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The Influence of Board Characteristics on Dividend Policy: A Study of Deposit-Taking Saccos in Kenya

Peter Anjeyo Vuhyah [(a)*], *Ondiek Benedict Alala* [(a)], *Denis Bulla* [(a)]

[(a)] *Faculty of Business and Economics, Masinde Muliro University of Science and Technology, Kenya.*

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A B S T R A C T

Dividend payout is one of financial options that Saccos consider as part of the key performance indicators for Saccos. Deposit taking Saccos in Kenya have faced numerous challenges namely, governance, managerial and operational such that the performance of a number of them continues to be sub optimal according to the report by SASRA. Therefore, this study sought to examine the influence of board characteristics on dividend policy of deposit taking Saccos in Kenya under guidance by agency cost theory. The study utelized causal design and descriptive survey design. The targeted population was 403 stakeholders sampling 201 through stratified simple random sampling. The sacco directors/chairpersons and the CFO/CEOs formed unit of analysis. Closed ended questionnaires were applied for primary data. A list of 20 Saccos in Starehe Sub County, Nairobi County were basis for pilot test 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 descriptive as well as inferential statistics. The investigation ensured that the assumptions of linear regression were satisfied before conducting numerous linear regressions. Tables were used to present data. The results indicated a positive significant association between board characteristics practices and dividend policy P:0.000<0.05 hence conclusive that deposit-taking Saccos in Kenya focused on board characteristics as envisaged. The study recommended that Sacco's should diverse the board features to ensure they accommodate the dividend policy framework.

Introduction

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. Board characteristics explain firm attributes such as independence, size of board, gender diversity and competence (Kevin, Steve & Mike, 2016). The board oversees key financial concepts such as independence and competence of employees. Board basically addresses issues of board accountability, values and strategy, risk management, transparency, stakeholder interaction and more (Njuguna, 2021). The purpose of implementing board governance is to encourage responsible ethical behavior that accelerates performance. Dividend policy that maximizes share value comes from a well thought out decision guided by good corporate governance practices (Karamoy & Tulung, 2020).

Board characteristic 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 examine the relationship for board characteristic and dividend policy. The study thus attempts to integrate four key factors defining board characteristic as explored by various authors and relate them to dividend policy of deposit taking SACCOs in Kenya.

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* *Corresponding author.*

Dividend policy implies to a position to whether to offer dividends, 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 assess the proportion of its gains that will be allocated to shareholders. Since Lintner's seminal work in 1956, numerous research comprehend the significance of managed dividend payout in generating business value. However, the concept of dividend policy continues to be an unresolved enigma (Farrukh, Irshad, Ishaque, & Ansari, 2017).

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. The general objective is; whether board characteristics significantly influence Sacco Society dividend policy. The purpose is to provide solutions to the dividend question facing Saccos given the governance mechanism structure and process in Kenya. The study findings would assist in guiding policy makers on board caharactristcs attributable to dividend policy for Saccos.

Statement of the Problem

Dividend policy is one of financial decisions taken by Saccos and thus would be considered as part of the key performance indicators for Saccos (SASRA, 2021). Deposit taking Saccos in Kenya have faced numerous challenges namely, governance, managerial and operational such that the performance of a number of them continues to be sub optimal according to the report by SASRA (2022). There have been reports of loss of funds, mismanagement, poor dividend policy and declining profitability. 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 board characteristics of DT saccos in the north rift devolved units, Kenya which was found significant. However Wanjiru and Jagongo, (2022) found board characteristics to be insignificant on dividend policy of DT Saccos in Kenya. Wanjiru and Jagongo, (2022) proposed further study on individual board characteristics entities affecting dividend policy. Current paper delved into board characteristics and dividend policy of DT Saccos in Kenya.

Objectives of the Study

To determine the influence of board characteristics on dividend policy of DT Saccos in Kenya

Research Hypothesis

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

Literature Review

Theoretical and Conceptual Background

Theoretical: Agency Cost Theory

Agency theory scholarly work 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.

As Jensen (1986) argue, entities failing to pay dividends to shareholders mostly misallocate resources in their control for private benefit. Thus to eliminate agency conflicts of this kind, effective governance need be in place to ensure optimum dividend policy is in place. Agency cost theory posits that by separating CEO and investors is protected. 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). Larger boards allow for specialization which lead to effective monitoring (Pareek, Pandey & Sahu, 2019).

Board independence and external members are part of the board, monitoring is intensified and this reduces rent extraction by management (Gyapong, Ntim & Nadeem, 2021). Higher and more consistent dividend payout is argued to occur when stronger corporate governance structures are present (Aydin & Cavdar, 2015). Board would reduce management's tendency to divert funds to their own benefit (Elmagrhi *et al* 2017). Bulla (2021) postulated that 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.

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 significant value for this study, as it highlights the potential for mitigating this problem through the implementation of 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 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). Higher and more consistent dividend payout is argued to occur when stronger corporate governance structures are present (Njuguna, 2021). Agency theory has been critiqued to be dependent on institutional factors. 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 are well guided under agency theory.

Conceptual Background

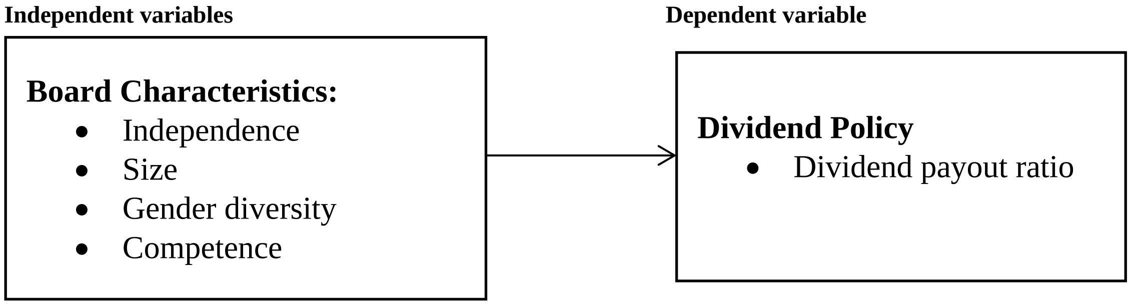

Figure 1: Conceptual framework
Source: Adopted from Baker & Dewasiri (2020)

The connection between board characteristic and dividend policy is explained in the model. Indicators for board characteristics comprise of independence, size, competence as well as gender diversity. 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 (Baker & Dewasiri, 2020).

Empirical Review and Hypothesis Development

Nguta (2021) sought to determine whether certain board traits contributed to the financial difficulties experienced by Deposit Taking SACCOs in the county of Nairobi. 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 show results of a panel data 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 negatively significant to 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.

Kahindi (2020) investigated the variables impacting the expansion of SACCOS's financial resources in Kilifi County. Sample size was hence generated, and descriptive design was employed for the presentation of information. A likert scale questionnaire was adopted. The majority of SACCOS (78.17% to be exact) acknowledged that member loan defaulting was common and had influence on 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 SACCOs 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.

Table 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 influence 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 influence 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 influence dividend policy while board influence 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 analysis from Bursa Istanbul corporate governance index accounting & finance research 4(3) from 66-76	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 relationship between ownership concentration and dividend policy, managerial ownership and dividend policy. Positive relationship between firm size and DP	Study is conducted outside the country and is based on empirical data alone. Study tests firm size relationship as well but that is not in the current study. The study used longitudinal study hence mixed design was diverse.

Source: Researcher (2024)

Methodology

Study 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 mixed design described by two analytical approaches using cross sectional and panel data. As descriptive and correlation study, it is aimed at examining whether the relationship exists between board characteristic and dividend policy of Kenyan of SACCOs. Data on dividend policy and dividend yield was used to gain insights into the relationship between board characteristic and DP.

Target population

Study purposed all 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 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 board characteristic and dividend policy.

Sample size

The sampling unit is identified as 403 of the total participants (SASRA, 2021). Yamane (1967) sample determination given as;

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

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 2 below. A proportionate stratified random sampling was used. Stratas are availed in the table below.

Table 2: 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)

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. 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.

Data Analysis

Data analysis consists of inspecting, cleaning, transforming, and modeling data in order to identify and generate conclusions, and provide decision support. After that, the data gathered for the present study were categorized, tabulated, and grouped. 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.

Results and Discussion

Table 3: 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 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 classified response satisfactory for generating precise study findings, taking into account the target and sample populations.

Table 4: 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	Board and chair are independent in 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. 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.

Board and chair are independent in dividend decisions, 52(32.7%) agreed, 43(27)fairly agreed, 24(15.1%) disagreed, while none strongly disagreed that the that the board and chair are independent in dividend decisions. Therefore 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. This 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.

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. 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 implies 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 implies 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.

Table 5: 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	Dividend history guides future pay	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)

The study found that 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. Therefore, SACCO did not depend only on dividend source of financing to thrive.

Significantly, 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. Therefore, the SACCO dividend saving plan is the key asset base for SACCOs.

Respondents' 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. 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. This implies that the amount of share determines 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, 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. 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, this 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 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. Therefore 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. This indicate that dividends paid are guided by availability of cash and equivalents.

This finding 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*"

Table 6: Pearson Correlation Matrix

		Board Characteristics
	P Correlation	1
Board Characteristics	Significance at 2 tailed	
	N	159
	P Correlation	**.698**[**]
Dividend policy	Significance at 2 tailed	**.000**
	N	159

Source: Field Data (2024)

The dividend policy is positively correlated with board characteristics. The coefficient is 0.698 (p 0.000 < 0.05); with 95% assurance, this is significant. Thus, an increase in the characteristics of the board would result to dividend policy expansion for SACCOs. Additionally, it concurs with the findings of Nyangau and Oluoch (2021) as well as Munene, Ndegwa, and Senaji (2020), who investigate the impact of board characteristics and dividend payout in Saccos.

Table 7: 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.
	Regression	49.228	1	49.228	149.125	.000[b]
1	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 7, the R^2, indicates that board characteristics account for a significant proportion of variation in dividend policy, up to 48.7% (R^2=0.487, P=0.000). This finding suggests that the attributes of the board exert a substantial and favorable role dividend policy. Ncurai, Rambo, and Oloko (2022), whose goal was to determine the extent to which board diversity affects the performance of deposit-taking SACCOs in Kenya, are supported by current study, which indicate that board diversity and deposit-taking SACCO growth in Kenya are 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 affect Sacco dividend payout. 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 (1,158) = 149.125, P=0.00<0.05, provides evidence explaination on the variability observed. In addition, this indicates that board attributes serve as a reliable indicator of dividend policy as opineb by Munene, Ndegwa, and Senaji (2020.
The (β) for board characteristics was 0.848, with a significance level of p<.05. This information was obtained from Table 4.4. 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. 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 influenced by board characteristics as indicated by Nyangau and Oluoch (2021).

Conclusion

The initial purpose was to ascertain the extent to which board attributes impacted the dividend policy of DT Saccos 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^2 suggests that board characteristics account for a significant proportion. Significantly SACCOs in Kenya ensures that they focused on board characteristics as envisaged. This has been a key factor in generating dividend policy among Saccos.

Recommendations

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. The study recommends that Saccos should make its stakeholder independence in decision making activties. The size of saccos on basis of shareholders, employees and assets should be considerations for growth. Size should also be enhanced through shareholdings. Lastly board competence through training should be considered.

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