EVALUATING THE IMPACT OF DIVIDENDS PER SHARE ON THE FINANCIAL PERFORMANCE OF COMMERCIAL BANKS LISTED ON THE NAIROBI SECURITIES EXCHANGE

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ABSTRACT

The share price performance at the securities exchange is a good indicator of the financial health of banks and the overall status of any country's economy evaluating the impact of dividends per share on the financial performance of commercial banks listed on the Nairobi Securities Exchange. The specific objective of the study was to evaluating the impact of dividends per share on the financial performance of commercial banks listed on the Nairobi Securities Exchange. The study was supported by Bird in Hand Theory. A descriptive and correlational research design was used for the investigation. The data that was gathered from the five years of 2019–2023's annual financial reports. All eleven commercial banks that are listed on the NSE as of December 31, 2023, were the study's target audience. A sample size of ten listed commercial banks was chosen for the study using simple random sampling. Using a data collecting sheet, the study gathered secondary data from the Nairobi Securities Exchange's published annual financial reports. Descriptive statistics like mean, standard deviations, minimum, and maximum were used to analyze the collected data. Additionally, inferential analyses like regression and correlation were used in the study. Tables containing the analyzed data were displayed. The study unveiled that dividend per share had a positive and significant effect on financial performance of listed commercial banks in Kenya. Thus, increase in dividend per share increases financial performance of listed commercial banks in Kenya by 39.6%. Additionally, the study concluded that; dividend per share had strong, and positive significant correlation with financial performance of listed commercial banks in Kenya. The study recommended that listed commercial banks ought to increase DPS as it will indicate strong profitability, and signal positive future earnings. This will lead to increased financial performance. The study further recommends that banks ought to increase DPS so that they attract more investors, leading to increase in stock prices and hence boosts firm value in the market and enhance financial performance.

Key words: Dividend Per Share, Listed Commercial Banks, Nairobi Securities Exchange Financial Performance

INTRODUCTION

Dividend per Share

A dividend is a proportionate distribution of current or historical earnings among the company's shareholders based on their holding. Therefore, they are payouts from the company's earnings, and the choice to pay dividends is based on the company's dividend policy. Accordingly, the total of all dividends announced by a business divided by the number of issued, outstanding common shares is known as the dividend per share, or DPS (Lelyuk & Rodchenko, 2019).

Hashmi, Gulzar, Ghafoor & Naz, 2020), States that, there are numerous explanations for why businesses distribute dividends. It can be used to lessen investor insecurity or to decrease the increase in agency costs between management and shareholders. Investors choose to invest in firms that pay dividends because they want to earn dividends on a regular basis. Dividends paid per share also affect stock valuation and commercial banks' financial performance because companies that pay out more dividends have no trouble accessing capital markets (Dang, Vu, Ngo & Hoang, 2021).

Signals are sent to market investors by the company's dividend policy. Compared to low-quality firms, high-quality firms pay out more dividends. An organization with a greater knowledge gap should pay a higher dividend if the signal rises in tandem with the investor-manager information gap. The company's solvency ratio and dividend distribution are intimately correlated. Additionally, there is a connection between a company's dividend payment and its earnings per share. According to Al-Kayed (2017), a rise in dividend payments boosts financial performance by sending positive signals that encourage more investment from new investors and departing the market.

Announcements of cash dividends reduce information asymmetry by providing shareholders with important information regarding management's projections of a company's future profitability. Investors can use this information to evaluate the company's share price and make investment decisions. Dividends are viewed by stockholders as a means of controlling the earnings forecast. For instance, it is predicted that the stock price would not fluctuate significantly on the day of dividend announcement if stakeholders or investors expect a firm's payout to increase by 5% (Hasan, Wahid, Amin & Hossain, 2021).

A higher dividend per share is a sign that the company is making more money. Investors and the public are given a good indication that the company's earnings are promising when the amount of divided dividend increases, and vice versa. Because managers have asymmetric information and investors may not share it, managers should carefully consider the payout rate to prevent needless speculation in the capital market (Suteja, Gunardi & Mirawati, 2020).

The return that shareholders receive from their investment in a company's stock is known as the dividend. Managers can utilize dividend policy to make long-term decisions about how to use firm cash flows, such as how much to invest in the company and how much to give back to shareholders (Nguyen, Bui, & Do, 2019).

Dividend per share, according to Bossman, Agyei, Asiamah, Agyei, Arhin, and Marfo-Yiadom (2022), is a crucial tool for investors since the amount a company distributes in dividends directly converts into income for the shareholder. Furthermore, it's the simplest method for an investor to calculate the dividends they receive over time from owning stock. A rising DPS over time may also indicate that management of the company thinks earnings growth can continue.

Hasan, Wahid, Amin, and Hossain (2021) claimed that to properly calculate DPS, including interim dividends, payouts for the full year excluding any special dividends—must be combined. Special dividends are excluded since they are expected to be paid out just once. Dividends paid to shareholders that have been announced and paid out before a company has calculated its yearly profitability are known as interim dividends.

Payment of Dividend Per Share is very crucial to determine how much profit each shareholder receives. However, this cannot be fully realized due to internal and external factors that affect stock price fluctuations. The internal factors include company profits such as annual asset growth, liquidity, total wealth and sales. On the other hand, external factors like taxation affect the number of dividends to be received by shareholders. So, decreased dividends send a negative signal leading to a decline in financial performance (Gweyi, Olweny & Oloko,2018).

Financial Performance of Commercial Banks in Kenya

The level of achievement of financial goals is indicated by financial performance. It calculates the financial outcomes of a company's operations and policies. In addition to comparing the financial performance of similar enterprises within the same industry or comparing industries or sectors overall, it is used to ascertain the overall financial health over a specified period (Savitri, 2018).

The ability of an organization to make a profit, survive, expand, and respond to environmental opportunities and risks is known as financial performance. Financial ratios from the financial performance and position statements might be used to ascertain it. Return on equity, earnings before interest and taxes, return on sales, and return on assets are further helpful measures of financial performance. Thus, according to (Jiang, Polycarp, Kazaara, Kazaara, Prudence & Nicholas, 2023), financial performance gauges the soundness and stability of financial institutions.

The financial performance of a company serves as a tool to see how far issuers can achieve their achievement goals. Thus, in the business world, financial performance can show the sustainability of an entity and can maintain stability. Financial performance reports certainly function as a measuring tool to assess the level of stability of a company and provide information about the contribution of all business management units. So that less productive business units can be evaluated (Sikolia & Miroga, 2018).

Financial performance has different components like profitability, solvability, and liquidity. Profitability is considered as a measure of profitability, through which companies determine their performance. It indicates the capacity to make profit, and that is; what is left over from income earned after all costs and expenses related to earning the income are deducted (Serem, Gudda, Ombok & Manyaga, 2024).

Nairobi Security Exchange

Kenya's Nairobi Security Exchange has several functions that promote wealth and economic growth. The stock market plays a crucial role in economic growth because it ensures that resources and capital are directed toward the most profitable investments. The Nairobi Securities Exchange's responsibilities include raising capital, mobilizing savings, channeling cash for investments, overseeing firm management, establishing investment opportunities for investors, and raising money for government development projects. Businesses raise money for business expansion by capitalizing through the sale of shares. This directly leads to the creation of employment opportunities to boost the nation's overall financial performance and economic growth (Ivan, Alex & Deus,2023).

Kenyan stock exchanges were established during the colonial era in the 1920s. Due to a lack of controls and laws, the market was a casual exchange reliant on assertions. Stockbrokers developed their expertise solely by accident. In 1951, Francis Drummond founded his first stockbroking business. This notion inspired the minister of finance, who in 1953 addressed the authorities of the London Stock Exchange (Nairobi Security Exchange, 2018).

Based on a variety of possibilities, the Nairobi security exchange is unique to various industry segments. Advertisements for growth initiatives, alternative ventures, fixed-pay securities, and the main speculative showcase segment. In this investigation, the business banks under scrutiny have their securities recorded in the Main Investment Market Segment (MIMS). Horticulture, security, media, innovation and transmission, energy and oil, automobiles and frills, development and business administrations, and ventures are some of the sectors that make up the MIMS (NSE, 2018).

The Nairobi Securities Exchange is a bustling market in Africa that attracts investors from around the world (Achberger and Falola 2013). The dematerialization of stocks, exchange automation, the expansion of recorded securities, and improvements to administrative frameworks are just a few of the notable advancements in the capital market. Market capitalization of 64 organizations was up to 2.6 trillion dollars, with daily exchange offers between 12 million and 2 billion. Its growth has spurred asset preparation to accept long-term venture finance (NSE, 2018).

Statement of the Problem

Various dimensions of stock price like earnings ratio, dividends payout, earning per share and interest rates enhance financial performance of listed commercial banks in Kenya.

The financial performance of listed commercial banks declined markedly. In 2021, return on assets (ROA) contracted to 2.0% from 3.2% in 2020 (State of Banking Industry, 2023). This reduction is associated with increase in loan loss provisions as asset quality of the banking sector reduced and an increase in impairment losses and the impact of the monetary policy rate cut on interest margins

Chhetri (2023) evaluated the variables influencing Nepal's commercial banks' stock prices. The dependent variable was the market price per share, while the forecaster variables were earnings per share, price-earnings ratio, book value per share, return on assets, and size. The external determinants were inflation, the broad money supply, and the real gross domestic product. A study by Huy, Loan, and Anh (2020) examined the impact of factors influencing stock price fluctuations on the performance of commercial banks in emerging nations such as Vietnam.

GDP growth, the loan rate, the risk-free rate, and the exchange rate were the study's independent variables. Figeac (2017) conducted a study on the factors influencing the stock prices of a few European banks using a descriptive research design. Bank-specific characteristics like return on average equity and equity/assets ratios, industry-specific elements like the Herfindahl Index, and macroeconomic elements like GDP, household disposable income, labor productivity, and industry productivity served as the foundation for the study. This research was unable to focus on interest rates, dividends per share, and the price-earnings ratio. To close this gap, a study on the share price determinants and their influence on financial performance of commercial banks listed on the Nairobi Securities Exchange was conducted.

Purpose of the Study

This study sought to assess the effect of share price determinants on financial performance of commercial banks listed at the Nairobi Stock Exchange.

Objectives of the Study

The objectives of the study were:

i. To assess effects of dividend per share on financial performance of commercial banks listed in Nairobi Stock Exchange.

Research Hypotheses

$H0_1$: Dividend per share has no statistically significant effect on financial performance of commercial banks listed in Nairobi Stock Exchange.

Scope of the Study

The study examined the financial performance and factors influencing share prices of commercial banks that are listed on the NSE. The analysis specifically concentrated on interest rates, dividends per share, earnings per share, and price-earnings ratio. Secondary data gathered from published yearly reports spanning five years, from 2017 to 2021, was used in the study. Ten commercial banks made up the study's sample size, and data collecting sheets was used to collect information from them over a five-year period. Descriptive statistics (frequency, minimum, maximum, mean, and standard deviation) and inferential statistics (correlation analysis, simple and multiple regression) was used to analyses the collected data before it is displayed in figures and tables. Only the factors that affect the share prices of I&M, Equity, Bank, Barclays, Cooperative Bank, Housing Finance Group, National Bank, Stanbic Bank, KCB, Standard Chartered, Equity, and Diamond Trust were the subject of the analysis.

Significance of the Study

The study's conclusions will be crucial to the management of banks and other financial institutions since they will be utilized to determine the factors influencing share prices and the financial performance of Kenya's listed commercial banks.

Additionally, the findings of the study will be valuable to decision-makers as it will help in developing and implementing policies geared towards promotion of fear completion and creating a good and friendly regulatory system that allows commercial banks to thrive.

Further, the findings of the study will be of immense significance to both the national government and county government. It will enable the government to create and implement monetary policies that aid in resource allocation and inflation controls. Thus, it will enhance financial performance of commercial banks in return.

The study will be imperative to both existing and prospective investors as it will help them identify which shares to buy or sell based on the value and implications of the share price determinants on performance of commercial banks.

The findings of the work will be important to scholars and academicians as it will aid development of new knowledge for additional research. The findings will be used by academics and researchers to assess the study’s literature, serving as a resource for the field's body of knowledge.

LITERATURE REVIEW

Theoretical Literature Review

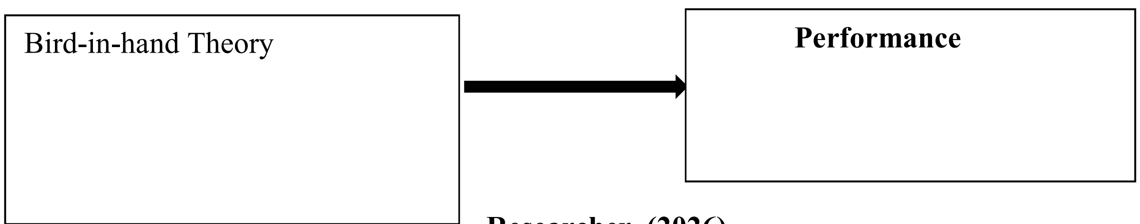
Bird-in-hand Theory

Myron Gordon developed this hypothesis in 1963 after John Lintner first proposed it in 1962. Since current dividends are more guaranteed than potential future capital gains from investing retained earnings in growth possibilities, it claims that investors prefer to get dividends "today." In other words, a bird in hand is worth two in bush. Consequently, current dividends are preferred by investors over capital gains, and a company that pays dividends was worth more on the market. According to Njue, Kaminja, Waweru, and Mutua (2024), the theory also suggested that dividend decisions are important and that a company with a greater payout has a better stock value because it attracts new investors.

It assumes that a firm has equity only or it must have no debt. The firm must only use equity in its capital structure. This is a cheaper source of funding as opposed to debt and hence, enhancing income to investors. Additionally, the theory assumes that the only source of financing is retained earnings. Further, the theory assumes that there are no personal or corporate taxes. Thus, income is maximized. Companies must retain a constant retention ratio. This ensures that firms have enough funds for investment (Tekin & Polat, 2021).

This critique of the theory argues that it is not possible for companies to use only equity in their capital structure. Additionally, they affirm that, in the current world payment of tax is a necessary evil. Companies must pay corporate taxes. This affected current income. On the other hand, they argue that companies cannot keep constant income ratio because of different economic conditions that affect income generated by firms (Sondakh, 2019).

This theory is pertinent to the study since it was used to explain how Kenyan commercial banks' financial performance and dividends per share are related. To communicate to the market that the business and management are performing well, commercial pay is distributed annually to shareholders. More fresh inventors were drawn in as a result, increasing the firm's market worth.



Researcher, (2026)

Figure 2.1Theoretical Framework

Empirical Literature Review

Dividend per share and Financial Performance

Kurnia (2022) evaluated the impact of debt-to-equity ratio (der) and dividend per share (DPS) on stock prices, using stock perceived risk as a moderating variable. The debt-to-equity ratio (DER), dividend per share (DPS), and earnings per share (EPS) were independent variables that were influenced by perceived risk shares. The study used secondary data collected from Southeast Asian vehicle and spare parts companies between 2012 and 2019. Purposive sampling was utilized to choose a sample size of nine organizations using the random sampling approach. Descriptive statistics, partial and simultaneous tests, multiple linear regression, and moderated regression analysis (MRA) were used to analyze the collected data. The study found that stock prices were significantly impacted by the debt-to-equity ratio and DPS. According to the study's findings, stock prices were positively and marginally impacted by each independent variable.

Muryani (2021) looked at how dividends per share affected the value of the company. Finding out how dividends per share (DPS) affect a company's value on the Indonesian stock exchange between 2014 and 2017 is the aim of this study. DPS and EPS were the study's variables. Theories of signaling and bird in the hand supported the study. The study chose a sample size of six companies listed on the Indonesia Stock Exchange using deliberate sampling. Annual reports provided the secondary data, which was then examined using descriptive statistics and multiple regression models. According to the study, firm value was significantly and favorably impacted by earnings per share. The analysis also found that the dividend per share had little bearing on the company's worth. It was also observed that EPS and DPS had a major impact on business value. According to the study's findings, DPS has a direct impact on business value. It was suggested that management of companies listed on the Stock Exchange should create dividend programs that increase firm value.

Bhattarai (2017) conducted a study using a panel approach to examine the impact of dividends per share on the stock prices of Nepal's commercial banks. With market price per share as the dependent variable and dividend per share, profitability, and size as independent variables, the study used a causal comparative research design. Convenience sampling was utilized to select secondary data from seven commercial banks during a seven-year period (2010–2016). A combination of descriptive and inferential statistics was used to process the collected data. The association between dividend payments and share price was found to be considerable and positive. It was also shown that market price per share had a favorable correlation with size, profitability, and dividend per share. It was determined that dividend payments have a favorable impact on Nepalese commercial banks' share prices. It was suggested that to boost their share values, commercial banks should raise their cash dividends.

Bossman, Agyei, Asiamah, Agyei, Arhin, and Marfo-Yiadom (2022) conducted research on the financial performance and dividend per share of companies listed on the Ghanaian stock exchange. Dividend irrelevancy, agency theory, bird-in-hand theory, free cash flow theory, and pecking order theories all supported the study's variables, which included dividend capacity, free cash flow savings, and dividend payout. Using secondary data from 2015 to 2019, the study used the system dynamic general method of moments (GMM) estimate approach. The sample size was 29, with 11 financial and 18 non-financial enterprises chosen using the census sampling approach. The study discovered that return on equity and return on assets were significantly impacted by dividend capacity. The study also found that free cash flow savings had an indirect association with both Tobin's Q and stock price, but a direct and significant impact on return on equity and return on assets. It was determined that dividend payout had a detrimental impact on owners' wealth during times of crisis, while dividend capacity and free cash flow savings were strongly correlated with business performance. It was suggested that to appeal to all types of investors, firms should strike a balance between dividend payments and free cash flow savings.

To investigate the relationship between dividends per share and the financial performance of consumer products businesses in Nigeria, Obayagbona and Akinuli (2024) adopted a quantitative research design. Dividend payout, dividend yield, and business size were the variables, while the theories of dividend signaling, information asymmetry, bird in hand, dividend irrelevance, and dividend relevance all provided support. The study used secondary data from the annual reports of six companies chosen at random during a ten-year period (2012–2021). The cross-sectional pool data approach, a regression analysis method, was employed in the study. The study's conclusions showed that while firm liquidity had a detrimental impact on the financial performance of consumer goods companies in Nigeria during the study period, dividend payout, dividend yield, and firm size had a positive and significant influence on return on assets. Furthermore, using return on asset (ROA) as a performance metric, the study found a direct correlation between the dividend payout ratio (DPR) and the financial performance of consumer goods companies. It was determined that business liquidity had a statistically significant and adverse effect on financial performance, which means managers to carefully examine this while making decisions. Given the strong positive correlation between return on assets and dividends per share, the management should give priority to increasing the frequency of dividend payments to shareholders.

Garba (2014) used a case study approach to assess the impact of dividends per share on stock market returns, considering listed industrial companies on the Nigerian stock exchange. Data on dividends per share was collected from ten companies between 1991 and 2003. Multiple regression analysis was used to examine the relationship between the independent and dependent variables in the study. The findings demonstrated that dividends per share had a major impact on market share performance. A study on the impact of dividend per share on the performance of listed firms at the Zimbabwe Stock Exchange was undertaken by Jecheche in 2012. Information was extracted from 2001–2011 financial records and applied to a sample of 60 businesses. The empirical estimation was obtained using a cross-sectional regression study of the relationship between stock price volatility and dividend policy, after controlling for business size, earning volatility, leverage, and asset growth. The payout ratio and dividend yield, two indicators that represent the dividend policy, have a major impact on share price volatility. The results showed that the volatility of the stock market was influenced by Zimbabwe's dividend policy.

Masum (2014), evaluated the impact of dividend per share on the financial performance of listed commercial banks at the Dhaka Stock Exchange. The purpose of the study was to investigate how the dividend per share of commercial banks listed in Dhaka between 2007 and 2011 affected share price performance. The study looked at every type of link that has ever been between dividend policy and share price performance. The study used descriptive statistics to find that dividend policy had a substantial impact on share prices since the sample size was large and sufficient to detect a meaningful influence.

Rono (2020), did a study on the effects of dividend per share on market share prices of firms listed at the Nairobi securities exchange, Kenya. This study adopted descriptive research design, and it was anchored Signaling theory. The predictor variable of the study was Dividends per share while market share prices were the dependent variable. The study used census sampling method to select a sample size of all 61 firms listed at NSE as Dec 2020. The study used secondary data collected from financial reports and kit was analyzed collected data through descriptive and linear regression model. The study's conclusions showed a favorable correlation between share prices, earnings per share, and dividends per share. It was determined that market share prices were impacted by dividends per share. Policymakers were advised to consider the dividend per share when evaluating a company's share returns. As a result, measures that raise company profits and dividends ought to be promoted to raise share prices for both listed companies and other organizations.

Kemboi, Kinyariro, Gesage and Maina (2023), aimed to investigate the association between divided per share and financial performance of listed corporations at the Nairobi securities exchange. The study used an explanatory research methodology and was based on the bird in hand theory. All 62 companies registered on the Nairobi Securities Exchange (NSE) were chosen using the census sample approach. The study made use of secondary data that was gathered using a data collecting sheet from published financial statements from 2018 to 2020. Regression analysis and descriptive statistics were employed to examine the data that was gathered. According to the study, the financial success of the listed companies on the NSE was positively and significantly correlated with dividend yield. The study also found that the dividend yield in 2018 and 2019 had a statistically significant impact on listed companies' financial success. It was suggested that listed companies should put in a lot of effort to boost profits to enhance the amount of money distributed as dividends and that they should pay dividends consistently.

Conceptual Framework

A conceptual framework, according to Imenda (2014), is the result of combining several linked ideas to provide a broader comprehension of the study subject and to explain a particular event. The link between the subject matter and dependent variables is illustrated by the conceptual framework.

Independent variables → **dependent variable**

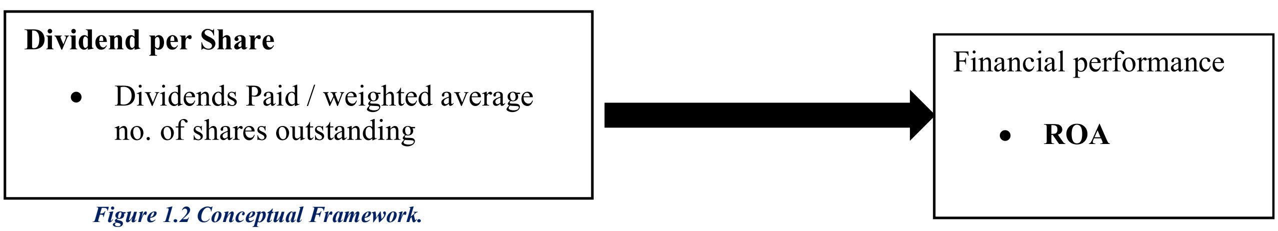


Figure 1.2 Conceptual Framework.
Source: (Researcher, 2026)

The independent variable was dividend per share, which is calculated using the number of common shares and net income. As a result, any change in the dividend per share affected the performance of the share price. Divided payment builds investors' trust and believes in company's investment decisions and management. This motivates investors as well as attracting new investors to put more funds into company which in return is reinvested. Income generated from such investments boosts financial performance.

The performance of the stock price alters because of changes in interest rates. Market share measures the dependent variable, which is share price performance. The factors that affect the performance of commercial banks' share prices had an impact on this.

Research Gap

Obayagbona and Akinuli (2024), embraced a quantitative research design to study the effects of dividend policy and financial performance of consumer goods companies in Nigeria. The variables of the study were: dividend payout, dividend yield, and firm size and it was supported by dividend signaling and information asymmetric theory, bird in hand theory, dividend irrelevance theory and dividend relevance theory. The study obtained secondary data from annual reports from 6 firms for a ten-year period (2012-2021) selected through random selection process. The study used regression analysis technique known as the cross-sectional pool data technique. This failed to apply descriptive statistics.

RESEARCH METHODOLOGY

Research Design

This study adopted descriptive and correlational research designs. Research design is a roadmap which outlines the time scope and guideline for the activities to be followed in the research process to aim at answering the research question. This research design gives directions on how to choose the various sources and types of information required and defines the relationship between the variables of the study (Cooper & Schindler, 2011). Descriptive studies, according to Cooper et al. (2003), observe, characterize, and explain the factors that contribute to an element's status. Kothari (2004) states that the main goal of correlation research is to identify the current link between variables and the extent of that relationship; correlation research focuses on the effects of one or more variables on the other. The elements influencing share price determinants in the financial performance of commercial banks listed on the Nairobi Security Exchange examined using a correlational research approach. When Aduda, Masila, and Onsongo (2012) examined the factors influencing stock market development for the Nairobi Stock Exchange, they likewise used the correlational study approach. Since inferential statistics used to determine the relationship between the dependent variables and to illustrate that relationship, this study design was suitable.

The correlation study design allows the researcher to determine the type of correlations between independent and dependent variables (Bari, Muturi, & Samantar, 2019). The use of a correlational research design allowed the study to ascertain the nature of the relationship between the dependent variable (the growth of poultry layer production as measured by bird size, sales volume, and market size) and the independent variables (goal setting, benchmarking, and innovation practices).

Location of the Study

The study was carried out in Kenya on commercial banks listed on the Nairobi Security Exchange which have their headquarters located in Nairobi County. However, these banks have branches in most of the Counties in Kenya. Nairobi Security Exchange is the largest financial market in East and central Africa and it's located in Nairobi.

Target Population

According to Rahi (2017), the entire number of study participants who are all planned to take part in the study is the target population. According to Mugenda and Mugenda (2003) target population is an entire group of individuals, events or objects having common observable characteristics. Population is determined by the actual number of people the researcher targets during the entire investigation to gather data for the study (Chepkorir, Ondiek, Alala and Tibbs). According to Kothari (2004) population refers to an entire group of individuals or objects having common observable characteristics. The target population of the study was all 11 commercial banks listed at NSE on 31st December 2023.

Table 3.1: Target population

S/N	Name of Commercial Bank
1.	Barclays Bank Ltd
2.	CFC Stanbic Holdings Ltd
3.	Diamond Trust Bank Kenya Ltd
4.	Equity Bank Ltd
5.	HF Group Ltd
6.	I &M Holdings Ltd
7.	Kenya Commercial Bank Group Ltd
8.	National Bank of Kenya Ltd
9.	NIC Bank Ltd
10.	Standard Chartered Bank Ltd
11.	The Co-operative Bank of Kenya Ltd

Source: NSE (2023)

Sampling Design and Sample Size

The sampling design is a plan used to arrive at samples from the population (Mugenda & Mugenda, 2013). According to (Cooper & Schindler, 2014), Sample design is a blueprint or utilized while selecting a sample size. This study adopted simple random sampling techniques to select a sample for the study. According to Mugenda and Mugenda (2003) simple random sampling gives all items equal chance of being selected.

Sample Size

A sample, as defined by Kothari (2004), is a subset of the population that shares the same composition and properties as the universe. A sample size is a representation of the entire population being studied, according to Cooper (2006). As stated, a sample is a subset of an item or population drawn for a study from the entire population. A chosen sample represents the total population. Ten commercial banks made up the study's sample size, which was chosen using the Yamane formula from 1967.

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

Where

n = the Minimum Size of the Sample.

N = Size of population

- e = confidence level at 95 % (5%=0.05)

$$\frac{11}{1+11(0.0025)} = 10$$

Table 3.2: Sample size

S/N	Name of Commercial Bank
1.	Barclays Bank Ltd
2.	CFC Stanbic Holdings Ltd
3.	Diamond Trust Bank Kenya Ltd
4.	Equity Bank Ltd
5.	HF Group Ltd
6.	I &M Holdings Ltd
7.	Kenya Commercial Bank Group Ltd
8.	NIC Bank Ltd
9.	Standard Chartered Bank Ltd
10.	The Co-operative Bank of Kenya Ltd

Source: NSE (2023)

Research Instruments

According to (Cooper and Schidler, 2014) data collection is the gathering and measuring of information from respondents of the study in an organized and systematic manner with the aim of answering research questions or objectives. This study used secondary data. The study gathered secondary data from published financial statements for a 5-year period from 2019 to 2023 using data collection sheets.

Data Collection Procedure

According to Cooper and Schindler (2014), research procedures are a description of the steps and guidelines to be followed during the study to attain set goals and objectives. The researcher should pay more attention to the data collection procedures since they indicate in detail whether the data acquired is valuable for conducting a systematic analysis of the study's dependent and independent variables. The researcher sought an introductory letter from the school of postgraduate studies of Mount Kenya University and Authorization Letter and Research Permit from National Commission for Science, Technology and Innovation. The analysis used secondary data, and data from public financial statements that was retrieved from published annual reports. It was obtained from respectful firms' websites. Later it was sorted according to the variables and then gathered using data collection sheet.

Data Analysis

Data analysis refers to application of statistical techniques to process data into a manageable size leading to conclusions, inferences, recommendations, summaries and patterns (Sahu, 2013). Data was analyzed using both descriptive and inferential statistics.

Descriptive Statistics

According to (Selma & Jouini, 2017), descriptive statistics is a statistical tool that helps in organizing, summarizing and presenting data in a convenient and informative way. In the current study, descriptive analytic tools like mean, standard deviation, maximum and minimum were used.

Inferential Statistics

Inferential statistics also be applied using correlation, and panel data analysis. The t test was used to verify and confirm the statistical significance of the regression coefficients. The percentage of variance in the dependent variables that is explained by the independent variables was calculated using the coefficient of determination. Additionally, values for the adjusted R^2 and the change statistics were calculated. The "F" values were also computed to evaluate the significance of R^2 at the level of significance of 5%.

The panel data was as follows:

Simple regression

Simple regression model

$Y_{it} = \beta_0 + \beta_1 X_{1it} + \mathcal{E}_{it}$

Y – Financial performance

β_0 - Constant variable

β_1, β_2, – Regression coefficients

X1=Dividend Per Share

Ethical Considerations

The researcher ensured that all regulations are followed and that the study's authority is respected. Before starting any research, the researcher first got several approvals. The document passed through University Ethics Review Committee (ERC) which examined the proposal. With respect to all research and publications requiring ethical obligations for university employees, students, and other bodies and institutions, the ERC is mandated to assess ethics-related protocols and undertake ethical clearance. The researcher also applied to The National Commission for Science, Technology, and Innovation (NACOST1) for certification and approval.

RESULTS AND FINDINGS

Descriptive Statistics

This study sought to measure the effect of dividend per share Financial was the dependent variable and was measured through ROA. The study utilized secondary data derived from published annual for 10 listed commercial banks in NSE between 2019 and 2023. Collected data was examined using descriptive and inferential (correlation, simple and multiple regression) statistical techniques. The findings of the study were presented in the tables below.

Dividend per Share

The study described dividends per share of listed commercial banks in Kenya. The study carried out descriptive analysis and findings were presented below in table 4.2

Table 4.2 Dividends per share

	N	Minimum	Maximum	Mean	Std. Deviation
Barclays Bank Ltd	5	.00	1.55	1.0200	.60062
CFC Stanbic Holdings Ltd	5	3.80	15.35	9.5600	4.54304
Diamond Trust Bank Kenya Ltd	5	.00	6.00	3.3400	2.31905
Equity Bank Ltd	5	.00	4.00	2.7000	1.64317
HF Group Ltd	5	.00	.00	.0000	.00000
I &M Holdings Ltd	5	1.50	2.55	2.2200	.42953
Kenya Commercial Bank Group Ltd	5	.00	3.50	1.9000	1.43178
NIC Bank Ltd	5	1.50	4.75	3.3000	1.26738
Standard Chartered Bank Ltd	5	10.50	29.00	20.1000	6.63702
The Co-operative Bank of Kenya Ltd	5	1.00	1.50	1.2000	.27386
Valid N (listwise)	5				

Source. Field data 2026

The study discovered that, dividends for Barclays Bank Ltd was 1.0200 with standard deviation of .60062, CFC Stanbic Holdings Ltd had mean value of 9.5600 with standard deviation of 4.54304, Diamond Trust Bank Kenya mean value of 3.3400 with standard deviation of 2.31905, Equity Bank Ltd hand mean value of 2.7000 with standard deviation of 1.64317, HF Group Ltd had mean of .0000 with standard deviation of .0000, I&M Holdings Ltd had mean of 2.2200 with standard deviation of .42953, Kenya Commercial Bank Group Ltd had mean of 1.9000 with standard deviation of 1.43178, NIC/NCBA Bank Ltd hand mean of 3.3000 with standard deviation of 1.26738, Standard Chartered Bank Ltd had mean of 20.1000 with standard deviation of 6.63702 and The Co-operative Bank of Kenya Ltd had mean value of 1.2000 with standard deviation of 27386 .Hence, it was depicted that, Standard Chartered Bank Ltd had the highest dividend payment between 2019- 2023 while HF Group Ltd had the least dividend payments. Generally, a DPS of more than ksh 5 is assumed to be high value dividends in the NSE banking sector. Consequently, DPS for banks was less than ksh5 for the period under study.

Correlation Analysis

The study aimed to examine the nature of relationship between independent variables price earning per share, dividends per share, earning per share and interest) and financial performance (ROA). The findings of the study were presented below

Table 4.6 Correlation analysis

		dividend per share	financial performance
dividend per share	Pearson Correlation	1	.391**
	Sig. (2-tailed)		.005
	N	50	50
financial performance	Pearson Correlation	.391**	1
	Sig. (2-tailed)	.005	
	N	50	50

Source: Field data 2026

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

The study discovered that; dividend per share had strong, and positive significant correlation with financial performance of listed commercia banks in Kenya r=.391**P=.005<0.01. These findings agreed with These findings agreed with Obayagbona and Akinuli (2024) who found out that,) dividend payout ratio (DPR) and the financial performance proxied by return on asset (ROA) of consumer goods companies had direct correlation. Hence, dividend payout, dividend yield, and firm size had a positive and significant influence on return on assets.

Dividends per Share and Financial Performance

The study sought to find out how dividends per share affected financial performance of listed commercial banks in Kenya. The carried out a simple panel regression and findings were presented in tables 4.11 below

Table 4.11 (a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.391[a]	.153	.135	2.51655

Source: Field data 2026

a. Predictors: (Constant), dividend per share

b. Dependent Variable: financial performance

The findings of the study illustrated that R was =.391[a]. Thus, dividend per share had a positive correlation with financial performance of listed commercial banks in Kenya. Furthermore, the study discovered that the model had an R square of .153. So, when dividend per share varies, financial performance of listed commercial banks in Kenya changes by 15.3%. According to Muryani (2021) DPS had a major impact on business value. According to the study's findings, DPS has a direct impact on business value. It was suggested that management of companies listed on the Stock Exchange should create dividend programs that increase firm value.

Table 4.11 (b) ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	54.913	1	54.913	8.671	.005[b]
	Residual	303.986	48	6.333		
	Total	358.899	49			

Source: field data 2026

a. Dependent Variable: financial performance

b. Predictors: (Constant), dividend per share

The study identified that F test was 8.671, P=.005<0.05. Consequently, the overall regression model was fit for the study. Further, the study highlighted that dividend per share had a significant effect on financial performance of listed commercial banks in Kenya. Increase in dividend per share led to significant increase in financial performance. Similarly, Masum (2014), disclosed that, dividend policy had a substantial impact on share prices.

Table 4.11 (c) Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.097	1.087		1.009	.318
	dividend per share	.679	.231	.391	2.945	.005

Source: filed data 2026

a. Dependent Variable: financial performance

The study established that dividend per share had a positive and significant effect of on financial performance of listed commercial banks in Kenya. B= .679, t=2.945, P=.005< 0.05. Additionally, the study noted that, a change in dividends per share led to 67.9% change in financial performance of listed commercial banks in Kenya. Thus, variation in dividends per share led to significant increase in of performance of listed commercial banks in Kenya. These findings were in harmony with Garba (2014) who demonstrated that dividends per share had a major impact on market share performance.

$Y = \beta_0+\beta_1X_1 +\mathcal{E}$

$Y=1.097+ .679X_1$

Hypothesis Testing

$H0_2$: Dividend per share has no statistically significant effect on financial performance of commercial banks listed in Nairobi Stock Exchange.

The study unveiled that dividend per share had a positive and significant effect on financial performance of listed commercial banks in Kenya B= .679, t=2.945, P=.005< 0.05. Thus, increase in dividend per share increases financial performance of listed commercial banks in Kenya by 67.9%. Thus, the null hypothesis was rejected.

CONCLUSIONS AND RECOMMENDATIONS

Dividend per Share

The study established that Standard Chartered Bank Ltd had the highest dividend payment between 2019- 2023 while HF Group Ltd had the least dividend payments. Additionally, the study discovered that; dividend per share had strong, and positive significant correlation with financial performance of listed commercia banks in Kenya. Similarly, the study unveiled that dividend per share had a positive and significant effect on financial performance of listed commercial banks in Kenya. Thus, increase in dividend per share increases financial performance of listed commercial banks in Kenya by 39.6%.

Conclusions

Dividend per Share

The study concluded that Standard Chartered Bank Ltd had the highest dividend payment between 2019- 2023. Additionally, the study concluded that; dividend per share had strong, and positive significant correlation with financial performance of listed commercial banks in Kenya. Similarly, the study concluded that dividend per share had a positive and significant effect on financial performance of listed commercial banks in Kenya. Thus, increase in dividend per share increases financial performance of listed commercial banks in Kenya.

Recommendations

Dividend per Share

The study recommended that listed commercial banks ought to increase DPS as it will indicate strong profitability, and signal positive future earnings. This will lead to increased financial performance. The study further recommends that banks ought to increase DPS so that they attract more investors, leading to increase in stock prices and hence boosts firm value in the market and enhance financial performance.

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