparency	i) Transactions ii) Financial reports, iii) Accountability iv) Decision making	5 point likert	SECTION II; PART D
Liquidity	i) Liquidity Risk Practices ii) Liquidity Monitoring Practices iii) Liquidity Decision Practices	5 point likert	SECTION III
Dividend Policy	Dividend payout ratio Dividend yield	5 point likert	SECTION IV

Source: Researcher (2024)

Table: 3.3: Operationalization and Measurement of Secondary Variables

Variable	Name of Variable	Operationalization	Measurement
Independent variable	Board Characteristics	i) Independence, ii) Size iii) Gender diversity iv) Competence	Ratio of independent to dependent board members Natural logarithm of board members Ratio of Female to male board members
	Audit Committee Composition	i) Size, ii) Experience, iii) Diversity iv) Qualification	Natural logarithm of audit committee members Ratio of members with experience of more than five years Ratio of Female to male committee members Ratio ofmembers with relevant qualification
	Ownership Structure	i. Institutional ii. Block holder iii. Managerial ownership	Percentage of institutional ownership Percentage of block holder ownership Percentage of managerial ownership
	Transparency	Financial information disclosure	Financial information disclosure index
Moderating	Liquidity	Current Ratio	short term obligations - current assets over current liabilities
Dependent	Dividend Policy	Dividend Payout Ratio Dividend yield	DPS to EPS DPS to Price per Share

3.9 Piloting

A pilot study was conducted on twenty deposit-taking Saccos, constituting 10% of the overall sample size from Starehe Nairobi County, in accordance with the recommendation of Arain, Campbell, Cooper, and Lancaster (2010). The individuals who were involved in the pilot study were excluded from the primary sample. The assignment was finished two weeks prior to the initiation of the data collection process. The consequences of the pilot study enabled the reevaluation of the instruments employed for data collection.

Table 3.4: Pilot Results

Variable	P value	Significance
Board characteristics	0.000	p<0.05 positive and significant
Audit committee composition	0.000	p<0.05 positive and significant
Ownership structure	0.000	p<0.05 positive and significant
Transparency	0.000	p<0.05 positive and significant
Liquidity	0.001	p<0.05 positive and significant

Source: Field Data (2024)

For pilot test all variables were significant $p<0.05$, implying that corporate governance practices had a statistical positive significant effect on dividend policy, furthermore liquidity had a statistical positive significant moderating effect on the relationship between corporate governance practices and dividend policy.

3.10 Validity and Reliability

3.10.1 Validity

Burton and Mazerolle (2011) define validity as the degree to which an instrument precisely evaluates the construct that it is designed to assess. The notion of validity concerns the degree to which a construct, be it an idea, a concept, or a behavior, has been satisfactorily transformed or translated into a practical and significant reality (Aila & Ombok, 2015). As per Drost's (2011) assertion, scholars ought to consider four discrete classifications of validity. The factors mentioned above consist of construct validity, statistical conclusion validity, internal validity, and external validity. The concept of statistical conclusion validity concerns the capacity to draw reasonable conclusions regarding the existence of covariation using the obtained variances and a specific alpha level. Internal validity pertains to the degree of validity exhibited by the research itself. External validity pertains to the extent to which a study's findings can be extrapolated to different time periods, environments, and individuals, as opposed to being limited to the population under investigation. Construct validity is established when an assessment consistently and precisely captures a unique concept. Discriminant validity and convergent validity are the two fundamental categories of concept validity. In contrast to discriminant validity, convergent validity assesses the degree to which expectedly related constructs are, in fact, related. Discriminant validity evaluates the degree to which perceived unrelated concepts are, in fact, unrelated. For the purpose of assessing the instrument's validity in this research, construct validity and content validity were employed. As a metric, content validity was utilized to determine the degree to which the data collected via the questionnaire corresponds precisely to the objectives of the study. Significant emphasis was placed on the design of the research instrument in order to guarantee its effectiveness in measuring and gathering the desired data with precision. The material was evaluated by members of the SACCO leadership's supervisory and specialized teams, in addition to the faculty of Business and Economics at Masinde Muliro University of Science and Technology. Construct validity pertains to the degree to which an instrument measures the investigated phenomena with precision. Factor analysis is commonly employed to evaluate this, and confirmatory factor analysis is subsequently performed to validate the construct. It is recommended to utilize these methodologies when dealing with substantial sample sizes, generally exceeding 50 individuals (Aila & Ombok, 2015). Average Variance Extracted (AVE) was utilized in the current investigation to assess convergent validity. Parvadavardini, Vivek, and Devadasan (2016) contend that the Average Variance Extracted (AVE) threshold value must surpass 0.5 for constructs to be deemed reasonable. Discriminant validity evaluates the degree to which a specific concept contained within a research instrument can be differentiated from other concepts that are closely related. The present investigation utilized the approach outlined by Fornell and Larcker (1981) in order to assess the measurement's validity. Specifically, cross-loading and Fornell and Larcker's (1981) criterion were examined. In order to assess discriminant validity through cross-loading, it is imperative that the loadings of indicators on their corresponding constructs be of greater magnitude than those on other constructs. In contrast, the criterion proposed by Fornell and Larcker (1981) establishes correlations through the comparison of the square roots of AVE.

3.10.2 Reliability

Reliability examines whether the findings of a sample are repeatable. It is the stage at which, after repeated trials, a testing instrument produces reliable findings or records. If a scholar twice conducts a test on a matter and earns the same scores as the first test on the second administration, then the tool is accurate (Mugenda & Mugenda, 2019). Cronbach's alpha was computed using data from the pilot study to determine the internal consistency of the research instruments. Santos (1999) indicated 0.7 to be an acceptable reliability co-efficient. According to Wikipedia (2013), Cronbach's alpha of $\alpha \geq 0.9$ is excellent, $0.7 \leq \alpha < 0.9$ is good, $0.6 \leq \alpha < 0.7$ is acceptable, $0.5 \leq \alpha < 0.6$ is poor, and $\alpha < 0.5$ is unacceptable. Santos asserts that if the instrument shows poor reliability, then individual items within the scale must be re-examined and modified or completely changed as needed. The overall reliability stood at 0.887 from the findings.

3.11 Data Analysis

Data analysis consists of inspecting, cleaning, transforming, and modeling data in order to identify and highlight pertinent information, generate conclusions, and provide decision support. After that, the data gathered for the present study were categorized, tabulated, and grouped. By scrutinizing the collected raw data for errors and omissions and correcting them, the primary data were edited. This required a thorough examination of the completed questionnaires. Following this, responses were assigned numerical values in order to code the data and restrict it to a finite number of categories or classifications. The information was displayed using tables and charts. The data analysis was conducted in accordance with the research objective.

3.11.1 Diagnostic Tests

Many of the statistical tests make certain assumptions about data distribution and quality. Among the important assumptions that data must not violate is; Homoscedasticity: This was measured by levenes test, linearity which can was done using a scatter graph with a line of best fit.

Multi-collinearity: Another important test to be conducted is that of multi-collinearity which means the correlation coefficients between the independent variables is not high and this can be confirmed by VIF and tolerance value close to 1.0 and not greater than 10 or lower than 0.1 for VIF and tolerance respectively. In addition the data collected did not carry extreme values (outliers) since this could render the parameters less efficient.

Normality: Shapiro Wilk test and Kolmogrov Smirnof tests was computed. A normally distributed data is approximately bell-shaped with a mean of zero (o) and standard deviation of one. This can be confirmed by a superimposed normal curve on a histogram representing a set of distributed data. Many parametric techniques require that data be normally distributed so that the statistics can be consistent and unbiased. However for non parametric tests normal distribution of data is not a strict requirement. In this study normality of dependent variable will be confirmed before application of parametric tests. Similarly, a non parametric test (logistic regression) were also applied to explain likelihood of the independent factors to predict outcome (repurchase intention).

3.11.2 Descriptive Statistics

Primarily, this served to display the trend in the core data. The researcher employed descriptive statistics, which comprised measures of variability and central tendency (mean and standard deviation), as well as the maximum and minimum values. Descriptive statistics were employed to formulate measures and indices that served to succinctly summarize the gathered data (Kothari, 2007). Qualitative data, a thematic analysis approach was applied for interviews. Qualitative data was procedurally organized and prepared for thematical analysis. This was instrumental in measurement of independent variables. This data was presented in tables.

3.11.3 Inferential Statistics

Correlation Analysis: The Pearson Correlation Coefficient (Pearson r) is a statistical measure employed to examine the association between variables (Jahangir & Begum, 2008). The magnitude and direction of the linear relationship between two variables are both expressed in the Pearson correlation coefficient (r) (Mugenda & Mugenda, 2008). Bivariate correlational analysis was utilized in the current investigation to assess the strength and direction of the relationship between the variables. A correlation between two variables is considered significant and linearly related, according to Sporta, Ngugi, Ngumi, and Nanjala (2017), when the significance level is relatively low (less than 0.05). On the contrary, a significance level that is comparatively high suggests an alternative correlation between the variables.

Standard Multiple Regression Model: Multiple linear regression analysis is a statistically sound approach for investigating the associations among a single dependent variable and multiple independent variables (Lind, 2008). According to Alusa and Kariuki (2015), multiple regression analysis involves the incorporation of numerous predictor variables into a single regression equation. In order to examine the correlation between fluctuations in the dependent variable and variations in the independent variables, the current study utilized multiple regression analysis. The objective of this study was to investigate the impact of corporate governance on the dividend policy of DT-SACCOs operating in Kenya.

The model is as shown

$y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$

Where; Y Dividend Policy

α is constant (intercept),

β coefficient parameter to be determined,

$\mathbf{X_1}$ Board Characteristics

$\mathbf{X_2}$ Audit Committee Characteristics

$\mathbf{X_3}$ Ownership Structure

$\mathbf{X_4}$ Transparency ε was error

$\boldsymbol{\beta_1 \ldots \beta_4}$= regression coefficient of the four independent variables in the model.

Hierarchical and Stepwise Regression Technique: The study employed the Hierarchical Multiple Regression Technique to ascertain whether liquidity moderated the association between dividend policy and corporate governance. In the model, a moderating effect is present when the interaction effect is substantial. Analyses were performed in three stages for each moderating variable in order to reach a conclusion. The model was supplemented with corporate governance constructs in the first stage, a moderating variable as an addictive one in the second, and the interactions effect as a multiplicative one in the final step. The research was preoccupied with determining the significance level, the change in F, and the change in R square.

The model is as shown below;

$$Y = \beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+ \beta_4X_4 + \beta_5Z+\beta_6X_1 Z +\beta_7X_2 Z + \beta_8X_3 Z+\beta_9X_4 Z + \varepsilon.$$

Where; У = Dividend policy

B_0 = Constant, β_1 to β_9= Regression Coefficients

X_1 to X_4= Independent variables as mentioned above

Z = Liquidity (the moderating variable)

X_i*Z = the interaction term between the i^{th} independent variable and the moderating variable ε = the error of term.

A hierarchical regression modeling technique will be used to evaluate the moderating effect of Liquidity, as described in the postulated (theoretical) model. This technique employed a systematic approach by incorporating the moderating variable Liquidity (Z) into the initial model depicted in equation 1. Subsequently, the interactions between Liquidity and each of the independent variables were introduced. The moderating variable of Liquidity was assessed by analyzing the impact of introducing interaction terms with the independent variables.

3.11.2 Hypothesis Testing

The five hypotheses were tested using the following framework:

Table 3.5: Hypothesis Testing

	Hypothesis Statement	Hypothesis Testing	Model
i	**H_{01}**: Board characteristics have no significant effect on dividend policy of DT Saccos in Kenya.	H_{01}: $\beta_{1} = 0$ H_{0A}: $\beta_1 \neq 0$ Reject H_{01} if $\beta_1 \neq 0$ and P value ≤ 0.05 otherwise fail to reject H_{01} if $\beta_{1} = 0$ and P value $> \alpha$ $\alpha = 0.05$	$Y = \beta_0 + \beta_1 X_1 + \varepsilon$
ii	**H_{02}**: Audit committee composition has no significant effect on dividend policy of DT Saccos in Kenya.	H_{02} : $\beta_{2} = 0$ H_{OA} : $\beta_2 \neq 0$ Reject H_{02} if $\beta_2 \neq$ and P value ≤ 0.05 otherwise fail to reject H_{02} if $\beta_{2} = 0$ and P value $> \alpha$ $\alpha = 0.05$	$Y = \beta_0 + \beta_1 X_2 + \varepsilon$
iii	**H_{03}**:Ownership structure of the DT Saccos has no significant effect on dividend policy of the DT Saccos in Kenya	H_{03} : $\beta_{3} = 0$ H_{0A} : $\beta_3 \neq 0$ Reject H_{02} if $\beta_3 = 0$ and P value ≤ 0.05 otherwise fail to reject H_{03} if $\beta_{3} = 0$ and P Value $> \alpha$ $\alpha = 0.05$	$Y = \beta_0 + \beta_1 X_3 + \varepsilon$
iv	**H_{04}:**Level of transparency has no significant effect on dividend policy of DT Saccos in Kenya.	H_{04} : $\beta_{4} = 0$ H_{OA} : $\beta_4 \neq 0$ Reject H_{04} if $\beta_4 \neq 0$ and P value ≤ 0.05 otherwise fail to reject H_{04} if $\beta_{4} = 0$ and P value $> \alpha$ $\alpha = 0.05$	$Y = \beta_0 + \beta_1 X_4 + \varepsilon$
v	**H_{05}:**Liquidity of the DT Saccos does not significantly moderate the relationship between corporate governance and dividend policy of the DT Sacco Societies in Kenya..	H_{05}: $\beta_{5} = 0$ H_{0A} : $\beta_5 \neq 0$ Reject H_{05} if $\beta_5 = 0$ and P value ≤ 0.05 otherwise fail to reject H_{05} if $\beta_{5} = 0$ and P Value $> \alpha$ $\alpha = 0.05$	$Y = \beta_0 + \beta_1 X_1 M + \beta_2 X_2 M + \beta_3 X_3 M + \beta_4 X_4 M + \varepsilon$ If X*M has a p value ≤ 0.05, then there is a significant moderating effect. $\beta_i > 0$ signifies positive moderating effect

Source: Researcher (2024)

3.12 Ethical Consideration

The research was conducted in adherence to established ethical guidelines, which hold significant importance, particularly when human participants are involved. This ethical consideration aimed to maintain professionalism in research work by upholding principles such as respecting the anonymity, privacy, and confidentiality of respondents, refraining from deception or exaggeration, treating participants with dignity, and avoiding or declaring conflicts of interest, particularly those related to funding. Additionally, it emphasized the importance of honesty and transparency. No form of coercion or incentive was employed to motivate an individual to participate as a research participant. Consultation was conducted with the pertinent individuals, authorities, and committees, and a research authorization was acquired from NACOSTI. The research conducted adhered to the ethical guidelines set forth by the participants, and due respect was given to intellectual property rights by appropriately acknowledging the sources of material and their respective authors. The occurrence of scientific dishonesty, encompassing acts such as plagiarism, fabrication, falsification, flawed data collection methods, and deceptive authorship, was strictly avoided.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter encompasses the exposition of the outcomes derived from the analysis of the gathered data, together with the subsequent deliberations on these findings. A research investigation was conducted to analyze the impact of corporate governance procedures on the dividend policy of Deposit Taking Saccos in Kenya. The chapter presents findings about the testing of reliability and validity, analysis based on response rate, analysis of background information, descriptive statistics, diagnostic tests, and inferential analysis of study variables.

4.1.1 Response Rate

The study conducted collected data by use of both questionnaire and interviews.

Table 4.1: Response Rate

Variable	**Sample**	**Response**	**None Response**
Questionnaire	174(100%)	159(91.4%)	15(8.6%)
Interviews	27(100%)	19(70.4%)	8(29.6%)
Total	**201(100%)**	**178(88.6%)**	**23(11.4%)**

Source: Field Data (2024)

The study administered 174 questionnaires to respondents of the deposit taking SACCOs in Kenya out of which 159 responded giving a response rate of 91.4%. Champion and Sear (2009) considers a response exceeding 69% as a very high response hence 91.4% response exceeds 69% hence a very high response to warrant results. Furthermore out of 27 sampled to respond to interviews 19(70.4%) responded which still exceeds 69% hence a very high response. The research deemed the response rate to be sufficient for generating precise study findings, taking into account the target and sample populations.

4.2 Results on Reliability and Validity Testing

The study tested the questionnaire for reliability and validity. Reliability tested accuracy of results whereas validity tested effectiveness of data collection constructs.

Table 4.2: Reliability of Research Instruments

Variable	**Number of Items**	**Cronbach Alpha**
Board characteristics	9	0.936
Audit committee composition	9	0.872
Ownership structure	5	0.848
Transparency	8	0.865
Liquidity	5	0.900
Dividend Policy	10	0.901
Overall		**0.887**

Source: Field Data (2024)

For reliability tests Cronbach alpha was applied for each variable and values of 0.7 or more were considered reliable. The test items were retained as Cronbach Alpha values were of a range of 0.848 to 0.936 and used in this study hence considered reliable. Furthermore the overall reliability stood at 0.887.

4.2.1 Validity

Table 4.2 presents the outcomes of the application of principal component analysis, namely the Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO).

Table 4.3: KMO Table

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.793
Bartlett's Test of Sphericity	Approx. Chi-Square	1477.999
	df	15
	Sig.	.000

Source: Field Data (2024)

Table 4.3 displays the outcomes of a Kaiser-Meyer-Olkin (KMO) test, which assesses the sufficiency of the sample and evaluates its suitability for factor analysis. According to Tanasă, Horomnea, and Ungureanu (2012), a KMO range of 0.5 – 1.0 suggests that factor analysis is suitable for the study. The obtained KMO value of 0.793 indicates that factor analysis was deemed suitable for the present study. The Bartlett's test of sphericity yielded a chi-square value of 1477.999, with a p-value of.000. This result was statistically significant at a 95% confidence level, indicating a correlation between the items utilized in the study, as well as the independent and dependent variables.

Table 4.4: Factor Loadings for Dividend Policy initial extraction

Variable	Initial Extraction
1. SACCO maximizes on dividend source of financing to thrive	.923
2. The SACCO dividend saving plan is the key asset base for SACCOs	.932
3. Dividends retained has always boosted the liquidity state of SACCOs	.923
4. The amount of share determine amount of dividends to receive	.890
5. Dividends in some cases are retained to build up working capital for the firm	.892
6. Dividends must be paid each year no matter the performance	.703
7. Current dividends paid is guided by previous dividends paid	.902
8. Dividends are paid when profits are made	.910
9. Priority during dividends payment is based on kind of shareholding for instance preference shareholders against ordinary shareholders	.809
10. Dividends paid are guided by availability of cash and equivalents	.881

Source: Field Data (2024)

The researchers conducted factor analysis in order to assess the appropriateness of the test items in cases where a variable exhibited multiple observed constructions. Communalities in factor analysis indicate the degree of correlation between a test item and all other test items (Tanasa, Horomnea, & Ungureanu, 2012). Consequently, each factor exhibits a limited number of significant loadings. However, following varimax rotation, each original variable becomes linked to one of the factors with a substantial value. As a result, the variance of the loadings is maximized, as illustrated in table 4.5.

Table 4.5 Rotated component matrix

Variable	Component 1
SACCO maximizes on dividend source of financing to thrive	.961
The SACCO dividend saving plan is the key asset base for SACCOs	.965
Dividends retained has always boosted the liquidity state of SACCOs	.961
The amount of share determine amount of dividends to receive	.943
Dividends in some cases are retained to build up working capital for the firm	.945
Dividends must be paid each year no matter the performance	.839
Current dividends paid is guided by previous dividends paid	.929
Dividends are paid when profits are made	.921
Priority during dividends payment is based on kind of shareholding for instance preference shareholders against ordinary shareholders	.857
Dividends paid are guided by availability of cash and equivalents	.899

Source: Field Data (2024)

Test items with factor loadings exceeding 0.6 were deemed superior for this thesis. The aforementioned parameters were preserved for subsequent research. According to Tabachnick and Fidell (2007), it is recommended to maintain factors with factor loadings exceeding 0.60 for subsequent analysis, while factors with factor loadings below 0.6 should be excluded from further research. Consequently, all items underwent additional analysis.

Table 4.6: Test Items Dropped

Variable	Composite measure	Test items dropped
Board characteristics	8	0
Audit Committee composition	8	0
Ownership structure	7	0
Transparency	8	0
Liquidity	5	0
Dividend policy	10	0

Source: Field Data (2024)

From the results no items were dropped as all factor loadings were more than 0.6.

4.3 Respondents Characteristics

The respondents (CEOs and chairpersons) were asked in the questionnaires to provide information on background information basically working experience, both academic and professional qualifications and designation in the Sacco. The analysed data produced results in Table 4.7.

Table 4.7: Working Experience

	Frequency	Percent
Below 1 year	10	6.3
1-5 years	13	8.2
6-10 years	136	85.5
Total	**159**	**100.0**

Source: Field Data (2024)

According to the results in the Table 4.7, 10(6.3%) of respondents had an experience of between less than 1 year, 13 (8.2%) of respondents had 1-5 years experience as those with 6-10 years experience were 136(85.5%). This confirmed that respondents experience on matters of DT-SACCO corporate governance and dividend policy was adequate enough to help in providing information regarding board characteristics, audit committee composition, ownership structure, transparency, liquidity and dividend policy on Kenyan DT-SACCOs.

Table 4.8: Level of Education

	Frequency	Percent
Diploma	54	34.0
Bachelor’s Degree	92	57.8
Masters	13	8.2
Total	**159**	**100.0**

Source: Field Data (2024)

According to the results in the Table 4.8, 54(34%) of respondents had diploma education, 92(57.8%) of respondents had bachelors degree as 13(8.2%) had masters degree qualifications. None had secondary and certificate level education as their highest qualifications. The study confirms that respondents were in a better position to interpret concepts about board characteristics, audit committee composition, ownership structure, transparency, liquidity and dividend policy on Kenyan DT-SACCOs.

Table 4.9: Professional qualification

	Frequency	Percent
Certified Public Accountant	75	47.2
Certified Investment and Financial Analyst	33	20.8
Association of Chartered Certified Accountants	16	10.1
Certified Accountant	14	8.8
Certified Information System Auditor	12	7.5
None	9	5.7
Total	**159**	**100.0**

Source: Field Data (2024)

The results of the study as indicated in table 4.9 showed that, 75(47.2%) majority of the participants had Certified Public Accountant merits, 33(20.8%) had Certified Investment and Financial Analyst qualifications, 16(10.1%) had Association of Chartered Certified Accountants merits, 14(8.8%) had Certified Accountant qualifications, 12(7.5%) had Certified Information System Auditor merits. However 9(5.7%) lacked professional qualifications but had attained academic qualifications, for those who had professional qualifications they also enjoyed academic qualifications. The team of respondents therefore had diverse knowledge to articulate board characteristics, audit committee composition, ownership structure, transparency, liquidity and dividend policy on Kenyan DT-SACCOs.

Table 4.10:Designation

	Frequency	Percent
Chief executive Officer/ Chief Finance Officer	87	54.7
Board Chairpersons/Directors	72	45.3
Total	**159**	**100.0**

Source: Field Data (2024)

According to the results in the Table 4.10, 87(54.7%) of the participants were in the category of Chief executive Officer/ Chief Finance Officer (CEOs/CFO). This means that all CEOs sampled participated in the study. From the findings 72(45.3%) were chairpersons/directors of respective DT-SACCOs. The study purposed the CEOs and chairpersons as they are directly involved on corporate governance decisions and dividend policy of DT-SACCOs. The designation was therefore well applicable for board characteristics, audit committee composition, ownership structure, transparency, liquidity and dividend policy on Kenyan DT-SACCOs.

4.4 Diagnostic Test for Linear Regression Analyses

4.4.1 Normality Test

The data are considered normal if the importance level of the Shapiro-Wilk Test exceeds 0.05. A deviation from a normal distribution is considered significant when the p-value is less than 0.05. According to Elliot and Woodward (2007), one can employ parametric techniques even in cases where the data does not follow a normal distribution.

Table 4.11: Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	**Df**	**Sig.**	**Statistic**	**Df**	**Sig.**
Board characteristics	.213	159	.000	.755	159	.000
Audit Committee Composition	.215	159	.000	.928	159	.000
Ownership Structure	.218	159	.000	.927	159	.000
Transparency of Financial Data	.285	1599	.000	.667	159	.000
Liquidity	.284	159	.000	.666	159	.000
Dividend policy	.223	159	.000	.749	159	.000

a. Lilliefors Significance Correction

Source: Field Data (2024)

Oztuna, Elhan, and Tuccar (2006) argue that when dealing with large samples (about 30 or 40), the violation of the normalcy assumption is unlikely to result in significant issues. As a result, we can employ parametric techniques because, for large samples (less than 30 or 40), the sampling distribution is typically normal, independent of the data's shape. Additionally, Ghasemi and Zahedias (2012) suggested that the assessment of normality should be conducted by visual means. The deviation from normalcy in the Q-Q plot of board characteristics was not as significant as the deviation from the approximation to the line of fit. Therefore, the data exhibited a close approximation to a normal distribution, making it suitable for utilization in a regression study. Appendix 7 displays Q-Q plots that exhibit a minimal deviation from normalcy in relation to the approximation of the line of fit on the Q-Q plot. The data is presumed to follow a near-normal distribution, allowing for the use of parametric methods such as correlation, regression, analysis of variance, and t-test.

4.4.2 Test of Independence (Autocorrelation)

The Durbin-Watson test was used to evaluate the independence of error terms, indicating that the observations are independent. The Durbin Watson test was employed to assess the absence of autocorrelation in the residuals of the models, as the independence of the residuals is a fundamental assumption in regression analysis (Alsaeed, 2005). Table 4.12 displays the results.

Table 4.12: Autocorrelation Test for Regression

Std. Error of the Estimate	**Durbin-Watson**
.567298	1.815

Source: Field Data (2024)

Table 4.12 presents the results of the auto-correlation test conducted. This test examines the independence of residuals in a linear regression model. According to Alsaeed (2005), a Durbin-Watson value close to 2 indicates the absence of serial correlation. The study's findings revealed a Durbin-Watson coefficient value of 1.815, falling within the range of 1.5 to 2.5. This indicates the absence of autocorrelation in the residuals of the data.

4.4.3 Multi-collinearity Test

Multicollinearity refers to a situation in which two or more independent variables exhibit a strong correlation. According to Cooper and Schindler (2011), the presence of multi-collinearity leads to fluctuations in the regression coefficient, hence introducing complexity in interpreting the coefficient as a predictive signal for variables. Variance inflation factors (VIF) or tolerance values were employed to assess multi-collinearity. If the Variance Inflation Factor (VIF) values are less than 10, it can be inferred that there is no issue of multi-collinearity. Similarly, if the tolerance values are equal to or less than one, it can be concluded that there is no multi-collinearity. The tolerance benchmark is <1.0.

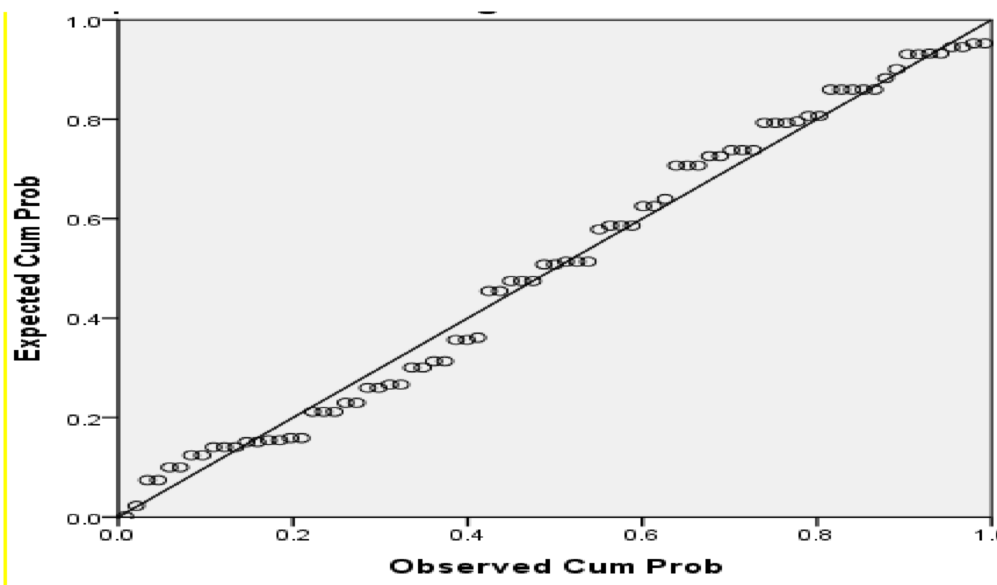
Table 4.13: Collinearity Statistics

Model	Collinearity Statistics	
	Tolerance	**VIF**
(Constant)		
Board characteristics	.712	1.404
Audit Committee Composition	.610	1.639
Ownership Structure	.518	1.931
Transparency of Financial Data	.489	2.045
Liquidity	.571	1.751

Source: Field Data (2024)

According to Table 4.13, the multi-collinearity test was conducted in the present study. The tolerance values varied from.489 to 0.712, all of which were below 1. Similarly, the reciprocal of tolerance, the Variance Inflation Factor (VIF), fell within the range of 1.404 to 2.045. These values are below the required threshold value of 10. This observation suggests that the dataset did not exhibit any multicollinearity.

4.6.4 Homoscedastic Test for Dividend policy



Source: Field Data (2024)

Figure 4.1: Homoscedastic Test for Dividend policy

According to Table 4.13, the multi-collinearity test was conducted in the present study. The tolerance values varied from.489 to 0.712, all of which were below 1. Similarly, the reciprocal of tolerance, the Variance Inflation Factor (VIF), fell within the range of 1.404 to 2.045. These values are below the required threshold value of 10. This observation suggests that the dataset did not exhibit any multicollinearity.The results of the Homoscedasticity test, as shown in Figure 4.6, indicate that the independent variables have equal variance. If this is not the case, there is an issue of heteroscedasticity (Garson, 2012). A homoscedasticity test is conducted to assess the presence of variance in the residuals of a regression model. The figure depicted in Figure 4.6 illustrates the usual P-P relationship of dividend policy, revealing minimal deviations of the data points from the linear trend that intersects the plane. This implies that the data utilized in this study exhibits homoscedasticity, leading to the adoption of a multiple linear regression model. Consequently, the presence of heteroscedasticity is not a concern.

4.5 Descriptive Statistics

The study employed a quantitative methodology to examine the data and generate descriptive statistics. The descriptive statistics were utilized to draw conclusions and make generalizations about the correlation between the Independent Variables (board characteristics, audit committee composition, ownership structure, and transparency) and the Dependent Variable (dividend policy), and subsequently the Moderating Variable (liquidity). The study conducted an analysis of the data in order to determine the linkages in accordance with the stated objectives. Significantly, the questions posed were aligned with the aims of the study.

The questions in the questionnaire were measured using the 5-point Likert Scale (1-5) where; strongly Disagree = 1; Disagree= 2: Neutral = Fairly Agree: Agree =4: Strongly Agree = 5. The general objective of the study was to examine the effect of corporate governance practices on dividend policy of Deposit Taking Saccos in Kenya.

4.5.1 Descriptive statistics for Board Characteristics

Regarding eight statements concerning board characteristics on dividend policy of deposit accepting SACCOs in Kenya, the respondents were asked to indicate their degree of agreement, ranging from strongly disagree (1) to strongly agree (5). Table 4.15 displays the results.

Table 4.15: Descriptive statistics for Board Characteristics

	Board Characteristics	5	4	3	2	1	M	S.D
1	The Sacco executives execute dividend payout duties freely without intimidation	29(18.2)	44(27.7)	60(37.7)	24(15.1)	2(1.3)	3.78	0.96
2	The Sacco board has independent directors who adhere to dividend policy framework effectively without biasness	16(10.1)	79(49.7)	38(23.9)	26(16.4)	0(0)	3.89	1.01
3	The board's chair is independent of CEO and controls the board's meeting on dividend decisions.	25(15.7)	52(32.7)	58(36.5)	24(15.1)	0(0)	3.87	1.02
4	The number of board members is adequate as far as dividend decisions are concerned	18(11.3)	59(37.1)	74(46.5)	8(5)	0(0)	3.49	1.21
5	Gender balance on board formation among SACCOs has improved dividend decision making process	29(18.2)	44(27.7)	60(37.7)	24(15.1)	2(1.3)	3.72	1.06
6	Coordinating mechanisms have been in place to facilitate gender inclusivity	16(10.1)	52(32.7)	43(27)	48(30.2)	0(0)	3.93	1.03
7	Qualifications of board members has reinforced dividend policies among SACCOs	21(13.2)	53(33.3)	51(32.1)	34(21.4)	0(0)	3.72	1.06
8	The experience of board members has improved dividend policy formations	16(10.1)	94(59.1)	45(28.3)	4(2.5)	0(0)	3.93	1.03

Source: Field Data (2024)

In regard to board characteristics, 29(18.2%) of the respondents strongly agreed that Sacco executives execute dividend payout duties freely without intimidation as 44(27.7%) agreed on the same statement. Moreover, 60(37.7%) of the respondents fairly agreed, 24(15.1%) disagreed as 2(1.3%) strongly disagreed that the organization members care about each other irrespective of the position. With a mean of 3.78 and an insignificant standard deviation of 0.96, Sacco executives lack freedom in executing dividend payout indicating presence of intimidation.

In regard to Sacco board having independent directors who adhere to dividend policy framework effectively without biasness, 16(10.1%) of the respondents strongly agreed while 79(49.7%) agreed on the same. Furthermore, 38 respondents, accounting for 23.9% of the total, fairly agreed that the Sacco board consists of independent directors who strictly adhere to the dividend policy framework. Conversely, 26 respondents (16.4%) expressed disagreement, while none strongly disagreed with the same statement. Sacco boards have independent directors who comply to the dividend policy framework, as indicated by a mean of 3.89 and a large standard deviation of 1.01.
As illustrated in the table above, of all the individuals who responded to the survey, 25(15.7%) strongly agreed that the board's chair is independent of CEO and controls the board's meeting on dividend decisions, 52(32.7%) agreed, 43(27)fairly agreed, 24(15.1%) disagreed, while none strongly disagreed that the board's chair is independent of CEO and controls the board's meeting on dividend decisions. This statement had an average score of 3.87 and a significant standard deviation of 1.02 showing that the board's chair is independent of CEO and controls the board's meeting on dividend decisions.

On regard to whether the number of board members is adequate as far as dividend decisions are concerned, 18(11.3%) strongly agreed with the statement, 59(37.1%) agreed, 74(46.5%)were neutral, 8(5%) disagreed, while none strongly disagree with the statement. With a mean of 3.49 and a significant standard deviation of 1.21, implies that the number of board members is adequate as far as dividend decisions are concerned.

Regarding whether or not gender parity in SACCO board composition has enhanced the dividend decision-making process, 29 participants (18.2%) strongly agreed, 44 agreed (27.7%), and 60 respondents (36.7%) were neutral. In contrast, 24 respondents (15.1%) strongly disagreed, while 2 respondents (1.3%) disagreed that gender had enhanced the payout decision-making process. Hence, the data reveals that gender equity has had a positive impact on the dividend decision-making process, as seen by a mean of 3.72 and a statistically significant standard deviation of 1.06.

Regarding all the individuals who responded to the survey, 16(10.1%) strongly agreed that coordinating mechanisms have been in place to facilitate gender inclusivity, 52(32.7) agreed, 58(36.5%) fairly agreed, 48(30.2) disagreed, while none strongly disagreed that coordinating mechanisms were in place to facilitate gender inclusivity. This statement had an average score of 3.93 and a significant standard deviation of 1.03 showing that coordinating mechanisms have been in place to facilitate gender inclusivity.

The study findings shows that 21(13.2%) strongly agreed that qualifications of board members has reinforced dividend policies among SACCOs, 53(33.3%) agreed, 51(32.1%) fairly agreed, 34(21.4) disagreed, while none strongly disagreed that qualifications of board members has reinforced dividend policies among SACCOs. This statement had an average score of 3.72 and a significant standard deviation of 1.06 implying that qualifications of board members have reinforced dividend policies among SACCOs.

Lastly the study findings shows that 16(10.1) strongly agreed that the experience of board members has improved dividend policy formations, 94(59.1) agreed, 45(28.3) fairly agreed, 4(2.5) disagreed, while none strongly disagreed that the experience of board members has improved dividend policy formations. This statement had an average score of 3.93 and a significant standard deviation of 1.03 implying that the experience of board members has improved dividend policy formations.

From interviews conducted on SASRA management, KUSCO management, CAK Corporation Alliance and County directors for cooperatives it was evident that board characteristics had a positive effect on dividend policy of SACCOs in Kenya. Furthermore SACCO members agreed that directors/ CEO were independent. One of the SASRA management staff confirmed respondents KUSCO management officer states as follows "*In our checks on SACCO compliances we noted that directors/ CEO were independent which is a good corporate governance characteristic for its top leaders*". A key official thus County director for cooperatives in Kakamega County for cooperatives said that: "*SACCO management has always shown competence while executing duties*". Therefore it is evident that board characteristics positively affect dividend policy of deposit taking SACCOs in Kenya. This agrees with Rasugu, (2019) who found board characteristics factors basically independence and competences as a prudential concept that significantly affected dividend policy for SACCOs in Kisumu County.

4.5.2 Descriptive statistics for Audit Committee Composition

The research employed a quantitative methodology to examine the data and generate descriptive statistics. Conclusions and generalizations were drawn regarding the correlation between the composition of audit committees and the dividend policies of deposit-taking SACCOs in Kenya using these descriptive statistics. The findings are presented in Table 4.16.

Table 4.16: Descriptive statistics for Audit Committee Composition

	Audit Committee Composition	**5**	**4**	**3**	**2**	**1**	**M**	**S. D**
1	Coordinating mechanisms have been in place to facilitate gender inclusivity	16(10.1)	52(32.7)	43(27)	48(30.2)	0(0)	3.93	1.03
2	Qualifications of board members has reinforced dividend policies among SACCOs	16(10.1)	94(59.1)	45(28.3)	4(2.5)	0(0)	3.79	1.00
3	The experience of board members has improved dividend policy formations	21(13.2)	53(33.3)	51(32.1)	34(21.4)	0(0)	3.89	1.00
4	The size of audit committee is adequate to undertake its mandate on dividend policies	16(10.1)	79(49.7)	38(23.9)	26(16.4)	0(0)	3.87	0.92
5	An increase in number of audit committee members has made dividend policy formation comprehensive	25(15.7)	52(32.7)	58(36.5)	24(15.1)	0(0)	3.49	1.06
6	The years of service of audit committee members in audit team has enhanced dividend policy implementation	18(11.3)	59(37.1)	74(46.5)	8(5)	0(0)	3.72	0.93
7	All Audit Committee members have had relevant industry experience required to steward the Sacco	29(18.2)	44(27.7)	60(37.7)	24(15.1)	2(1.3)	3.93	1.02
8	Appointment of audit committee members has always considered a diverse mix of skills required in the stewardship of the Sacco dividend policy	16(10.1)	52(32.7)	43(27)	48(30.2)	0(0)	3.95	1.01

Source: Field Data (2024)

The research results indicate that among the respondents, 16 individuals (10.1%) firmly agreed and 52 individuals (32.7%) agreed that coordinating mechanisms have been established to promote gender inclusivity. Additionally, a total of 43 respondents (27%) expressed a moderate level of agreement regarding the existence of coordinating mechanisms to promote gender inclusivity, while 48 (30.2%) disagreed or strongly disagreed. As evidenced by the substantial standard deviation of 1.03 and the mean of 3.93, coordination mechanisms have been established to promote gender inclusivity.
However, the results revealed that, 16(10.1%) of the respondents strongly agreed that qualifications of board members has reinforced dividend policies among SACCOs while 94(59.1%) agreed on the same. Also, 45(28.3%) of the respondents fairly agreed that qualifications of board members has reinforced dividend policies among SACCOs. On the other hand, 4(2.5%) of the respondents disagreed as none strongly disagreed on the same assertion. With a mean of 3.79 and n significant standard deviation of 1.0 hence qualifications of board members has reinforced dividend policies among SACCOs.

From the study, of all the individuals who responded to the survey, 21(13.2%) strongly agreed that the experience of board members has improved dividend policy formations, 53(33.3%) agreed, 51(32.1%) fairly agreed, 34(21.4%) disagreed as none strongly disagreed that experience of board members has improved dividend policy formations. This statement had an average score of 3.89 and a significant standard deviation of 1.0 showing that the experience of board members has improved dividend policy formations.

On statement on whether the size of audit committee is adequate to undertake its mandate on dividend policies, 16(10.1%) strongly agreed with the statement, 79(49.7%)

agreed, 38(23.9%) fairly agreed, 26(16.4%) disagreed as none strongly disagree with the statement. With a mean of 3.87 and an insignificant standard deviation of 0.92, therefore the size of audit committee is adequate to undertake its mandate on dividend policies.

On whether an increase in number of audit committee members has made dividend policy formation comprehensive, those who agreed strongly were 25(15.7%) while those who agreed were 52(32.7%) and respondents who were neutral 58(36.5%). Conversely, respondents who disagreed 24 (15.1%) as none strongly disagreed that an increase in number of audit committee members has made dividend policy formation comprehensive. Therefore, with a mean of 3.49 and a significant standard deviation of 1.06 hence an increase in number of audit committee members has made dividend policy formation comprehensive.

Results on the table above revealed that, 18(11.3%) of the respondents strongly agreed and a further 59(37.1%) agreed that the years of service of audit committee members in audit team has enhanced dividend policy implementation. Moreover, 74(46.5%) of the respondents were neutral and another 8(5%) disagreed as none strongly disagreed that the years of service of audit committee members in audit team has enhanced dividend policy implementation. With a mean of 3.72 and an insignificant standard deviation of 0.93, indicating the years of service of audit committee members in audit team did not necessarily enhance dividend policy implementation.

On the assertion that entire audit committee members have had relevant industry experience required to steward the Sacco 29(18.2%) strongly agreed, 44(27.7%) agreed, 60(37.7%) fairly agreed and 24(15.1%) disagree while 2(1.3%) strongly disagreed with the statement. Similarly, the statement had a mean of 3.93 and a significant standard deviation of 1.02, which indicate that the entire audit committee members have had relevant industry experience required to steward the Sacco.

In response to the question of whether the selection of audit committee members has consistently taken into account the variety of skills necessary for managing the Sacco dividend policy, 16 respondents (10.1%) strongly agreed and 52 (32.7%) agreed. In addition, 43 (27%), of the respondents, were neutral, while 48 (30.2%) disagreed. None of the respondents vehemently disagreed with the statement that the selection of audit committee members has always taken into account the diverse range of skills necessary for the management of the Sacco dividend policy. Based on the substantial standard deviation of 1.01 and the mean score of 3.95, it is evident that the selection process for audit committee members has consistently taken into account a wide range of competencies essential for effectively managing the Sacco dividend policy.

The SACCO agencies SASRA, KUSCO, CAK Corporation Alliance and County directors for cooperatives during interview sessions confirmed that composition of audit team had members with skills and experience to enable dividend policy decisions. This was supported by one of the SASRA staff who said that: "*The SACCOs I have visited have qualified and experienced management team that exemplary performs duties*" Furthermore one of the County director for cooperatives said that "*Dividend payout in SACCOs I oversee has been transparent and effective due to existence of experienced and qualified management team*". This agrees with Eshikumo and Makokha (2021) who examined the effect of corporate governance on financial performance of SACCOs in

Nairobi city and found audit committee composition based on experience, size and qualification to be of significant impact on SACCO performance.

4.5.3 Descriptive statistics for Ownership Structure

The research employed a quantitative approach to examine the data and generate descriptive statistics. Conclusions and generalizations concerning the correlation between the ownership structure and dividend of deposit-taking SACCOs in Kenya were derived using these descriptive statistics. The participants were requested to rate their degree of agreement on a scale of strongly disagree (1) to strongly concur (5) with respect to six statements that were associated with ownership structure. The findings are presented in Table 4.17.

Table 4.17 Descriptive Results for Ownership Structure

	Ownership Structure	5	4	3	2	1	M	S. D
1	The age diversity in the board enhance the quality of decisions on dividend payout	16(10.1)	94(59.1)	45(28.3)	4(2.5)	0(0)	3.71	0.96
2	A member's academic qualifications have been considered on dividend policy formulation and reinforcement	21(13.2)	53(33.3)	51(32.1)	34(21.4)	0(0)	3.86	1.10
3	Audit committee members undertake training to enhance their qualifications on dividend knowledge	29(18.2)	32(20.1)	54(34)	42(26.4)	2(1.3)	3.56	0.9
4	The shareholder ownership structure has always determined priority given during dividend payout	53(33.3)	72(45.3)	30(18.9)	2(1.3)	2(1.3)	3.55	0.94
5	The amount of savings has always determined the dividend amount to be paid	36(22.5)	74(46.5)	41(25.3)	6(3.3)	2(1.3)	4.01	1.03
6	The call for shares has always been done within the dividend policy framework	33(20.8)	100(62.9)	24(15.1)	2(1.3)	0(0)	3.49	1.06
7	Part of dividend have been reinvested in the SACCO to help improve financial status	20(12.6)	81(50.9)	54(34)	4(2.5)	0(0)	3.93	1.04

Source: Field Data (2024)

According to the findings of the research, 16(10.1%) of the respondents strongly agreed that the age diversity in the board enhance the quality of decisions on dividend payout 94(59.1%) agreed on the same statement. Moreover, 45(28.3%) of the respondents fairly agree, 4(2.5%) disagreed as none strongly disagreed that the age diversity in the board enhance the quality of decisions on dividend payout. With a mean of 3.71 and an insignificant standard deviation of 0.96, the age diversity in the board enhances the quality of decisions on dividend payout.

However, the results revealed that, 21(13.2%) of the respondents strongly agreed that member's academic qualifications have been considered on dividend policy formulation and reinforcement while 53(33.3%) agreed on the same. Also, 51(32.1%) of the respondents fairly agreed that member's academic qualifications have been considered on dividend policy formulation and reinforcement. On the other hand, 34(21.4%) of the respondents disagreed and none strongly disagreed on the same assertion. With a mean of 3.86 and an insignificant standard deviation of 1.10, member's academic qualifications have been considered on dividend policy formulation and reinforcement.

As illustrated in the table above, of all the individuals who responded to the survey, 29(18.2%) strongly agreed that audit committee members undertake training to enhance their qualifications on dividend knowledge, 32(20.1%) agreed, 54(34%) were neutral, 42(26.4%) disagreed, while 2(1.3%) strongly disagreed that audit committee members undertake training to enhance their qualifications on dividend knowledge. This statement had an average score of 3.56 and an insignificant standard deviation of 0.9 showing that audit committee members did not necessary undertakes training to enhance their qualifications on dividend knowledge.

On statement that shareholder ownership structure has always determined priority given during dividend payout, 53(33.3%) strongly agreed with the statement, 72(45.3%) agreed, 30(18.9%) fairly agree, 2(1.3%) disagreed, while 2(1.3%) strongly disagree with the statement. With a mean of 3.55 and an insignificant standard deviation of 0.94, therefore shareholder ownership structure has always determined priority given during dividend payout.

In addition, regarding the assertion that the dividend amount to be paid is invariably effectd by the level of savings, 36 (22.5%) respondents strongly concurred, 74 (46.5%) agreed, and 41 (25.3%) were neutral. In contrast, two respondents (1.3%) expressed significant disagreement, while six (3.3%) expressed disagreement. Hence, given a mean of 4.01 and a statistically significant standard deviation of 1.03, it can be concluded that the dividend amount to be paid has consistently been determined by the level of savings.

Results on the table above revealed that, 33(20.8%) of the respondents strongly agreed and a further 100(62.9%) agreed that the call for shares has always been done within the dividend policy framework. Moreover, 24(15.1%) of the respondents were neutral and 2(1.3%) disagreed as none strongly disagreed that the call for shares has always been done within the dividend policy framework. With a mean of 3.49 and a significant standard deviation of 1.06, therefore the call for shares has always been done within the dividend policy framework.

Lastly, 20(12.6%) of the respondents strongly agreed and a further 81(50.9%) agreed that part of dividend have been reinvested in the SACCO to help improve financial status. Moreover, 54(34%) of the respondents were neutral and 4(2.5%) disagreed as none strongly disagreed that part of dividend have been reinvested in the SACCO to help improve financial status. With a mean of 3.93 and a significant standard deviation of 1.04, therefore part of dividend has been reinvested in the SACCO to help improve financial status.

In an elaborative interview session with The SACCO agencies SASRA, KUSCO, CAK Corporation Alliance and County directors for cooperatives the ownership was majorly based on number of shares members owned which determined dividends payable. This was supported by a KUSCO official in Kisumu County who said that: "*managerial and institutional structures have highly facilitated dividend payout among SACCOs*". This was corroborated by SASRA official in Uasin Gishu who said that "*SACCO management structure had led to efficiency in dividend payout*. This indicates that ownership structure had a significant positive effect on dividend policy of deposit-taking SACCOs in Kenya. This agreed with Njuguna (2021) who confirmed that ownership structure had a positive significance effect on dividend payout of SACCOs in Kiambu County.

4.5.4 Descriptive statistics for Transparency of Financial Data

The research employed a quantitative approach to examine the data and generate descriptive statistics. Based on the descriptive statistics, conclusions and generalizations were drawn concerning the correlation between the dividend policy of deposit-taking SACCOs in Kenya and the transparency of financial data. On a scale of "strongly disagree (1) to "strongly concur (5)," participants were requested to rate their level of agreement with respect to six statements pertaining to the transparency of financial data. The findings are presented in Table 4.18.

Table 4.18 Descriptive statistics for Transparency of Financial Data

	Transparency	5	4	3	2	1	M	SD
1	SACCOs have discouraged members from redeem shares to enable build up of capital	22(13.8)	79(49.7)	54(34)	4(2.5)	0(0)	3.34	1.04
2	Members with large shares have always earned bonuses that has made dividend plan trusted	17(10.7)	80(50.3)	62(39)	0(0)	0(0)	3.76	1.02
3	SACCOs dividend policy has led to investment growth trajectory from retained shares	13(8.2)	61(38.4)	79(49.7)	6(3.8)	0(0)	3.44	1.44
4	The board does not withhold any pertinent information.	25(15.7)	52(32.7)	58(36.5)	24(15.1)	0(0)	4.07	0.88
5	Auditing of financial statement is done regularly internally and externally	17(10.7)	59(37.1)	75(47.2)	8(5)	0(0)	3.82	0.92
6	The board coordinates invitations for meetings of diverse stakeholders to engage in deliberation prior to reaching a definitive decision.	29(18.2)	43(27)	61(38.4)	24(15.1)	2(1.3)	3.81	0.96
7	Information is disclosed by the Board to the necessary stakeholders.	29(18.2)	44(27.7)	60(37.7)	24(15.1)	2(1.3)	3.82	1.02
8	Board discloses information in relevant and timely manner	16(10.1)	79(49.7)	38(23.9)	26(16.4)	0(0)	3.81	1.10

Source: Field Data (2024)

According to the findings of the research, 22(13.8%) of the respondents strongly agreed that SACCOs have discouraged members from redeeming shares to enable build up of capital, 79(49.7%) agreed on the same statement. Moreover, 54(34%) of the respondents fairly agree, 4(2.5%) disagreed while none strongly disagreed that SACCOs have discouraged members from redeeming shares to enable build up of capital. With a mean of 3.34 and n significant standard deviation of 1.04, SACCOs have discouraged members from redeeming shares to enable build up of capital.

However, the results revealed that, 17(10.7%) of the respondents strongly agreed that members with large shares have always earned bonuses that has made dividend plan trusted while 80(50.3%) agreed on the same. Also, 62(39%) of the respondents fairly agreed that members with large shares have always earned bonuses that has made dividend plan trusted. On the other hand none disagreed or strongly disagreed on the same assertion. With a mean of 3.76 a significant standard deviation of 1.02, members with large shares have always earned bonuses that has made dividend plan trusted.

As illustrated in the table above, of all the individuals who responded to the survey, 13(8.2%) strongly agreed that SACCOs dividend policy has led to investment growth trajectory from retained shares, 61(38.4%) agreed, 79(49.7%) fairly agreed, 6(3.8%) disagreed, while none strongly disagreed that SACCOs dividend policy has led to investment growth trajectory from retained shares. This statement had an average score of 3.44 and a significant standard deviation of 1.44 showing that there SACCOs dividend policy has led to investment growth trajectory from retained shares.

On whether there is no withholding of relevant information by the board, 25(15.7%) strongly agreed with the statement, 52(32.7%) agreed, 58(36.5%) fairly agree, 24(15.1%) disagreed, while none strongly disagree with the statement. With a mean of 4.07 and an insignificant standard deviation of 0.88, therefore there is withholding of relevant information by the board.

In addition, regarding the assertion that financial statement auditing is conducted routinely both internally and externally, 17 participants (10.7%) strongly agreed, 59 participants (37.1%) agreed, and 75 respondents (47.2%) were neutral. In contrast, there were 8 respondents who expressed disagreement, and none of them strongly disagreed. Hence, given a mean value of 3.82 and a statistically negligible standard deviation of 0.92, it can be concluded that the internal and external auditing of financial statements was not conducted on a regular basis.

The data shown in the table indicates that 29 respondents (18.2%) highly agreed and an additional 43 respondents (27%) agreed that the board arranges meetings with different stakeholders for consideration prior to making a specific decision. Furthermore, a total of 61 respondents, accounting for 38.4% of the sample, expressed a neutral stance. Additionally, 24 respondents (15.1%) disagreed, while 2 respondents (1.3%) strongly disagreed with the notion that the board arranges meetings for diverse stakeholders to engage in deliberation prior to reaching a certain conclusion. Given a mean value of 3.81 and a statistically negligible standard deviation of 0.96, it is recommended that the board arranges a meeting with many stakeholders to facilitate deliberation prior to reaching a definitive conclusion.

As to whether the board discloses information to the required stakeholders, participants who agreed strongly were 29(18.2%) while those who agreed were 44(27.7%) and respondents who were neutral 60(37.7%). Conversely, respondents who disagreed were 24(15.1%) and 2(1.3%) strongly disagreed. Therefore, with a mean of 3.82 and a significant standard deviation of 1.02, therefore board discloses information to the required stakeholders.

Lastly, as to whether the board discloses information in relevant and timely manner, participants who agreed strongly were 16(10.1%) while those who agreed were 79(49.7%) and respondents who were neutral 38(23.9%). Conversely, respondents who disagreed were 26(16.4%) none strongly disagreed. Therefore, with a mean of 3.81 and a significant standard deviation of 1.10, therefore board discloses information in relevant and timely manner.

In an interview session with the SACCO agencies, SASRA, KUSCO, CAK and County directors for cooperatives indicated that SACCO officials were transparent to some extend on matters of finances especially through provision of financial statements. Matters to do with dividends were clearly spelt out to members. One of the CAK Corporation Alliance officer stated that "*Financial decisions in most SACCOs are made after through discussions and consultations, furthermore SACCOs prepare financial statements as mandated which is an indicator of transparency*". Elsewhere official at KUSCO stated that "*SACCO management has tried to execute accountability for financial actions undertaken*". Therefore transparency on financial dividend decisions has a significant effect dividend payout. These findings are in agreement with Jepkosgei, (2022) who examined determinants of dividend decisions and the performance of Deposit Taking Saccos in North Rift Counties, Kenya. In her study transparency dividend decisions.

4.5.5 Descriptive statistics for Liquidity

The research employed a quantitative methodology to examine the data and generate descriptive statistics. Conclusions and generalizations were derived using these descriptive statistics concerning the moderating effect of liquidity on the relationship between deposit-taking SACCOs' corporate governance and dividend policy. The participants were requested to rate their degree of agreement on a scale of strongly disagree (1) to strongly concur (5) with respect to five statements that were associated with liquidity. The findings are presented in Table 4.19.

Table 4.19: Descriptive statistics for Liquidity

	Liquidity	**5**	**4**	**3**	**2**	**1**	**M**	**S.D**
1	Board prepare the calendar of important events every financial year	25(15.7)	52(32.7)	58(36.5)	24(15.1)	0(0)	4.07	1.02
2	There is accountability for the decision made by board and top management	18(11.3)	59(37.1)	74(46.5)	8(5)	0(0)	3.34	1.14
3	Accurate and factual information on the performance of the organization is accessible by all stakeholders such as top managers, employees, creditors, bankers, government	29(18.2)	44(27.7)	60(37.7)	24(15.1)	2(1.3)	4.13	1.03
4	The SACCO give loans to its members based on shares invested	29(18.2)	44(27.7)	60(37.7)	24(15.1)	2(1.3)	4.07	1.01
5	SACCO encourages share deposits to build their ability to earn dividends	16(10.1)	79(49.7)	38(23.9)	26(16.4	0(0)	3.82	1.12

Source: Field Data (2024)

The study findings regarding liquidity were diverse; as to whether board prepares the calendar of important events every financial year 25(15.7%) of the respondents strongly agreed, 52(32.7%) agreed, 58(36.5%) of the respondents fairly agree, 24(15.1%) disagreed while none strongly disagreed. With a mean of 4.07 and a significant standard deviation of 1.02 it implies that board prepares the calendar of important events every financial year.

On whether there is accountability for the decision made by board and top management 18(11.3%) of the respondents strongly agreed that there is accountability for the decision made by board and top management 59(37.1%) agreed, 74(46.5%) of the respondents fairly agree, 8(5%) disagreed while none strongly disagreed recording a mean of 3.78 and a significant standard deviation of 1.14 implying that there is accountability for the decision made by board and top management.

Regarding whether accurate and factual information on the performance of the organization is accessible by all stakeholders such as top managers, employees, creditors, bankers, government 29(18.2%) of the respondents strongly agreed, 44(27.7%) agreed, 60(37.7%) of the respondents fairly agree, 24(15.1%) disagreed while 2(1.3%) strongly disagreed recording a mean of 4.13 and a significant standard deviation of 1.03 implying that accurate and factual information on the performance of the organization is accessible by all stakeholders such as top managers, employees, creditors, bankers, government

As to whether SACCO give loans to its members based on shares invested 29(18.2%) of the respondents strongly agreed that their SACCO give loans to its members based on shares invested 44(27.7%) agreed, 60(37.7%) of the respondents fairly agree as 24(15.1%) disagreed while 2(1.3%) strongly disagreed recording a mean of 4.07 and an insignificant standard deviation of 1.01. Therefore SACCO give loans to its members based on shares invested.

Lastly, as to whether SACCO encourages share deposits to build their ability to earn dividends 16(10.1%) of the respondents strongly agreed, 79(49.7%) agreed, 38(23.9%) of the respondents fairly agree, 26(16.4%) disagreed as none strongly disagreed recording a mean of 3.82 and an insignificant standard deviation of 1.12. Therefore SACCO encourages share deposits to build their ability to earn dividends.

Interview results indicated that most SACCOs faced liquidity challenges. One official thus county director for corporative stated that "*Most SACCO members complains for delays in dividend payments which is possibly as a result of SACCO liquidity issues*". An official from KUSCO stated that "*Sacco's have sometimes fall short of funds forcing them to get into excessive borrowing that affects normal operations dividends inclusive*". Therefore liquidity affects both corporate governance and dividend payout. This findings agrees with Keben and Maina (2018) who sought to determine the effect of liquidity risk management on corporate governance and dividend payout of deposit taking SACCOs in Uasin Gishu County, Kenya.

4.5.6 Descriptive statistics for Dividend Policy of SACCOs

The participants were requested to rank their degree of agreement with the dividend policy of SACCOs on a scale ranging from strongly disagree (1) to strongly agree (5). The findings are presented in Table 4.20.

Table 4.20: Descriptive statistics for Dividend Policy of SACCOs

	Dividend Policy	5	4	3	2	1	M	SD
1	SACCO maximizes on dividend source of financing to thrive	25(15.7)	52(32.7)	58(36.5)	24(15.1)	0(0)	4.09	0.81
2	The SACCO dividend saving plan is the key asset base for SACCOs	18(11.3)	59(37.1)	74(46.5)	8(5)	0(0)	3.29	1.35
3	Dividends retained has always boosted the liquidity state of SACCOs	29(18.2)	44(27.7)	60(37.7)	24(15.1)	2(1.3)	3.4	1.31
4	The amount of share determine amount of dividends to receive	31(19.5)	54(34)	42(25.4)	18(11.3)	14(8.8)	3.73	1.69
5	Dividends in some cases are retained to build up working capital for the firm	36(22.6)	45(28.3)	38(23.9)	12(7.5)	28(17.6)	3.78	1.10
6	Dividends must be paid each year no matter the performance	34(21.4)	47(29.6)	42(26.4)	8(5)	28(17.6)	3.44	0.96
7	Current dividends paid is guided by previous dividends paid	25(15.7)	52(32.7)	58(36.5)	24(15.1)	0(0)	4.09	0.81
8	Dividends are paid when profits are made	20(12.6)	81(50.9)	54(34)	4(2.5)	0(0)	3.78	1.70
9	Priority during dividends payment is based on kind of shareholding for instance preference shareholders against ordinary shareholders	22(13.8)	79(49.7)	54(34)	4(2.5)	0(0)	3.42	1.16
10	Dividends paid are guided by availability of cash and equivalents.	22(13.8)	79(49.7)	54(34)	4(2.5)	0(0)	3.44	1.35

Source: Field Data (2024)

According to the findings of the research, 25(15.7) of the respondents strongly agreed that SACCO maximizes on dividend source of financing to thrive 52(32.7)agreed on the same statement. Moreover, 58(36.5)of the respondents fairly agreed as 24(15.1) disagreed and none strongly disagreed that SACCO maximizes on dividend source of financing to thrive. With a mean of 4.09 and an insignificant standard deviation of 0.81, therefore SACCO did not depend only on dividend source of financing to thrive.

However, the results revealed that, 18(11.3%) of the respondents strongly agreed that the SACCO dividend saving plan is the key asset base for SACCOs as 59(37.1%) agreed on the same. Also, 74(46.5%) of the respondents fairly agreed as 8(5%) disagreed that SACCO dividend saving plan is the key asset base for SACCOs. With a mean of 3.29 and a significant standard deviation of 1.35, therefore the SACCO dividend saving plan is the key asset base for SACCOs.

The respondents were asked to state the extent to which they agreed or disagreed with the dividend policies of SACCOs on a five-point Likert scale. Table 4.20 contains a presentation of the results. This statement had an average score of 3.4 and a significant standard deviation of 1.31 showing that dividends retained has always boosted the liquidity state of SACCOs.

On whether the amount of share determine amount of dividends to receive, 31(19.5%) strongly agreed with the statement, 54(34%) agreed, 42(25.4%) were fairly agreed, 18(11.3%) disagreed as 14(8.8%) strongly disagreed with the statement. With a mean of 3.73 and a significant standard deviation of 1.69 implies that the amount of share determine amount of dividends to receive.

Furthermore, on whether dividends in some cases are retained to build up working capital for the firm, participants who agreed strongly were 36(22.6%)while those who agreed were 45(28.3%)and respondents who fairly agreed were 38(23.9%)as those respondents who disagreed were 12(7.5%) as 28(17.6%) strongly agreed. Therefore, with a mean of 3.78 and a significant standard deviation of 1.1, therefore dividends in some cases are retained to build up working capital for the firm.

Results on the table above revealed that, 34(21.4%) of the respondents strongly agreed and a further 47(29.6%) agreed that dividends must be paid each year no matter the performance. Moreover, 42(26.4%) of the respondents were neutral and 8(5%) disagreed as 28(17.6%) strongly disagreed. With a mean of 3.42 and an insignificant standard deviation of 0.96, therefore it is not a must for dividends to be paid each year as it mostly depends on performance.

A total of 25 respondents (15.7%) strongly agreed, 52 agreed (32.7%), 58 fairly agreed, and 24 disagreed with the statement that current dividends paid are determined by previous dividends paid. In a similar vein, the statement's mean value of 4.09 and standard deviation of 0.81, both of which are statistically insignificant, suggest that the dividends paid in the present do not inherently hinge on those paid in the past. Moreover, with regard to the question of whether dividends are distributed upon the generation of profits, twenty participants (12.6%) strongly agreed, eighteen agreed (50.9%), and fifty-four respondents (34%), who agreed, held a moderate stance. None of the respondents (4 2.5%) strongly concurred with this statement. In light of the fact that the mean is 3.78 and the standard deviation is 1.70, which is statistically significant, dividends are distributed in conjunction with the generation of profits. The findings presented in the table above indicate that 22 respondents (13.8%) firmly agreed and an additional 79 agreed (49.7%) that dividend payment priority is determined by type of shareholding, such as preference shareholders versus ordinary shareholders.

Moreover, among the respondents, 54 (34 percent) were neutral, 4 (2.5 percent) disagreed, and none strongly disagreed. According to the data, which has a mean of 3.42 and a notable standard deviation of 1.16, dividend payment priority is determined by the type of shareholding, such as preference shareholders versus common shareholders.

Lastly, on the assertion that dividends paid are guided by availability of cash and equivalents. 22(13.8%) of the respondents strongly agreed, 79(49.7%) agreed, 54(34%) fairly agreed and 4(2.5%) disagree as none strongly disagreed with the statement. Similarly, the statement had a mean of 3.44 and an insignificant standard deviation of 1.35, which indicate that dividends paid are guided by availability of cash and equivalents.

This findings concurs with interview results whereby one of the SASRA official reported that "*Dividend payout depends on profits made and furthermore most Saccos determine dividends to be paid which may not be in tandem with profits earned*". The result from one of the KUSCO staff stated "*Dividend policies are flexible in a manner that some SACCOs take part of profits earned for investment purposes making dividend goals a mirage*"

4.6 Pearson Correlation Analysis

The Pearson correlation analysis, which calculates the strength of the relationship between two continuous or ratio/scale variables and the direction (positive or negative) and magnitude (ranging from -1 to +1), yielded the correlation coefficient (r) results presented in Table 4.17. The purpose of Pearson correlation was to assist in determining how the independent and dependent variables were related.

Table 4.21: Pearson Correlation Matrix

		Board Characteristics	Audit Committee Composition	Ownership Structure	Transparency of Financial Data	Dividend policy
Board Characteristics	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	159				
Audit Committee Composition	Pearson Correlation	.787**	1			
	Sig. (2-tailed)	.000				
	N	159	159			
Ownership Structure	Pearson Correlation	.389**	.401**	1		
	Sig. (2-tailed)	.000	.000			
	N	159	159	159		
Transparency of Financial Data	Pearson Correlation	.799**	.811**	.362**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	159	159	159	159	
Dividend policy	Pearson Correlation	**.698****	**.718****	**.654****	**.733****	1
	Sig. (2-tailed)	**.000**	**.000**	**.000**	**.000**	
	N	159	159	159	159	159

Source: Field Data (2024)

The dividend policy is positively correlated with board characteristics. The coefficient is 0.698 (p value 0.000 < 0.05); with 95% assurance, this is significant. Thus, an increase in the characteristics of the board would result in a dividend policy expansion for SACCOs. In Nairobi County, Munene, Ndegwa, and Senaji (2020) investigated the impact of board characteristics on the financial distress of deposit-taking SACCOs. Additionally, it concurs with the findings of Nyangau and Oluoch (2021), who investigate the impact of board characteristics on the financial performance of deposit-taking SACCOs within the nation.

In the same way, a correlation coefficient of 0.718 ($p < 0.05$) indicated that the audit committee composition and dividend policy of SACCOs in Kenya are significantly and positively correlated. This result is consistent with that of Nduviri (2022), who discovered that audit committee characteristics have a substantial impact on the financial performance of Kenyan manufacturing companies listed on the Nairobi Securities Exchange. It was determined that the composition of the audit committee had a significant and positive effect on dividend policy. The research revealed a correlation coefficient of 0.654 (p value $0.000 < 0.05$), which suggests that the ownership structure and dividend policy of SACCOs in Kenya are significantly and positively correlated. Consistent with the findings of Alhileen (2020), this study examines the impact of ownership structures, including foreign ownership, government ownership, private ownership, and family ownership, on the dividend policies of Jordanian companies listed on the Amman Stock Exchange.

Based on the obtained correlation coefficient of 0.733 (p value $0.000 < 0.05$), it can be concluded that the dividend policy of SACCOs in Kenya is significantly and positively correlated with the transparency of their financial data. This is consistent with the findings of Wanjau, Muturi, and Ngumi (2018), who investigated the impact of financial transparency on the financial performance of East African-listed companies and discovered a significant and positive correlation between dividend policy, investment policy, and financial liquidity.

4.8 Linear Regression Analyses

The purpose of the regression study was to ascertain the relationship between the dependent variable (dividend policy) and the independent variable (corporate governance procedures). The R values obtained from this analysis correspond to the coefficient of determination (R square) and the coefficient of correlation (R) for each measure. The significance level (P-value), B coefficients, and F statistics were additional results of interest.

4.8.1 Effect of Board Characteristics on Dividend policy

Regression analysis was done to establish effects of board characteristics on dividend policy of SACCOs in Kenya. Results were presented in Table 4.22

Table 4.22: Simple Linear Regression for Board Characteristics

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Est	Change Statistics: R Square Change	F Change	df1	df2	Sig. F Change
1	.698[a]	.487	.484	.57456	.487	149.125	1	157	.000

a. Predictors: (Constant), Board Characteristics

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	49.228	1	49.228	149.125	.000[b]
	Residual	51.828	157	.330		
	Total	101.057	158			

a. Dependent Variable: Dividendpolicy
b. Predictors: (Constant), BoardCharacteristics

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardize Coefficients Beta	T	Sig.
1	(Constant)	.621	.246		2.523	.013
	Board Characteristics	.848	.069	.698	12.212	.000

a. Dependent Variable: Dividend policy

Source: Field Data (2024)

As shown in Table 4.22, the R square, or coefficient of determination, indicates that board characteristics account for a significant proportion of variation in dividend policy, up to 48.7% ($R2=0.487$, $P=0.000$). This finding suggests that the attributes of the board exert a substantial and favorable impact on the dividend policy. Ncurai, Rambo, and Oloko (2022), whose objective was to determine the extent to which board diversity affects the performance of deposit-taking SACCOs in Kenya, are supported by the findings of this study, which indicate that board diversity and deposit-taking SACCO performance in Kenya are significantly correlated. Furthermore, it concurs with the findings of Ong'ure (2021), which examined the impact of board diversity on the financial performance of deposit-taking Saccos in Siaya County, Kenya. In contrast, the present study challenges the findings of Nguta (2021), which established that board characteristics do indeed impact the financial distress experienced by deposit-taking SACCOs in Nairobi County. The disparity may be ascribed to the divergence in scope between Nairobi County and the entirety of Kenya. Additionally, the focus of Ngutas's study was on financial distress rather than dividend policy.

The F test result $(1,159) = 149.125$, $P=0.00<0.05$, provides evidence that the model adequately explains the variability observed in the dependent variable, as presented in Table 4.21. In addition, this indicates that board attributes serve as a reliable indicator of dividend policy. Munene, Ndegwa, and Senaji (2020), who investigated the impact of board characteristics on the financial distress experienced by deposit-taking SACCOs in Nairobi County, arrived at comparable findings.

The unstandardized regression coefficient (β) for board characteristics was 0.848, with a significance level of $p<.05$. This information was obtained from Table 4.22. This suggested that a dividend policy adjustment of 0.848 would follow a unit change in board characteristics, with both changes occurring in the same direction. The regression equation to estimate the dividend policy of Saccos in Keya as a result of board characteristics was hence stated as:

Dividend policy = 0.621+0.848 board characteristics

It is evident from the results that the dividend policy of Saccos in Kenya is significantly and positively effectd by board characteristics. In addition, it concurs with the findings of Nyangau and Oluoch (2021), who investigate the impact of board attributes on the financial performance of deposit-taking SACCOs within the nation.

4.7.2 Simple Linear Regression for Audit Committee Composition

The impact of Audit Committee Composition on the dividend policy of SACCOs in Kenya was ascertained through regression analysis. As shown in Table 4.23, the outcomes are presented.

Table 4.23: Simple Linear Regression for Audit Committee Composition

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.718[a]	.515	.512	.55868	.515	166.770	1	157	.000
a. Predictors: (Constant), Audit Committee Composition									

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	52.053	1	52.053	166.770	.000[b]
	Residual	49.004	157	.312		
	Total	101.057	158			
a. Dependent Variable: Dividend policy						
b. Predictors: (Constant), Audit Committee Composition						

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.474	.244		1.940	.054
	AuditCommitteeComposition	.896	.069	.718	12.914	.000
a. Dependent Variable: Dividend policy						

Source: Field Data (2024)

The results presented in Table 4.23 indicate that the Audit Committee Composition substantially explains as much as 51.5% of the variance in dividend policy (R2=0.515, P=0.000). This finding suggests that the composition of the audit committee has a substantial impact on the dividend policy. The F test result (1, 159) = 166.770, P=0.00<0.05, provides evidence that the model adequately explains the variance in the dividend policy. Furthermore, it implies that the composition of the audit committee can serve as a valuable indicator in forecasting dividend policy.

The value of the unstandardized regression coefficient (β) for Audit Committee Composition was 0.474, as shown in Table 4.23. The corresponding significance level was p <.05. This finding suggests that a dividend policy adjustment of 0.474 would be the consequence of a one-unit change in audit committee composition. Thus, the following regression equation was formulated to estimate the dividend policy in the Western region of Kenya in relation to the composition of the audit committee:

Dividend policy= 0.474+0.896 Audit Committee Composition

There is a statistically significant positive correlation between the dividend policy of SACCOs in Kenya and the composition of their audit committees, according to the study. Hence, the composition of audit committees exerts a substantial positive impact on the dividend policies of SACCOs operating in Kenya. This discovery is consistent with the results reported by Nelson (2019), whose objective was to determine the impact of audit committee attributes on the financial performance of deposit-taking SACCOs in Kenya. In addition, it concurs with the findings of Al-Jalahma (2022), who examined the correlation between various audit committee characteristics and the performance of Bahraini companies. Contrary to the findings of Zraiq and Fadzil (2018), which concluded that there was no significant relationship between audit committees and firm performance in Jordanian firms, this disagreement is due to the sectoral disparity between the Jordanian and Kenyan regions. In addition, the scope and distinctions between firms and SACCOs include dividend policy and performance of the dependent variable.

4.7.3 Simple Linear Regression for Ownership Structure

Regression analysis was done to determine the Audit Committee Composition on the dividend policy of SACCOs in Kenya. The results are as shown in Table 4.24.

Table 4.24: Simple Linear Regression for Ownership Structure

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.654[a]	.428	.424	.60691	.428	117.361	1	157	.000

a. Predictors: (Constant), Ownership Structure

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	43.228	1	43.228	117.361	.000[b]
	Residual	57.829	157	.368		
	Total	101.057	158			

a. Dependent Variable: Dividend policy

b. Predictors: (Constant), Ownership Structure

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.536	.474		-3.237	.001
	Ownership Structure	1.394	.129	.654	10.833	.000

a. Dependent Variable: Dividend policy

Source: Field Data (2024)

As shown in Table 4.24, the R-squared value, representing the coefficient of determination, indicates that Ownership Structure explains a significant proportion of the variation in dividend policy, up to 42.8% (R2=0.428, P =0.000). This suggests that the dividend policy is significantly impacted by the ownership structure. The F test result (1,159) = 117.361, P=0.000<0.05, provides evidence that the model adequately explains the variability observed in the dependent variable. Furthermore, this indicates that the structure of ownership is a substantial indicator of dividend policy. The unstandardized regression coefficient (β) for ownership structure was 1.394, with a significance level of $p < 0.05$, as shown in Table 4.24. Thus, a one-unit change in ownership structure would correspond to a 1.394-unit change in dividend policy in the same direction. As a consequence, the following regression equation was formulated to estimate the dividend policy of Saccos in Kenya with respect to ownership structure:

Dividend policy = -1.536+1.394Ownership Structure

Ownership structure has a considerable positive effect on the dividend policy of Saccos in Kenya, according to the findings. These results are consistent with those of Bataineh (2021), who discovered that the dividend policy in Jordan was significantly impacted by ownership structure. Additionally, it aligns with the findings of Hasan, Wahid, Amin, and Hossain (2021), who identified ownership structure (including family, government, institutional, foreign, and public) as a significant determinant of dividend distributions and the dividend policy of nonfinancial companies in Bangladesh. Khan (2021) discovered an inverse correlation between board characteristics and ownership structure in listed Turkish firms with respect to dividend policy. This finding contradicts Khan's. The distinction is due to the fact that listed companies and SACCOs are evaluated in separate nations.

4.7.3 Simple Linear Regression for Transparency of Financial Data

The relationship between the dividend policy of Saccos in Kenya and the transparency of financial data was determined through regression analysis. Table 4.25 presents the findings.

Table 4.25: Simple Linear Regression for Transparency of Financial Data

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.733[a]	.538	.535	.54538	.538	182.760	1	157	.000

a. Predictors: (Constant), Transparency of Financial Data

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	54.359	1	54.359	182.760	.000[b]
	Residual	46.697	157	.297		
	Total	101.057	158			

a. Dependent Variable: Dividend policy

b. Predictors: (Constant), Transparency of Financial Data

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.441	.236		1.869	.064
	Transparency of Financial Data	.896	.066	.733	13.519	.000

a. Dependent Variable: Dividend policy

Source: Field Data (2024)

The R-squared value of 0.538, with a corresponding P-value of 0.000, indicates that the disclosure of financial data substantially explains up to 53.8% of the variability observed in dividend policy, as illustrated in Table 4.25. This indicates that the dividend policies of Saccos in Kenya are significantly impacted by the transparency of their financial data. The F test result (1, 159) = 182.760, $P<0.05$, provides evidence that the model adequately explains the variability observed in the dependent variable. This also indicates that the dividend policy of Saccos in Kenya can be significantly predicted by the transparency of their financial data. Based on the data presented in Table 4.25, the unstandardized regression coefficient (β) for financial data transparency was 0.896, with a significance level of $p < 0.05$. This finding suggests that a one-unit increase in financial data transparency corresponds to a 0.896% change in the dividend policy of savings and credit unions. Therefore, in order to estimate the dividend policy of Saccos in Kenya in light of financial data transparency, the following regression equation is utilized:

Dividend policy = .441+.896 Transparency of Financial Data

Transparency of financial data has a substantial impact on the dividend policy of Saccos in Kenya, according to the findings. These results are consistent with those of Bhimavarapu, Rawal, Singh, and Rastogi (2022), who discovered that the dividend distribution decisions of Indian institutions were significantly impacted by transparency and disclosure policies. In addition, it concurs with Ramzan (2022), who concluded that financial data transparency has no bearing on dividend policy. Contrary to the findings of Jeriansyah and Mappanyukki (2020), which concluded that the Inspectorate of the Special Capital Region of Jakarta observed no substantial impact of regional financial management transparency on local government performance, the present study demonstrates the opposite. The difference s attributed to sectoral gap.

4.8 Multiple Linear Regression

The aim of this research was to assess the impact of corporate governance practices on the dividend policy of Self-Help Credit Unions (SACCOs) in Kenya. This resulted from the implementation of standard multiple regressions. The objective of this study was to determine the impact of each corporate governance practice on the dividend policy of SACCOs in Kenya when all of these constructs were incorporated as model blocks. This facilitated the calculation of the study model's coefficients and R-squared, allowing for the testing of the null research hypotheses. The findings are presented in Table 4.26.

Table 4.26: Multiple Linear Regression

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.846[a]	.717	.707	.43268	.717	77.357	5	153	.000

a. Predictors: (Constant), Ownership Structure, Transparency of Financial Data, Audit Committee Composition, Board Characteristics

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	72.413	5	14.483	77.357	.000[b]
	Residual	28.644	153	.187		
	Total	101.057	158			

a. Dependent Variable: Dividend policy
b. Predictors: (Constant), Ownership Structure, Transparency of Financial Data, Audit Committee Composition, Board Characteristics

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.389	.350		-6.828	.000
	Board Characteristics	.506	.153	.273	3.314	.000
	Audit Committee Composition	.435	.099	.313	4.383	.000
	Ownership Structure	.922	.101	.433	9.149	.000
	Transparency of Financial Data	.643	.155	.526	4.138	.000

a. Dependent Variable: Dividend policy

Source: Field Data (2024)

The results presented in Table 4.26 indicate that there is a positive and linear relationship between dividend policy and the predictor variables. The correlation coefficient was calculated to be 0.846 (r=0.846). The obtained coefficient of determination (r2) of 0.717 indicates that predictors in the study account for 71.7% of the variance in dividend policy. The remaining 28.3% of the variance in dividend policy can be attributed to other factors that were not accounted for in the model. Based on the ANOVA results presented in Table 4.26, the F test yielded a value of F = 77.357, p = 0.000.05, which was sufficiently large to substantiate the model's goodness of fit in elucidating the variability observed in the dependent variables. Moreover, this indicates that the dividend policy of SACCOs in Kenya can be effectively predicted by corporate governance practices. The multiple linear regression models are indicated in Table 4.26:

Dividend policy =-2.389+0.506X_1 +0.435X_2+ 0.922X_3+0.643 X_4

$X_{1=}$ Board characteristics

$X_{2=}$ Audit Committee Composition

$X_{3=}$ Ownership structure

$X_{4=}$ Transparency of Financial Data

The predictive power of board characteristics, audit committee composition, ownership structure, and financial data transparency was found to be both positive and insignificant (P>0.05), as shown in Table 4.26. In the absence of or with rigorous corporate governance in place of zero, the dividend policy will be -2.389% (p=0.000). This suggests that the dividend policy will have a negligible and adverse impact. There was a significant correlation between variables and dividend policy. The following variables were examined: ownership structure (B=.922, P 0.000<0.05, t=9.149), board characteristics (B=0.506, P 0.000<0.05, t=3.314), audit committee composition (B=0.435, P 0.000<0.05, t=4.383), and financial data transparency (B=1.643, P 0.000<0.05, t=4.138).

4.10 Hierarchical Regression

For the purpose of finding the role of liquidity in the link between corporate governance practices and dividend policy of deposit-taking SACCOs in Kenya, hierarchical regression was used. The findings are presented in Table 4.27.

Table 4.27: Hierarchical Regression Model Summary and ANOVA

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics: R Square Change	F Change	df1	df2	Sig. F Change
1	.846[a]	.717	.707	.43268	.717	77.357	1	154	.000
2	.893[b]	.797	.791	.31632	.080	108.314	2	153	.002
3	.901[c]	.812	.804	.23693	.015	117.918	3	152	.001

Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	49.228	1	49.228	149.125	.000[a]
	Residual	51.828	157	.330		
	Total	101.057	158			
2	Regression	68.420	3	22.807	108.314	.002[b]
	Residual	32.637	155	.211		
	Total	101.057	158			
3	Regression	25.463	1	6.116	105.057	.001[c]
	Residual	4.670	153	.056		
	Total	30.132	158			

Source: Field Data (2024)

According to Table 4.27's findings The (R2) change from model 1 to model 2 was 0.080, and from model 2 to model 3 it was 0.015. This indicates that, albeit by a small margin, liquidity contributed to an improvement in corporate governance practice and dividend policy. Therefore, corporate governance practices explain 71.7% of the variance in dividend policy according to the first model. When liquidity was incorporated into the second model, corporate governance practice explained 79.7% of the variance in dividend policy. The term ‘corporate governance practice and interactions’ in the third model explained 81.2% of the variance in dividend policy. This finding supports the notion that liquidity moderates the relationship between corporate governance practice and dividend policy of SACCOs in Kenya in a positive and significant way. This is consistent with the findings of Kusuma and Semuel (2019), who discovered that liquidity moderates the relationship between manufacturing company corporate governance and dividend policy. Both models have a p-value less than 0.05, indicating that they adequately account for the variability observed in the dependent variable. Furthermore, this indicates that liquidity plays a substantial role in forecasting the dividend policy and corporate governance practices of Saccos in Kenya.

Table 4.28: Hierarchical Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.389	.350		-6.828	.000
	Board Characteristics	.506	.153	.273	3.314	.000
	Audit Committee Composition	.435	.099	.313	4.383	.000
	Ownership Structure	.922	.101	.433	9.149	.000
	Transparency of Financial Data	.643	.155	.526	4.138	.000
2	(Constant)	.109	.354		.305	.001
	Board Characteristics	.360	.063	.236	4.929	.000
	Audit Committee Comp	.571	.073	.448	5.504	.000
	Ownership Structure	.360	.063	.236	4.929	.000
	Transparency of Financial	.486	.173	.187	2.810	.001
	Liquidity	.571	.073	.448	5.504	.000
3	(Constant)	.583	.127	.477	4.576	.000
	Board Characteristics &Liquidity	.643	.155	.526	4.138	.000
	Audit Committee Composition &Liquidity	1.389	.239	.731	5.823	.000
	Ownership Structure &Liquidity	.922	0.101	.433	9.149	.000
	Transparency of Financial Data &Liquidity	.502	.041	.411	12.106	.000
	Interaction term	.113	.026	.013	1.98	.000

Source: Field Data (2024)

The findings of the research indicate that liquidity has a significant positive moderating effect on the relationship between corporate governance practise and dividend policy of deposit-taking SACCOs in Kenya. This is supported by the fact that all model variables remained significant when liquidity was included as a moderator: board characteristics ($t=4.138$, $P=0.000<0.05$); audit committee composition ($t=5.823$, $P=0.000<0.05$); ownership structure ($t=9.149$, $P=0.000<0.05$); and transparency of financial data ($t=12.1$).

The t values for all variables remained significantly greater than 1.96, even after the moderating effect of liquidity was incorporated for each variable. The significance of all variables is confirmed when $P<0.05$. Additionally, it is consistent with the findings of Kordlouie and Ebrahimi (2019), which indicated that the moderating variable of liquidity exerted a more substantial effect on the correlation between dividend policy and corporate governance. Consequently, the present study identified liquidity as a significant moderating factor in the relationship between deposit-taking SACCOs' dividend policies and corporate governance practices in Kenya.

Table 4.29: Hypothesis Results

Hypothesis	Findings	Decision and basis
HO_1: Board characteristics has no significant effect on dividend policy of deposit-taking SACCOs in Kenya.	Board characteristics has a significant positive effect on dividend policy of deposit-taking SACCOs in Kenya.	Reject 0.00<0.05
HO_2: Audit Committee Composition has no significant effect on dividend policy of deposit-taking SACCOs in Kenya.	Audit Committee Composition has a significant positive effect on dividend policy of deposit-taking SACCOs in Kenya.	Reject 0.00<0.05
HO_3: Ownership structure has no significant effect on dividend policy of deposit-taking SACCOs in Kenya.	Ownership structure has a significant positive effect on dividend policy of deposit-taking SACCOs in Kenya.	Reject 0.00<0.05
HO_4: Transparency of financial data has no significant effect on dividend policy of deposit-taking SACCOs in Kenya.	Transparency of financial data has a significant positive effect on dividend policy of deposit-taking SACCOs in Kenya.	Reject 0.00<0.05
HO_5: Liquidity has no significant moderating effect on the relationship between corporate governance practices and dividend policy of deposit-taking SACCOs in Kenya.	Liquidity has a significant positive moderating effect on the relationship between corporate governance practices and dividend policy of deposit-taking SACCOs in Kenya.	Reject 0.02<0.05

Source: Field Data (2024)

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter provides a summary of the material addressed in the preceding chapters. Additionally, it emphasizes the conclusions drawn from the study's findings, along with suggestions and recommendations for future research.

5.1 Summary of findings

The primary aim of this research was to investigate the impact of corporate governance practices on the dividend policy of savings and deposit cooperatives operating in Kenya. The specific objectives of this study were as follows: to determine the impact of board characteristics on the dividend policy of DT Sacco Societies in Kenya; to examine the moderating effect of liquidity on the relationship; to assess the effect of ownership structure on the dividend policy of DT Saccos in Kenya; and to determine the impact of transparency on the dividend policy of DT Saccos in Kenya. Hypothesis testing was conducted with confidence levels of 95 percent ($p<0.05$) regarding both the independent and combined effects. In subsequent sections, a summary of the findings is presented in an equivalent fashion.

5.1.1 Effect of board characteristics on dividend policy of deposit-taking SACCOs

The initial goal of the research was to ascertain the extent to which board characteristics impacted the dividend policy of DT Sacco Societies operating in Kenya. All of the respondents concurred that their Sacco exhibited board attributes such as gender inclusivity. The inferential results indicated that dividend policy and board characteristics are significantly and positively correlated. The R square value of the coefficient of determination suggests that board characteristics account for a significant proportion, up to 48.7%, of the variance in dividend policy (R2=0.48.7, P=0.000). This suggests that the attributes of the board serve as a substantial predictor of the dividend policy of SACCOs in Kenya. The study failed to reject the first null hypothesis that posits: **$H_{01:}$** Board characteristics has no significant effect on dividend policy of deposit-taking SACCOs in Kenya.

5.1.2 Effect of Audit committee composition on dividend policy of deposit-taking SACCOs

The study's second goal was to look into how the make-up of the audit committee affects the payout policy of DT Saccos in Kenya. Respondents concurred that Saccos consistently sought to increase the gender, education, and experience of their audit committees. The findings of the inference indicate a statistically significant positive correlation between the composition of the audit committee and the dividend policy. The analysis using the R square coefficient of determination revealed that the audit committee composition explains a significant proportion, of up to 51.5%, of the variance in dividend policy (R2=0.515, P=0.000). This suggests that the composition of audit committees plays a substantial role in predicting the dividend policy of SACCOs in Kenya. The study failed to reject the second null hypothesis that posits: **$H_{02:}$** Audit committee composition has no significant effect on dividend policy of deposit-taking SACCOs in Kenya.

5.1.3 Effect of Ownership structure on dividend policy of deposit-taking SACCOs

The third aim of the research was to evaluate the impact of ownership structure on the dividend policy of DT Saccos operating in Kenya. All of the respondents reached a consensus that the quantity of dividends earned was primarily determined by the number of shares outstanding. The inferential findings indicate that a positive and statistically significant correlation exists between dividend policy and ownership structure. The significance level of ownership structure explains up to 42.8% of the variance in dividend policy, as indicated by the R square coefficient of determination (R2=0.428, P=0.000). This suggests that the ownership structure of SACCOs is a substantial predictor of their dividend policy. The study failed to reject the third null hypothesis that posits: **$H_{03:}$** Ownership structure has no significant effect on dividend policy of deposit-taking SACCOs in Kenya.

5.1.3 Effect of Transparency of Financial Data on dividend policy of deposit-taking SACCOs

The study's fourth goal was to ascertain the impact that financial data transparency had on the dividend policy of DT Saccos operating in Kenya. It was unanimously agreed upon by the respondents that Saccos maintained financial records and provided financial statements on a periodic, if not annual, basis. The inferential findings indicate that dividend policy and the transparency of financial data are significantly and positively correlated. The R-squared value of the coefficient of determination suggests that financial data transparency accounts for a statistically significant up to 53.8% of the variance in dividend policy (R2=0.538, P=0.000). This suggests that the level of financial data transparency plays a crucial role in determining the dividend policy of

SACCOs. The study failed to reject the fourth null hypothesis that posits: **H_{01}:** Transparency of financial data has no significant effect on dividend policy of deposit-taking SACCOs in Kenya.

5.1.4 Moderating Effect of Liquidity on the Relationship between Corporate governance practice and dividend policy of deposit-taking SACCOs

Positive and statistically significant moderating effect of liquidity on the relationship between corporate governance practice and dividend policy of deposit-taking SACCOs in Kenya was found in the study. Apart from liquidity, all other variables maintained their significance, as indicated by t values exceeding 1.96 at a significance level of 95% and P values greater than 0.05. The study failed to reject the fifth null hypothesis that posits: HO_5: Liquidity has no significant moderating effect on the relationship between corporate governance practice and dividend policy of deposit-taking SACCOs in Kenya.

5.2 Conclusion

It is evident that deposit-taking SACCOs in Kenya ensures that they focused on board characteristics as envisaged. This has been a key factor in generating dividend policy among Saccos. These have resulted to significant improvement in dividend policy of SACCOs. The study concluded that board characteristics have a positive significant effect on dividend policy of deposit-taking SACCOs in Kenya.

From the findings it is evident that Saccos always sought to improve its audit committee composition by offering competent members on basis of skills and experience. Furthermore Saccos always strive to have a positive reputation through audit committee composition. The study concluded that audit committee composition has a positive significant effect on dividend policy of deposit-taking SACCOs in Kenya. This suggests that improvement in audit committee composition would results to dividend policy of deposit-taking SACCOs in Kenya.

SACCOs in Kenya have ownership structure based on shares owned by members. Furthermore Saccos are able to pay dividends based on shares invested. The, study concluded that ownership structure has a positive significant effect on dividend policy of deposit-taking SACCOs in Kenya. This suggests that improvement in ownership structure would results to dividend policy of deposit-taking SACCOs in Kenya.

From the findings it is evident that Saccos have rules and regulations guiding transparency procedures of financial data. It is upon this rules that dividend policy efficiency of Saccos emerged. Therefore, study concluded that transparency of financial data has a positive significant effect on dividend policy of deposit-taking SACCOs in Kenya. This suggests that improvement in transparency of financial data would results to dividend policy of deposit-taking SACCOs in Kenya.

The study identified value of liquidity state of Saccos whereby saccos maintenance of cash inflows and outflows is of maximum importance. This further led to conclusion that liquidity has a positive significant moderating effect on the relationship between corporate governance practices and dividend policy of deposit-taking SACCOs in Kenya.

5.4 Recommendations

From findings and conclusion, the study derived the following recommendations.

In regard to first objective, the study recommends that Sacco's should diverse the board features to ensure they accommodate the dividend policy framework. Gender parity should be considered always to give avenue for diverse corporate governance.

In regard to second objective, the study recommends Sacco's to continuously refine audit committee. Well composed audit committee on basis of skills and experience would add value on corporate governance of D.T SACCOs.

In regard to third objective, the study recommends that Sacco's should allow members to save as many shares as possible to strengthen their ownership ability in the SACCOs. This would increase chances for better dividends.

In regard to fourth objective, the study recommends that Sacco's should have policies regarding disclosure and financial data transparency. This assists in ensuring financial information is as accurate as possible and disclosure build confidence among shareholders.

In regard to fifth objective, the study recommends that Sacco's should maintain the needed liquidity state to cater for deposits, withdrawals, savings, investment and dividend payout.

5.5 Implications of the Study

Corporate governance practices on basis of its finance basis examined through board characteristics, audit committee composition, ownership structure and transparency of financial data determines dividend payout for Saccos in Kenya. This further implies that agency theory and stewardship theory would determine corporate governance practices functionality and its through good stewardship and agency relationship that dividend goals become a reality.

5.6 Suggestion for further studies

This study sought to establish the effect of corporate governance practices on dividend policy of deposit taking SACCOs in Kenya. Conceptually, the study limited itself to board characteristics, audit committee composition, ownership structure and transparency of financial data. The independent variables explained up to 70.7% of variation in dividend policy. Further study can focus on other corporate governance practices such as accountability and risk management to examine if they can increase the variation beyond 70.7% or if they can account for the remaining difference.

The study focused on liquidity as moderating variable. Researchers should therefore consider introducing other variables in similar studies such as firm size and age of the firm which may have indirect effect on dividend policy of Sacco's.

Contextually and geographically, the study limited itself to deposit taking Sacco's in Kenya. Further studies should consider other Sacco's in other Countries for comparative analysis and also open a window for all Sacco's and not only deposit taking saccos. Besides, similar studies should be conducted in deposit taking Microfinance banks and commercial banks.

The study found liquidity to be of value on corporate governance practices and dividend policy. This identifies the unique importance of liquidity as far as dividend payment is concerned. Corporate governance is achieved when liquidity concerns are achieved. Further study on liquidity variable on SACCO performance can be examined.

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APPENDICES

Appendix I: Registered DT SACCO Societies in Kenya (SASRA, 2021)

No	DT SACCO	County	No	DT SACCO	County
1.	2NK	Nyeri	89.	Nafaka DT	Nairobi
2.	Acumen	Kajiado	90.	Nandi Farmers	Nandi
3.	Afya	Nairobi	91.	Nation DT	Nairobi
4.	Agro-Chem	Kisumu	92.	Nawiri	Embu
5.	Ainabkoi	UasinGishu	93.	Ndege Chai	Kericho
6.	Airports	Nairobi	94.	Ndosha	Tharaka-Nithi
7.	Amica	Murang’a	95.	New Fortis	Nyeri
8.	Ammar	Kiambu	96.	Nexus	Meru
9.	Ardhi	Nairobi	97.	Ng’arisha	Bungoma
10.	Asili	Nairobi	98.	NRS	Kiambu
11.	Azima	Kiambu	99.	NSSF	Nairobi
12.	Bandari	Mombasa	100.	Nufaika	Kirinyaga
13.	Baraka	Nyeri	101.	Nyala Vision	Nyandarua
14.	Baraton University	UasinGishu	102.	NyambeneArimi	Meru
15.	Biashara	Nyeri	103.	Nyati	Nairobi
16.	BiasharaTosha	Embu	104.	Ollin	Kirinyaga
17.	Bi-High	Marsabit	105.	Orient	Kiambu
18.	Bingwa	Kirinyaga	106.	Patnas	Kericho
19.	Boresha	Baringo	107.	Prime Time	ElgeyoMarakwet
20.	Capital	Meru	108.	PUAN	Narok

21.	Centenary	Meru	109.	Qwetu	TaitaTaveta
22.	Chai	Nairobi	110.	Rachuonyo Teachers	Homa Bay
23.	Chuna	Nairobi	111.	Safaricom	Nairobi
24.	Chuka University	Tharaka-Nithi	112.	Sheria	Nairobi
25.	Cosmopolit	Nakuru	113.	Taking	Nairobi
26.	County	Embu	114.	Shoppers	Nairobi
27.	Daima	Embu	115.	Simba Chai	Kericho
28.	Defence	Nairobi	116.	Siraji	Meru
29.	Dhabiti	Meru	117.	Skyline	Baringo
30.	Dimkes DT	Kiambu	118.	Smart Champions	Meru
31.	Dumisha	Samburu	119.	Smart-Life	ElgeyoMarakwet
32.	Eco-Pillar	West Pokot	120.	Solution	Meru
33.	Edis	Bomet	121.	Sotico	Bomet
34.	Egerton	Nakuru	122.	Southern Star	Tharaka-Nithi
35.	Elimu	Nairobi	123.	Stake Kenya	Migori
36.	Enea	Nyeri	124.	Stawisha	ElgeyoMarakwet
37.	Faridi	Busia	125.	Stima DT	Nairobi
38.	Fariji	Kiambu	126.	Strategic-Urembo	Nairobi
39.	Fortitude	Homa Bay	127.	Suluhu	Kitui
40.	Fortune	Kirinyaga	128.	Supa	Samburu
41.	Fundilima	Nairobi	129.	Tabasamu	Kwale
42.	GDC	Kiambu	130.	Tabasuri	Mombasa
43.	Golden Pillar	Meru	131.	TAI	Kiambu

44.	Good Faith	Kiambu	132.	Taifa	Nyeri
45.	Goodhope	Narok	133.	Taqwa	Nairobi
46.	Goodway	Kirinyaga	134.	Taraji	Siaya
47.	GusiiMwalimu	Kisii	135.	Telepost	Nairobi
48.	Harambee	Nairobi	136.	Tembo	Nairobi
49.	Hazina	Nairobi	137.	Tenhos	Bomet
50.	Home Business	Laikipia	138.	Thamani	Tharaka-Nithi
51.	Ilkisonko	Kajiado	139.	The Apple	Nandi
52.	Imarika	Kilifi	140.	The Noble	UasinGishu
53.	Imarisha	Kericho	141.	Times-U	Meru
54.	Invest and Grow	Kakamega	142.	Tower	Nyandarua
55.	Jacaranda	Kiambu	143.	Trans- Elite County	Nandi
56.	JamiiSacco	Nairobi	144.	Trans Nation	Tharaka-Nithi
57.	JamiiYetu	Meru	145.	Trans-Counties	Trans Nzoia
58.	Jitegemee	Mombasa	146.	Trans-National Times	Trans Nzoia
59.	Joinas	Kiambu	147.	Ufanisi DT	Nairobi
60.	Jumuika	Kisumu	148.	Ukristo Na Ufanisi	Nairobi
61.	Kabiyet	Nandi	149.	Ukulima	Nairobi
62.	Kencream	Nairobi	150.	Unaitas	Nairobi
63.	Kenpipe	Nairobi	151.	Uni-County	Nakuru
64.	Kenversity	Nairobi	152.	Unison	Laikipia
65.	Kenya Achievas	Kisii	153.	United Nations	Nairobi
66.	Kenya Bankers	Nairobi	154.	Universal Traders	Machakos

67.	Kenya Highlands	Kericho	155.	Ushuru	Nairobi
68.	Kenya National Police	Nairobi	156.	Vihiga County Farmers	Kakamega
69.	KimbilioDaima	Kericho	157.	Viktas	Nyandarua
70.	Kimisitu	Nairobi	158.	Vision Africa	Nakuru
71.	Kingdom	Nairobi	159.	Vision Point	Nyamira
72.	Kite	Kisumu	160.	WakenyaPamoja	Kisii
73.	Kitui Teachers	Kitui	161.	Wakulima Commercial	Nyeri
74.	Kolenge Tea	Nandi	162.	Wana-anga	Nairobi
75.	Koru	Kisumu	163.	Wananchi	Nyeri
76.	K-Pillar	Bomet	164.	Wanandege	Nairobi
77.	K-Unity	Kiambu	165.	Washa	Mombasa
78.	Kwetu	Machakos	166.	Waumini	Nairobi
79.	Lainisha	Kirinyaga	167.	Wevarsity	Kakamega
80.	Lamu Teachers	Lamu	168.	Winas	Embu
81.	Lengo	Kilifi	169.	Yetu	Meru
82.	Mafanikio	Mombasa	170.	Mudete Factory Tea	Kakamega
83.	Magadi	Kajiado	171.	Muki	Nyandarua
84.	Magereza	Nairobi	172.	Mwalimu National	Nairobi
85.	Maisha Bora	Nairobi	173.	Mwietheri	Embu
86.	Mentor	Murang’a	174	Smart-Life	ElgeyoMarakwet
87.	Metropolitan	Nairobi	175	Goodway	Kirinyaga
88.	Mombasa Port	Mombasa			

Appendix II: Introduction Letter

Dear Respondent,

RE: INTRODUCTORY LETTER

I am a PhD. Student at Masinde Muliro University of Science and Technology (MMUST), undertaking a study on '**Corporate Governance Practices, Liquidity and Dividend Policy of Deposit Taking SACCOS in Kenya.'** This involves collection of both secondary and primary data from your Sacco. Participants on this research will be the Chairperson or Directors and Chief Executive Officer or Chief Finance Officer whom are expected to give primary information.

The research has been approved by MMUST and NACOSTI. I therefore, kindly request you to accord me the support and assistant to get the data to carry out this research.

Thank you for your kind contribution and input.

Yours Faithfully,

Peter Anjeyo Vuhya

0723967777

Appendix III: Questionnaire

SECTION I.BACKGROUND INFORMATION

1. What is your highest level of education?

Secondary Education [ ]Certificate [ ]

Diploma [ ] Bachelor's Degree [ ] Masters Degree [ ]

Others [ ] If other, please explain ………………………………………………..

………………………………………………………………………………..

2. What is your professional qualification?

CPA [CIFA [ ] ACCA [ ] CA [ ]

Others [ ] If other, please explain ………………………………………………..

………………………………………………………………………………..

3. How long have you worked for this Sacco?

Below 1 year [ ] 1-5 years [ ] 6-10 years [ ]

11-15 years [ ] Over 15years [ ]

4. What is your designation within the SACCO?

SASRA management [ ] KUSCO management [ ] CAK Corporation Alliance [ ] County directors for cooperatives [ ] Chairpersons/Directors [ ] CEO/CFO [ ]

SECTION IV

Please indicate on scale of 1 to 5 whether you Strongly Agree (SA),Agree (A),Not sure (NS), Disagree (D) or Strongly Disagree (SD) to the following statements relating to dividend policy.

	Board Characteristics	**SA**	**A**	**NS**	**D**	**SD**
1	The Sacco executives execute dividend payout duties freely without intimidation					
2	The Sacco board has independent directors who adhere to dividend policy framework effectively without biasness					
3	The board's chair is independent of CEO and controls the board's meeting on dividend decisions.					
4	The number of board members is adequate as far as dividend decisions are concerned					
5	Gender balance on board formation among SACCOs has improved dividend decision making process					
6	Coordinating mechanisms have been in place to facilitate gender inclusivity					
7	Qualifications of board members has reinforced dividend policies among SACCOs					
8	The experience of board members has improved dividend policy formations					

	Audit Committee Characteristics	SA	A	NS	D	SD
1	Coordinating mechanisms have been in place to facilitate gender inclusivity					
2	Qualifications of board members has reinforced dividend policies among SACCOs					
3	The experience of board members has improved dividend policy formations					
4	The size of audit committee is adequate to undertake its mandate on dividend policies					
5	An increase in number of audit committee members has made dividend policy formation comprehensive					
6	The years of service of audit committee members in audit team has enhanced dividend policy implementation					
7	All Audit Committee members have had relevant industry experience required to steward the Sacco					
8	Appointment of audit committee members has always considered a diverse mix of skills required in the stewardship of the Sacco dividend policy					

	Ownership Structure	SA	A	S	D	SD
1	The age diversity in the board enhance the quality of decisions on dividend payout					
2	A member's academic qualifications have been considered on dividend policy formulation and reinforcement					
3	Audit committee members undertake training to enhance their qualifications on dividend knowledge					
4	The shareholder ownership structure has always determined priority given during dividend payout					
5	The amount of savings has always determined the dividend amount to be paid					
6	The call for shares has always been done within the dividend policy framework					
7	Part of dividend have been reinvested in the SACCO to help improve financial status					

	Transparency of Financial Data	**SA**	**A**	**S**	**D**	**SD**
1	SACCOs have discouraged members from redeem shares to enable build up of capital					
2	Members with large shares have always earned bonuses that has made dividend plan trusted					
3	SACCOs dividend policy has led to investment growth trajectory from retained shares					
4	The board does not withhold any pertinent information.					
5	Auditing of financial statement is done regularly internally and externally					
6	The board coordinates invitations for meetings of diverse stakeholders to engage in deliberation prior to reaching a definitive decision.					
7	Information is disclosed by the Board to the necessary stakeholders.					
8	Board discloses information in relevant and timely manner					

SECTION III: LIQUIDITY

Please indicate on scale of 1 to 5 whether you Strongly Agree (SA),Agree (A),Notsure (NS), disagree (D) or strongly disagree (SD) to the following statements relating to liquidity.

		SA	**A**	**S**	**D**	**SD**
1	Board prepare the calendar of important events every financial year					
2	There is accountability for the decision made by board and top management					
3	Accurate and factual information on the performance of the organization is accessible by all stakeholders such as top managers, employees, creditors, bankers, government					
4	The SACCO give loans to its members based on shares invested					
5	SACCO encourages share deposits to build their ability to earn dividends					

SECTION IV: DIVIDEND POLICY

Please indicate on scale of 1 to 5 whether you Strongly Agree (SA), Agree (A), Not sure (NS), disagree (D) or strongly disagree (SD) to the following statements relating to dividend policy.

		SA	A	S	D	SD
1	SACCO maximizes on dividend source of financing to thrive					
2	The SACCO dividend saving plan is the key asset base for SACCOs					
3	Dividends retained has always boosted the liquidity state of SACCOs					
4	The amount of share determine amount of dividends to receive					
5	Dividends in some cases are retained to build up working capital for the firm					
6	Dividends must be paid each year no matter the performance					
7	Current dividends paid is guided by previous dividends paid					
8	Dividends are paid when profits are made					
9	Priority during dividends payment is based on kind of shareholding for instance preference shareholders against ordinary shareholders					
10	Dividends paid are guided by availability of cash and equivalents.					

THANKS FOR PARTICIPATING

Appendix IV: Interview Schedule

1. Kindly explain the board characteristic concepts of independence level, size of board, gender and competence of board on your Sacco dividend policies

…………………………………………………………………………………………

…………………………………………………………………………………………

2. Kindly explain the audit committee composition concepts of size of board, experience and qualifications on your Sacco dividend policies

…………………………………………………………………………………………

…………………………………………………………………………………………

3. Kindly explain the ownership structure concepts based on institutional and managerial aspects on your Sacco dividend policies

…………………………………………………………………………………………

…………………………………………………………………………………………

4. Kindly explain the transparency disclosure elements, decision making, accountability and presentation of financial statements on your Sacco dividend policies.

…………………………………………………………………………………………

…………………………………………………………………………………………

5. Explain the liquidity state of your SACCO

…………………………………………………………………………………………

6. Explain the dividend policies formulated for the SACCO sectors

…………………………………………………………………………………………

Appendix V: Document Analysis Guide

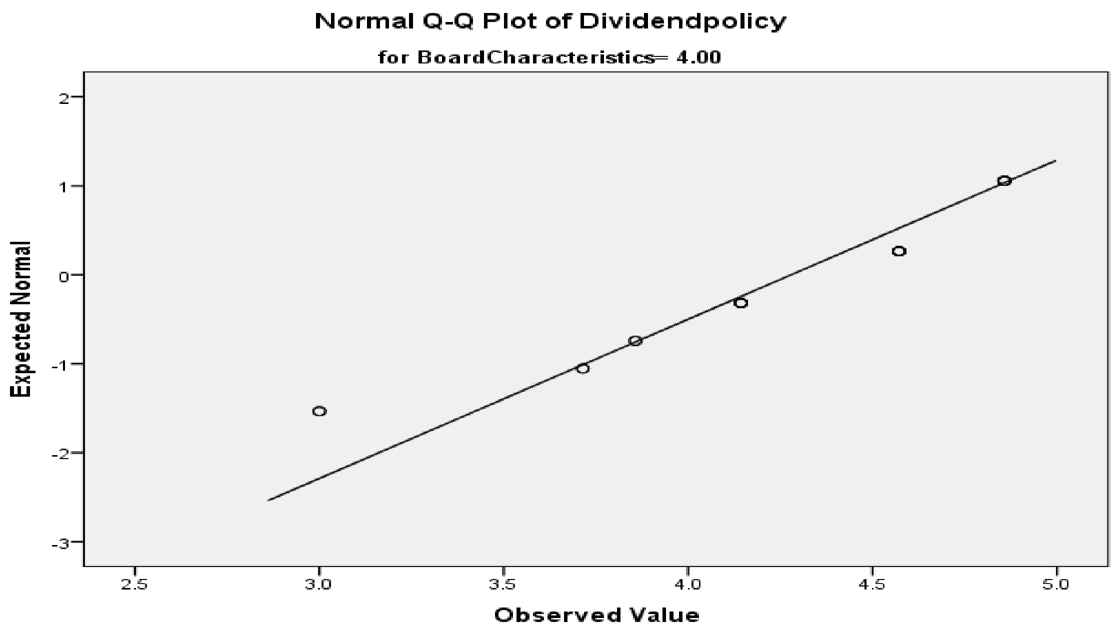
Item	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Dividends Paid						
Total income						
Total loans						
Total deposits						

Appendix VI: Secondary Raw Data

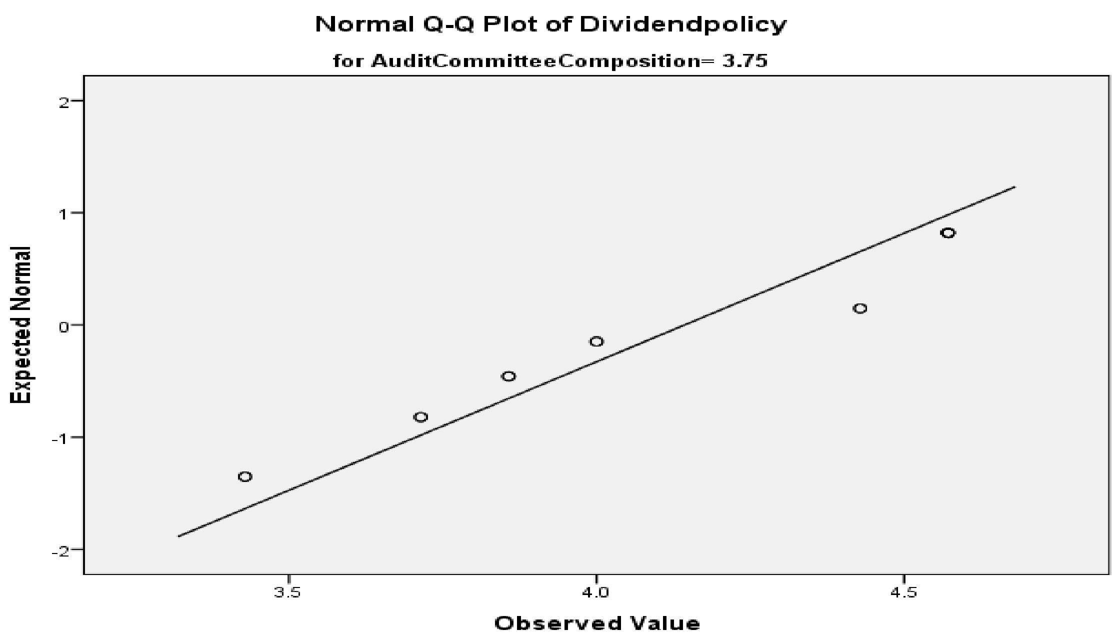
Item	2017 Billions	2018 Billions	2019 Billions	2020 Billions	2021 Billions	2022 Billions
Dividends Paid	25.11	20.12	40.01	46.13	47.22	50.55
Total income	60.01	64.64	79.88	86.04	91.01	93.21
DPS=Dividend income/Total income	**0.4184**	**0.3113**	**0.5009**	**0.5361**	**0.519**	**0.542**
Total loans	331.21	374.29	419.55	474.77	550.47	557.2
Total deposits	305.30	341.91	380.44	431.46	493.21	497.81
Liquidity=Total loans/Total deposit	**1.0849**	**1.0947**	**1.1028**	**1.1004**	**1.1161**	**1.1193**

Appendix VII: Normal Q-Q Plots

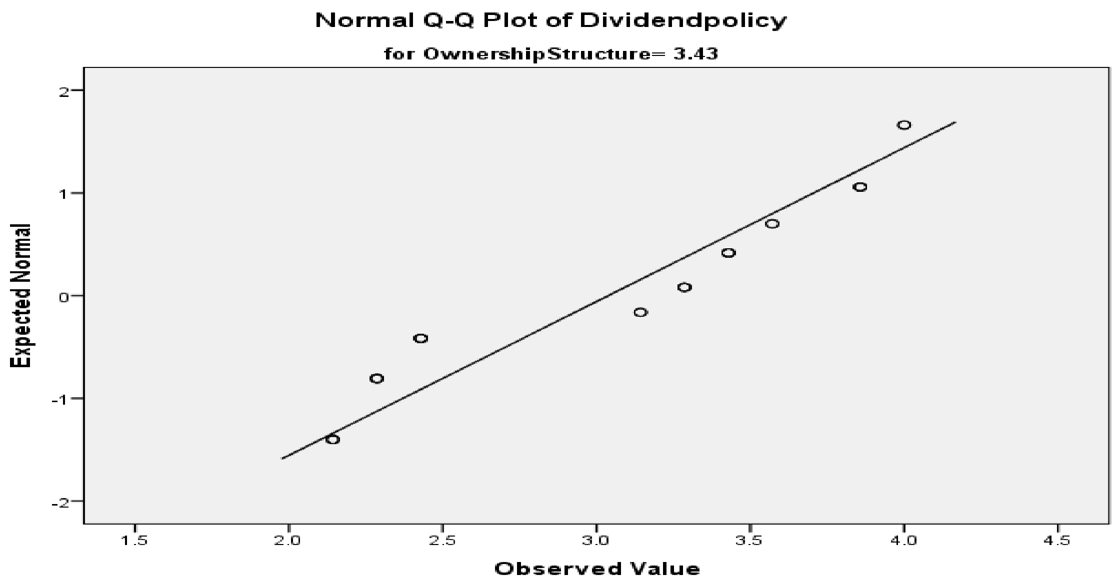
Normal Q-Q plot for Audit committee composition



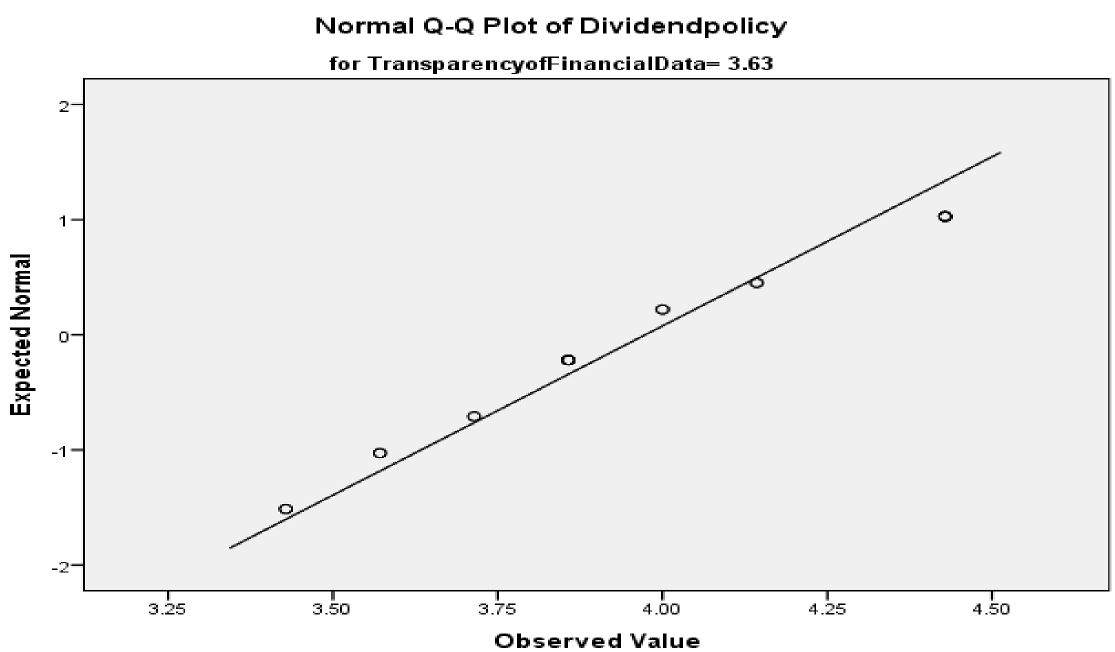
Normal Q-Q plot for Audit committee composition



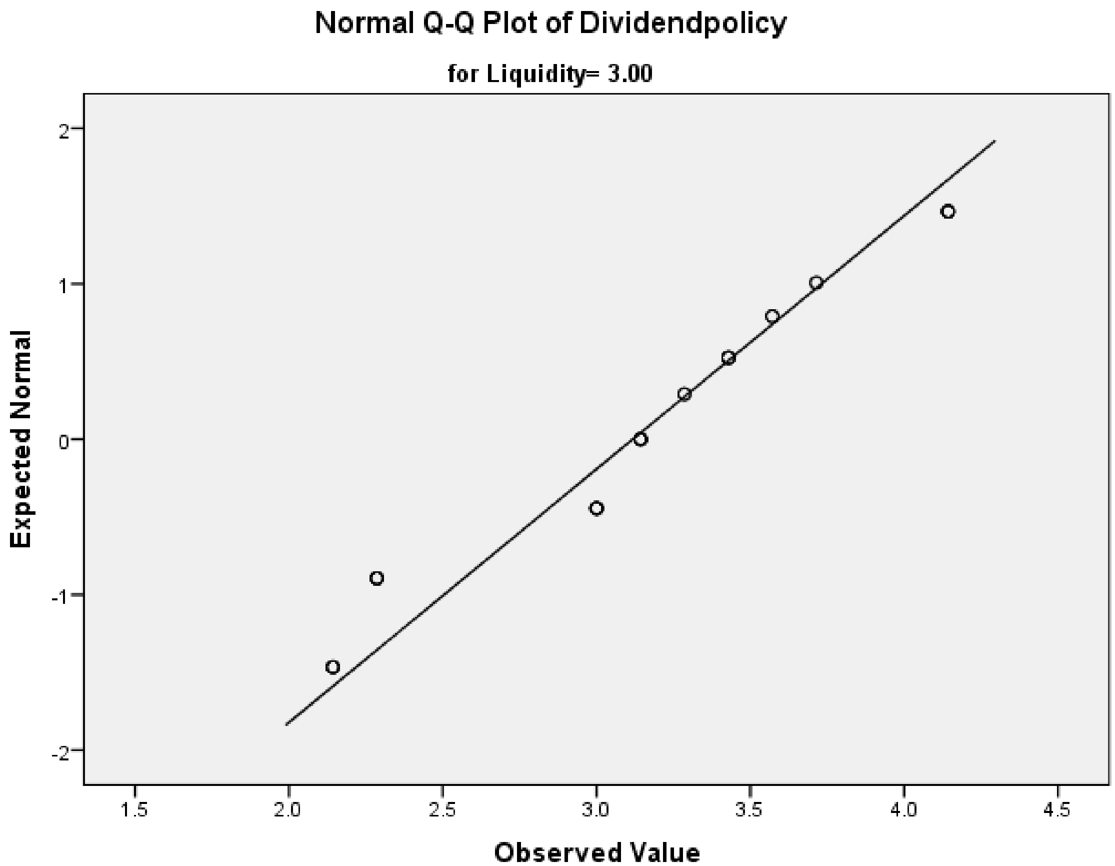
Normal Q-Q plot for Ownership Structure



Normal Q-Q plot for Transparency of Financial Data



Normal Q-Q plot for Liquidity



Appendix VIII: NACOSTI

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Ref No: 226763

Date of Issue: 17/July/2023

RESEARCH LICENSE

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