

DIVIDEND DISCLOSURE AND FINANCIAL PERFORMANCE OF MANUFACTURING FIRMS LISTED AT THE NAIROBI SECURITIES EXCHANGE, KENYA

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ABSTRACT

Purpose: The manufacturing and allied sectors play a critical role in Kenya's industrial development and economic growth. However, firms listed under this sector at the NSE have experienced declining financial performance in recent years, raising concerns regarding the operational efficiency, competitiveness, and investor confidence. Dividend disclosure serve as important communication mechanisms between management and investors by reducing information asymmetry and enhancing transparency. Despite their importance, empirical evidence on how these disclosure practices influence financial performance within Kenya's manufacturing sector remains limited and inconclusive. The study assessed the effect of dividend disclosure on financial performance. The study was anchored on Agency Theory.

Methodology: A descriptive research design incorporating a quantitative panel data approach was adopted. The target population comprised all ten manufacturing and allied firms listed at the NSE, and a census approach was employed. Secondary data was collected from published annual reports, NSE publications, and CMA reports covering the period 2019–2025. Financial performance was measured using ROA while dividend

disclosure was measured using dividend yield. Data were analyzed using descriptive statistics, correlation analysis, and panel regression analysis.

Findings: The findings revealed that dividend disclosure ($\beta = 0.286$, $p < 0.05$) had significant positive effects on financial performance. The model explained 61.0% of the variation in financial performance ($R^2 = 0.610$), indicating substantial explanatory power, while 39.0% of the variation was attributable to other factors outside the scope of the study. The study concludes that dividend disclosure significantly influence the financial performance of manufacturing and allied firms listed at the NSE.

Recommendations: The study recommends that manufacturing firms adopt transparent and consistent dividend disclosure policies. The findings provide valuable insights for corporate managers, investors, regulators, and policymakers seeking to improve transparency, investor confidence, and financial performance within Kenya's manufacturing sector.

Key words: Dividend Disclosure, Financial Performance, Manufacturing Firms Listed at the Nairobi Securities Exchange, Kenya.

INTRODUCTION

Background of the Study

Financial performance remains one of the most critical indicators of a company's success and sustainability in competitive markets. It is largely influenced by the deliberate and strategic decisions made by firm owners and managers, reflecting how effectively resources are allocated and utilized to achieve desired outcomes. According to Kao et al. (2019), each shareholder group has distinct economic motives and strategies for enhancing investment value, and these differences shape the overall financial trajectory of a firm. A firm's financial performance, therefore, mirrors the extent to which it achieves its strategic and operational objectives to create value for stakeholders and maintain long-term viability. As emphasized by Al-Matari et al. (2021), firms that consistently demonstrate strong financial performance tend to attract investors, strengthen market confidence, and enhance competitive positioning.

Consequently, sustained improvement in financial performance enables firms to expand their market share, reinforce internal capabilities, and remain resilient even during periods of economic uncertainty (Muriithi, 2022; Mwangi & Wekesa, 2020). Financial performance refers to the degree to which a firm effectively utilizes its assets, capital, and resources to generate revenues and profitability over a given period (Bett & Maina, 2023). According to Al-Matari et al. (2021), financial performance serves as a key measure of a firm's financial health, capturing both accounting-based indicators such as ROA and ROE, and market-based measures such as Tobin's Q and EPS. Similarly, Boadi and Amegbe (2017) note that financial performance reflects the success of a firm in transforming its resources into economic value, providing an essential basis for evaluating corporate strategies, governance practices, and disclosure policies.

In modern financial markets, dividend disclosure plays a critical role in shaping firms' financial performance by reducing information asymmetry, informing investors' decisions, and signaling future expectations. Baker and Kapoor (2021) define dividend disclosure as the public announcement of dividend decisions by a company, which communicates its financial strength, stability, and prospects to investors and market participants. Likewise, Kariuki and Muturi (2020) describe dividend disclosures as formal notifications by firms that serve as signals of profitability, financial soundness, and managerial confidence within capital markets.

While numerous studies have examined dividend disclosure across various industries and economic sectors such as Kisembe and Muturi (2028), and Obware, Nderitu, and Kinyariro (2025) on commercial banks, Frankline (2021) on firms listed at the NSE, and Ijami and Miroga (2020) on sugar factories in Western Kenya and Lumumba, Ngahu, and Kwasira (2023) on state corporations in Kenya, there remains a notable gap in empirical literature, there remains limited comprehensive research that systematically investigates the combined effects dividend disclosure on the financial performance of manufacturing firms at the NSE, Kenya. This study aims to

establish the effects of specific dividend disclosure on the financial performance of manufacturing firms listed at the NSE, Kenya, contributing empirical evidence that informs both academic literature and practical decision-making in Kenya's capital market.

Statement of the Problem

The financial performance of manufacturing firms listed at the NSE has declined steadily over the past decade, raising concerns about the sector's role in Kenya's industrial growth and economic stability. NSE reports indicate a persistent drop in ROA, reflecting weakening profitability, operational inefficiencies, and eroding investor confidence within the manufacturing sector. According to the CMA Annual Reports (2019–2025) and NSE publications (2019–2025), the financial performance of manufacturing firms listed at the NSE has exhibited a sustained decline over recent years. For listed manufacturing firms in Kenya, a healthy ROA typically ranges between 5% and 10%, reflecting the capital-intensive structure of the sector and the need for efficient asset utilization to generate competitive returns. However, recent sectoral performance trends indicate that firms have consistently fallen below the upper end of this benchmark, signaling mounting profitability pressures. Specifically, the sector's average ROA declined from 6.8% in 2018 to 5.5% in 2019, largely attributed to rising input and energy costs, intensified competition, and weakening demand. The situation worsened in 2020, when ROA dropped sharply to 4.2% amid the economic disruptions. Although a modest recovery was recorded in 2021 with ROA improving to 4.9%, the sector continued to experience deterioration thereafter, with average ROA falling to 3.5% in 2022, 3.1% in 2023, 2.8% in 2024, and an estimated 2.6% in 2025 (CMA, 2025; NSE, 2025; KAM, 2024). The deteriorating financial position of key firms underscores this decline. East African Breweries Plc saw its ROA fall from 6.5% in 2018 to 3.7% in 2023, Carbacid Ltd posted mixed but modest results of 5.9% to 4.6% over the same period. Eveready East Africa declined from 5.4% in 2020 to 3.5% in 2024, and BOC Kenya Plc dropped from 4.8% in 2018 to 3.0% in 2022. Unga Group ROA dropped from 5.3% in 2018 and –0.5% in 2022, issuing a profit warning in 2023 (Unga Group First Quarter Report, 2024; NSE, 2024). While declining performance among manufacturing firms is evident, the role of corporate disclosure practices in shaping these outcomes remains insufficiently examined. Although dividend disclosure serve as important signals influencing investor expectations and firm performance, existing Kenyan studies have largely concentrated on other sectors. For instance, Kisembe and Muturi (2028) and Obware, Nderitu, and Kinyariro (2025) focused on the banking sector, Lumumba, Ngahu, and Kwasira (2023) examined state-owned parastatals, Frankline (2021) analyzed cross-sector NSE-listed firms, and Ijami and Miroga (2020) studied sugar factories in Western Kenya. Additionally, empirical findings on the disclosure–performance relationship remain mixed, with some studies reporting positive effects (Chen et al., 2022; Akhtaruddin & Haron, 2020) while others document weak or insignificant relationships (Boadi & Amegbe, 2017; Miring'u & Ngugi, 2021). These inconsistencies highlight a critical research gap: the absence of a comprehensive, sector-specific study examining how dividend disclosures influence the financial performance (ROA) of

manufacturing firms listed at the NSE. This study, therefore, sought to bridge this gap by providing integrated empirical evidence within Kenya's manufacturing context.

Objective of the Study

The general objective is to study the effect of dividend disclosures on the financial performance of manufacturing firms listed at the Nairobi Securities Exchange, Kenya.

Theoretical Review

This section provided a comprehensive review of the relevant literature.

Agency Theory

Agency Theory was formally developed by Jensen and Meckling in 1976. At its core, Agency Theory posits that managers, as rational and self-interested agents, may pursue objectives that maximize personal utility rather than shareholder wealth maximization (Jensen & Meckling, 1976). This divergence generates agency costs, which include monitoring costs incurred by shareholders, bonding costs incurred by managers to assure performance, and residual losses resulting from imperfect alignment. The theory argues that corporate governance mechanisms are necessary to mitigate these conflicts and reduce inefficiencies (Jensen & Meckling, 1976). Jensen argues that when firms generate substantial free cash flow beyond profitable investment opportunities, managers may be tempted to invest in negative net present value projects to expand their control or influence. By distributing earnings to shareholders, firms limit the scope for opportunistic behavior and thereby reduce agency costs (Easterbrook, 1984; La Porta et al., 2000). Agency Theory rests on several key assumptions. First, individuals are rational utility maximizers (Jensen & Meckling, 1976). Second, information asymmetry exists between managers and shareholders. Third, contracts are incomplete, making monitoring necessary. Fourth, governance mechanisms such as dividend payouts reduce agency conflicts (Fama & Jensen, 1983). The theory further assumes that capital markets respond positively to mechanisms that constrain managerial opportunism. Despite its dominance in corporate finance, Agency Theory has faced critique. Critics argue that the theory overemphasizes managerial opportunism and neglects intrinsic motivation and stewardship behavior (Donaldson & Davis, 1991). Agency Theory remains the primary analytical framework in dividend policy research due to its explanatory power regarding financial governance mechanisms.

Agency Theory underpins dividend disclosure as an independent variable. Manufacturing firms listed on the NSE operate in capital-intensive environments requiring significant reinvestment in plant, equipment, and technology. For NSE-listed manufacturing firms, dividend disclosure may influence financial performance through several agency-related channels. First, consistent and transparent dividend policies may enhance investor confidence and reduce monitoring costs. Second, disciplined payout strategies may improve capital allocation efficiency by limiting managerial overinvestment. Third, clear communication of dividend decisions strengthens

corporate governance credibility in emerging markets where institutional enforcement may vary. Thus, Agency Theory provides a robust and contextually relevant framework for analyzing the relationship between dividend disclosure and financial performance within Kenya's manufacturing sector.

Conceptual Framework

The conceptual framework depicts the relationship between the independent variable and the dependent variable under study.

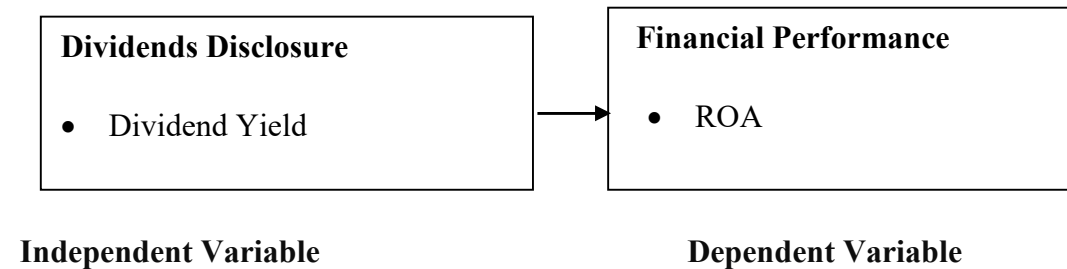


Figure 1: Conceptual Framework

Empirical Review

Byun (2024) analyzed the effect of dividend announcements on market reactions among publicly traded firms in the U.S securities exchange. The study population comprised firms issuing dividend declarations during the study period between 2020 and 2023. Employing a quantitative event-study methodology, the research used secondary data obtained from stock return databases and official corporate disclosure records to examine market reactions to dividend announcement events. Abnormal returns were estimated using multiple linear regression analysis to determine factors influencing the informational impact of dividend disclosures. The results revealed that dividend announcements carry significant informational content and generate measurable abnormal returns. Romli, Nofal, Husnah, and Anisah (2025) conducted a study with the aim of examining the effect of dividend announcements on stock return volatility in companies included in the LQ45 index on the Indonesia Stock Exchange. 45 companies included in the LQ45 index listed on the Indonesia Stock Exchange (IDX) during the period between 2023 and 2025 (3 years) were studied. The sampling technique used was purposive sampling, in which samples are selected based on specific criteria relevant to the research objectives. The study used an event study with the Wilcoxon Signed-Rank test to measure differences in stock return variance before and after dividend announcements over 5-day and 15-day periods. The results of this study show that dividend announcements have a significant impact on stock return volatility, especially in the short term.

Habumugisha (2018) investigated the effect of dividend disclosure on stock price performance at the Rwanda Stock Exchange. The study employed a combination of descriptive and historical research designs to evaluate the influence of dividend announcements over time. The target population consisted of companies listed on the RSE, from which Bank of Kigali Ltd was selected

using a purposive sampling approach. The study utilized correlation and regression analysis to examine the relationship between dividend disclosure (independent variable) and stock price performance (dependent variable). Findings were presented in tabular form and revealed a strong, positive, and statistically significant relationship between dividend disclosure and stock price performance, indicating that dividend announcements play an important role in influencing investor valuation within the Rwandan capital market.

Ferreira (2019) conducted a study to examine the effect of dividend announcements and share prices on firms listed on the JSE in South Africa. The study collected daily share prices from 2013 to 2017 for the event analysis. The study examined how stock splits affect share-price behavior for a sample of JSE-listed companies. The study selected a sample of 33 firms listed on the JSE. The population was drawn from selected large- and small-cap firms listed on the JSE. The research used secondary data of daily share-price series obtained from JSE data and financial databases. The results suggest that, within the South African market context, dividend announcements influence short-term trading activity but do not necessarily translate into long-term valuation gains. Wambugu and Essajee (2019) conducted a study with the main purpose of establishing the effect of dividends disclosures on the stock returns of companies listed at the NSE, Kenya. The study used a descriptive study design on a population of all the 61 firms listed at the NSE, Kenya. The sampling technique was purposive as the study purposively chose the 20 companies consistently making up the NSE –20 share index between 2014 and 2018 (five years). The study used secondary data from the CMA. The secondary data was extracted from the financial statements of sample firms and from the NSE handbook for the five years. The researcher used SPSS version 20 to generate the descriptive statistics, trend analysis, and also to generate inferential results. A multiple regression model was used to link the independent variables to the dependent variable. The study findings indicated that dividend disclosure had a positive relationship with stock returns.

Gitau (2017) examined the effects of stock split announcements on stock prices and trading volumes of publicly quoted firms in Kenya. The study was conducted for a period of 5 years between 2012 and 2016. The study population comprised firms listed on the NSE that had executed stock splits; the study applied a descriptive research design combined with an event-study methodology to measure market reactions. Secondary data on daily adjusted share prices and trading volumes were collected and analysed for an event window of 90 trading days. The study found that stock-split announcements produced a positive and statistically significant impact on share prices across the study period.

RESEARCH METHODOLOGY

This study utilized a descriptive research design, which is appropriate for describing the nature of the variables under study and comparing their attributes and the relationships between them (Kothari, 2014; Creswell & Creswell, 2023). There are 10 manufacturing and allied firms listed at

the NSE, Kenya, as of NSE (2025) between 2019 and 2025. This population was selected because these firms represent the entire manufacturing and allied sector at the NSE, which is the focus of this study. The study employed a census study, thus including all the listed manufacturing and allied firms in Kenya. The study employed secondary data collected using a secondary data collection sheet. The study collected panel data comprising time series and cross-sectional data that were obtained from NSE, CMA, KAM, and audited financial statements of the ten manufacturing and allied firms. Data was collected annually for the period 2019–2025 (7 years). The gathered data were processed, cleaned, coded, and calculated using STATA version 18. Data was analyzed using panel regression techniques since the study involves manufacturing firms observed over 7 years (2019–2025). Inferential analysis included correlation and panel regression analysis. Statistical significance will be tested at the 5% level. The panel regression model took the following form:

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \varepsilon_{it} \dots \dots \dots \text{Equation 3.1}$$

Where,

Y is the financial performance

β_0 represents the constant or coefficient of intercept

β_1 , represent the coefficients of independent variable

X_1 represents dividend disclosures

it represents indices for individuals and time

ε_{it} represents the error term

RESEARCH FINDINGS AND DISCUSSIONS

This section presents the analysis, findings, and discussion of results based on the data collected to examine the effect of dividend disclosure on the financial performance of manufacturing and allied firms listed at the NSE, Kenya.

Descriptive Statistics Results

This section presents the descriptive statistics of the study variables. The results are presented in Table 4.1

Table 4.1: Descriptive Statistics Results

Statistics	N	Min	Max	Mean	Std. Dev.	Skewness	Kurtosis
ROA	70	0.0085	0.1182	0.0387	0.0274	0.8124	2.7456
Dividend Disclosure	70	0.0052	0.1245	0.0428	0.0267	0.6789	2.5632

The results indicate that ROA has a minimum value of 0.0085 (0.85%) and a maximum value of 0.1182 (11.82%). This implies that some manufacturing firms generate as little as 0.85% return on their total assets, reflecting very weak asset utilization and poor profitability. Conversely, few

others achieve returns of up to 11.82%, which falls within or slightly above the acceptable benchmark range of 5%–10% for manufacturing firms. The mean ROA of 0.0387 (3.87%) indicates that, on average, firms operate below the acceptable benchmark range of 5%–10% for manufacturing firms. This finding provides strong empirical support for the study's problem statement, which highlights declining financial performance among NSE-listed manufacturing firms. The results suggest that the sector is underperforming, with firms failing to generate sufficient returns from their asset base. The standard deviation of 0.0274 indicates relatively low variability in ROA across firms, suggesting that most firms experience similar profitability challenges. The skewness value of 0.9362 indicates a positively skewed distribution, suggesting that a small number of firms achieve higher profitability while the majority operate at lower levels. According to Hair et al. (2019), skewness values within the range of ± 1 are acceptable and indicate moderate deviation from normality. The kurtosis value of 2.6843, which is close to the benchmark value of 3, indicates a near-normal (mesokurtic) distribution (Gujarati & Porter, 2009), suggesting a limited presence of extreme values.

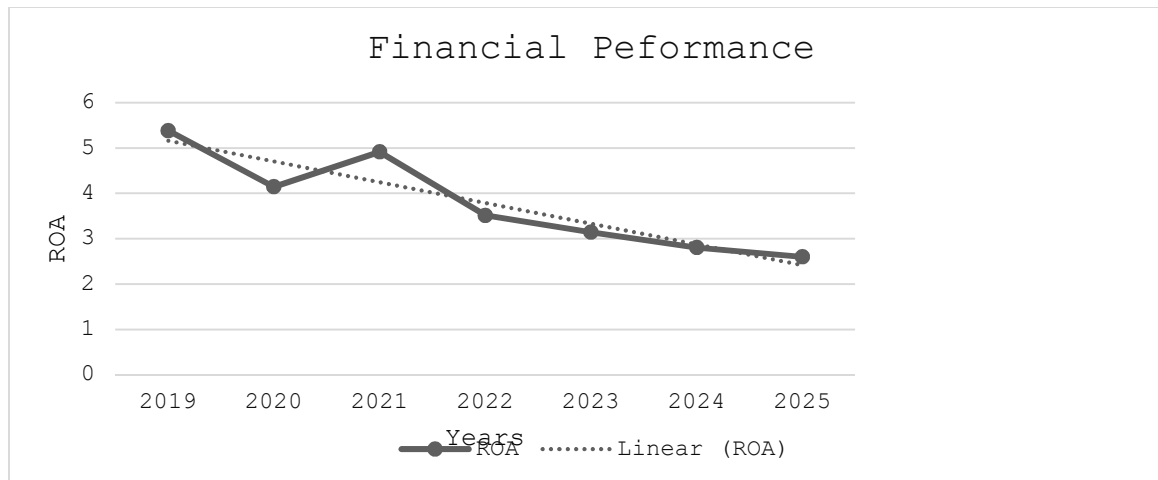
Dividend yield has a minimum value of 0.0052 (0.52%) and a maximum value of 0.1245 (12.45%), indicating variation in shareholder returns across firms. This implies that some firms provided the dividend returns as low as 0.52%, reflecting minimal payouts and a possible preference for profit retention or financial constraints. At the upper end, some firms offered dividend yields of up to 12.45%, indicating relatively high returns to shareholders and strong payout policies. The mean value of 0.0428 (4.28%) indicates that, on average, firms provide a dividend return of 4.28%, suggesting moderate shareholder compensation. The standard deviation of 0.0267 indicates moderate variability in dividend policies, reflecting differences in profitability, liquidity, and corporate governance practices across firms. The skewness value of 0.6789 indicates a moderately positively skewed distribution, suggesting that most firms offer lower dividend yields while a few provide higher returns. The kurtosis value of 2.5632 indicates a platykurtic distribution, suggesting a relatively even spread without extreme outliers.

Trend Analysis

Trend analysis was conducted to examine the movement and behaviour of the study variables across the period 2019–2025.

Trend Analysis for Financial Performance

This section presents the trend analysis of financial performance measured using ROA for manufacturing firms listed at the NSE over the period 2019–2025.



(Source: Author 2026)

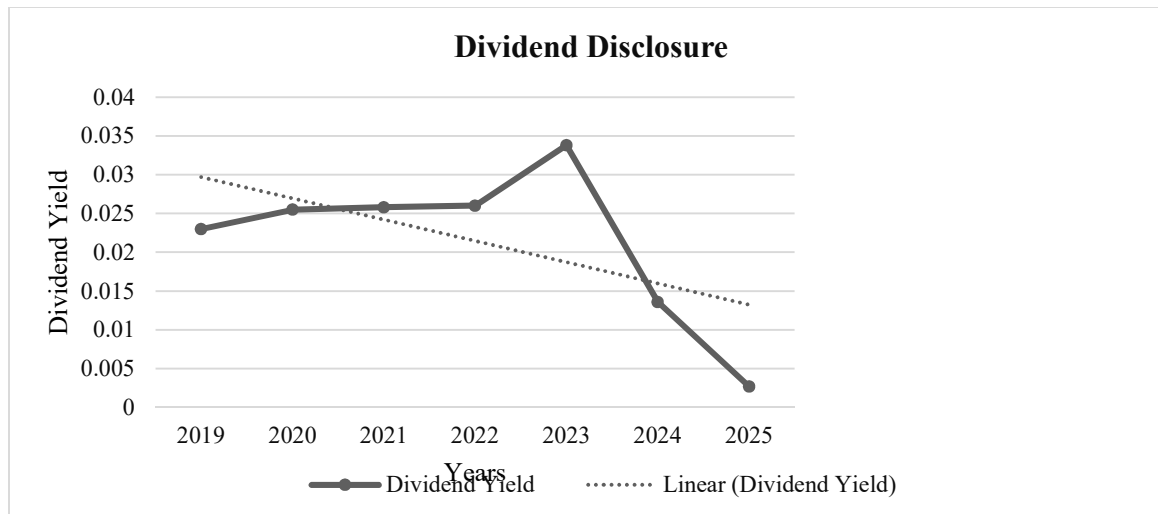
Figure 4.1 Trend Analysis for Financial Performance

In 2019, ROA was approximately 5.4%, indicating relatively strong financial performance within the acceptable benchmark range of 5%–10%. This suggests that firms were efficiently utilizing their assets to generate returns at the beginning of the study period. In 2020, ROA declined to about 4.2%, falling below the benchmark threshold. In 2021, there was a slight recovery in ROA to approximately 4.9%. However, the performance remained below optimal levels. From 2022, 2023, and 2024, ROA dropped further to about 3.5%, 3.1%, and 2.8%, respectively, suggesting that firms were increasingly struggling to generate adequate returns from their assets. By 2025, ROA further declined to approximately 2.6%, representing the lowest level over the study period. This indicates significant deterioration in financial performance and highlights the severity of profitability challenges facing manufacturing firms.

The linear trend line further confirms a negative trajectory, indicating that profitability has been consistently deteriorating over time. The trend strongly supports the study's problem statement, which highlights declining financial performance within the manufacturing sector. The fact that ROA falls below the acceptable benchmark from 2020 onwards and continues to decline suggests a systemic and persistent issue rather than a temporary fluctuation. The findings therefore justify the need to investigate the role of corporate disclosures such as profit warnings, earnings announcements, stock splits, and dividend disclosures in influencing financial performance and potentially improving firm outcomes.

Trend Analysis for Dividends Disclosure

This section presents the trend analysis of dividend disclosure proxied by dividend yield for manufacturing firms listed at the NSE over the period 2019–2025.



(Source: Author 2026)

Figure 4.2 Trend Analysis for Dividends Disclosure

In 2019, the dividend yield is approximately 0.023 (2.3%), indicating modest returns to shareholders. This suggests that firms were able to distribute a portion of their earnings, reflecting relatively stable financial conditions. In 2020, the yield increases slightly to about 0.025 (2.5%) and remains relatively stable at 0.025 (2.5%), indicating consistency in dividend policy. This stability suggests that firms aimed to maintain investor confidence through steady payouts. In 2022, the yield records a slight increase to around 0.026 (2.6%), reflecting continued commitment to dividend distribution despite underlying profitability challenges. In 2023, dividend yield rises significantly to approximately 0.034 (3.4%), representing the peak over the study period. However, in 2024, dividend yield declines sharply to about 0.014 (1.4%), indicating a substantial reduction in shareholder returns. This suggests that firms faced financial constraints and reduced dividend payouts. By 2025, the yield drops further to approximately 0.003 (0.3%), representing the lowest level over the study period. This indicates a near elimination of dividend payments, reflecting severe financial pressure and limited profitability. The overall trend demonstrates that while dividend payouts were relatively stable in the early years, there is a significant and sustained decline in dividend yield in the later years, particularly from 2023 onwards. The sharp decline in dividend yield aligns closely with the declining trend in ROA, suggesting that reduced profitability directly impacts firms' ability to pay dividends. Furthermore, the near-zero dividend yield in 2025 indicates severe financial distress, suggesting that firms prioritize survival and operational sustainability over shareholder payouts.

Inferential Analysis

Inferential analysis was conducted to examine the nature and magnitude of the relationship between dividend disclosure and the financial performance of manufacturing firms listed at the NSE.

Correlation Analysis

Correlation analysis was conducted to examine the direction and strength of the relationship between dividend disclosure variables and financial performance among manufacturing firms listed at the NSE.

Table 4.2: Correlation Matrix Results

Variables	ROA	Dividend Disclosure
ROA	1.000	
Dividend Disclosure	0.618	1.000
Sig P Values	(0.000)	
N	70	70

The results indicate that dividend disclosure has a strong positive and statistically significant relationship with Financial Performance ($r = 0.618$, $p = 0.000$). This suggests that firms with stronger dividend disclosure practices and higher dividend yields tend to achieve superior profitability.

Model Summary

The model summary was generated to assess the overall explanatory power of the regression model in explaining variations in the financial performance of manufacturing firms listed at the NSE.

Table 4.3: Model Summary

Model	R	R ²	Adjusted R ²	Std. Error	N
1	0.781	0.610	0.584	0.0187	70

The results presented in Table 4.3 indicate that the model has a correlation coefficient (R) of 0.781, implying a strong positive relationship between dividend disclosure and the financial performance of manufacturing firms listed at the NSE. The coefficient of determination (R²) is 0.610, indicating that 61.0% of the variation in financial performance is explained by dividend disclosure. However, the remaining 39.0% of the variation in financial performance is explained by other factors not included in the model. These factors may include firm-specific characteristics such as firm size, capital structure, liquidity position, operational efficiency, corporate governance practices, innovation capability, and asset utilization efficiency.

The adjusted R² of 0.584 indicates that after adjusting for the number of predictors in the model, approximately 58.4% of the variation in financial performance remains explained by the independent variable

Analysis of Variance (ANOVA)

The Analysis of Variance (ANOVA) was conducted to determine the overall statistical significance of the regression model.

Table 4.4: Analysis of Variance (ANOVA)

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	0.036	4	0.009	25.417	0.000
Residual	0.023	65	0.00035		
Total	0.59	69			

The ANOVA results presented in Table 4.4 indicate that the regression model is statistically significant ($F = 25.417$, $p = 0.000$). Since the p-value is less than the critical value of 0.05, the null hypothesis that all regression coefficients are jointly equal to zero is rejected. The F-statistic of 25.417 indicates that the explanatory variables jointly provide a significantly better prediction of financial performance than would be obtained by chance. This finding confirms the suitability of the regression model for explaining variations in financial performance and supports the results obtained from the model summary, which showed that the independent variables explain 61.0% of the variation in ROA. Similar findings were reported by Adeyemi and Fagbemi (2022), who found that disclosure-related variables jointly exerted a significant influence on firm performance among listed firms in Nigeria. Likewise, Wambugu and Essajee (2019) established that corporate disclosure practices significantly explained variations in stock returns among firms listed at the NSE.

Regression Coefficient Results

Regression coefficient analysis was conducted to determine the individual effect of dividend disclosure on the financial performance of manufacturing firms listed at the NSE.

Table 4.5: Regression Coefficient Results

Variable	β Coefficient	Std. Error	t- Statistic	p-value	95% Confidence Interval
Constant	0.018	0.009	2.000	0.049	(0.000 - 0.036)
Dividend Disclosure	0.286	0.057	5.018	0.000	(0.172 - 0.400)

Based on the Fixed Effects regression results, the estimated model for the study is expressed as follows:

$$Y = 0.018 + 0.286X_{4it}$$

The constant coefficient of 0.018 indicates that when dividend disclosure are held constant at zero, the expected financial performance of manufacturing firms listed at the NSE would be 1.8%. The coefficient suggests that other factors outside the study variable also contribute to firm profitability. Since the coefficient is statistically significant ($p = 0.049$), these omitted factors collectively have a meaningful influence on financial performance.

The hypothesis was tested using panel regression analysis, and the results revealed that Dividend Disclosure had a regression coefficient of $\beta = 0.286$, a t-statistic of 5.018, and a p-value of 0.000. The coefficient ($\beta = 0.286$) indicates that dividend disclosure is positively associated with financial performance. This implies that when dividend announcement is increased by a unit and other factors remain constant, it will result to an increase in the financial performance of listed manufacturing firms by 0.286-unit. Among all the explanatory variables examined in this study, dividend disclosure exhibited the largest coefficient, suggesting that it exerts the strongest influence on the financial performance of manufacturing firms listed at the NSE. The computed p-value (0.000) is less than 0.05 implies that the null hypothesis is rejected and therefore the study concludes that dividend disclosure has a statistically significant effect on the financial performance of manufacturing firms listed at the NSE, Kenya.

The findings support Agency Theory, which posits that dividend payments reduce agency conflicts between managers and shareholders by limiting the amount of free cash flow available for managerial discretion. The findings are consistent with those of Habumugisha (2018), Byun (2024) Wambugu and Essajee (2019), and Romli, Nofal, Husnah and Anisah (2025) significantly influences the performance and firm value of firms in different sectors of the economy. According to Wambugu and Essajee (2019), dividend announcements contain significant information content that influences investor behavior and market performance that serve as positive signals regarding a firm's financial health and future prospects. The finding contradicts the MM Dividend Irrelevance theory which argues that in a perfect capital market, a firm's value is solely determined by its earning power and investment policy and not by how it distributes its earnings. Similarly, Ferreira (2019) posits that while dividend announcements increased short-term trading activity among firms listed on the Johannesburg Stock Exchange (JSE), they did not necessarily translate into long-term performance improvements.

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

This section presents a summary of the study findings, conclusions drawn from the findings, and recommendations based on the study objectives.

Summary of Findings

The findings established that dividend disclosure has a positive and significant effect on financial performance. The study found that firms with transparent and consistent dividend disclosure practices generally recorded superior financial outcomes. Dividend disclosures were found to signal financial stability, strong cash flow positions, and management confidence in the future prospects of the firm. The findings further suggest that dividend disclosures enhance investor confidence and strengthen shareholder relationships, thereby contributing positively to firm profitability. Among the disclosure variables examined, dividend disclosure emerged as the most influential predictor of financial performance.

Conclusions of the Study

The study concludes that dividend disclosure has a significant positive effect on the financial performance of manufacturing firms listed at the NSE. Dividend disclosures signal financial strength, profitability, and management's confidence in future performance. The findings suggest that transparent dividend policies enhance investor confidence and strengthen shareholder relationships, thereby contributing to improved financial performance. Dividend disclosure emerged as the most influential disclosure variable, highlighting the importance of dividend policy in enhancing firm profitability.

Recommendations of the Study

The study found that dividend disclosure exerts the strongest positive influence on financial performance among all the disclosure variables examined. Consequently, manufacturing firms should prioritize the development of predictable and transparent dividend policies. Rather than making irregular dividend announcements, firms should establish clear dividend payout frameworks that communicate the basis upon which dividends are determined. This will reduce uncertainty among investors and strengthen shareholder confidence. Additionally, firms should strive to maintain dividend stability even during periods of moderate earnings fluctuations, as stable dividend disclosures signal financial resilience and long-term sustainability to the market.

Areas for Further Research

The regression results indicated that the study variable explained 61.0% of the variation in financial performance, implying that 39.0% of the variation remained unexplained by the model. This suggests that additional factors beyond dividend disclosure may influence the financial performance of manufacturing firms. Future studies should therefore investigate other disclosure-related variables such as sustainability disclosures, environmental, social and governance (ESG) disclosures, integrated reporting, risk disclosures, and corporate governance disclosures to establish their effect on financial performance. Such studies may provide additional insights into the factors contributing to the unexplained variation in firm performance.

Further research should also examine the role of firm-specific characteristics such as firm size, leverage, liquidity, ownership structure, asset utilization efficiency, innovation capability, and corporate governance mechanisms as potential determinants of financial performance. These factors may either directly influence performance or moderate the relationship between dividend disclosure and financial performance. In addition, future researchers may consider incorporating macroeconomic variables such as inflation rates, exchange rate fluctuations, interest rates, economic growth, and political stability to determine how external environmental factors influence the disclosure–performance relationship. Such variables may account for part of the unexplained variation in financial performance observed in this study.

The current study focused exclusively on manufacturing firms listed at the NSE. Future studies may replicate the study in other sectors such as banking, insurance, telecommunications, agriculture, and energy to establish whether the findings are consistent across industries. Comparative studies involving firms from different sectors or different countries within East Africa may also provide broader insights into the relationship between corporate disclosures and financial performance. Finally, future researchers may employ alternative methodological approaches such as dynamic panel models, generalized method of moments (GMM), or mixed-method research designs to provide deeper insights into the causal mechanisms linking corporate disclosures and financial performance. Such approaches may help address endogeneity concerns and generate more robust evidence regarding the effectiveness of corporate disclosure practices in enhancing firm performance.

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