THE CONDITIONAL EFFECT OF CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE ON SHAREHOLDER ACTIVISM, DIVIDEND POLICY AND MARKET VALUE FOR COMPANIES LISTED AT NAIROBI SECURITIES EXCHANGE

BY

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DECLARATION

Declaration by the Candidate:

This is to declare that this thesis is my original work and has not been submitted for a degree examination in any other University. No part of this thesis may be reproduced without prior permission of the author and or of Moi University.

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DEDICATION

This Thesis is dedicated to my wife Grace, sons: Felix and Martin, Daughters: Babra, and Yvonne Daisy.

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ABSTRACT

Market value has gained considerable prominence in influencing investment decisions among listed firms in many security markets worldwide. Over the years, listed firms have witnessed market value fluctuations and increased shareholder activism. This study was motivated by the fact that whereas scholars are keen on the effects of shareholder activism on market value, most of the studies, if not all, are either looking for direct effects or indirect effects. None is keen on the conditional effect of the third variable of Corporate Social Responsibility Disclosure (CSRD). Previous studies have shown conflicting results of shareholder activism in different security markets. This study sought to determine the conditional indirect effect of CSRD on the relationship between shareholder activism and market value through dividend policy among firms listed at Nairobi Security Exchange (NSE). The study objectives are to; investigate the direct effect of shareholder activism on the market value of listed firms at NSE, assess the direct effect of shareholder activism on dividend policy of firms listed at NSE, determine the direct effect of dividend policy on the market value of firms listed at NSE, establish the mediating effect of dividend policy on the relationship between shareholder activism and market value of firms listed at NSE, investigate the moderating effect of CSRD on the relationship between shareholder activism and market value of firms listed at NSE, assess the moderating effect of CSRD on the relationship between dividend policy and market value of firms listed at NSE and determine the moderated mediation effect of CSRD and dividend policy on the relationship between shareholder activism and market value among listed firms at NSE in Kenya. The study was guided by the Modigliani and Miller (MM) theory, Gordon theory of relevance, stakeholder management theory, and agency theory. The study employed an explanatory research design with the study population of 64 listed firms at the Nairobi Securities exchange. Fifty four (54) firms were selected. The study specifically adopted the ex-post facto design; an after-the-fact research design suitable for testing hypotheses about cause-and-effect relationships such as was expected in this study. The study used secondary data from annual/published financial reports of firms listed in NSE between 2008 and 2017. Both descriptive and inferential statistics were used to analyze data.Descriptive statistics included means, standard deviations, minimum and maximum values, skewness, kurtosis and Jarque-Bera. The main inferential statistics was the longitudinal/ panel data regressions. Key findings indicated moderated mediation effect whereby shareholder activism had a conditional indirect effect on market value through dividend policy given by -3.56 + 0.077 CSRD under fixed time and fixed effects. The conditional direct effect of shareholder activism on market value was given by 13.2 – 16.6 CSRD, under fixed time and firm effects. Other findings indicated that shareholder activism had a positive and significant effect on market value ($b=0.696$, $p<IzI=0.01$). Shareholder activism had a positive and significant effect on dividend policy ($b= 0.099$, $p<IzI = 0.01$). The dividend policy had negative and no significant effect on market share ($b=-1.953$, $p>ItI=0.05$). Dividend policy did not mediate the relationship between shareholder activism and the market value of listed firms at NSE ($a*b=-0.291$,$p>IzI=0.05$). CSRD moderated the relationship between shareholder activism and market value ($b= -17.3$ $p<0.01$), and CSRD moderated the relationship between dividend policy and market value of firms (For interaction $b = -82.85$, $p<0.01$). The study concluded that shareholder activism had significant effects on both market value and dividend policy. Despite having a negative effect on market value, dividend policy did not mediate the relationship between shareholder activism and market value. The main conclusion arising from the study was that in the context of firms listed at the NSE, CSRD had conditional interactive effects with shareholder activism, dividend policy, and the market value. It recommended that listed firms need to take cognizance of the important role that shareholder activism plays in market value and dividend policies of the firm. Need to be explicit when framing dividend policies due to their potential impacts on the market value. When bringing on board CSRD practices firms should be conscious of potential contributions of contextual factors including firm size and growth. The study suggested a further study which incorporates other variables in moderated mediation such as capital structure, corporate governance and minority share ownership on market value.

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LIST OF ABBREVIATIONS

CERES	-	Coallition for Environmentally Responsible Economics
CMA	**-**	Capital Market Authority
CSR	-	Corporate Social Responsibility
CSRD	–	Corporate Social Responsibility Disclosure
DFI	**-**	Domestic Financial Institutions
DP	–	Dividend Policy
DPR	**-**	Dividend Payout Ratio
DY	–	Divided Yield
EPS	–	Earnings per share
ERC	**-**	Earning Response Coefficient
EVA	-	Economic Value Added
FII	-	Foreign Institutional Investors
FS	-	Firm Size
GCC	-	Gulf Corporation Council
GLS	-	Generalized List Squares
GRI	-	Global Reporting Initiative
GS	–	Growth in Sales
M&M	–	Modigliani and Miller
MENA	**-**	Middle East and North America
MTBV	–	Market to Book Value
MV	-	Market Value
MVA	–	Market Value Added
OLS	-	Ordinary List Squares
OMV	-	Open Market Valuation
OMV	**-**	Open Marke Valuation
OP	–	Operation Profit
PE	–	Price Earnings Ratio
ROA	–	Return on Asset
ROCE	–	Return on Capital Employed
ROE	–	Return on Equity
ROI	–	Return on Investment
ROS	–	Return on Sales

SA	-	Shareholder Activism
SLO	**-**	Social Licence to Operate
SRI	**-**	Shareholder Response Index
TCVCD	**-**	Total Current Value of Capital and Debt
WANA	-	West Asian and North Africa Region

OPERATIONALIZED DEFINITION OF TERMS

Corporate Social Responsibility is defined to incorporate economic, social, environmental and volunteerness of stakeholders dimensions (Yadlapalli et al., 2020). Therefore in this study CSR will be operationalized to reflect the endeavours that listed firms contribute to social and economic concerns.

Corporate Social Responsibility Disclosure – CSRD is operationalized as the information firms list at the Nairobi securities which give direction towards realization of the CSR objectives.

Dividend Policy – It is normally defined as the trade off between paying out dividend and retaining them on the other hand. Therefore dividend policy in this study is operationalized as a document that governs retention of earnings and payment of cash. This is the ultimate distribution of the firm's earnings between retention (that is reinvestment) and cash dividend payments of shareholders. It is measured by dividend yield.

Firm Size This is the value of the firm in terms of the value of net assets. It shows the worth of the firm.

Market Value – Is the ratio of the value of a company’s assets (as measured by the market value of its outstanding stock and debt) divided by the replacement cost of the company’s assets (book value). It is measured by Tobin’s Q.

Security Exchange -It is a market where stockbrokers and other traders buy and sell documents of title such as Shares, Bonds, Futures contracts, swaps and options. This market is organized in such a way that only members are allowed to transact businesses.

Shareholder Activism - Shareholder activism is an attempt to bring change in corporate activities through the submission of shareholder proposals. It is measured by the value of three major block shareholders. It is measured using block shareholding index.

Tobins Q - In this study Tobin's q, is the ratio between a physical asset's market value and its replacement value. The Q ratio, also known as Tobin's Q, equals the current value of capital and debt divided by its assets' replacement cost. Thus, equilibrium is when market value equals replacement cost. At its most basic level, the Q Ratio expresses the relationship between market valuation and intrinsic value.

CHAPTER ONE

INTRODUCTION

1.0 Overview

This chapter presents the background of the study, statement of the problem, objectives of the study, research hypothesis, significance of the study and scope of the study.

1.1 Background of the Study

Listed firms play a central role in strengthening the structure and reputation of a company. According to Lizares and Bantista (2021) listing is the formal admission of the company's securities to the trading platform of the Exchange. Listed Companies enjoy several benefits including access to capital for growth, increase viability, liquidity, transparency and efficiency, and motivated employees (Gokran & Muslu (2018). Scholars have highlighted measures such as audit quality (Ado et al, 2020), capital structure (Noreen, 2019), firm size (Olawale et al., 2017) and earnings management (Sandu et al., 2017) as proxies of the performance of listed firms. However, market value of these firms features minimally in connection with their performance.

Market value remains an avenue through which shareholders can maximize their value in the corporate world. Market value, also known as open market valuation (OMV), represents a company's value as perceived on the stock market (Chen, 2018).

Kumar, & Rajakamal, (2022) posit that shareholders view value and creation as the main aims that firms gravitate towards. Therefore, market value is considered the amount of money a given asset is likely to realize in the market (Chen, 2018). From a securities exchange perspective, market value refers to the market capitalization of a publicly-traded company (Almumani, 2018).

Interest in the market value of a firm is inherent in the understanding that besides being an indication of future business trajectories among investors, it is also a determinant of demand for security within securities markets. However, market value is notably quite dynamic in response to market volatility (Alaali, 2020). It is argued that the business cycle is bound to influence market value fluctuations overtime periods (Alaali, 2020).

Market value remains an area of concern in most contexts globally, as attested by many studies exploring the concept. Market value has, for instance, been examined in the solar plants' context in the United States to track the cost and performance of solar plants (Mills et al., 2021); market value has also been examined from the professional football context with concerns on factors which impact on football players value in the market (Metelski, 2021); meanwhile, market value has also been evaluated from energy efficiency perspective bearing in mind the issue of global warning (Kholodilin, Mense & Michelsen, 2017). Other studies have concentrated on some of the factors that impact market value. Boubakri et al. (2018), motivated by increasing state capitalism in Asia, have investigated government ownership's influence on market value. Similarly, Hamdan (2018) used the Saudi Arabian and Bahraiman contexts to model intellectual capital as an antecedent of the market value measured through firm performance. Waswa, Mukras and Oima (2018) used an econometrics approach to show that profitability and firm size were determinants of market value from the Kenyan context.

It, therefore, becomes apparent that the market value of a firm is dependent upon other factors. Indeed, Alaali (2020) identifies factors such as the sector of the firm, debt load, profitability and overall market environment as factors that market value is dependent on. In the context of publicly owned firms, factors such as shareholder activism, dividend policy and corporate social responsibility disclosure are also emerging as critical in market value (Albuquerque, Fos & Schroth, 2021, Flammer, Toffel & Viswanathan, 2019; Guimaraes et al., 2019; Nekhili et al., 2017; Ofori-Sasu, Abor & Quaye, 2019). A better understanding of market value could therefore be achieved by examining the factors starting with shareholder activism.

Over the last two decades, shareholder activism has gained interest among scholars who try to link it to other explanatory and response variables. Benard Black, for instance, perceives shareholder activism as any effort, formal or informal, aimed at monitoring corporate managers or as an avenue through which owners can communicate the aspiration to change the company's policies or management (Denes, Karpoff & McWilliams, 2017). This definition of shareholder activism by Black has since been changed to proactivity in overseeing a change in firm governance rules or behaviour. Shareholder activism has also been viewed as actions taken by shareholders by virtue of their shareholding rights to influence the corporations' management (Baloria, Klassen, & Wiedman, 2019).

The essence of this definition is that shareholder rights are the linchpin of shareholder activism. Prisandani, (2021) argue that shareholder activism is a move by investors to use their voice to alter the firm status quo while holding corporate control constant. They contend that shareholder activism is a bridging action directed towards a continuum of reactions to corporate performance.

Shareholder activism in Kenya is still in its nascent stages. However, emerging scholarship is delving more into this concept from the Kenyan perspective. Mwasaria (2017) concludes that in spite of the importance of shareholders to corporate performance, the law on corporate governance in Kenya remains silent on shareholder empowerment. Kapkiyai, Cheboi, and Komen (2020), on the other hand, uses firms listed at the NSE in the period 2004 to 2017 to show that block holder activism has a negative effect on earnings management, meaning that it is critical to the lowering of earnings management. In addition, Kipkiyai et al. (2020) reported that shareholder activism at the institutional level positively and significantly predicts earnings management.

These and other studies underscore the potential inherent in empowering shareholders through block holder activism. However, the controversies that tend to surround shareholder activism are such that besides, shareholder activism, other factors needed to be examined alongside shareholder activism to comprehensively understands the utility of shareholder activism in the performance of publicly traded companies. This study, therefore, employed block holder activism alongside other variables. Yet, dividend payout in most cases triggers shareholder activism.

Therefore dividend policy features significantly in the discourse on shareholder activism and market value. One strand of research demonstrates the direct effects of shareholder activism on dividend policy (Artiga Gonzalez & Calluzo, 2019; Barros et al. 2021; Sendur, 2020). Another strand shows the direct effect of dividend policy on market value (Putri & Rachmawati, 2017; Sukmawardini & Ardiansari, 2018). Such findings imply that dividend policy could offer a route from shareholder activism to market value in the ensuing controversy of shareholder activism and market value (Shi et al., 2021).

Emerging scholarship shows a lot of interest in the mediation and intervention potential of dividend policy in relationships. Soewarno, Arifin, and Tjahjadi (2017) used the publicly traded companies on the Indonesian securities markets to show that dividend policy partially mediated the relationships between corporate governance and market value. Still, in the Indonesian firm's context, Santosa, Aprilia, and Tambunan (2020) demonstrated that dividend policy intervenes in the relationship between financial performance and market value; and weakens the relationships. Meanwhile, Guizani (2018) used countries drawn from the Gulf cooperation council to show that dividend policy partially mediated the board independent – managerial independence – free cash flow relationship. Because of such emerging scholarship, this study postulated that dividend policy would mediate the shareholder activism – market value relationship.

Despite the inherent potential of dividend policy to influence the relationships between shareholder activism and market value, another variable that can be leveraged to understand the shareholder activism–dividend policy–market value link is corporate social responsibility disclosure (CSRD). Research has shown that a firm's adoption of social responsibility has been a reaction to solid activism occasioned by an escalation in stakes of institutional investors like pension funds, insurance companies, mutual funds, and banks (Des Jardine, Marti & Durand, 2020; Yang, 2019). Moreover, evidence has shown that risk averseness among institutional investors provides an avenue for social responsibility disclosure to positively impact activism among institutional investors (Daas, & Alaraj, 2019).

Corporate social responsibility disclosure is a process through which the contributions made by firms to the welfare of society are assessed. Formally, CSRD is defined as an activity aimed at communicating about companies' conversations regarding employees, the environment, consumers, and society in general (Qa'dan, & Suwaidan, (2018). It is argued that companies need not just concentrate on increasing stock price and earning a profit but should also seek to operate under society's ethical consideration (Platonova et al., 2018). Platonova et al. (2018) aver that besides investors and shareholders, companies should also consider the interests of stakeholder groups such as customers, suppliers, government, employees, communities, and other special interest groups.

According to Gray, Kouhy, and Lavers (as cited in Anwar & Malik, 2020), CSRD relates to the information corporations provide regarding policies in place, future aspirations, and activities undertaken to factor the interests of the environment, customers, community, and employees. Gallardo-vazquez et al (2019) concur with Gul, Krishnamurti, Shams & Chowdhury (2020) that CSR disclosure that takes care of the informational needs of all stakeholders, helps them in decision making, and with it, increases information symmetry and financial performance.

The concept of CSRD is gaining traction following modern business environmental concerns arising from global warming impacts such as climate change and ozone depletion (Feneir, 2021). Feneir argues that such effects have warranted environmental themes to be factored in businesses. Besides environmental concerns, scandals involving the exploitation of workers and financial crises have increased the need for social responsibility in business operations (Ashraf, 2018, Delaney, Burchielli & Tate, 2017; Venturelli et al., 2019).

Venturelli et al. (2019), for instance, points out that the European Union (EU) put in place a directive on non-financial information (NFI), dubbed as Directive 2014/95/EU, which requires that large companies in the EU member states furnish disclosures on governance, environmental and social concerns. Meanwhile, Ashraf (2018) posits that the rising incidences of corporate scandals related to worker exploitation and child labor (Delaney et al., 2017) have brought to the limelight the concept of corporate social responsibility in Pakistan. All Answers Ltd (2018) adds that the potential for social responsibility to create a firm's positive image has seen Malaysia require that all publicly listed companies include corporate social responsibility disclosure in the annual reports.

Several studies have highlighted the direct effect of corporate social responsibility on market value. Grassmann (2021) examined CSR expenditure with respect to the value of a firm, and reported a U-shaped relationship between market value and CSR expenditures. On the other hand, Naseem et al. (2019) examined whether financial ratios were moderators of the CSRD – market value relationship. They reported that financial ratios moderated the CSRD – market value relationship. Wirawan et al. (2020), in their case, examined the link between CSR disclosure and firm market under the moderation of risk management. They reported a positive effect of CSR disclosure on market value which was not however moderated. Platonova et al (2018), on the contrary, used the Islamic bank's context to examine how CSR disclosure affects their financial performance. They reported a significant effect of CSR disclosure on the financial performance of the banks.

Although these findings lend credibility to theoretical advocates of CSR activity in attracting investors to maximize value in their securities (Fernandez-Guadano & Sarria-Pedroza, 2018; Salvioni & Gennari, 2017), the studies are one dimensional in the sense that they only probed the direct impacts of CSR disclosure. However, there is evidence, albeit scanty, that CSR disclosure has the potential to moderate in relationships relating to financial performance (Mukhtaruddin et al., 2019). Given the shortage of studies on the moderation potential of CSR disclosure. It was necessary to explore whether CSR disclosure could influence the shareholder activism – market value relationships through moderation.

1.2 Statement of the Problem

The trend of market value remains mired on controversy despite the belief that market value will increase with company performance. Studies have shown that direct influence of shareholder activism on market value in diverse sectors. For instance Denes et al., (2017) conducted a survey of thiry years of shareholder activism and determined that in contemporary times shareholder activism impacts market values. Similarly, Shingade et al., (2022) examined shareholder activism’s impact on firm valuation and profitability. They established that shareholder activism had a negative effect on valuation measured through market capitalization. Another strand of studies have highlighted the mediating influence on the relationship between shareholder activism and market value and other studies have shown shown conflicting results on the moderating effect of corporate social responsibility disclosure on the relationship between capital structure and firm performance.

This was evidenced by complaints ranging from low dividend pay-outs by Kenya Airways and Safaricom Limited shareholders despite increased profits in the company to corporate mismanagement and non-payment of dividends by Uchumi Supermarkets shareholders (Mungai & Bula, 2018). This led to reduction in the market value of the company. In the latter instance, shareholder activism triggered the chain of events leading to a re-structuring of the company (Breckenridge, 2019). For instance, a previously minor shareholder in Kakuzi Limited was recently reported to be gradually but significantly raising his shareholding in the company with a view to influencing the treatment of squatters on the company‘s market value (Okello, 2021).

On dividend policy and market value interesting results which are equally conflicting show a positive relationship between dividend policy and market value (Duy, Mai, & Dung, 2019, Brahmaia, & Ravi, 2017, Gabriel, Chabouni 2017, Khadija et.al. 2017, Swarnalatha and Babu 2017, Gunawan, et.al. 2018). Other studies found negative relationship between divided policy and market value (Anggeriani, Khaira and Amlys 2018). Others found out that there is no significant effect between dividend policy and company value (Setiewaty et al. 2018, Sadi’ah, 2018, Memon, Channa & Khoso 2017). These results are confounding necessitating further research to establish the relationship between Dividend policy and market value.

On CSRD and dividend policy the results have produced both confirmatory and contradictory results such as Homan, (2019); Mohammed, et al.,(2018); Baldini, et al., (2018) and Ibrahim, et al., (2021), established a negative and significant relationship between CSRD and dividend policy. Whereas Mwamburi (2017) found out that there is a positive significant relationship between SCRD and dividend policy. Since the results from both direct and indirect effects of shareholder activism dividend policy and CSRD on market value are conflicting, it makes the whole situation confusing regarding the ideal firm policies to trigger the increase in market value. This study was motivated by the fact that whereas scholars are keen on the effects of shareholder activism on market value most of the studies if not all are either looking for direct effects or indirect effects none is keen on the conditional effect of a third variable of CSRD. Therefore, this study sought to establish whether or not CSRD moderates the direct relationship between shareholder activism and market value as well as the indirect relationship through dividend policy.

1.3 Objectives of the Study

This study was guided by a general objective and seven (7) specific objectives.

1.3.1 General Objective of the Study

The study seeks to determine the conditional effect of CSRD on the indirect relationship between shareholder activism and market value among firms listed at NSE in Kenya via dividend policy.

1.3.2. Specific Objectives of the Study

The specific objectives are to;

i. Explore the direct effect of shareholder activism on market value of firms listed at NSE.
ii. Assess the direct effect of shareholder activism on dividend policy of firms listed at NSE.
iii. Examine the direct effect of dividend policy on market value of firms listed at NSE.
iv. Establish the mediating effect of dividend policy on the relationship between shareholder activism and market value of firms listed at NSE.

v. Analyze the moderating effect of corporate social responsibility disclosure on the relationship between shareholder activism and market value of firms listed at NSE.

vi. Assess the moderating effect of corporate social responsibility disclosure on the relationship between dividend policy and market value of firms listed at NSE.

vii. Determine the moderated mediation effect of corporate social responsibility disclosure and dividend policy on the relationship between shareholder activism and market value among listed firms at NSE.

1.4 Research Hypotheses

To achieve the above objectives the following research hypotheses were formulated and tested:-

$H_0$1; Shareholder activism has no significant direct effect on the market value of firms listed at NSE.

$H_0$2; Shareholder activism has no significant direct effect on dividend policy of firms listed at NSE.

$H_0$3; Dividend policy has no significant direct effect on market value of firms listed at NSE.

$H_0$4; Dividend Policy does not mediate the relationship between shareholder activism and market value of firms listed at NSE.

$H_0$5; Corporate social responsibility disclosure does not moderate on the relationship between shareholder activism and market value of firms listed at NSE.

$H_0$6; Corporate social responsibility disclosure does not moderate on the relationship between dividend policy and market value of firms listed at NSE.

$H_0$7; There is no moderated mediation effect of corporate social responsibility and dividend policy on the relationship between shareholder activism and market value among listed firms at NSE in Kenya.

1.5 Significance of the Study

This study contributed to construction of a model which explains the relationship between corporate social responsibility, shareholders activism, dividend policy and market value of companies. It contributed to the literature of shareholder activism by incorporating the insights of corporate social responsibility disclosure and how they play into the dividend policy and market value in terms of Tobin's Q. The study looked at the factors which underlie the market value and how they co-lineate among themselves.

On the moderated mediation of CSRD and dividend policy on the relationship between shareholders activism and market value none has been carried out. This research developed a model that provides insights of the moderated mediation effect of CSRD and dividend policy on shareholders activism and market value of listed firms. The current trends in the world are to incorporate as many stakeholders as possible in business agenda, failure to do so will attract militant resistance from direct and indirect stakeholders.

Currently there is a wider spectrum of competing stakeholders whose needs must be met to strike a mutual consensus between the financial performance of the company and individual satisfaction of these shareholders. This study therefore provided an impetus to shareholders to build a closer relationship with management of companies to increase the market value of the company as a whole. Identification of shareholders activism and CSRD will help management to make changes in the dividend policy to enhance financial performance levels. It will be used by shareholders to determine the level and the type of shareholder activism which will promote appropriate dividend policies to enhance increase in market value.

Managers can use this study to make necessary adjustments in the shareholder activism and incorporate CSRD without losing focus of the core object of the companies of maximizing profit levels and or wealth. It will be used by management of listed firms to improve the liquidity position of firms through prudent dividend policies. The findings will assist to strike mutual consensus between dividend pay out and retained earnings which in turn will inform the market value of firms.

1.6 Scope of the Study

This study was carried out at Nairobi Security Exchange. It utilized data of the years between 2008 to 2017. The study was conducted on listed companies at Nairobi Security Exchange. The NSE began in the early 1920s while Kenya was considered a colony under British control. It was an informal marketplace for local stocks and shares. By 1954, a true stock exchange was created when the NSE was officially recognized by the London Stock Exchange as an overseas stock exchange. There are 64 businesses and companies listed in the Nairobi Stock Exchange (Appendix I), The NSE is located in the city's central business district, on the first floor of the Kimathi Street Nation Center.

The scope of this study entailed discussions on shareholder activism, dividend policy, market value and corporate social responsibility disclosure. The study also investigated the empirical findings of direct relationship between shareholder activism and market value, dividend policy and market value, shareholder activism and dividend policy and indirect relationship of shareholder activism and market value via dividend policy. It covered the interactions of CSRD on the relationship between shareholder activism and market value, dividend policy and market value and their moderated mediation effects.

The research was limited to 64 listed firms in NSE whose annual reports were available at the capital market authority library for years between 2008 – 2017. The annual report were selected because they were easily available and accessible due to its legal requirement for all listed firms to file financial and other reports at the end of every financial period with capital market authority and Nairobi Security Exchange. It was also paramount to select annual reports because they exhibit high degree of credibility which is not associated with other sources of data since they must be audited and an opinion is made available as regards there fair view.

1.7 Chapter Summary

This chapter introduces the study by discussing the conceptual and contextual background of the study. The main concepts conceptualized in the study included; shareholder activism, dividend policy, market value and corporate social responsibility disclosure. The chapter further discusses research objectives, research hypothesis, significance of the study and scope of the study. The next chapter presents a review of concepts, theories underpinning the study and empirical literature.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction/Overview

This chapter discusses the concepts of market value, shareholder activism, dividend policy and corporate social responsibility disclosure. It reviews the theories which underlie market value, shareholder activism, dividend policy and corporate social responsibility of the companies and related/empirical literature. A critique is made to identify the gap and conceptual framework model was drawn to show the relationships between the independent, dependant, mediating and moderating variables. The literature was sourced from text books, referred journals, magazines and internet.

2.1 Conceptual Definition of Key Variables

2.1.1 The Concept of Market Value

The concept of market value derives from the general idea of value. Becker et al., (2017) defines value as the esteem that a commodity attracts or draws within prevailing market conditions from an economic perspective. According to Becker et al., (2017), higher esteem attracts greater exchange power for the entity. Getz et al. (2017) define value from three perspectives. First, they perceive value as a good or fair rating of commodities, money, and so on, relating to an item exchanged or sold. They also perceive value simply as market price. Moreover, they perceive value as the worth of a commodity, measured in terms of goods or money at a given time, or as an item's quality in terms of desirability.

In the framework of marketing, value is variously defined. According to Contreras and Ramos, (2016), value relates to the buyers' perceived tangible or intangible benefits in price, service, and quality. Payne et al., (2018), on the other hand, defines value as the benefits a client derives from the service or product offered by a company.

Payne et al., (2018) perceives shareholder value as the favourable rate of return that investors earn from the capital. Eggert, et al.,(2019) adds that value is the essence of exchange and results from evaluating the buyer and seller. Sheth (2019) perceives the value of services and products as a company's creation depending on the market exchange and consumer demand. Becker et al., (2017) contends that the general economic Theory confines value to market value, dependent upon market forces specific to the particular point in time. Market value reflects the value of a company or asset in the marketplace perceived from the investor's willingness to pay (Steinhardt, 2019). Steinhardt (2019) further points out that market value, which is often used interchangeably with market capitalization, enables investors to analyze available opportunities for investment. Market value has also been used to indicate the value of a security as perceived from the market's perspective.

Market value as market capitalization is known to influence a country's economic growth and development (Pavone, 2019). Chen, et al., (2019) argues that market value indicates the value of shares of a company on the market and the value associated with the company in general. Aghanya, et al., (2020) perceive market value as the actual overall value of a company in terms of profitability, firm debt, and financial health of the firms' sector of the economy. In the event, that buyers and sellers fail to agree on the value of a product, market value is a fair estimation of an asset's worth which settles the disagreement between a buyer and seller (Baum, Crosby & Devaney, 2021). This reflects the earlier views of Payne, et al., (2018).

According to Lee and Kwon (2017), as a favourable returns rate, market value is a value addition that signifies the ability to give a fair position of the worth of an asset. This is the position taken by Eggert, et al., (2019) when identifying value as the outcome of buyer-seller evaluation. Sheth (2019) also leans towards this direction when asserting that an asset's worth is the company's creation and is informed by consumer demand and market exchange. The asset worthiness perspective of market value is also inherent in Steinhardt's (2019) reflection of market value being the worth of an asset as seen from the willingness to pay across investors.

According to Cooley and Prescott (2021), market value is a measurement that is quite dynamic and fluctuates substantially with time. Factors such as supply and demand of shares, the nature of valuation ratios employed to evaluate the pricing of stocks, and the firm's long-term growth trajectory have impacted market value (Piasecka (2018). Stopochkin et al. (2021) identifies three ratios commonly used to evaluate a firm's stock. Earnings per share reflect the profitability of a firm and can impact investors positively or negatively. Book value per share is the ratio of a firm's equity to total outstanding shares. Higher book values reflect the undervaluation of stock and can impact investors' perception of a firm's asset in the market. Meanwhile, the price to earnings (P/E) ratio is the ratio of the stock's current price to earnings per share and measures a stock's price relative to the stock's earnings (Stopochkin et al., 2021).

Computation of market value is often carried out by getting the product of the company's outstanding shares with the firm's current market price (Siladjaja, Siswanti & Sahir, 2021). In the content of publicly traded companies, market value ratios are usually leveraged to evaluate their economic status (Akgun, Samiloglu & Oztop, 2018; Gomez-Navarro et al., 2017). Although a wide array of ratios can be used to evaluate market value, earnings per share, price-earnings and book value per share are commonly used (Dergiades, Milas & Panagiotidis, 2020). Other ratios used include; market/book ratio, the market value per share and the dividend yield ratio. It is posited that each ratio is used differently; however, when combined, the ratios indicate the financial capacity of publicly traded companies. Moreover, through these ratios, management can discern the perceptions of a firm's investors regarding its performance and future expectations (Myskova & Hajek, 2017; Sulong, Saleem & Ahmed, 2018).

Profitability has also emerged as a measure of market value. According to Machmuddah, Sari and Utomo (2020), an increase in profit among companies correlates with enhancement in market share ratios such as book value price, price-earnings ratio, and earnings per share. Meanwhile, Sungkar, and Debora, (2021) investigating on financial performance of listed firms in Indonesia demonstrated that profitability was a significant predictor of market value. Investors were guaranteed high prospects if a company registers high profitability. A similar view is held by other scholars who contend that realization of profits predicts prospects of firms manipulating their operating activities to achieve high earnings (Al-Shattarat, Hussainey & Al-Shattarat, 2018, Beyer, Nabar & Rapley, 2018). Value-based Economic Value Added (EVA) is another market value concept that is gaining atttraction. It is postulated that firms' operate with the primary aim of generating and maximizing wealth for shareholders (Cardao-Pito, 2017; Gravand, 2021; Sakawa & Watanabel, 2019). The argument made by these proponents of wealth maximization is that the rationale of investment is to realize a higher rate of return on equity.

The dynamism and fluctuating nature of market value that complicates its measurement is indeed mentioned by many scholars. For instance, by defining market value as the actual overall value of a company in terms of profitability, firm debt, and financial health of the firms' sector of the economy, Aghanya, et al., (2020) implicitly looks at the dynamism of market value since firm debt, profitability, and financial health fluctuates with time and across firms. Such variability and fluctuations cause conflicts between buyers and sellers and as documented by Baum et al. (2021), can lead to disagreements on the value of a product.

The dynamism in market value is also captured by Becker et al., (2017) and Getz et al. (2017). In defining value as the esteem attracted by a commodity in the market, Becker et al., (2017) indicates the potential fluctuation in market value. This fluctuation is occasioned by fluctuations in esteem between firms and across markets. The perspectives used by Getz et al. (2017) to define market value also allude to the fluctuating nature of market value. Fair rating is subjective and is bound to differ not only across firms but also with time. Market price as a measure of market value is also time dependent and subject to change. Meanwhile, measuring value as the worth of a commodity is both subjective and time reliant which essentially factors in the potential for fluctuation.

The notion of market value dynamism and fluctuation is also inherent in using share price as a proxy (Amahalu et al., 2018). Share price is quite volatile and firm specific and experience firm specific and time effects. Under such circumstances, the ability of the firm to create visible value as expected may not be guaranteed. Besides using the diverse ratios such as return on equity (ROE), return on assets (ROA), and Tobin’s Q to measure market value as previously used by others (Brahmaia & Ravi, 2017;

Garcia-Zambrano et al., 2018; Waswa, Mukras and Oima (2018) also brings in the element of fluctuation in market value given that these ratios do fluctuate across firms and with time.

Different studies have measured market value using different ways. Market value of a company is the motivation for future investment and has attracted a lot of interest regarding its measurement (Tui, Nurnajamuddin & Nirwana, 2017). Amahalu et al. (2018) posit that share price can be leveraged to measure market value based on how the stock price behaves in the market. Consequently, by measuring market value as a ratio of the stock price to book value, the ability of the firm to create value on the invested capital, in the long run, becomes visible to investors (Alsufy, Afifa, & Zakaria, 2020).

Different scholars have employed various financial ratios to measure market value. Waswa, Mukras and Oima (2018) used return on equity (ROE), return on assets (ROA), and Tobin’s Q to measure market value when assessing the direct effects of corporate size on both profitability and market value. Garcia-Zambrano et al. (2018) used the market, book value ratio (M/B ratio) to measure market value when examining training and advertisement training and the relevance of market value to a company's intangibles in the Spanish context. Tobins Q as a proxy to measure the firm's market value, where Q, is as shown in equation 3.1, has also been used by several scholars. Brahmaia and Ravi (2017) used Tobin's Q to measure market value when analyzing the effects of dividend policy on firm valuation in an electrical equipment manufacturing context in India. Similarly, Nekhili et al. (2017) employed Tobin's Q to measure market value in a study comparing impacts of CSR disclosure on market value between non-family and family firms.

$$Q = \frac{\text{Market value of equity} + \text{Preference shares} + \text{Debt}}{\text{Total Assets}} \quad \text{………………….(3.1)}$$

Gharaibeh and Qader (2017) used Tobin's Q as a proxy to measure market value when assessing factors in the Saudi Stock exchange, influencing the use of Tobin's Q in market value measurement. Vo (2017) also used Tobin's Q in the Vietnamese context to examine how the stock market valued diversification in the bank.

Hadani, et al, (2018), on the contrary, used price response to measure market value when exploring the impact of proxy proposals on the relevance and success of shareholder activism. Similarly, Zhan et al. (2021) used market reaction, also known as stock market reaction, to measure shareholder value in the analysis of the role service excellence plays in the market value of firms. Because of the popularity of Tobin's Q, and considering it has been used successfully as a proxy of market value in many studies, this study used Tobins Q to measure market value.

2.1.2 The Concept of Shareholder Activism

In recent years, the concept of shareholder activism has been gaining significant growth (Bowley, 2019). Shareholder activism relates to hedge funds or fund managers acquiring minority interests in publicly traded companies with a view of influencing the generation of profits through the company's board of management to benefit them and other shareholders (Jefferies, 2019). Therefore, through shareholder activism, shareholders aim at bringing structural, governance, and operational changes in firms they own a stake (Engert, 2019). Activist shareholders sometimes sway other shareholders to help engineer acquisitions or mergers, change board directors, reallocate capital, prompt payment of dividends, effect compensation from the executive, influence strategic direction, and influence operational direction (Hamdani & Hannes, 2019).

Michelon, Rodrigue, and Trevisan (2020), perceive shareholder activism as an endeavour by a few shareholders to occasion a change in corporate activities by way of shareholder proposals. Michelon et al. (2020) argue that activist shareholders indirectly use collective action to oversee the company's operations. According to Radford (2016), shareholders cause the board of management to engage them in dialogue lest they vote them out, relocate to other companies, or withhold the sale of shares or cash.

Appel, et al., (2019), implicitly delineate three types of shareholder activism. The first type is economic activism. According to Appel et al., this type of activism seeks changes that can enhance financial gains for the firm. The second type of activism delineated by Appel, et al., (2019) is the governance activism that aims to occasion changes on the management board and policies that govern it. Meanwhile, Appel et al., identify social and environmental activism as the third type of shareholder activism. They contend that this type of activism focuses on the ethical and ecological soundness of practices employed by a company in its operations (Appel, et al., (2019).

By reviewing shareholder activism through thirty years, Denes, Karpoff, and Mcwilliams (2017) reveal five common forms of activism that shareholder activists use to push for desired changes. The first form is shareholder resolution in the form of a proposal submitted by activist shareholders for voting during the AGM. Denes et al. (2017) aver that shareholder resolution is a reasonably effective method to draw the public's attention. The second form relates to proxy fights. In this form of shareholder activism, activist shareholders dissatisfied with the management use persuasion to convince other shareholders to use proxy votes, which involves delegation of voting powers, to effect managerial changes (Denes et al., 2017). Publicity campaigns through any medium, including mass media, simple negotiation with corporate management, and litigation, are other forms of shareholder activism that are occasionally employed.

Due to different operational conditions, investors pursue diverse incentives and motivations to monitor firms in which they have stakes. However, the commonality in institutional activists is that they all either pursue economic change or ethical policy change (Haslam & Godfrid, 2020). This pursuance is reflected in economic activism that seeks to enhance financial gains, governance activism that focuses on policies and management, and social and environmental activism that seeks to assure ecological and ethical practices as suggested by Appel, et al., (2019). Moreover the need for ethical and economic change is underscored in shareholder resolution which effectively public attention, proxy fights that entrench pursuation, public campaigns that aim to sensitize the public, simple negotiation, and litigations (Denes et al., 2017).

The first form of institutional shareholder activism is mutual and pension funds. According to Alda (2021), Maximum return is the impetus of mutual funds to invest in companies. Mutual funds have no intention to play an active role in the management of companies. However, they engage in monitoring the assets level under the control of the managers (Alda, 2021). Geiger, Keskek, and Kumas (2020) posit that despite holding large stakes in publicly traded companies, mutual funds hardly participate in powerful forms of activism. Hence, they hardly initiate proxy fights, shareholder proposals, takeovers, and strategic voting. Besides, some mutual funds have charters that bar them from engaging in monitoring. Upon realizing that the interest of shareholders is not being taken care of by the management, mutual and pension funds will often exit after disposing of their shares (Admati, 2017).

The second form of institutional shareholder activism is Hedge fund activism (Haslam & Godfrid, 2020). It has been argued that hedge fund activists are bound to be more active in firms management due to the fewer regulatory barriers they face in comparison to traditional investors (Dutta, et al., (2017). According to Coffee Jr. and Palia (2015), the active role of hedge fund activists has been manifested in their extreme demands, which vary from the restructuring of boards to public confrontations in the form of; shareholder proposals, takeover efforts, and lawsuits. Hedge fund activists pursue engagements so that they can increase value. Besides, they remain focused on their aim and are never bothered by the political agenda pursued by pension and mutual funds (deHaan, Larker & McClure, 2019).

Fidelevna, (2021), argues that hedge funds can buy targeted firms and initiate governance changes as a last resort since they hardly face constraints to diversification.

Labour unionism has been identified as another form of institutional activism (Wilmers, 2017). According to Wilmers, Labour Unions have abandoned their traditional role as passive owners to become very aggressive investors out to maximize return on capital at the expense of ideological aspects (Wilmer, 2017). Tapia and Turner (2018) argue that labor unions are best positioned for activism due to close ties with the board and employees, giving them leeway into operations and inside information. Tapia and Turner (2018) further advance that labour unions can leverage corporate voting to push for policy transformation that may ultimately increase market value.

Another form of institutional activism has been experienced through investment companies. Vasudera, Nactrum, and Say (2018) assert that investment companies invest their stakes in publicly traded companies solely for value creation. Often, these companies engage in a long-term investment anchored on three main processes: investment, mechanisms for active ownership, and exit evaluation (Haslam & Godfrid, 2020). Investment company activism has been distinguished from mutual and pension funds through the fact that they outline clear exit goals before investing in a company. However, similar to hedge funds, investment companies experience less legal barriers (Vasudera et al., 2018).

The final form of institutional activism identified relates to ethical investment companies. The basic tenet of this form of activism is to select the right company (Dienner, 2022). Under this form of activism, dialogue is entered between investors and target firms to maintain ethical criteria. Moreover, such a form of activism does not encourage control of companies through active approaches (Dienner, 2022). In view of the economic activism gains and the hedge fund form that faces fewer regulatory barriers, this study focused on block holder shareholder activism that wields more influence through voting rights.

Measures of Shareholder Activism adopted by several scholars in existing literature have underscored the significance of shareholder activism and have advanced various proxies for measuring it. For instance, in assessing the impact of cash on corporate control, Bouaziz, et al., (2020), used proxy contests to measure shareholder activism.

Kahan & Rock, (2017), on the contrary, used hedge fund activism as a measure of shareholder activism when analyzing the moderating influence of corporate governance on the link between shareholder activism and firm performance. Goranova, et al., (2017), examined the impact that shareholder activism has on financial reporting and compensation. They used option expensing proposals as measures of activism. Chapman, et al., (2022), used Hedge fund activism to assess shareholder activism from an entrepreneurial perspective.

On the other hand, Obermann & Velte, (2018), used say on pay proposals to measure shareholder activism is assessing whether shareholders' influence on pay creates value. Hedge fund activism as a measure of shareholder activism was also used by Edmans, et al., (2021) when assessing liquidity and governance and Khatami, et al., (2022), to assess shareholder activism cost. Meanwhile, Li (2018), used the 'vote no' campaigns proposals while analyzing CEO pay from a shareholder activism perspective.

In recognition of the array of proxies available to measure shareholder activism and the scarcity of studies that have used block holder activism, this study used block holder shareholders to measure shareholder activism. The use of block holder activism involved selecting the three major shareholders in each firm.

2.1.3 The Concept of Dividend Policy

Dividend policy as a concept relates to guidelines used by firms to distribute earnings declared during a company AGM to shareholder. According to Nambukara-Gamage, & Peries, (2020), dividend policy explicitly spells out rules and norms to govern profit-sharing among shareholders. Yaseen (2018) notes that the parameters of awarding returns to equity shareholders are laid bare through the dividend policy. Meanwhile, Wau (2021) perceives dividends as rewards for investing in firm shares.

Budiarso (2018), perceive profit or dividend distribution as one of the four critical decisions in finance. They argue that the decisions made on dividends are crucial in determining the funds to go to investors and those to be retained in the firm. Besides, the dividend policy is an indicator of the firm's performance. It has further been argued that investors are keener on returns and income when seeking to invest in a firm (Yaseen, 2018). Consequently, dividends offer a way through which investors earn income. Therefore, companies are compelled to remain competitive in the market to maximize operations and maintain the quality of products and services. In this way, investors are assured of increased earnings from dividends. Therefore, the essence of a dividend policy is to streamline operations in a firm to realize profits that could be categorized into retained earnings and dividends (Yaseen, 2018).

The origin of the dividend concept has been traced to the sale of economic rights of owning a share of the earnings of an entity, which was introduced by commanders of marine boats in Britain and Holland after the fifteenth century (Pillai, & Al-Malkawi, 2018). In the case of the marine ships, rights holders were entitled to a share of the earnings made during the journey and were subsequently given their claim, and the contract was then terminated (Pillai, & Al-Malkawi, 2018). Barros, et al., (2020), posit that the sharing of earnings was safeguarded by terminating the agreement, which reduced the potential of deception and fraud among the management. According to Pillai, & Al-Malkawi, (2018), investors diversified risks by extending shareholding in other marine boats. The rise of rights due to market diversification led to the Amsterdam open market, which enabled the dealing of rights by the late sixteenth century.

With the expansion of the Amsterdam open market, the rights were subsequently substituted with proprietorship stakes (Pillai, & Al-Malkawi, 2018)). The stability and popularity of the contracts made it difficult to terminate them at the end of a journey, resulting in the formation of a business that distributed part of its earnings.

Booth, & Zhou, (2017) contend that the businesses through the boat commanders started to decide which earnings needed to be returned to investors giving room for first rules for dividend payout. The increasing capital needs among these boat units foreign trading led to joint-stock companies (Kindleberger & Charles, 2015).

The idea of joint-stock companies gained momentum, with chartered trading firms showing a lot of inclination to the concept (Pillai, & Al-Malkawi, 2018)). For purposes of leaving room for changes in the charter, joint-stock companies were granted charters that were time-specific and definitive. Some of the first joint-stock companies chartered in the fifteenth and sixteenth centuries include Eastland Company in Great Britain, Muscory Company in Russia, and Levant company in Turkey (Scott, 1912). According to Scott (1912), these early trading companies reinforced the idea of dividends owing to the enormous profits they generated for their owners.

Three schools of thought have emerged in the literature regarding dividend policy. The first strand of scholars advocates for higher dividends; they argue that an increase in market value is reflected in increasing share price (Ali-Muhammad & Gohar, 2017; Batabyal & Robinson, 2017). Proponents of this school lean towards the bird in hand theory and posit that current dividends are worth more to investors than future prospects. They argue that an increase in dividends will spur growth in share prices. The second strand of researchers leans towards the notion that dividends send negative indicators to stakeholders about the business (Chaabouni, 2017; Marisetty & Babu, 2021). According to this second strand of researchers, an increase in dividends is bound to decrease share prices. The thinking among proponents of this perception is that companies are devoid of projects that guarantee positive net present values. They further argue that higher dividends increase tax payment since taxation on dividends outweighs capital gains. The third strand of researchers believes that dividends are irrelevant (Nguyen & Do, 2019; Banerjee, 2018). According to this school of thought, dividends add no value to a firm. Therefore resources invested towards dividend pay out are wasted resources.

Several firms perceive dividend policy as an integral facet of decisions on financial management (Attig et al., 2016). Empirical research has demonstrated the positive effect of dividend policy on the stock market (Zainudin, et al., 2018; Singh & Tandon, 2019.; Zainudin, Mahdzan, & Yet, 2018). However, the divergent shareholder interests have put managers in a dilemma on the way forward regarding dividend payout. They have to grapple with dividends' proportion to pay or retain dividends for investment (Jabbouri & Attar, 2018). For instance, Driver, Grosman and Scaramozzino (2020) pointed to the pressure managers feel from investor pressure regarding dividend policy. They point to divergent perceptions among shareholders on dividend payout. Although some investors expect dividends annually others, prefer re-investment of dividends. Several shareholders also want to invest in companies that give higher dividends believing that they are less risky. Driver et al. (2020) contend that this push and pull among shareholders makes them experience a lot of pressure in decision making. Therefore, dividend policy is significant in giving direction on dividends that alleviates some of the pressure from the management and stabilizes current shares prices.

The notion of dividend irrelevance introduced by Miller and Modighani (1961) spurred counter-arguments among scholars seeking to delve further and theorize about the concept of dividends (Basheer et al., 2019; DeAngelo & DeAngelo, 2006; Rahman & Almamun, 2015). For instance, Deng & Liao, (2017) determined that the status of dividend-paying is associated positively with earnings quality, an indication that divided paying status reflected the earning quality of a firm. Meanwhile, Jiang and Stark (2013) demonstrated that dividends are relevant in terms of value. However, such value relevance is dependent on contextualizing the role book value plays in valuation. Although several scholars conducted intensive research on dividend policy, they did not come up with a dividend theory that could unanimously explain dividend decision-making extensively. And which can minimize the pressure that managers experience (Ismawati, 2018; Manneh & Naser, 2015; Obaidat, 2018; Safii & Asyik, 2019); Lack of consensus on an ideal dividend policy makes the picture of dividends appear like a puzzle, as suggested by Black (cited in Muhammad et al., 2018).

Decisions on dividends often involve deciding whether to retain dividends for re-investment, distribute the whole profit, or share part of the profit made (Dewasiri & Yatiwella, 2016). Since dividends can be cash, stock, property, scrip, or liquidating, management may need to be careful when deciding on residual or managed dividend policies. It has been noted that residual dividends policy directs companies to more investment opportunities before the payment of dividends can be considered. This investment opportunities focus leads to reduced dividend payouts. Therefore, a reduction in dividends may require management to justify the use of residual dividends to shareholders (Sanvicente, 2021). Under the managed dividend policy framework, the management seeks to identify a specific pattern of paying dividends and sticking to it for some time. Choice of managed dividend policy could again require justification to shareholders (Michaely & Moin, 2021). Another dividend decision-making that may appear like a puzzle involves determining the magnitude and shape of cash to be delivered to shareholders over time. It is postulated that management often follows the dividend policy to determine the extent and shape of cash to be given (Murtaza et al., 2018). Consequently, the lack of an ideal dividend policy remains a puzzle indeed.

To measure divided policy, two ratios have commonly been used to measure future dividend payouts that companies are likely to declare. The dividend payout ratio given in equation 2.2 is a measure of a company's annual earnings for each share that has been paid to shareholders in the form of cash dividends per share (Shafai et al., (2019).

$$Dividend\ Payout\ Ratio\ (DPR) = \frac{Total\ Dividends}{Net\ income} \quad \text{..............................(2.2)}$$

Several scholars have employed the dividend payout ratio to measure dividends in various contexts. For instance, Yanti and Dwirandra (2019) used the dividend payout ratio in a study seeking to determine the moderating effect of dividend payout on the link between profitability and income smoothing practices conducted in Indonesia. Meanwhile, Husna and Satria (2019) used DPR to measure cash dividends in a study conducted in the Indonesian context. From the Indian context, Labhane and Das (2015) used DPR to measure dividends in a study seeking to identify determinants of dividend payout.

Dividend yield, which is defined as a ratio of annual dividend per share to the market price of each share (See equation 2.3), has also featured in dividend policy measures (Harris et al., 2015).

$$Dividend\ Yield\ (DY) = \frac{Annual\ dividend\ paid\ per\ share}{Market\ price\ per\ share} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots.(2.3)$$

The dividend yield has previously been used to examine stock returns in a study conducted in Pakistan (Ahmed, 2018). Similarly, in an investigation targeting ownership concentration, the Japanese context has employed dividend yield to measure dividend policy (Gonzalez, et al., (2017). Other contexts in which dividend yield has been used as a proxy for dividend policy include Thailand and Sri Lanka (Dewasiri et al., 2019).

By recognizing the potential that dividend yield has in measuring dividend policy, this study employed dividend yield, computed by taking ratios of the logarithm of dividend per share to the market price per share, to measure dividend policy.

2.1.4 The Concept of Corporate Social Responsibility Disclosure

Corporate Social Responsibility (CSR) relates to a business model for social accountability among companies (Advantage, 2020). Consequently, CSR in the context of publicly traded companies represents strategies that such companies have crafted as part of their corporate governance to ensure ethical operations that benefit society (Sharma, 2019). The concept of corporations being sensitive to ethical processes and showing responsibility to the community is reportedly not new; according to Carroll (2015), concerns among businesses for the society can be traced several centuries back. However, Advantage (2020) posits that the notion of social performance and the role executives play started emerging in literature in the 1930s and 1940s.

According to Chaffee (2017), the social component of CSR has its roots in the ancient Roman Laws. It manifests in entities like orphanages and hospitals, homes for the old and poor, and asylums. The social enterprise notion of corporations permeated the English law in the middle ages and was reflected in religions, municipal, and academic institutions. According to Chafee (2017), the guidance of the English crown led to an expansion of the notion of social enterprise as a building block for social development among corporations in the sixteenth and seventeenth centuries. Following the expansion of the English Empire and increasing colonization, the corporate law was exported by the English Crown to American colonies to make corporations have some extent of social function (Chafee, 2017).

Proponents of CSR have advanced four arguments as justification for companies to adopt the CSR function (Hajenbrall & Waeger, 2017). The four arguments are moral obligation, reputation, license to operate, and sustainability. The moral appeal argues for companies to be morally obligated in their operations by doing the right things and being good citizens (Jaurnig & Valentinov, 2019). Research has demonstrated that congruence between companies' CSR domains and moral foundations among consumers leads to increased positive pro-company behaviours (Baskentli et al., 2019). Meanwhile, it has also been shown that grouped CSR practices are more effective on millennials' brand relationship quality than CSR practices from individual domains (Shankar & Yadav, 2020). In essence, the moral appeal of CSR expects that commercial success should not be achieved at the expense of the natural environment, people's respect, ethical values, and communities (Hafenbradl & Waeger, 2017).

Sustainability is founded in the popular definition that 'meeting the needs of the present needs not compromise the ability of future generations to meet theirs' (cited in White, 2013). The basic tenet of sustainability inherent in CSR is that commercial gains need to be made by considering environmental and community concerns (Hafenbradl & Waeger, 2017). It has been argued that sustainability culture advocates for changes geared towards making corporate governance boards take cognition of effectiveness of leadership (Salvioni et al., 2018). License to operate as a facet of CSR is inherent in the knowledge that companies require permission from communities, governments, and other stakeholders to trade (Hafenbradl & Waeger, 2017). According to Edwards et al. (2016), individual companies or industries should subscribe to the social license to operate (SLO). This license is an informal acceptance or approval from the civil society for the company or industry to develop natural resources.

CSR initiatives have also been perceived as central in improving a firm's image alongside employee morale, firm brand, and value of the stock (Lee & Lee, 2018; Ramesh et al., 2019). According to Ramesh et al. (2019), through CSR, a firm's brand is enhanced such that customers are more likely to use the brand as a factor to consider the firm. Meanwhile, Lee and Lee (2018) determined that CSR had a positive effect on corporate image and that corporate image ultimately impacted positively on brand image and the intention to purchase.

The concept of CSR is permeating policy debates in the Kenyan context. According to Barker (2017), CSR in Kenya is mainly perceived as philanthropy. However, specific initiatives undertaken in the private sector have leaned towards entrenching CSR ideals. Besides, some organizations are emerging as specialist CSR organizations (Barker, 2017). The move by these private sector organizations to entrench ideas of CSR is a move towards the right direction, following suggestions by Bartor and Li (2015). According to the two scholars, CSR seeks to encourage positivity in firms by being conscious of consumers, communities, the environment, employees, shareholders, future generations, and other stakeholders (Bartor, & Li, 2015).

Meanwhile, Kamau (2018) contends that good corporate governance and leadership are the essences of CSR. Consequently, CSR need not be viewed as a goodwill gesture undertaken by organizations to increase profits through a good image. Instead, CSR is a marketing strategy that enables companies to remain competitive (Kamau, 2018). Through CSR, organizations are given the brand of being mindful of consumers, the community, and other stakeholders and increasing the visibility of their products in the market. According to Kamau (2018), CSR activities such as the Dettol Heart Run and the Tusker Project Fame in Kenya capture the urge to remain visible through CSR.

Corporate social responsibility disclosure (CSRD) is also known as CSR reporting and relates to the systematic reporting of information pertaining to a firm's social performance (Senjaya et al., 2020). According to Senjaya et al., (2020), CSR reporting is different from managerial accounting. It reports primarily on the firm's relationship with external stakeholders, including investors, customers, and the public. CSR disclosure has been associated with, among other benefits, enhancing company reputation, potential to attract foreign investors, increased performance, and consumer satisfaction (Salehi et al., 2018).

CSR disclosures have also previously been highlighted as reports on actions undertaken by firms to show responsibility to the community's welfare. Such disclosures are made through the social responsibility report published in the annual report (Ali, Fryanas & Mahmood, 2017). According to Ali et al. (2017), a company's stakeholders often show a lot of interest in CSR disclosures since such disclosures report on the company's actions and plans for society's welfare.

CSR reporting has been perceived as a tool that companies use to communicate an image of transparency. Besides, it enables managers to judge improvement within firms targeting non-financial areas (García‐Sánchez et al., 2020). According to Rakic (2016), initiates for developing CSR measurement standards take cognizance of firms' use of own standards, standards prescribed by the industry regulator, and generally accepted standards. Consequently, CSR initiatives are identified as: corporate code of conduct, company code of business conduct, business-specific multistage corporate social responsibility standards, and inter-sector multistage corporate social responsibility standards (Rakic, 2016). However, Micheloni, Pilanato, and Ricceri (2015), and Habek (2017), point out that despite the increase in firms’ sustainability reports, the information reported in most reports often lacks completeness, credibility, and relevance. These concerns regarding the quality of reporting bring into question the capability of measuring CSR reports to ascertain quality.

The global reporting initiative (GRI) guidelines have previously been identified as the most influential for filing sustainability reports (Stubbs & Higgins, 2018). The Coalition for Environmentally Responsible Economics (CERES) funded the founding in 1997 of the GRI as an international non-governmental organization (Stubbs & Higgins, 2018). The GRI enables governments and businesses worldwide to evaluate and report their CSR positions (Berber, Slavic & Aleksic, 2018). The GRI standards are a product of multi-stakeholder contributions and are developed with the public interest in mind. Diouf and Boiral (2017) note that GRI gives guidelines that explicitly spell out the information contained in CSR disclosures, including economic, social, governance, and environmental concerns. GRI standards also outline principles such as accuracy, clarity, reliability, timeliness, comparability, and balance that the content of CSR disclosures should pursue to enhance quality and transparency (Romero et al., 2019).

According to GRI standards 2018, GRI reports outline specific standards and criteria for reporting in two parts. The first part is universal management information and identified under series GRI 101 – foundations, GRI 102 – general disclosures, and GRI 103 – management approach (Berber et al., 2018). The second segment of the GRI reporting standards relates to topic-specific standards, with series GRI 200s relating to economic concerns; series GRI 300s environmental concerns, and GRI 400 series pertaining to social concerns (Berber, et al. 2018).

Several scholars have reported studies that have employed the GRI standards to measure CSR disclosures Gallego–Alvarez, Lozano, and Rodriguez-Rosa (2018) used the GRI 300 standards within GRI 2016 standards, focusing on sustainability reporting, to measure environmental disclosure. Chen, Feldmann, and Tang (2015) used GRI reports drawn from a sample of 75 companies in the manufacturing sector to show that CSR disclosure positively impacts financial performance. Meanwhile, Beck, Frost, and Jones (2018) used the GRI framework on 116 large public companies drawn from Hong King, Australia, and the United Kingdom, to show that CSR engagement impacted financial performance significantly.

However, another strand of scholars has used the GRI standards scores to calculate the CSRD index (Simmons et al., 2018; Al-Haija et al., 2021; Mohammed et al., 2016). These scholars have used scores of several dimensions to calculate the CSRD index using equation 2.4.

$$CSRD_{ij} = \frac{\sum X_{ij}}{n_j} \quad \text{……………………………………………………………}(2.4)$$

For example, Mohammed et al. (2016) used disclosure points on six dimensions to compute the CSRD index and show that CSR disclosure positively impacted financial performance from the Islamic bank context. Similarly, Wu, et al. (2021) employed the Islamic financial institution's context to calculate the CSRD index using six major dimensions to show that CSR disclosure was a positive and significant predictor of financial performance.

In view of such findings obtained by computing the CSRD index, this study also used the CSRD index approach on the six dimensions of mission and vision statements; commitment to employees, attentive service and products, dedication to society, commitment to debtors, and commitment to charity and benevolence adapted from others (Subhan et al., 2018; Al-Haija et al., 2021). This was adopted because it had been used previously and successfully provided the results. This dimensions are also captured under corporate governance reports of listed firms.

2.2 Review of Theories Underpinning the Study

Four theories underpinned the variables under study. They included the Dividend Irrelevance Theory, Gordon's Model of relevance theories, Agency Theory, and Stakeholders Management Theory.

2.2.1 Dividend Irreverence Theory

Dividend irrelevance theory, commonly referred to as M-M theory, is a financial theory that postulates that a company's stock price or potential profitability are independent of the issuance of dividends (Sualehkhattak & Hussain, 2017). Modigliani and Miler first advanced dividend irrelevance theory in 1961 (cited in Udobit & Lyiegburuwe, 2018). According to Modigliani and Miller, dividend policy makes no sense in a perfect world devoid of bankruptcy costs and taxes. Consequently, the duo argued that a company's capital structure or stock price was independent of the dividend policy (Miller & Modigliani, 1961). The Theory further postulates that the capability to create own cash flows renders investors irrelevant to the firm's dividend policy contents. The argument advanced by M-M is that investors can re-invest the surplus cash flow into the company's stock in the event of more dividends than expected. If the dividend turns out to be lower than expected, investors can choose to sell part of the shares (Udobi & Lyiegbuniwe, 2018). In essence, the Theory argues that higher returns are the investor's focus and are gained by selling part of shares or re-investing. Therefore, it does not matter whether returns are from stock price appreciation or dividends (Miller & Modighani, 1961).

The dividend irrelevance theory was premised on several assumptions. Tanusher (2016) argues that the dividend irrelevance theory makes several assumptions including: that company's operate in an ideal environment that does not require payment of taxes; that issuance of stocks in such an environment does not attract transaction or floatation costs; that the environment is such that a company's cost of capital is independent of leverage; and an environment where dividend policy does not affect decisions about capital budgeting.

The dividend irrelevance theory has attracted several critics who have empirically shown that a dividend policy is an avenue for value creation in firms. For example, Chikwendu (2008) used the publicly traded banks in Nigeria to empirically show that dividend policy was a positive and significant determinant of market value. Anton (2016) used the Romanian listed firms' context to demonstrate that the dividend payout ratio positively impacted market value. Similarly, Amollo (2016) demonstrated that dividend payout correlated strongly with the market value from the Kenyan bank context.

Therefore, the choice of the dividend irrelevance theory for this study was based on the need to continue the conversation of the central role that dividend policy was poised to play in market value. The real-life scenario is such that the assumptions made by M-M need further interrogation. Indeed taxation is a certainty for fair markets, and in reality, companies must pay floatation costs when issuing stocks. Besides, company managers may at times possess superior information to that in the possession of investors. Therefore, the dividend irrelevance theory was used to underpin shareholder activism on the assumption that shareholder activism would thrive best in an ideal market environment suggested by Miller and Modigkaru.

2.2.2 Gordon's theory on dividend policy

The second Theory employed to underpin this study's variables is Gordon's Theory, also known as a bird in the hand theory (Mwangi, 2017). Lola-Ebueku (2016) points out that the bird-in-hand Theory was a way through which Myron Gordon and John Linter could show dissatisfaction with the dividend irrelevance theory. The Theory was developed in 1963 and postulated that the risk-averse nature of stockholders pushes them to opt for current dividends in the belief that they carry lower risk (cited in Mwangi, 2017). According to Gordon, perception of future risk compels investors to turn to the bird-in-hand notion believing that it is prudent to take what is currently available as opposed to what could be available in the future (Duncan et al., 2017).

Jain and Rastogi (2020) identify several assumptions inherent in Gordons model. They include: that companies operate without debt and are in essence all equity in nature, that no external funding is required given that retained earnings are readily available for investment; that companies operate on a constant internal rate of return (IRR) that does not account for the investments shrinking marginal efficiency; that companies operate with a constant cost of capital which in essence means that all investments experience same business risk; that once the retention ratio has been decided, it remains constant.

These assumptions are the basis of criticisms labeled against Gordon's model. Critics point out that assuming that retained earnings can only finance investment opportunities without external financing renders dividend policy or investment policy sub-optimal. Moreover, critics argue that the Gordons model is only suitable for all equity firms. In the real sense, the rate of returns is inversely proportional to investments; the other assumption that critics exploit is that of the constant cost of capital. They argue that such an assumption ignores that business risk impacts market value (Barsky & De Long, 1994; Brennan, 1971, Farrell, 1985, Hurley & Johnson, 1994, 1997). These critics go on the refine Gordon's model. Despite the limitations pointed out in Gordon's model, it has largely been leveraged in existing literature to determine market value in forecasted dividends (Jain & Rastogi, 2020).

Gordon's model was used to underpin market value in this study. The choice of Gordons model to underpin market value was due to its ease of understanding given that it is the theoretical framework commonly used to calculate share price. Moreover, company stock valuation, irrespective of market conditions, made it suitable for comparisons across firms trading in different sectors of Kenya's stock exchange market.

2.2.3 Stakeholder Management Theory

The third Theory employed in this study was the stakeholder management theory used to underpin the CSR disclosure construct. It has been argued that stakeholder management represents the main face of CSR, leading to individuals mistaking between them (Rusconi, 2019). The complexities of business today have seen a growing body of research seeking to explore concepts and models that could address challenges associated with these emerging complexities. The stakeholder theory advanced by Edward Freeman has emerged as one such endeavour focusing on value creation and trading, ethics and capitalism, and management capacity to think about creating value ethically (Jones, Wicks & Freeman, 2017). Stakeholder theory posits that it is in the managers' interest to account for all stakeholders' needs without concentrating on shareholders (Phillips et al., 2019). Put explicitly; stakeholder theory advocates maximizing profits for all individuals connected to the company, including distributing profits even to disadvantaged stakeholders (Phillips et al., 2019).

Stakeholder theory contrasts Friedman's capitalist view of shareholders as the only stakeholders' worth care (Fassin & Freeman 2016). In advancing stakeholder theory, Freeman argues that groups such as local communities, environmental groups, governmental groups, political activists, financial institutions, suppliers, customers, employees, and others without whom companies wouldn't exist, are the true stakeholders (Phillips et al., 2019). Stakeholder theory is anchored on the argument for any business to provide lasting change, good management of stakeholders is fundamental (Ramakrishnan, 2019).

Freeman argues that there needs to be a synergistic interrelationship between the diverse actors contributing to the company (Fassin & Freeman, 2016). Consequently, management needs to operate while having in mind employees in stores, neighbouring communities, suppliers and customers and competitors, and shareholders. In this way, companies have the opportunity to re-invent and post strong results (Fassin & Freeman, 2016). The basic assumption of stakeholder management theory is that success in business is only realized when value is delivered to most stakeholders. This assumption implies that business success does not only need to be pegged on profits (Freeman, 2016).

In choosing the stakeholder management theory to underpin the corporate social responsibility disclosure construct, the study took cognizance of the closeness of the two concepts and the criticisms each has faced (Jones & Wicks, 2018; Freeman & Dmytriyev, 2017; Wang et al., 2020; Barnett, 2019). Stakeholder theory, like CSR, is concerned with the same ethical and social elements in businesses but approaches them differently. Critics of stakeholder theory have said that the needs and interests of the various stakeholder groups simply cannot be reconciled equitably. Under stakeholder theory, stakeholders represent multiple large and diverse groups, and one or more of those groups will inevitably take a back seat at some point in the process. Similarly, certain groups of stakeholders will hold more power or influence than others, which can create tension and discord.

This study, therefore, sought to gain more insight into CSR disclosure by leveraging the stakeholder management theory. It has, for instance, been noted, that, unlike stakeholder theory, CSR does not endeavour to understand what the business is all about and does not also examine the range of responsibilities (Freeman & Dmytriyer, 2017).

In the case of company responsibility to customers and employees, anchoring CSR disclosure on stakeholder Theory was aimed at leveraging the Theory's potential to embrace company responsibility towards stakeholders and beef up the narrow notions of environmental efforts and ethical labour practices inherent in the CSR (Freeman & Dmytriyev, 2017). Therefore this study viewed stakeholders management theory as a complementary theory to the CSR disclosure construct since they focus on the same issue in management, albeit from different perspectives.

2.2.4 Agency Theory

The fourth and final theory used in this study was Agency Theory which was first proposed in 1973 by Barry Mitnick and Stephen Ross to explain the conflict inherent between managers acting as agents and business owners acting as principals (Mitnick, 2019). Ross was more oriented towards the economic aspects of agency and concentrated on issues surrounding compensation contracting. Mitnick, on the contrary, paid attention to institutional agency and introduced the notion that the imperfection of relationships involving agency was the impetus for the formation and evolution of institutions to deal with agency problems (Mitnick, 2019).

Agency theory was established as the authoritative theoretical framework for corporate governance, stakeholders, and shareholders by Jenson and Meckling in 1976 (Hussain et al., 2017). Under this framework, Agency theory is perceived as a relationship pitting principals who are owners or shareholders to agents in the form of firm executives and managers. Consequently, shareholders as principals hire managers as agents to accomplish various tasks for the company (Khan, 2016). In essence, the theory postulates that directors or managers are entrusted with running the business to reduce or resolve potential problems in the agency relationship. For example, the goals or desires of the agents and principals have been known to be in conflict requiring a resolution; similarly, agents and principles have at times differed in attitude towards risk (Khan, 2016).

In establishing agency theory as a framework for corporate governance, Jenson and Meckling (1983) took cognizance of organizations as a liaison of contracts between principals and agents. They argued that it was a theory on the firm’s ownership structure that sought to unravel the causes of principal-agent issues and goal incongruence (Hussain et al., 2017). According to Khan (2016), the principal tenet of the agency theory is efficiency in information organization and optimization of costs of risk-bearing. Moreover, the notion of information asymmetry that sees agents have more information than principals regarding tasks pushes principals to seek information and develop incentive systems that can encourage agents to act in the interest of principals (Mitnick, 2019).

Agency theory is anchored on several explicit assumptions regarding agents' behavior. The first assumption is that of opportunism. The theory assumes that agents perpetuate self-interest seeking with cunningness and are bound to cheat, distort, mislead or disguise in a partnership exchange (Kultys, 2016). The argument advanced in this assumption is that moral hazard or adverse selections are likely to harbor opportunism despite being monitored and given incentives. Such an assumption brings into question the efficacy of a contract. Indeed, scholars continue to reflect on the importance of the effectiveness of monitoring systems, incentives, and contracts. For instance, Cuevas–Rodriguez, Gomez-Mejia, and Wiseman (2012) have wondered whether agency theory has run its course by seeking to have it more flexible in informing reward systems. Pepper and Gore (2015) have desired new foundations that theories about executive compensation could be leveraged. Maier and Meyer (2017) have examined the issue of aligned interests.

The second assumption that agency theory makes is that the agent is risk-averse and should lean towards risk averseness when making decisions (Kultys, 2016). However, formal theories in the economic paradigm consider deviation from risk averseness as distortion and abnormality, which should only be entertained in cases of expected utility maximization (Eckert & Gatzert, 2018; Connelly et al., 2017).

Criticism of agency theory is often directed to its focus on the principals and agents only. Critics argue that these two stakeholders cannot adequately address the functions of the organization and will need the input of other stakeholders (Pouryousefi & Frooman, 2017). According to Qadorah & Fadzil., (2018), it is unhealthy for a corporation to concentrate on only two stakeholders at the expense of others, who also contribute significantly to the operations of the organization. The critics argue that the unbalanced and unfair concentration on two stakeholders brings about a perception of ‘unequal power distribution in the firm’. Such a perception causes unease among other stakeholders who may opt to stake with competitors (Brewer & Moon, 2015).

Agency theory was used in this study to underpin dividend policy. This was so because of the impact agency theory has on managers' decisions regarding dividend payout. For instance, Nugraha, Hakim, Fitria, & Hardiyanto, (2020), investing on agency theory on company structure and other characteristics argues that although managers would agree with wealth maximization for owners from a theoretical perspective, in practice, the urge to safeguard their jobs, wealth, and other benefits prevents them from taking too much risk. This risk averseness results in owners potentially losing wealth. Moreover, agency theory proposes that outside shareholders are apprehensive of retained earnings and prefer dividends. They worry that managers are likely to misuse retained earnings on negative NPV projects (Mitnick, 2019). In this way, conflicts between internal and outside shareholders are propagated. Therefore, dividend policies as guidelines for sharing profits protect investors from a strong preference for dividends. Agency theory underpins dividend policy due to its tenet of cost optimization and efficiency in information organization.

2.3 Empirical Literature Review

This section provides an empirical review of existing studies showing the conceptualized relationships between the given constructs. In retrospect the study examines empirical evidence between shareholder activism and market value, shareholder activism and dividend policy, dividend policy and market value, moderating potential of corporate social responsibility disclosure on link between dividend policy and market value, and moderating potential of CSRD on the link between shareholder activism and market value.

2.3.1 Market Value and Shareholder Activism

The preceding definitions delineate three dimensions through which purposes of shareholder activism can be examined. They include targets, which, as noted by several scholars, include company management or policies, governance rules or firm behaviour, or status quo (Acharya, Gras & Krause, 2021). The second shareholder activism delineated is the actor, who is often the shareholder or investor, while the third dimension relates to the action. From a host of scholars, the action refers to effort, formal or informal, taken to monitor managers or, to pass across desired change; proactive effort towards change; action taken by virtue of investor rights, or change gained through voice while maintaining corporate control (Malka, 2017).

Hadani, Doli, and Schneider (2018) delve into the subject of shareholder activism by postulating that an activist shareholder seeks to exploit his or her ownership rights to influence change in a publicly-traded company. Wiersem, Ahn, and Zhang (2020) posit that in the 1980s and 1990s activist, shareholders were perceived as corporate raiders in the realm of hedge funds to change compensation concerns and corporate governance on the premise that they were not a priority to the firm's operations. However, the concept of shareholder activism has expanded to subsume all shareholders who, in one way or the other, seek to alter management and operational decisions, either directly or through proxies or proposals (Radord, 2016).

Webber (2018) reckons that shareholder activism is determined by, among other factors, investment horizon, firm size, activity levels, and objectives. This view, in essence, means that there are different levels of shareholder activism. Long-term investors, for instance, will withstand volatility when indications show a potential increase in value. However, short-term investors are primarily keen on share price and quick returns. Mutual funds that use many investors to pool money are eager to use such pooling to maximize economic gains for investors. Passive investors, on the contrary, target returns, while active ones focus on outcomes. Meanwhile, the objective of large funds is firm governance (Webber, 2018).

Webber (2018), adds that the nature of shareholding dictates the action that shareholders take. Major shareholders have a lot of power considering that they have more voting power to influence decisions easily. Comprehensive knowledge in company operations and functionalities has also been associated with the proactivity to invest in companies (Radford, 2016); and with it, the chance to become a major shareholder who can influence change in corporate activities of the company (Michelon, Rodrique, & Trevisan, 2016).

As interest in shareholder activism soars, so does the need to identify the various measurements of shareholder activism. Although several proxies have been used to determine the degree of shareholder activism in companies, five measures are commonly employed in the existing literature. They include; the proportion of equity that the three-block shareholders hold; the proportion of equity in the grasp of other parties such as employees and directors, proportion of equity under other corporate bodies; equity under domestic financial institutions (DFI), and Foreign Institutional

Investor (FII) held equity (Hamdani & Hannes, 2019, Obermann & Velte, 2018; Prevost, Wongchoti & Marshall, 2016).

Despite shareholder activism emerging as an antecedent to the management of corporate companies through decisions made (Kalodimos & Leavit, 2020; Lafarre & Vn der Elsr, 2018; Stathopoulos & Voulgaris, 2016), the question of shareholder activist remains controversial. Shi, Xia, and Meyer-Doyle (2021) question the viability of investor activism in institutions in safeguarding employee safety. By using establishment-level data, they demonstrate that shareholder activism is a threat to employees' safety. Bower (2016) perceives shareholder activism as an intrusion into capital markets that is entirely unwelcome.

Shareholder activism normally cushions the measure of financial resources which leads to minimization costs. It leads to increase in profit margins and profit retained after distribution of dividends. This leads to capitalization of dividends to finance acquisition and formation of fixed assets. Hence increase in market value. However Banjade, (2020) points out that the relationship of shareholder activism and market value depends on the type of shareholders. Institutional and large shareholders prefer capitalization of retained earnings to cash dividends. However, small and individual shareholders prefer cash dividends to bonus issue. This implies that shareholder activism championed by institutional investors and large shareholders influence the market value positively.

A study carried out by Khan & Saeed, (2019) concluded that shareholder activism had a positive and significant relationship with financial performance at firm. Fidelevna, (2021) supported this finding by establishing that shareholder activism spurs high returns and changes in operating cost. Gkillas & Magerakis, (2019) found out that shareholder activism have been associated with positive effects on the performance of companies. Through shareholder activism corporate managers are forced to act swiftly by implementing policies which will spur financial performance. A study by Sharfman, (2020) associates shareholder activism with increase in project levels and other revenue activities. Shareholder activism catalyzes the prudent management of the financial resources to enable growth in sales and reduction in operation costs. The overall result increases in firm value.

On the other hand Filatotcher and Dotsenko (2015) investigated shareholder activism in UK. The results shared that shareholder activism is affected by various factors among them; types of shareholding and forms of proposals. Depending on the nature of shareholder activism and the proposals provided, the level of market value keeps on changing. A study carried out by Xu (2019), established that when shareholder activism acts as a moderator it leads to decline in market value because it slows down the smooth operation of firms.

Bhandari, Iliev, and Kalodimos (2021) used proxy access proposals to examine how shareholder initiatives evoked governance changes. Using a systematic literature review on firms that used such proposals, Bhandari et al. (2021) determined that the shareholders' value of the firms under investigation had a 53 percentage point increase. Despite adding to the existing knowledge concerning the role of shareholder activism in enhancing market value, the use of a systematic review of literature may not have exhaustively captured the current market status.

Bhandari et al., (2018) established that stakeholder activism contributes to the finance performance of firms through enhancing project levels and corporate governance. The activities of stakeholders put managers ontoes hence improvement on performance.

Since most top managers are hired on contract. Renewal of their contracts depended of the level of predetermined financial performance. However, different types of shareholders embraced shareholder activities differently. Whereas individual shareholders had no strong influence on proposals, institutional shareholders had positive impacts.

Bandari and Arora (2017) had carried out on earlier research and established that block shareholding had powers limited to a few shareholders making it counterproductive, it tended to force specific proposal down the throats of corporate managers, some of which were not tenable. The finding of Roman (2015) showed that shareholder activism will pose threat to the industry stability. The majority shareholders will dictate the payment of dividend and drain the reserves. The banking industry is very sensitive and any threat which does not support the financial performance will create stability and exodus of the customers.

Filatotcher and Dotsenko (2015) conducted a study in the UK context targeting shareholder activism and its impact on the performance of targeted firms. They used a comprehensive database focusing on shareholder activism activities in the UK undertaken in the period 1998 – 2008. They determined that the type of investor, the form of investment, and the nature of proposals determined the shareholder activism effectiveness measured through stock market returns. Filatotcher and Dotsenko (2015) contributed to the existing literature by documenting aspects of shareholder activism that can be leveraged to increase stock market returns. However, the study context being the UK, perhaps such findings may not be replicable in developing counties. Therefore, this study sought to survey publicly traded firms in Kenya to try to replicate the results. Moreover, the use of data collected in the period 1998 – 2008 implies that Filatotcher and Dotsenko's (2015) findings may not reflect current activities in shareholder activism. Consequently, this study used databases for the period 2008 to 2017 deemed to be more or less current.

Hadani, et al, (2018) established that voting through proxies represented shareholders activism although they could not be used to gauge their effects on market value. This was because proposals are at times resisted and are not implemented fully. Filatotcher and Dotsenk (2015) investigated the influence of shareholder activism and effects of market value. They established that shareholder proposal are strong influence of shareholder activism which in turn affect the level of market value.

Guimaraes et al. (2019) employed the Brazilian corporate governance context to analyze the impact of shareholder activism on the value creation of listed firms. Data were drawn from databases for the period covering the years 2010, 2012, and 2014. A sample of 194 companies was drawn. Bootstrap truncated regression analysis was used to reveal that the activism index had a negative correlation with the creation of value and that in the long run, companies with activists were more efficient and gained in market value. In showing that activism correlated negatively with the creation of value, Guimaraes et al. (2019) added knowledge to the effect that less efficient companies were often the targets of shareholder activism. However, in using truncated regression, the study may not have taken care of the element of across-company comparison. Besides, the findings showing the correlation between activism and the creation of value may not infer causation. This study used a panel data approach in a cause-effect context to take care of the time and firm aspects of data and establish the causal effect.

Bouaziz, Fakhfakh, & Jarboui, (2020) used the French context to examine the impact of shareholder activism on market performance, among other variables. They used 385 firm-year observations of a sample of firms allied to SBF 120 index for the period 2008 to 2012 inclusive. Using data gathered from firms' annual reports and panel data regression, Bouaziz et al. (2020) demonstrated that shareholder activism measured through shareholder proposals was not a significant determinant of market performance. However, the study further showed that the presence of shareholder activism was a positive predictor of market performance. Bouaziz et al. (2020) were able to add to the existing discourse on shareholder activism by showing that the nature of shareholder activism measured plays a part in determining market performance. To try and replicate such findings, a similar study in the Kenyan context was necessary. Therefore, this study used annual reports of firms listed at the NSE to examine how shareholder activism impacts market value. By choosing market value, this study postulated that market performance and value concepts were different.

Karpoff and MacWilliams (2015), while investigating on corporate takeover characteristics found out that the proportion of stock holding have a positive impact of firm value through the increase of share value. However this study did not specifically relate the block shareholding to market value. Denes et al. (2015) supported the existing literature which attests that shareholder activism affect the market value of firms. According to Denes when shareholders make proposal directly or through proxies they influence the company directors to focus on financial performance.

According to Bebchuck et. al.(2015) shareholder activism influences the financial performance positively. It increases long term financial performance of the value of assets and capital. Shareholder activism therefore contributes to the general growth of the business. A study carried out by Cundill et al. (2018) established that shareholder activism shape the future performance of terms through shaping its corporate governance. It dictates the corporate market and value of shares. The contribution of minority shareholders cannot be underrated. It increases agency costs which in turn affect the value of assets and capital contributed leading to decline in market value (Gompers et al., 2019).

The findings of Grewal, Sarafam and Yoon (2016) found that shareholder activism through proposals is revisited by corporate managers. This implies that they are rarely incorporated in company policies and strategies to influence the market value. However, majority shareholders were more influential than minority shareholders. The same arguments were supported by Kimunya et al. (2019), although this targeted hedge funds. Bouaziz et al., (2020) found out that shareholder activism contributed to the increase of market performance. Shareholder proposals from institutional and block shareholders forced manager and corporate executives to tailor their strategies towards good corporate governance, cost cutting and increase in operational efficiency. The end result is high profit margins. The high levels of profits are partly used to accumulate or form capital.

Bhagwat et al. (2020) used the US context to examine market value from a corporate sociopolitical activism perspective. The study was buoyed by the sustained pressure from shareholders to firms to create shareholder wealth and societal benefits. Bhagwat et al. (2020) used screening and signaling theories to analyze 293 corporate sociopolitical activism events for 149 firms drawn from 39 industries to show that corporate socio-political activism has its market value advantages despite being perceived as a risky marketing plan. Therefore, through such findings, Bhagwat et al.

(2020) were able to show that various forms of activism exist and can add value to firms. However, the study by Bhagwat and the other scholars was not explicit on the design used. Therefore, this study was explicit in using the ex-post facto design based on the understanding that firms and data for the study were already in the public domain.

Sharfman, (2020) carried out a study on the relationship between shareholder activism and corporate governance, the results showed that the effectiveness of shareholder activism is restricted to few developed economies found in Europe and other parts of Asia. Guimaraes et al., (2018) did a study on the impact of shareholder activism on firm value in Brazil and established that shareholder activism works well in weak and unstable companies. This study failed to capture the relationship between shareholder activism and the direction and nature of influence which the current study does.

Amahalu et al., (2018), Brahmaia and Ravi (2017), Grarcia – Zambrano et al., (2018), identified share price volatility as another factor affecting shareholder activism and consequently affecting the market value negatively. Through shareholder activism, corporate managers are encouraged to pay high level of dividends and reduce retained earnings. This creates strain of resources forcing firms to seek external borrowing to finance capital formation and capital accumulation. This may lead to high gearing levels and subsequent financial instability.

Stathopoulos and Voulgaris (2016) examined the impact of shareholder activism from the say–on–pay perspective. Their study was motivated by the growing importance of the say-on-pay mechanisms as promotion of efficiency. Using a review of the prior literature approach, Stathopoulos and Voulgaris (2016) determined that say-on-pay was interdisciplinary in nature and that the concept of say-on-pay required further interrogation. Through these findings, Stathopoulos and Voulgaris (2016) were able to delineate other forms of shareholder activism. However, they fell short of demonstrating the importance of shareholder activism on the market value of a firm. This study sought to use block holder activism to examine the direct impact of shareholder activism on market value from a Kenyan perspective to alleviate such gaps.

Meanwhile, Yi (2019) used the Korean Pension Service context to examine whether the vote no shareholder activism impacted market value. Among their findings was that the vote no activism did not affect firm value in the short run. However, internal corporate governance of firms experiencing the 'vote activism increased in valuation. Once again, Kim et al. (2014) affirmed that shareholder activism was indeed quite broad in forms by introducing the vote no form of activism. However, the vote no activism positively impacting firm value does not guarantee a similar effect on market value. This study, therefore, explored shareholder activism and market value instead of market value.

Pineiro–Chonsa, Vizcaino-Gonzalez, and Caby (2018) examined shareholder activism and market capitalization from a voting pattern perspective. They used the banks' context in the US and data for the period 2003 – 2013. Pineiro-Chonsa et al. (2018) demonstrated a direct relationship between market capitalization and shareholder activism measured through voting pattern using the panel regression approach. They further showed a negative correlation between market value and shareholder activism. Pineiro-Chonsa et al. (2018) contributed to the discourse on shareholder activism and market value by showing that different forms of activism, in their case voting rights, had a negative correlation with market value. This study, therefore, sought to replicate such findings from a Kenyan context using block holder activism.

Barros et al. (2021) assessed the effect of shareholder activism on the performance of firms in the US. They were buoyed by emerging concerns on whether shareholder activism had the potential for improved performance. Data for the period 2000-2019 were collected from US firms affiliated with the corporate Governance Market overview. Using a fixed-effects econometric model, Barros et al (2021) demonstrated that shareholder activism positively affected firms profitability. However, in the event that profitability and market value are different concepts and that results reported in the US context cannot necessarily reflect the Kenyan situation, this study examined shareholder activism and market value in the Kenyan context.

In another study on shareholder activism, DesJardine and Durand (2020) sought to disentangle the impacts of hedge fund activism on the financial performance of firms. They targeted 1,324 hedge fund activists for the period 2000 – 2016. Among their findings were; hedge fund activism had a trade-off association reflected in increased market value on one hand and profitability on the other. Therefore, DesJardine and Durand (2020) added knowledge concerning hedge fund activism to the general discourse on shareholder activism. Their study was, however, not explicit about the study context. This study was, therefore, an attempt to replicate the findings in the Kenyan context.

2.3.2 Dividend Policy and Shareholder Activism

Dividend policy has been defined in contemporary research as a document that outlines rules and norms that should govern the profit to be paid out to shareholders (Nambukara-Gamage, & Peries, 2020). It is posited that as a guideline for dividend distribution, provided by the board of management, dividend policy sets the parameters to be used in awarding equity shareholders with returns on capital invested (Yaseen, 2018). Wau (2021), after examining dividend policy and firm performance in the context of mining companies; states that a dividend is a reward that shareholders get for investing in a firm. The argument advanced by Wau (2021) is that in the event of a company making profits, various stakeholders need to get a share of the profits to remain committed to the company. However, by virtue of investing highly in the company, equity shareholders are usually prioritized due to the risk they face (Wau, 2021).

Huang and Paul (2017), after an assessment of the role of dividend policy in institutional holdings and investment opportunities, points out that dividend policy is perceived in most companies as a facet of the corporate strategy. Huang and Paul (2017) contend that dividend payment timing and amount are left to the management's decision. However, they delineate three types of dividend policies that are often employed in various companies.

The first dividend policy delineated is the stable dividend policy. According to Benlemlih (2019), the stable dividend policy aims at achieving a predictable and steady annual dividend payment irrespective of increase or decrease in earnings. In essence, through a stable dividend policy, the shareholder is sure of the amount and timing of the dividend due to them. Critics of the stable dividend policy argue that it does not guarantee investors an increase in dividends during boom years; and, therefore advocates for the constant dividend policy approach (Gruevski & Gaber, 2020; Turakpe & Fiiwe, 2017). They argue that under the constant dividend policy, investors are exposed to the company's total volatility in earnings by being paid an annual dividend computed as a percentage of the whole company's profits.

Nevertheless, this approach is faulted for its sensitivity to dividend income volatility (Almanaseer, 2019; Chen, Hellmann & Mithani, 2020). Therefore, the third dividend policy delineated is the residual dividend policy (Huang & Paul, 2017). Although this is deemed as highly volatile, some investors see it acceptable (Abdullah, Parvez & Tooheen, 2017; Baker, Kilincarslan & Arsal, 2018). Under the residual dividend policy approach, a dividend is paid on the excess of profits after capital expenditure and working capital have been paid.

According to Pucheta-Martineza and Lopez-Amora (2017), there is a significance and positive relationship between shareholders and dividend payment. Shareholder activism in this case was measured by foreign and institutional directors sitting on boards. Such shareholders were found to be pressure sensitive. They influenced improvement in performance through demand of good corporate governance and management of internal control systems to enhance financial performance. The findings of Kilincarslan and Ozdemir (2018) carried in UK firms on the relationship between shareholder activism and market value showed that shareholder activism had a negative and significant relationship between shareholder activism and market value.

Bourveau and Schoenfeld (2017) carried out a study on shareholder activism and earnings. The findings showed that shareholder activism leads to a positive price reaction and consequently high share earnings which eventually leads to improved market value. In this case it was established that shareholder activism exerted a lot of pressure on management which forces them to adopt influential shareholder’s proposals.

A study carried out by Gonzalez et al. (2017) on the relationship between largest shareholders and dividend payout posited that largest shareholders influenced decrease in dividends payout. This implied that block shareholders are counter productive to the financial performance of firms leading to lower divided payout. These results were supported by the results of Lopez-Iturriaga and Santana-Martin (2015). They found out that dominant shareholder activities lead to less dividend payout because they are attracted by wealth maximization instead of revenue payments. They prefer capitalization of retained earnings instead of dividend payout. They therefore don’t advocate for dividend policy which encourages dividend payment. However, this study didn’t specifically explain what dormant shareholder entail and how it is measured as evidenced in the currently study.

Barros et al.(2021) used a mixed-method design to explore whether shareholder activism influences the dividend policy. Their study was based on the understanding that shareholder activism has been associated with management decisions. The study by Barros et al. (2021) was conducted in the US context on firms that have experienced activism for the period 2000 to 2017. They combined a qualitative approach and a quantitative econometric one to show that shareholder activism positively influenced decisions to pay dividends in the surveyed firms. The study by Barros et al. (2021) is a recent initiative to contribute to the discourse on shareholder activism’s increasing influence on firms' management. However, Barros et al. (2021)

failed to account for factors such as CSR disclosure that may impact dividend payout. Besides, activism in the US context may differ from activism in developing countries like Kenya. Therefore, this study used the Kenyan context to explore shareholder influence in dividend policy decisions while considering the impacts of CSR disclosure.

Kuhlmann (2017) and Musango (2016) shows that shareholder activism has voting powers which influence the amount of dividends to be paid out. Shareholder activism in this case leads to high dividend payouts. Barros (2021) investigated influence of shareholder activism on dividend policy in Kenya and found out that shareholder activism positively impacts on dividend policy. The study used mixed design methods. The current study bridges the gap by incorporating CSRD.

Saez and Gutierrez (2015) examined the influence of shareholder activism on dividend policy from a controlling shareholder perspective. They used a review of the literature approach to determine that firms with controlling shareholders experienced lower dividend payout ratios. The findings by Saez and Guherrez (2015) were testimony that shareholder activism by controlling shareholders negatively impacts dividend payout. However, a review of the literature may not be exhaustive in showing a causal relationship. Therefore, this study used a causal approach of block holder activism which is relatively controlling shareholder activism, to determine the effect on dividend policy.

A study by Saez and Gutierrez (2015) showed that shareholder activism affected dividend policy negatively. The study used three block shareholders index as proxy to shareholder activism. The study posited that shareholder activism affected divided policy positively. Driver et al., (2020) used investor pressure to establish the relationship between shareholder activism and divided policy. They found out that board equity positively affected the dividend policy of listed firms. Equity holders have voting rights and therefore participates in making important decisions during the annual general meeting which includes dividend policies among many others.

Lopez-Iturriaga and Santana – Martin (2015) analyzed the impact of shareholder activism on dividend policy from a coalition perspective. The study context was Spanish non-financial firms. Panel data for the period 2003 – 2009 were collected from 107 firms. Dividend policy was measured using payout, while dominant ownership was main tested in voting rights. They demonstrated that the payment of dividends was reduced by shareholder activism through coalitions. The study by Lopez-Iturriaga and Santana –Martin (2015) added to the existing literature by showing that voting rights in the hands of coalitions of shareholders reduce the capacity to pay dividends. However, the Spanish context being different from the Kenyan one, it was necessary to replicate the findings from a Kenyan perspective.

Driver, Grosman, and Scaramozzino (2020) used the investor pressure perspective to analyze the influence of shareholder activism on dividend policy. They conducted a meta-analysis of UK firms based on dividend decisions. Among their key findings were; takeover threats led to an increase of dividends across firms; higher payout was a function of higher board equity, and short-term trading positively affected dividends. Although meta-analyses provide an excellent analysis framework, the data used is sometimes not real-time. Besides, most of them employ effect sizes from previous studies as opposed to actual data. This study sought to use the ex-post-factor design with data collected in real-time.

Drerup (2014) examined the impacts of shareholder activism on dividend policy, among other factors, by assessing the long-term effects of hedge fund activism in the German context. In the study, Drerup (2014) used investments in the period 1999 – 2010 to show that hedge fund activism had a significant impact on characteristics such as dividend policy. However, data for the period 1999 – 2010 may not reflect the current market conditions. Additionally, findings in the German context may not reflect hedge fund activism in the Kenyan context. Therefore this study used data for the period 2008 – 2017 to analyze the effect of shareholder activism on dividend policy on listed firms in Kenya context.

Kabi (2015) argued that institutional investors maintain cardinal and strong say towards the type of dividends to be paid. It proposes that their views through proposals must be taken into account to enable good governance and minimal conflicts. While Abor and Fiador (2014) studying on the effects of board composition as dictated by shareholder activism and dividend policy in Kenya and Ghana. The study posited that shareholder activism affects dividend payout. Mead, (2016) conducted a research on shareholder activism and dividend policy and established that shareholders have a strong influence on the amount of dividends to be declared. They therefore affect the dividend policy of the firm. This study did not specifically study the relationship between three block shareholdings as a proxy to shareholder activism as evidenced in this study.

Maffett, Nakhmurina, and Skinner (2020) examined the consequences of shareholder activism from a cross-border activism perspective. They were motivated by the global nature of shareholder activism. They used 7,000 activist shareholder campaigns spread across 56 countries to show that investor activism leads to higher payouts, among other consequences. The findings by Maffett et al. (2020) add to the array of shareholder activism in firms, including cross-border activism. Their study was, however, not explicit on firms under investigation. Therefore, this study used firms listed at the NSE to analyze shareholder activism and dividend policy in corporations in Kenya.

Pucheta – Martineza and Lopez – Zamora (2017) analyzed the impacts of shareholder activism on dividend policy from a board composition perspective. They determined that foreign and institutional directors sitting on boards positively impact dividend policy by mitigating agency costs. They further established that such directors were pressure-sensitive. Therefore, this study sought to examine the impact of block holder shareholders' pressure on dividend policy decisions.

Kilincarslan and Ozdemir (2018) conducted an empirical study to examine shareholder activism and dividend policy in UK firms from an investment horizon perspective. They employed panel data for the period 2000–2010 drawn from non-financial firms. By using the churn rate of overall stock to measure investment horizons, Kilincarslan and Ozdemir (2018) determined that churn rate had a negative relationship with dividend payments, giving room for divergent dividend policy proxies. The study period (2000-2010) and UK context provided an avenue for further interrogation of the relationship between dividend policy and shareholder activism. Therefore, this study was conducted for the period 2008 to 2017 in the Kenyan context to reflect recent activism impacts on dividend policy across listed firms.

Maffett et al., (2020) examined the impact of shareholder activism and divided payout. They found that shareholder activism resulted to high dividend payout. They found out that shareholder campaigns across 56 countries forced the company executives to make high divided payout so as to maintain good relationship with shareholders and to influence renewal of their contracts.

Other studies that have previously explored shareholder activism and dividend policy have also reported contrasting findings. One strand of studies has reported positive impacts of shareholder activism on dividend policy (Adjaond & Ben-Armar, 2010). Another strand has reported negative effects (Bena & Hanonsek, 2005; Mead, 2016; Guzan, 2014). Yet, another strand has found insignificant impacts (Albouy & Schatt, 2010). Such inconclusive findings motivated this study so as to interrogate the relationship between shareholder activism and dividend policy from a Kenyan Listed firm's context.

2.3.3 Market and Value Dividend Policy

De Wet and Mpenda (2013), examined dividend policy and market value. The results showed that dividend policy affects, market value albeit negatively. Shareholder prefer to retain high earnings and plough them back into business in terms of bonus shares or accumulation of capital. A study carried out by Singh and Tandoh (2019) established that dividend policy influences a positive change in market value however this entirely depended on the type of shareholders. Retired and small shareholders require cash dividends as opposed to large and institutional shareholders who are inclined to demand increase in shareholder's wealth.

Memon, Channa and Khoso (2017) did a study at Pakistan context which showed that dividends affect significantly the market price of listed firms. Lower dividend payout increases retained earnings or profits which are later capitalized into shares hence increasing the firm value. Sadi'ah, (2018) established that dividend policy had insignificant negative effects on market value. This was as a result of profits after tax are consumed by dividend payout reducing retained earnings which are used to recoup assets to increase market value.

Setiawaty et al. (2018) while investigating the relationship between dividend policy and market value found out that dividend policy impacted negatively on the market value. A study carried out by Khadija et al., (2017) at Pakistan security exchange on the relationship between dividend policy and market value found out that dividend policy impacted positively and significantly on firm performance and wealth of shareholders. The study utilized ordinary linear regression (OLS) approach which however did not test for robustness.

Munawaz (2008), on the other hands using fixed effects model to examine the effects of dividend policy on market value established that dividend policy had a positive but insignificant impact on market value. The study was carried out at Indonesian stock exchange concentrating on firms from one sector. May be a study across sectors will bring different results.

Kanakriyah (2020), carried out a study at Amman securities markets more specifically on industrial and service sector. The findings showed that dividend policy strongly affected firm’s financial performance. It used dividend yield and dividend payout as proxies for Dividend policy. Lunapow and Tumiwa (2017) carried out a study on the relationship between dividend policy and market value on firms listed at the Indonesian stock exchange. It reported negative and significance effects. These results were supported by the findings of Bundagaga (2020) who carried out in the context of banks in Middle East and Northern America (Mema).

Bezawada and Tati (2017) carrying out a study on electrical equipment manufacturing industry to show that dividend policy had negative and non-linear effects on market value. According to Sukwawardini and Ardiansati (2018) dividend policy had a significant contribution to the market value of manufacturing firms in Indonesian security exchange.

Ubesia and Emujulu (2020) did a study in Nigeria firms and posited that dividend policy had a positive effect on financial performance. This was supported by a study carried out by Roman (2015) who used panel data drawn from commercial and Islamic banks listed on Jordanian Amman stock exchange. Farruk et al., (2017) findings showed that dividend policy positively and significantly influenced firm performance. It contributed to increase in wealth creation and profit levels which in turn influenced the market value. Chaabouni (2017) investigated the relationship between dividend policy and market value at the financial markets of Saudi Arabian firms. The results showed that dividend policy determines the share price value which is a proxy to market value. When dividends are declared they attract more investors hence increase in demand for shares and consequently increase in share prices.

Duy, Mai, and Dung (2019) used volatility in the share price as a proxy of market value in examining dividend policy and market value. They reported a negative correlation between the dividend payout ratio and share price volatility. Their findings shed light and supported other scholar's views that capital gains were the antecedents to optimal dividend policy (Sadi’ah, 2018; Gunawan et al., 2018; Setiawaty et al., 2018). However, their study was conducted in the Hong Kong stock exchange context, opening room for replication of the study in other contexts. Therefore this study used the Kenyan bourse to try and replicate the findings.

Duy et al., (2019) reported negative correlation between the dividend policy and market value at the Hong Kiong stock exchange. The study used share price volatility as an indicator of market value where as the current study uses capital employed and value of fixed assets as proxy for market value. Hong Kong is a newly industrialized economy while Kenya is a developing economy. Anggeriani et al., (2018) carried out a study on the relationship of dividend policy and market value of Indonesian securities exchange open mining firms. It was established that dividend policy had negative and insignificant effect of market value. This findings however were not supported by studies carried by Gunawan et al. (2018) whose results showed that dividend policy had a positive and significant effect on the market value. Through dividend payment firms attracted many investors hence increasing share capital and attracting high creditability rating. This increased the value of share capital and debts. Consequently the market value increased.

Anggeriani, Khaira, and Amlys (2018) used the Indonesian securities exchange to analyze open mining firms' dividend policy and market value. They determined that dividend policy correlated negatively (r=-1.58) but not significantly with market value. These findings by Anggeriani et al. (2018) contradicted findings by Gunawan et al. (2018), who had reported positive impacts of dividend policy on market value; and earlier findings by Memon, Channa, and Khoso (2017) from the Pakistan context showing that dividend policy measured through dividend payout and dividend yield impacted significantly on stock market price. Meanwhile, the findings by Anggeriani et al. (2018) failed to strengthen other findings, which had reported insignificant negative effects (Sadi’ah, 2018; Setiawaty et al., 2018).

The findings of Naz and Siddiqui (2020) investigated the relationship between dividend policy and on market value. Dividend policy was measured using dividend yield and dividend payout. The study found out that dividend policy positively affected price volatility of shares. However these findings were contradicted by Panchal (2018) who established that dividend policy did not significantly affect market performance. This study targeted Fifty (50) firms. The finding by Kadini et al., (2020) posited that dividend policy had positive and non significant effect of market value. Ofori-Sasu et al., (2020) carried out a study in Ghana on the effect of dividend policy on market value. Dividend policy was measured using dividend per share while shareholder value was used as a proxy for market value. The results showed that dividend policy had a positive and significant effect on market value. However, this study pooled OLS model and ignored the firm specific and time related effects. Moreover, using shareholder value as a proxy to market value does not adequately reflect the realistic financial performance.

Khadiga et al. (2017) used the Pakistan context to examine how dividend policy impacted firm performance and shareholder wealth. Using regression analysis, Khadija et al. (2017) determined that dividend policy positively and significantly impacted firm performance and shareholder wealth. This study used three theories: a bird in the hand, clientele effect, and relevance theories. Through the results, Khadija et al. (2017) advocates the need for a dividend policy that is stable, effective, well managed and target-oriented.

Munawar (2018) used Plantation firms drawn from the Indonesian Stock Exchange (IDX) to analyze the effect of dividend policy on market value, among other variables. Using a fixed-effects model, Munawar (2018) established that the dividend payout ratio used to measure dividend policy had a positive but non-significant effect on market value. The positive nature of Munawar's findings contradicts Anggeriani et al. (2018), which indicated a negative correlation between dividend policy and market value in the same context. Such inconsistent findings could perhaps be explained by the approach of analysis used. Therefore this study used panel regression analysis that first sought to use the Hausman test to identify the proper model.

Kanakriyah (2020) employed the Amman securities markets and the industrial and service sector context to probe the effect of dividend policy on financial performance. The study used panel data for the period 2015 to 2019 drawn from 92 companies listed on the stock exchange. Data were retrieved from annual reports of the companies under investigation. Dividend policy was measured using dividend payout ratio and dividend yield. Using panel data analysis, Kanakriyah (2020) determined that both dividend yield and dividend payout ratio related strongly to financial performance. Both studies indicated positive and significant impacts on financial performance consistently over the years. Although financial performance is a facet of market value. Tobin's Q has proved to be effective measure of market value. This study used Tobin's Q to measure market value in probing the effect of dividend policy on market value.

Naz and Siddiqui (2020) explored share price volatility as a dividend policy function at Karachi stock exchange. Panel data for the period 2010 – 2019 was collected from the Karachi exchange. Dividend policy was measured using dividend payout and dividend yield as proxies. Using regression analysis, Naz and Siddiqui (2020) confirmed that dividend policy measured via dividend payout and dividend yield positively affected price volatility. These findings contradicted the results by Duy et al. (2019), who reported a negative relationship between dividend payout and share price volatility, albeit from the Hong Kong context. Such contradictory findings imply that the study context could have different impacts on outcomes of dividend policy and market value studies. The current study was conducted in the Kenyan context.

Panchal (2018) used selected sectors from the Indian context to analyze how dividend policy impacts companies' market performance. The study targeted the fifty (50) firms for short-term analysis and the banking sector for long-term analysis. Panchal (2018) reported that despite the critical nature of dividend policy, it did not significantly impact market performance. These findings were consistent with some that have shown non-significant impacts (Anggeriani et al., Munawar, 2018). However, they also contradicted others that reported significant impacts (Kanakriyah 2020; Khadija et al., 2017; Naz & Siddiqui, 2020). These contradicting findings were the basis of examining dividend policy and market value from the Kenyan context.

Kadim, Sunardi, and Husain (2020) analyzed market value using dividend policy, among other factors. They focused on the automotive sub-sector firms listed at the Indonesian stock exchange. Data was collected for the period 2010 – 2019. Using the Sobel test and path analysis, Kadim et al. (2020) determined that dividend policy was a significant predictor of market value. This finding was contrary to the findings by Munawar (2018), who used the same stock exchange to find positive but non-significant impacts. Such contraction warranted further interrogation of the link between dividend policy and market value.

Ofori–Sasu, Abor, and Osei (2017) used the Ghanaian context to analyze the effect of dividend policy on market value using shareholder value as a proxy. Data from annual reports were gathered from companies trading on the stock exchange of Ghana for the period 2009 to 2014. Dividend policy was measured using dividends per share. Using the pooled Ordinary Least Squares (OLS) panel regression, Ofori-Sasu et al. (2017) determined that dividend policy was a significant and robust predictor of shareholder value. Despite shareholder value being a proxy for market value, it may not reflect market value. Moreover, the Ghananian context differs from the Kenyan one. Therefore this study focused specifically on market value from the Kenya stock exchange perspective.

The contradictory findings among scholars regarding dividend policy impacts on market value have also been reflected in the many other studies probing the relationship. Althouth, a very large body of research has reported positive impacts between the two constructs (Aderiran & Alade, 2013; Anandasayaman & Thirunavukharosu, 2016; Asem & Tian, 2016; Asghar et al., 2011; Brahmaia & Ravi, 2017; Chabouni, 2017; Duy et al., 2019; Fenadar & Raharja, 2012; Febriana & Djawahir, 2016; Gabriel & Loan, 2016; Gunawan et al. 2018; Hidayah & Widiawati, 2016; Khadya et al. 2017; Khan et al., 2012; Mokaya, Nyangara & James, 2013; Mokaya, Nyangara & Tintira, 2013; Putra & Lestari, 2016; Paminto et al. 2016; Shah & Mehta, 2016; Swarnalathat & Babu, 2017; Tanuwijaya & Freddy 2014; Teja et al., 2016; Widyastuti, 2016); another equally large body of literature has reported negative impacts (Anggerriani et al., 2018; Hassan et al., 2015; Osamwonyi & Lola – Ebueku, 2016); while another body of research finds no significant impacts (Sadi’ah, 2018; Memon, Channa & Khoso, 2017; Setiewaty et al. 2018; Wijaya et al. 2013). The contradictory findings reported previously necessitated the logic of reciprocating the conclusions from a Kenyan context.

2.3.4 The Mediating effect of Dividend Policy on the Relationship between Shareholder activism and Market value

Hussein et al., (2020) did a study on the mediation effect of dividend policy on the relationship between shareholder activism and market value on firms drawn from the automotive and components firms. It was established that dividend policy did not mediate the relationship between shareholder activism and market value. Guizani, (2018), showed that dividend policy mediates between capital structure and financial performance of firms. The capital structures informs the shareholder activism. However this study did not investigate the shareholder activism on market value in developing economies as done by the current study.

Massantika Dewi and Abundaniti (2020) findings showed that dividend policy significantly mediates the relationship between profitability and market value of firms at Indonesian stock exchange. It was argued that dividend policy shapes the profits to be retained. Retained profits are further used to accumulate and form capital. The value of Assets and share capital are cardinal factors which influence market value.

Ofori-Sasu, Abor and Quaye (2019) results showed that board composition mediated the link between shareholder activism and market value. This confirms that shareholder activism should mediate to bring out good results. The board structure in terms of gender or colour influenced shareholder activism differently. Maybe dividend policy if incorporated will influence the relationship between dividend policy and market value. The purpose of this study is to bridge that gap. Handoyani et al., (2018) posited that dividend policy mediated the effect of institutional ownership on company value. This result confirms that the proportion of share ownership is greatly mediated by dividend policy to create an impact on the firm financial performance.

Ridhani, Yahya and Daulay (2020) posited that dividend policy did not mediate the relationship between shareholder activism and profitability. The study concentrated on property and real estate firms in the Indonesia stock exchange. Mansourfar, Didac and Sadigh (2017) carrying out a study on the mediating effect of dividend policy on the relationship between quality of corporate governance as informative income. The findings showed that dividend policy mediated the link between corporate governance and financial performance. The current study goes a step further to single out the three largest shareholders as proxies to shareholder activism and dividend yield as a proxy to dividend policy and their effect on market value.

2.3.5 Moderating Potential of CSR disclosure on the link between dividend policy and market value

Homan (2019) examined the potential for CSR disclosure to impact Earning Response Coefficient (ERC) directly. Homan's study was motivated by the need for effective corporate governance after the events leading to the financial crisis in East Asia, which occurred in 1997, and the corporate scandals witnessed in Malaysia involving Malaysia finance, industries connected with technology resources, Malaysia airline, and perwaja steel. Homan (2019) determined that CSR disclosure correlated positively with ERC such that an increase in CSR disclosure led to the rise in ERC and vice versa.

Mohamed et al. (2016) used the Islamic bank's context in the Gulf Corporation Council (GCC), to explore the impact of CSR disclosure on financial performance. From the analysis, Mohammed et al. (2016) confirmed that financial performance in the context of Islamic banks was a function of CSR disclosure. Wu, et al. (2021) corroborated these findings, who used the Islamic financial institution's context to demonstrate that CSR disclosure related positively and significantly with financial performance. The findings also reinforced the findings of Mwamburi (2017), who used firms listed on the Kenyan bourse to show that CSR announcements elicited abnormal cumulative returns.

Studies examining CSR disclosure and dividend policy have also shown contradictory findings. Although some studies have reported negative impacts, most studies have reported positive impacts (Wu, et al. 2021; Homan, 2019; Mohammed et al., 2016, Mwamburi, 2017). However, it was clear that the existing studies on CSR disclosure and dividend policy were insufficient for conclusive findings. Therefore this study was conducted to add to existing discourse and knowledge.

2.3.6 Moderating Potential of CSR Disclosure on the link between shareholder activism and market value

Wirawan et al., (2020) carried out a study on the moderating effect of risk management on the relationship between corporate social responsibility and firm value. They established that while moderating the relationship between corporate social responsibility and firm value risk management impacted positively, however the effect was not maximized. This study measured market value using Tobins ‘Q’. This means that corporate social responsibility disclosure did not only impact on market value and moderate its relationship with other variables. It was therefore prudent to investigate moderation effect of CSRD on shareholder activism and market value. This is because CSRD has become a common phenomenon on corporate governance and consumes a lot of its operational costs.

A study conducted by Michelon et al., (2020) on the moderation effect of CSRD on the relationship shareholder activism on profitability concerned without previous scholars that CSRD actually moderates positively the relationship between shareholder activism and profitability. It was necessary therefore to explore the possibility of its moderation on the market value. This will enable policy makers in firms to ascertain its important and design appropriate strategies to incorporate it in its operations.

Bhandari and Arora (2017) employed the Indian corporate context to determine the impact of shareholder activism on governance quality. The block holder activism involving the three principal shareholders was used to measure shareholder activism. They determined that shareholder activism impacted positively on corporate governance quality. Bhandari and Arora (2017) strengthened the notion that prudent employment of the six CSR disclosure indices, including adherence to mission and vision, churning out quality services and products, showing commitment to employees, society, and to charity and benevolent was pre-requisite for improved corporate governance (Platonova et al., 2018).

According to Michelon, Rodrigue and Trevisan (2020) who investigated on shareholder activism and CSRD while using marketization as a moderator established that CSRD influenced change in corporate performance. However, this study was not clear on moderation effects. It was clumsy on the relationship and fizzled out on the outcome without mentioning the effect of interactions.

Giovanni, Francesca, and Maria (2015) used the Italian Stock Exchange context to analyze CSR's impact on firms' stock prices at the exchange. They established that prudent performance in the social component of CSR had a negative impact on the stock prices of the firms. Giovanni et al. (2015) demonstrated that the effect was higher when environmental strategies were leveraged. They, however, determined that investors in the Italian context perceived strategies focusing on social performance as unnecessary and only used to lower shareholders' income. These feelings among shareholders were rather hard to comprehend, given that evidence has shown that CSR disclosure impacts the financial performance of Islamic banks positively (Mallin et al., 2014). Italian investors should have been expected to approve CSR endeavours.

Market trend analysis is also deemed as a function of company news and announcements that are put in the public domain (Gordon, 2014). Gordon (2014) argues that the nature of the information in terms of being bad or good influences stocks either negatively or positively. According to Gordon (2014), the position of stocks directly affects company layoffs, which, in turn, negatively impacts consumer trust in the organization's future. In such a scenario, Gordon advocates for positive CSR initiatives and undertakings. The argument posited here is that positive CSR manifests firm growth and potentially enhances stock performance.

However, in contexts where CSR is detested, a negative impact on investor growth can be reported. For example, a study examining the role of block holder activism on short-term profitability demonstrated that CSR policies related negatively with the performance following the perception among shareholders that CSR initiatives attracted expenses that could easily be avoided and eat into company profits (Al-Waeli et al. (2020). In yet another study, CSR disclosure was found to impact positively and significantly on the performance and reputation of corporate in the context of Gulf Islamic banks (Platonova et al. 2018). Platanova et al., (2016) who examined the various factors informing CSRD established that closing the right elements will enable CSRD to impact positively on company outcomes. CSRD therefore moderates the relationship between variables as long as the right CSRD elements are selected. This entirely depends on the economy and characteristics of firms in question.

The conflict between managers and owners necessitated the stakeholder theory that sought to ascertain favourable shareholder returns. According to Worokinasih & Zaini (2020), stakeholder theory advocates for close attention to the business environment in order to maximize shareholder returns. Worokinasih & Zaini (2020) contends that company survival is dependent on stakeholder support which thrives in an enabling environment. Worokinasih & Zaini (2020) share that investors are held back by a poor business environment that informs poor social performance. Under such circumstances, stock prices experience a decline leading to a reduced market value of the company. Puteri et al., (2018) concur with views supporting a favourable environment by positing that social reporting offers competitive strategic functions. They argue that CSR disclosure provides information that can be leveraged to increase market value. In this way, CSR disclosure proves to be a potent competitive tool for the concerned company. According to Puteri et al., (2018), research has shown that social and environmental performance positively impacts investor proactivity, leading to stock price increase and enhancing the market value of companies.

The primary aim of business is regarded as the ability to satisfy shareholders' and other stakeholders' needs directly or indirectly (Carini et al. 2017). Consequently, successful companies seek to harmonize market value and stakeholder satisfaction through careful production processes. Although ideal companies are gauged on the premise of their fundamental production processes, corporate social responsibility performance is also a key indicator of outstanding companies (Mayndarto & Murwaningsari, 2021). According to Nurhayati & Kurniati (2019), CSR disclosure measures such as social, environmental, and a combination of the two prove a favourable environment for a shareholder to risk investment. Salehi et al. (2017), had hitherto posited that CSR disclosure enables reputation enhancement, social audit, improved processes for social performance, and enhanced explicit values and social principles within the management.

Empirical evidence has further shown that firms that leverage CSR initiatives tend to maximize returns for their stakeholders in terms of: increased reputation and image (Zerbini, 2017), increased financial gains arising from superior benefits that accrue from CSR practices compared to related costs (Sardanelli et al. 2021), and decline in cost of debt (Hamrouni et al. (2019). Previous studies focusing on CSR disclosure and firms' financial performance have demonstrated the positive impact of CSR disclosure on financial performance across firms (Platonova et al. 2018; Ellili & Nobanee, 2022; Makini et al., 2018). Besides, CSR disclosure is reflected in annual reports to document evidence of adherence to CSR expectations (Wu, et al., 2021). However, contradictory results have been reported regarding the direct effects of CSR disclosure on firms' financial performance (Beck, Frost, & Jones, 2018).

Like the previous sections the results of the previous studies on the relationship between corporate social responsibility disclosure and market value are mired in controversy as a result of mixed findings. Some studies have shown a significant positive relationship between CSRD and market value (Wirawan et al. 2020; Michelon et al. 2020; Bhandari and Arora, 2017; Platonova et al. 2018; Michelon, Rodrigue and Trevisan, 2020; Puteri et al., 2018; Makini *et al.* 2018; Beck, Frost, & Jones, 2018) whereas other studies show a significant negative relationship (Worokinasih & Zaini, 2020; Gordon 2014).

In general the previous studies have shown results which are confounding, puzzling and mired in controversy due to mixed findings. Further the moderated mediation effect has not been carried on the relationship between shareholder activism and market value providing a knowledge gap.

2.3.7 Control Variables (Firm Size and Growth of Sales)

The control variable in this study included firm size and growth in sales. These are viewed as characteristics of firms that are likely to influence the dependent variables of the study.

2.3.7.1 Growth in Sales and Market Value

Jung, Soenen & Ramezani (2017) Investigated growth, corporate profitability and shareholder value creation. Using multivariate analysis, the study shows that while these measures generally rise with earnings and sales growth, there exists an optimal point beyond which further growth destroys shareholder value and adversely impacts profitability. Moreover, the analysis shows that firms with moderate growth in earnings (sales) show the highest rates of return and value creation for their owners, supporting Al-Hussaini, (2019) warnings about the dangers of conforming to market pressures for growth.

Odalo, Njuguna and Achoki (2016) carried out a study relating sales growth and financial performance in agricultural firms listed in the Nairobi securities exchange in Kenya. A sales increment in each year was used as a measure of sales growth. The study affirms that sales growth has a positive and significant effect on financial performance measures ROA and ROE and negative and insignificant effect on EPS. From the study findings there is clear evidence to conclude that as the firm increases sales it leads to increase in financial performance as measured by ROA and ROE also increases.

Putri & Rahyuda, (2020) carried out a study on the effect of sales growth on the determinants of capital structure of listed companies. The results showed that during the study period, real assets, firm size, sales growth, operational risk and the effective tax rates are significantly associated with the ratio of total debt. The replacement of long-term debt rather than total debt, excluding variable size, has the same relationship. Among these factors, the real property, the strongest factor associated with debt ratios is low. Moeen et al. (2021) investigated the impact of sales tax on profitability and market value measures in actual and simulated industries. The results showed that sales and income growth have a positive impact on profitability. The results show that a significant proportion of the within-firm variation in inventory turnover is explained by changes in firm size, sales ratio and variables identified by GFR. In particular, inventory turnover of a firm is positively correlated with both size and sales ratio. Sinha & Verma, (2020) examines the effect of sales on perceived value of products and concluded that the volume of sales affect the perceived value as manifested in market dynamics. It is evident from the previous studies that sales value influences the characteristics of financial performance of companies.

2.3.7.2 Firm size and Financial Performance

Firm size is a determinant of firm performance and more likely to influence the relationship between shareholder activism and market value. Firm size affects dividend policy and profitability (Mead, 2016). Firm size is therefore expected to have a positive impact on shareholder activism and dividend policy (Kabi, 2015. Prior studies have used natural logarithm of total assets as a measure of firm size (Byoun *et al*., (2012); Gray and Nowland (2014) and Carter *et al.*, (2010). Consistent with previous studies, the current study will adopt the measures of natural logarithm of total assets as a measure of firm size. Jung, Soenen and Ramezani (2017) measured firm size using Logarithm of total assets.

Hosan and Saif (2021) while researching on the impact of firm size on profitability used multi-regression analysis to establish the difference between income and expenses. The study found out that the size of the firm which is measured by the value of non current assets, total man hours provided and different locations of serving centres affect the profit levels in Bangladesh institutions which receive deposits and lends further to those in need. Apparently firm size affects the financial performance of firms and the market value of the firms. This study therefore had to hold it constant as it establishes the relationship between other variables.

While studying effects of firm size on the performance of private firms Hung, Vinh and Thai (2021) used panel data (2009 – 2018). They utilized leased square regression model (OLS) to show the effects of firm size on performance. The findings showed that total non current assets are the main variable affecting performance of Vietnamase private firms. This was followed by manpower or the main hours provided and the increase in the scale of production, asset base and market diversification. This necessitated the inclusion of firm size as a control variable since studies have shown it affects performance as a whole to establish if it affects market value.

The relationship between firm size and performance of agricultural firms was investigated by Valeiras et. al., (2016) by studying the effect of leverage in this relationship. Using panel data mined from 83 firms of agricultural sector showed that financial leverage affect firm size which inturn affect their financial performance. Apparently, borrowed capital can be used to acquire more non-current assets which enhance the size of the firms. Borrowed capital can be also be used to increase the scale of production which will necessitate the acquiring of more labour hence increase in the size of the firm. Consequently, the size as a whole will increase and this affects performance albeit negatively.

Meiryani et al., (2020) investigated the effect of firm size on corporate performance using multi-linear regression analysis techniques. Firm size was measured using logarithm of total assets. The results indicated that firm size had no significance effect on firm performance which was presented by the ratio of market to book value of total assets owned by the firm. It also showed that firm size does not affect firm's financial performance which was measured using the return on total assets. Financial performance was measured using return on assets. Return on assets was used because it indicated how much each value of the asset contributes to the profit levels of the firm. This funding attest to the notion that firm size has some percentage contribution to the performance of firms and therefore it must be factored or taken as control variable. Maybe it may affect the market value.

Firm size has attracted interest among researchers in the contemporary business. This motivated Hashmi, Ghafoor and Naz (2020) to carry out a study to establish the long term effect of various indicators of firm size. The study adopted proxies of total assets, total revenue, share capital and size of labour to measure firm size. The relationship between firm size and practices of corporate finance was then tested using data from five countries from different continets. These countries included Brazil, India, China, Russia and South Africa. The results showed that firm size using various proxies are related differently to practices of corporate finance. It is therefore apparent that different aspects of firm size affects financial performance of firms different researchers therefore must endeavour to understand the relationship of each proxy of firm size on the finance performance. Additionally, when testing the relatioinship of other variables firm size is key. Hausman test was therefore needed in deciding the random effects tests to address this control variable.

Wayongah, and Ochiengn (2019), conducted a study on firm size and financial performance of listed firms at NSE except financial firms. The results of this study showed that firm size affected performance by 0.0265 through making prudent capital appraisal decisions. The size of the firm informs the selection of investment projects as a result of capital muzzle. Capital appraisal results into viable projects with positive net present value. When the project's present value of future cash inflows are more than the present value of cash outflow the firms gains. This gain may be capitalized and be converted into non current assets which will increase the value of the firm. Economics of scale accrue when the firm has high value of Assets. It can provide enough collateral security to be used to secure debt finance. With enough sources of finance firms can be able to take advantage of opportunities arising leading to high profit margins hence performance (Wayongah, & Ochieng, 2019).

A longitudinal study conducted by Isik, Unal and Unal (2017) on quoted firms in Turkish security exchange found out that while holding other external factors constant the size of the firm had a positive influence on the profit levels of the firms. Isik et al., (2017), assumed that systematic and unsystematic risks, working capital level increase in opportunities, period of stay in business and other variable were constant. While this study measured firm size using total assets, volume of revenue and labour force it was evident that large firms had higher profit levels.

This was attributed to high level of stock turn over as a result of their capacity to mount aggressive sales promotion and obtain huge loans at subsidized interest rates. The operational costs per unit were therefore reduced hence high profit margins.

Since it is evidence from size influence profitability there is a likelihood that part of the changes of market value will be attributed to firm size hence need to.

Abeyrathna and Priyadarshana (2019) study results showed that total assets had no statistically significant relationship with profit levels. Total sales also didn't contribute to profits after and before tax. This result was confounding since other empirical results from the previous studies show otherwise. Sri Lanka is a developing economy with limited capital and money markets development. Such contradictions warranted further investigation on the control variable.

Using panel data of 513 German mechanical engineering companies and latent growth curve modeling, Eggert and Ulaga (2014) reported that if separation strategies of revenue or profit are adopted the level of growth of firms will increase. This is possible if after sales services one incorporated in these strategies. This warrants the choice of growth in revenue /sales as a constant.

Kumar and Ranjani, (2018), conducted a study on the effects of firm size on dividend behaviours on companies in the republic of India with an objective to find out the associations between corporate leverage (CL) and dividend policy of firms through firm size. Information was obtained from published reports of 73 firms. Using OLS method the study reported that firm size influence the dividend policy of firms selected.

The significance of this result was that firm size dictated the nature of dividend payment. It should be noted that dividend pay out may be inform of cash or bonus shares. In investigating the direct relationship between shareholder activism and dividend policy it is prudent to determine the portion of contribution of firm size.

2.4 Conceptual Model

This study used a conceptual framework that has been popularized by Andrew Hayes (2013). According to Hayes, moderated mediation can best be tested using model 15. Under this model the direct link and the mediated relationship are further moderated by an identified moderator. On the basis of this model shareholder activism is itemized as an independent variable measured by three main shareholders, dividend policy as a mediating variable measured through the ratio of dividends paid per share and market price per share, corporate social responsibility disclosure as a moderating variable measured by the number of points out of a maximum six and market value as dependent variable measured by Tobin's Q. Growth in sales and firm size were controlled for based on findings showing that these covariates independently impacts market value significantly (Al-Hussaini, 2019; Hirdinis, 2019; Wahyndi, 2020).

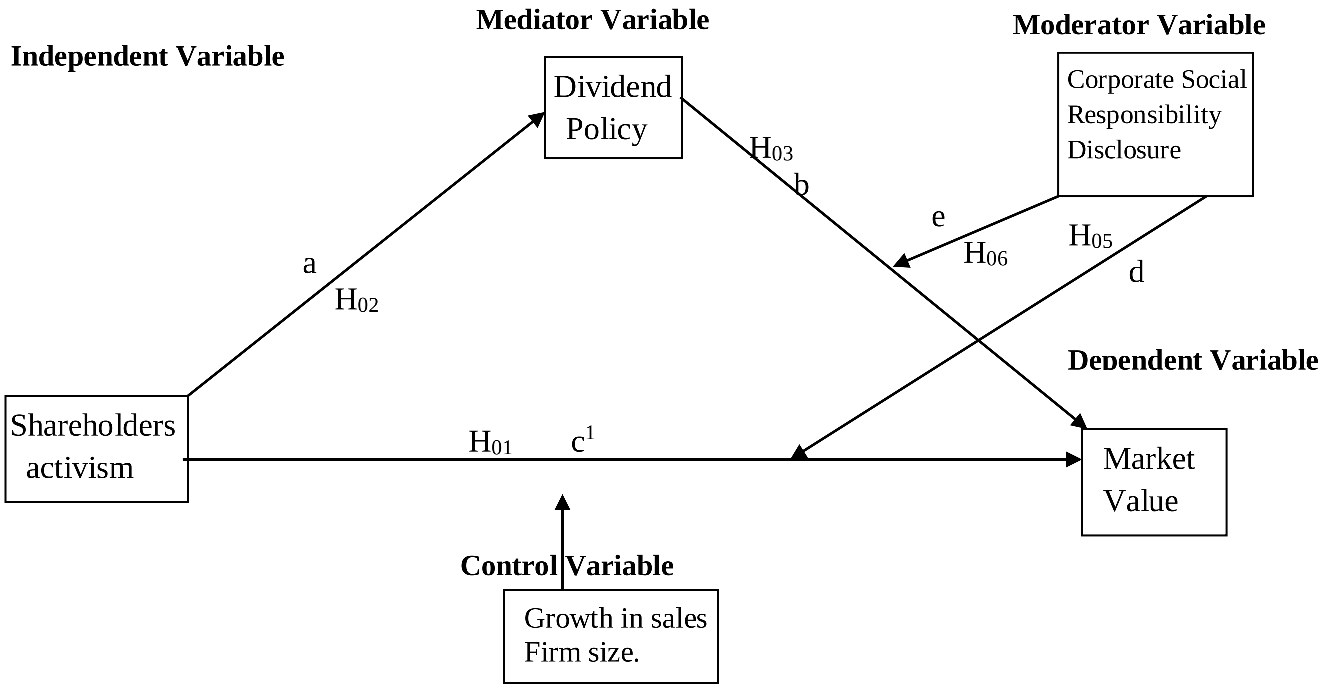


Figure 2.1: Model of Conceptual Framework
Source: Hayes, (2013)

Where;

a represents the direct effect of shareholder activism on dividend policy

b represents the direct effect of dividend policy on market value

c^1 represents the direct effect of shareholder activism and market value

d represents the conditional effect of Corporate Social Responsibility Disclosure on the relationship between shareholder activism and market value.

e represents the conditional effect of Corporate Social Responsibility Disclosure on the relationship between dividend policy and market value

2.5 Chapter Summary

This chapter discussed the salient aspects of research variables, shareholder activism, dividend policy, market value and corporate social responsibility disclosure. The chapter presented critical theories used in the study; Modigillian and Miller's Irrelevant dividend theory (M-M theory), Gorden's theory of relevance, stakeholder management theory and agency theory.

Although M-M theory claims that dividend does not increase the market value unless its recouped back as retained earnings. However, Gorden's relevance theory suggests that dividend policy affects the market value of the firm. Stakeholder management theory advocates for recognition of all stakeholders when making firm decisions. The agency theory focuses on managing conflict of interest of these stakeholders.

The empirical literature revealed mixed controversy as a result of mixed and conflicting findings. This study sought to fill the gap by introducing CSRD as a moderating variable and dividend policy as a mediating variable. It also introduced a different perspective of shareholder activism. The hypothesized relationship between shareholder activism and market value, shareholder activism and dividend policy, dividend policy and market value and CSRD, dividend policy and market value and CSRD on shareholder activism and market value has also been presented in this section using conceptual framework. The next chapter discusses the research philosophy, research design, target population, measurement of variables, model specification, diagnostic test and ethical issues.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter explains the methodology and procedure that was employed to test the hypothesis. It examines the underlying research philosophy, provides a discussion of the research setting, the research design, target population, inclusion and exclusion criteria, data collection instruments and procedure, and method of data analysis presentation and description of the variables.

3.1 Research Philosophy

A review of possible paradigms was made so as to select the ideal paradigm to base the study on. Kaushik & Walsh, (2019) define a paradigm as a worldview or a set of assumptions about how things work. They view paradigms as shared understanding of reality. According to Khaldi (2017), a paradigm connects and categorizes a variety of research techniques through underlying philosophical assumptions surrounding appropriate research process. The nature of knowledge is then assumed to be different within each paradigm. Having reviewed the potential paradigms, the researcher found the positivist philosophical assumptions which advocate for quantitative approaches to research to be more ideal for this study. Consequently, this study adopted the positivist philosophical paradigm.

Positivism seeks objective truth that is assumed to exist and tends to drive research towards quantitative approaches (Park et al. (2020). It is argued that, this paradigm advocates for organized methods to discover and confirm a set of probabilistic causal laws, that can be used to predict general patterns of human activity through precise empirical observations of individual behavior (Kamal, 2019). This study focused on establishing the conditional effect of CSRD on the indirect relationships between shareholder activism and market value via dividend policy of firms listed at the Nairobi Security Exchange. On this basis, it was prudent to argue that the study had elements of positivism, and therefore causal relationships were imperative.

3.2 Research Approach

The research approach for this study was the quantitative approach. The ontologic preposition in this approach was the true reality regarding shareholder activism and market value exists and is governed by cause-effect laws. Moreover this reality can be generalized to various contexts. Epistemologically, the researcher postulated that knowledge derived from this study could be described systematically owing to verifiable hypotheses.

Therefore, the quantitative approach under the positivist philosophy enabled use of empirical, structured and replicable methods. Study constructs were also quantified through measurements, and cause effect relationships were determined by manuplating variables.

3.3 Research Design

Consistent with the positivist school of thought, this study adopted an explanatory research design. Specifically, the study adopted the ex-post facto design which is after-the-fact research design suitable for testing hypotheses about cause-and-effect relationships such as was expected in this study (Hennink et al., 2020). It is a quasi – experimental design that uses preexisting groups to study facts that have already occurred. Suffice it to say, that this study used panel data that was already preexisting. Under this approach, the researcher collected and converted data into numerical form to facilitate statistical calculations and drawing of conclusions on the relationship between shareholder activism, corporate social responsibility disclosure, dividend policy and market value. The study had seven hypotheses. These were questions that the research wanted to address which include predictions about possible relationships between shareholder activism and market value, shareholder activism and dividend policy, dividend policy and market value, CSR disclosure and dividend policy and market value, CSR disclosure on shareholder activism and market value and CSR disclosure on the relationship between shareholder activism on market value through dividend policy for companies listed in Nairobi Securities Exchange. In order to find answers to these questions statistical analysis permitted the researchers to discover complex causal relationships and to determine to what extent shareholder activism influences dividend policy and market value of listed firms at NSE in Kenya.

3.4 Study Area

Nairobi Securities Exchange PLC, formerly Nairobi Securities Exchange Limited, is a principal securities exchange in Kenya that offers an automated platform for the listing and trading of multiple securities. It offers a trading facility for local and international investors and issuers looking to gain exposure to Kenya’s and Africa’s economic growth. The Company operates under the jurisdiction of the Capital Markets Authority of Kenya (CMA). Its segments include Cash equities and interest rate market, and Derivatives market. The Cash equities and interest rate market segment comprises the equities and bond trading business, which includes other income comprising broker back-office income, rental income, data fees and other incomes. The Company’s Derivatives market segment comprises of the futures trading business. It offers data products to a variety of domestic and international clients including data vendors, investment advisors, fund managers, and trading system developers (Livingstone & Ngugi, 2019).

Nairobi Security Exchange was initially a stock exchange market dealing in shares and stocks. It started in the 1920s when it was the British colonial Kenya Colony (1920−1963), a part of the British Empire. In 1954 the Nairobi Stock Exchange was then constituted as a voluntary association of stockbrokers registered under the Societies Act. Since Africans and Asians were not permitted to trade in securities, until after the attainment of independence in 1963, the business of dealing in shares was confined to the resident European community. At the dawn of independence, stock market activity slumped, due to uncertainty about the future of independent Kenya (Awendo, 2020).

In July 2011, the Nairobi Stock Exchange Limited, changed its name to the Nairobi Securities Exchange Limited. The change of name reflected the strategic plan of the Nairobi Securities Exchange to evolve into a full service securities exchange which supports trading, clearing and settlement of equities, debt, derivatives and other associated instruments. In September 2011 the Nairobi Securities Exchange converted from a company limited by guarantee to a company limited by shares and adopted a new Memorandum and Articles of Association reflecting the change. Currently Nairobi Security Exchange has 64 listed companies spread in twelve (12) sectors namely: Agricultural, Automobile and accessories, Commercial and services, Construction and allied, Energy and Petroleum, Insurance, Investments, Manufacturing and allied, Telecommunication and technology, Real estate investment trust, Exchange traded fund and Banking firms (Kipngetich, et al.,2021).

3.5 Target Population/Data

The study targeted 64 companies listed at the Nairobi Securities Exchange, and drawn from twelve (12) sectors. Choice of companies listed at the NSE was informed by the fact that these companies follow corporate governance codes and publish their reports annually. In this way, it was conceivable that data regarding the key constructs under study for the period between 2008 and 2017 would be readily available and are in public domain. These companies are classified in sectors as shown in table 3.1.

Table 3.1: Target Population

Sector of companies	Number	Percentage
Agricultural	7	11.11
Automobile & accessories	1	1.59
Commercial & services	11	17.19
Construction and allied	5	7.94
Energy & Petroleum	4	6.25
Insurance	6	9.52
Investments	6	9.52
Manufacturing & allied	9	14.28
Telecommunication & technology	1	1.59
Real estate investment trust	1	1.59
Exchange traded fund	1	1.59
Banking firms	12	18.75
Total	**64**	**100**

Source: NSE (2021)

3.6 Sampling Procedure

The NSE has 64 listed firms. A census survey was employed on all firms that made the inclusioni crieteria. The sampling frame was the list of companies contained in the NSE market fact file – 2021. The sampling units were the respective firms which were selected on the criterion that they must have been listed for the entire period of study 2008 to 2017. The study units were annual reports which are availed at the CMA library. The exclusion criterion was that firms had not been listed for the full period ranging from 2008 – 2017. Ten (10) firms fell in this category of exclusion.

Therefore, 54 firms were selected. The years 2008 – 2017 were selected because during this period, the global economy was calm and Kenya's economy was growing steadily to a growth rate of 6% between the years 2008-2017 (World Bank, 2017). However, after 2017, there was global recession and increase in political activities which would have been difficult to hold constant. During this period Kenya's economy was ranked 3rd largest economy in Sub-Saharan Africa after Nigeria and South Africa. For the subsequent years (2018-2022), there were extreme cases of economic instability and a result of shocks attributed to political temperatures, Covid-19 and Russia Ukraine War.

3.7 Measurements of Variables

Dependent and independent variables were measured using theoretical construct guiding the study. The variables measured included dependent variable; market value, independent variables; shareholder activism, mediation variable; dividend policy and moderated variable; CSRD. The variables are explained as indicated below.

3.7.1 Dependent Variable – Market value

Previous studies on market value used various indicators to measure market value of the firms. Tobins Q which is the ratio of the sum of market value of equity, preference shares and debt to total value of assets (Q = Market value of Equity +Preference shares+Debt) /Total Assets has for instance, been exhaustively used in a number of studies (Lucky & Onyinyechi, 2019; Brahmaia & Ravi, 2017; Memon, Channa & Khoso, 2017). Meanwhile some scholars have used share price volatility (SPV) as the preferred measure of market value (Duy, Mai, & Dung, 2019). In which case, SPV is given by:-

$$SPV = \sqrt{\frac{HP - LP}{\frac{(HP + LP)^2}{2}}}$$

Where;

Spv means share price volatility

HP means Highest price

LP means lowest price

Hadani, et al, (2018) used stock price response as a measure for market value. This study used Tobin's Q to measure market value. Choice of Tobin's Q in this case, was based on the understanding that, Market value of Equity, Preference shares, Debt and Total Assets in companies listed at the NSE is quite dynamic. Tobins Q has been identified as an ideal measure of market value due to the volatility of markets (Belderbos et al., 2021; Muchtar et al., 2018).

3.7.2 Independent Variable – Shareholder Activism

Previous studies have used different measurements for shareholder activism. Bhandari and Arora (2017) used three major shareholder indexes as measurements of shareholder activism. King and Bozos (2017) used Shareholder Response Index (SRI). Hadani, et al, (2018) used Percentage of institutional investors to equity ownership as measurement of shareholder activism. According to Denes et al. (2017), Shareholder activism was measured as a percentage of main stream institutional investors. Bhandari, Iliev and Kalodimos, (2021) used Proxy access as measurement for shareholder activism. Bhandari, Iliev and Kalodimos, (2021) measured shareholder activism by the number of institutional shareholder proposals.

According to Kuhlmann (2017) Shareholder activism was measured by block equity investors that hold at least 50 per cent of the companies. Guizani, (2017) measured it using percentage of institutional investors/ large shareholders. Fukuda (2020) measured shareholder activism by Institutional and foreign investors' percentage/index. However, Mead, (2016) measured shareholder activism by Non Institutional investors' index. Kabi, (2015) Shareholder activism was measured by percentage of long term institutional investors. This study used three block large shareholders index for shareholder activism. The firms listed at NSE have provided information of the three largest shareholders annually at their reports. It was prudent to adopt it. The block shareholders exert pressure on company executives to adopt certain policies and financial decisions.

3.7.3 Mediator Variable – Dividend Policy

Prior studies have used different measures of dividend policy Memon, Channa, and Khoso (2017) and Brahmaia, and Ravi, (2017) used dividend yield as an indicator for dividend policy. Dividend yield was obtained by dividing dividends per share by market price per share. Duy, Mai and Dung, (2019) used Dividend payout as a dummy variable for dividend policy. Dividend payout = DPS/EPS. Ahmad et al. (2018), used Dividend Yield (DY) = Dividend/market value Ratio (POR) = DPS/MPS x 100. According to Almeida & Pereira (2015) Dividend yield and Dividend payout were used to represent dividend policy.

Husain & Sunardi, (2020), measured dividend policy by Dividend yield and Dividend payout. Guizani, (2017) used dividend payment as a proxy for dividend policy. Dividend payout = DPS/EPS. Mead, (2016) measured divided policy using Cash and script issue index. This study adopted dividend yield as indicator of dividend policy.

Since the variables used to compute dividend yield were readily available at the published reports of firms listed at NSE.

3.7.4 Moderating Variable – Corporate Social Responsibility Disclosure

Previous studies on CSRD have used various measurements as proxies for CSRD. Homan, (2019) measured Corporate social responsibility disclosure by GRI 4 consisting of 91 standard items. Mohammed, Dixon, Asutay & Platonova (2018) measured using Ratio disclosure content points over a maximum score of 6 individual dimensions. Wu, et al. (2021) measured it CSRD using index based on 6 major dimensions i.e. mission, vision, product and service, commitment towards employees, commitments towards debtors, society, and benevolent. Ali et al. 2019; Ananzeh, 2022; Faisal, (2018) was measured using CSRD index of major CSR items/dimensions. This study used 6 major dimensions index:- List of firms at NSE disclosed these items and this is generally accepted items in corporate governance.

3.7.5 Control Variables

Various studies have used various measurements for firms size. Jung, Soenen and Ramezani (2017); Prasetyo, (2021); Park & Choi, (2019); Sanan, (2019) and Byun et al. (2018) used natural logarithm of total assets. Previous studies have measured size of sales using different measurements. Odalo, Njuguna and Achoki (2016) used sales increments in each year a measure of sales growth. Michelon, Rodrigue and Trevisan, (2020) used logarithm of sales revenue at the end of the fiscal year. In this study firm size was measured using change in natural logarithm of total assets while growth in sales was measured by sales increment in each year.

3.7.6 Measurement of Study Variables Summary

Table 3.2 Measurement of Study Variables Summary

Variables	Measurements	Formula	Notation
Independent variables • Shareholder activism (SA)	Value of three main shareholders or three block shareholders (Bhandari & Arora, 2017; Kuhlmann, 2017; Guizani, 2017; Fukuda, 2020; Kabi, 2015)	Three major shareholders capital value/total value of share capital	MSC/ TVSC
Mediating variable • Dividend policy (DP)	Dividend yield (Duy, Mai and Dung, 2019; Husain & Sunardi, 2020; Brahmaia & Ravi, 2017; Almeida & Pereira, 2015; Guizani, 2017).	Log of dividend per share divided by market price per share (fiscal year ending stock price).	$\mathrm{Lag}\left\{\frac{DPS}{MPS}\right\}$
Moderating variable • Corporate social responsibility disclosure (CSRD)	Disclosure index ratio of six dimensions recommended by Wu, et al. (2021); Homan, (2019) Ali et al. 2019; Ananzeh, 2022; Faisal, (2018) Mohammed, Dixon, Asutay & Platonova (2018); Homan (2019); Mohammed et al, (2018); Wu et al., (2021) namely: mission and vision statement, products and service commitment towards employees, commitments towards debtors, commitments towards society, commitments towards charity and benevolent funding.	Disclosure contents points/six	DCP/ 6
Dependent variable • Market value (MV)	Tobin's Q (Lucky & Onyinyechi, 2019; Brahmaia & Ravi, 2017; Memon, Channa & Khoso, 2017 Duy, Mai, & Dung, 2019; Hadani, et al, 2018; Belderbos et al., 2021; Muchtar et al., 2018)	Total current value of firm's capital and debt (equity+quasi equity+debt)/ Total asset value	TCVD/ TAV
Control variables • Firm size (FS) • growth in sales (GS)	• Value of total assets (Jung, Soenen and Ramezani 2017; Prasetyo, 2021; Park & Choi, 2019; Sanan, 2019 and Byun et al. 2018; Ramezani, 2017; Gray and Nowland 2014; Byoun et al., 2012 and Carter et al., 2010). Sales increment in each year (Odalo, Njuguna & Achoki, 2016; Elisabetta, 2015; Michelon, Rodrigue and Trevisan, 2020)	Change in value of total assets Change in Sales/ Previous Year Sales	Log ΔTA ΔS/SO

3.8 Data Collection Instruments and Procedure

A check list was used to obtain data from annual reports of firms listed on NSE between 2008 to 2017. The study used published data of financial report from listed companies in Nairobi Security Exchange. Panel data, also known as longitudinal or cross sectional time series data in some special cases, is data that is derived from a number of observations over time on a number of cross sectional units of listed companies grouped in twelve sectors: agriculture, automobile and accessories, banking, commercial and services, construction and allied, energy and petroleum, insurance, investments, manufacturing and allied, telecommunication and technology, real estate investment trust and exchange traded fund. In the disciplines of econometrics and statistics, panel data refers to multi dimensional data such as Shareholder activism, dividend policy, CSRD and market value that generally involves measurements over some period of time (Moffatt, 2017). As such, panel data consist of researcher's observations of numerous phenomena that were collected over several time periods for the same group of units or entities. There are two distinct sets of information that can be derived from cross sectional time series data.

The cross sectional component of the data in this set reflects the differences observed between the individual companies or firms whereas the time series component which reflects the differences observed for one company over the years 2008 to 2017. The researcher focused on the differences in data between each company in a panel study and changes in observed phenomena for one company over the course of the study which is the years 2008 to 2017. Panel data gave the researcher a large number of unique data points, which increased the researcher's degree of freedom to explore explanatory variables and relationships (Moffatt, 2017). In this study the measurement of period is the years between 2008 to 2017.

A research permit was obtained from the office National Commission for Science, Technology and Innovation (NACOSTI). Its copies were presented to Nairobi Security Exchange secretariat (The Capital Market Authority Library) to allow access of the panel data of financial statements and reports of listed companies' data.

3.9 Descriptive Statistics

Descriptive statistics of mean, median, standard deviation, skewness, kurtosis, Jarque-Bera and probability were run to establish data normality and if transformation is warranted.

3.10 Data Diagnostics

Data was cleaned for missing values using descriptive statistics prior to drop if and after drop if to enable advanced statistics to be run. Outlier tests using box and whisker plots were carried out across for constructs to remove extreme data. Underlying trends on the study variables over the ten years were examined through a trend analysis of minitab 19. This was used to check the tendency of data to increase, decrease or remain stable.

3.11 Robustness Tests

Prior to conducting direct and indirect tests, assumptions that govern regression in the context of panel data were first examined. Data were therefore tested for normality, Granger causality, heteroskedasticity, autocorrelation, and stationarity.

3.11.1 Testing for Normality of Residuals

During regression analysis, error terms or residuals often arise due to differences between observed values of the independent and dependent variables. Ramos et al. (2019) contend that such residuals ought to follow a normal distribution. Normality of residuals in this study was tested using the Jarque–Bera test, which is deemed to be suitable in testing departures away from Gaussianity (Alejo *et al.*, 2015). Alejo *et al.*, argue that lack of Gaussianity is not good for reliability of estimates and procedures involved. Under this test, a significant Jarque-Bera Chi 2 statistic indicated a non normal panel data.

3.11.2 Testing for Granger Causality

In the event that there was only one independent variable, Granger causality test was preferred over multicollinearity test. Granger causality also known as G-causality is a concept which measures causality, or directed influence for time series data. Under this test, an independent variable G-causes a dependent variable if on using past values of the independent variable improves the dependent variable (Roebroeck, 2015). It is a popular method in studying casual links between random variables. In this study, G-causality was tested using Wald tests. The essence was to determine whether any two variables had an instantaneous moment of relationship in the ten year period. Under this test, significant Fisher statistics were an indication of granger-causality.

3.11.3 Testing for Heteroskedasticity

Homoskedasticity assumes that variance is the same for all values of the predicted dependent variable, making the reverse to be true for heteroskedasticity. It has been argued that the level of heteroskedasticity is an indicator of whether a typical regression model can be run (Hair *et al.*, 2020). The Breusch–Pagan / Cook–Weisberg test was used to examine presence of heteroskedasticity. A significant Chi 2 (1) statistic was an indication of presence of heteroskedasticity.

3.11.4 Testing for Autocorrelation

Autocorrelation, also known as serial correlation or serial dependence is a measure of independence in adjacent observations (Laerd Statistics, 2015). Such correlations have been known to interfere with multiple tests for random effects. The lagrange-multiplier was used to test for presence of autocorrelation among adjacent panels. Under this approach, a non-significant chi-square statistic was consistent with lack of autocorrelation.

3.11.5 Testing for Stationarity

Unit root tests were conducted to determine whether panel data was stationery or non-stationary. According to Gujarathi, (2022), stationarity in time series data is a condition where the mean and variance remain constant in the given time interval. In this way, covariance between any two time periods is only a function of lag between the two time periods as opposed to the actual time of computing the covariance. In panel data such as the one used in this study, stationarity enables forecasting to be done for purposes of estimating future behaviour. Prior evidence shows that stationarity occurs only if data is devoid of unit root (Giri et al. 2021). According to Giri et al., unit roots have previously been employed to assess dynamics associated with a variety of economic time series including; industrial production; consumption, aggregate output, and interest rates.

In this study, unit root tests were run using the Levin-Lin-Chu approach in cases where data were strongly balanced. Otherwise, Fisher type unit root tests were preferred. Under the Levin-Lin-Chu approach, it was postulated that panels had unit root. A significant t-statistic ($p<0.05$) was an indicator of lack of unit root. Meanwhile under the Fisher type test, it was posited that all panels contained unit roots. Significant values for inverse chi-square, inverse normal, inverse logit and modified inv. Chi-squared indicated absence of unit roots.

3.12 Data Analysis

Descriptive and inferential statistics were used to analyze data. Descriptive statistics included means, standard deviations, minimum and maximum values, skewness, kurtosis and Jarque-Bera. The main inferential statistics was the longitudinal/ panel data regressions. Data analysis was facilitated using two softwares: minitab 19 was employed to generate underlying trends in the study variables. Stata Vers. 15.0 was used in random and fixed effects analysis. Hayes Macro process imbedded in Stata Ver 15.0 was used to conduct moderations and moderated mediation.

Data analysis was preceded by data cleaning and running descriptive statistics. This was followed with robustness and diagnostic tests focusing on assumptions required to run regression tests in the context of panel data. Direct effects for shareholder on market value, shareholder activism on dividend policy, and dividend policy on market value were then examined. Finally, indirect effects and moderated mediation were run.

3.12.1 Data Cleaning

Panel data was cleaned for missing values and outliers prior to conducting analyses. Besides, trend analysis was conducted in the study variables to ascertain the pattern of change within the ten year period.

3.12.1.1Missing data

Missing values were examined using total observations. It has been argued that the presence of missing values could affect generalization of results (Gönülal, 2019). Under the total observations approach, variables were expected to have 540 observations each, consistent with the 54 panels of ten observations each. The 'drop if' command on the stata software was employed to remove missing data.

3.12.1.2 Checking for Outliers

Outliers are observations that deviate markedly from others, and whenever present may distort, results limiting external validity (Gönülal, 2019). The box and Whisker plots were used to conduct outlier tests where upon, values beyond 1.5 of the interquartile range above the upper quartile and below the lower quartile were deemed to be outliers. Outlier test was conducted for the four main constructs under study. The 'graph box Var' command on stata was used to generate the required box plots.

3.12.1.3 Trend Analyses

The underlying long term trend among the constructs was examined prior to running the tests. This was necessary as an indicator to potential patterns of change in related variables. Trend analysis was therefore examined for shareholder activism, dividend policy, CSR disclosure, market value and the two control variables.

3.10.1.4 Tests for Direct Effect (H_01 – H_03)

Direct effects were tested using generalized least squares (GLS) regression based on random-effects or fixed effects estimation as determined by Hausman test results.

i) Direct effects model specification

Three econometric models were conceptualized to measure direct effects as illustrated below.

a) Modeling the direct effect of shareholder activism on market value

   $MV_{it} = \beta_0 + \beta_1 GS_{it} + \beta_2 FS_{it} + \beta_3 SA_{it} + e_{it}$ .... model 1

b) Modeling the direct effect of shareholder activism on dividend policy

   $DP_{it} = \beta_0 + \beta_1 GS_{it} + \beta_2 FS_{it} + \beta_3 SA_{it} + e_{it}$…………………..model 2

c) Modelling the direct effect of dividend policy on market value of listed at NSE in Kenya.

   $MV_{it} = \beta_0 + \beta_1 GS_{it} + \beta_2 FS_{it} + \beta_3 DP_{it} + e_{it}$ …………………..model 3

Where:

MV_{it} is market value for firm i in the year t

GS_{it} is growth in sales for firm i in the year t

FS_{it} is firm size for the firm i in the year t

SA_{it} is shareholder activism for firm i in the year t

DP_{it} is dividend policy for the firm i in the year t

e_{it} are the regression residuals associated with the various models

β_0 represents the initial value of the criterion variable for either model

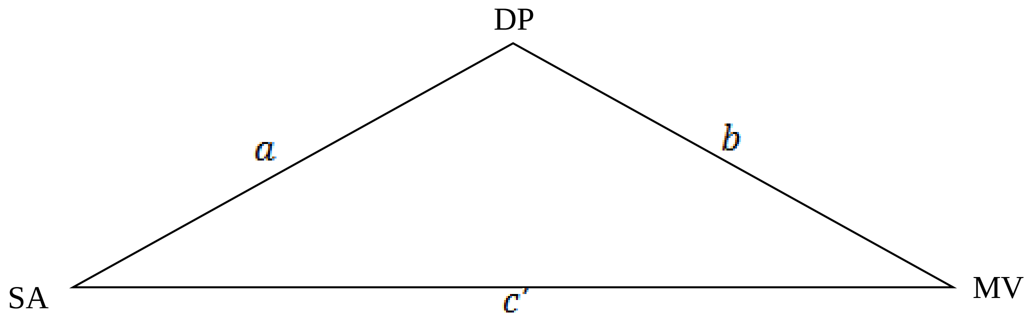
β_i for i=1, 2, 3 represents standard regression coefficients (Note interpretation of the results used unstandardized weights).

i represents the various firms that numbered 54

t is the time series period that ranged from 2008 to 2017

ii) Mediation effect model specification

The mediation model was used to examine the mediating effect of dividend policy on the relationship between shareholder activism and market value as illustrated in the following path diagram.



The following model specifications were therefore involved in the mediation

i. $MV_{it} = i_1 + c_1SA_{it} + b\ DP_{it} + e_{it}$ …………..modeling the effect of shareholder activism on market value via dividend policy

ii. $MV_{it} = i_2 + c_2SA_{it}+e_{it}$ ………….. modeling the effect of shareholder activism on market value directly

iii. $DP_{it} = i_3 + a\ SA_{it}+e_{it}$ ……….modeling the effect of shareholder activism on dividend policy

Note: the product ab estimated from equations i and iii measures the indirect or mediated effect. The coefficient c_2 in equation ii measures the total effect, while the coefficient c_1 in equation i measures the direct effect.

iii) Moderation effects model specification

Corporate social responsibility disclosure was conceptualized as moderating the relationships between shareholder activism and market value on the one hand and between dividend policy and market value on the other. The moderation model specification was therefore as follows

MV_{it} = a+ b_1 GS_{it}+ b_2FS_{it}+ b_3SA + b_4DP_{it}+b_5CSRD_{it} + $b_6CSRD*SA_{it}$ + b_7 CSRD* DP_{it} +e_{it}

Where: b_6 represents the moderation effect for CSRD on the relationship between shareholder activism and market value, and b_7 represents the moderation effect for CSRD on the relationship between dividend policy and market value

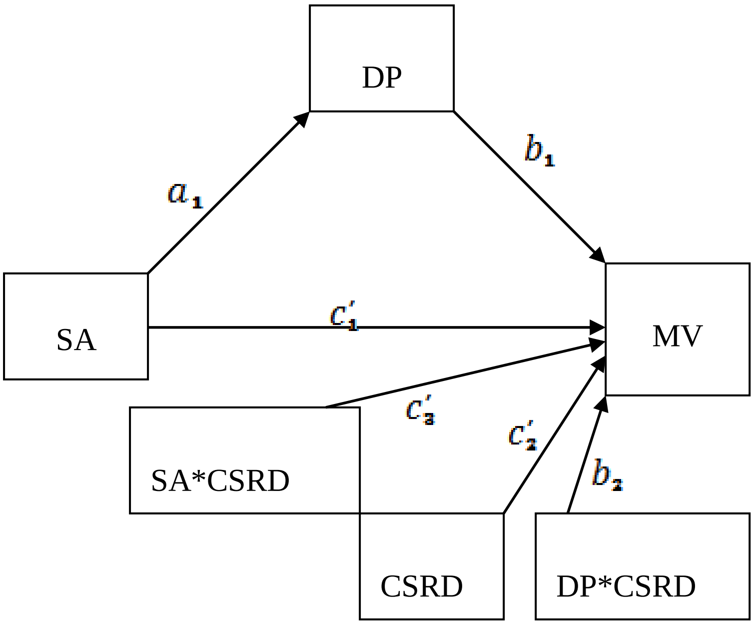
$CSRD_{it}$ is the corporate social responsibility disclosure of firm i in year t

$CSRD*SA_{it}$ is the interaction between corporate social responsibility disclosure and shareholder activism across firm i in year t

$CSRD*DP_{it}$ is the interaction between corporate social responsibility disclosure and dividend policy across firm i in year t

iv) Moderated mediation model specification

The moderation mediation was represented by the following diagram



The moderated mediation model was therefore specified as follows

$MV_{it} = b_0 + b_1 DP_{it} + b_2 DP_{it}*CSRD_{it} + c_1' SA_{it} + c_2'CSRD_{it} + c_3'SA_{it}CSRD_{it}$

$DP_{it} = a_0 + a_1SA_{it}$

Note: The indirect effect(s) of shareholder activism on market value, conditional on CSR disclosure was represented by: $a_1(b_1 + b_2CSRD)$, while the direct effect of shareholder activism on market value, conditional on CSR disclosure was represented by: $c_1' + c_3'CSRD$.

3.13 Ethical Consideration

It was necessary to provide ethical consideration (Qamar, 2018). The ethical consideration here centred on honesty, open and researcher responsibility. The thesis was presented to Moi School of Graduate Studies and Kenya National Council of Science Technology and Innovation for ethical approval. The researcher used the financial reports as available in the Market Capital Authority Library. At the end this study the findings will be used by relevant stakeholders through conferences and publications in peer review journals. The researcher took the responsibility to only collect and analyze data required to fulfill the objectives of the study. Finally, there was no conflict of interest in this study.

3.14 Chapter Summary

This chapter presented methodology of the study. The positivist paradigm guided the study. The study adopted explanatory design. Specifically the study adopted expost facto design. The objective of the study was to find out the causal – effect relationship between the variables. The target population was 64 listed firms at Nairobi security exchange and the inclusion/exclusion criterion was based on whether the firm was in operation over the entire period of study. Data was extracted from individual firms annual reports found at CMA library list over the period 2008 – 2017. The study measured shareholder activism using the value of share ownership of the three largest share capital holders against entire capital of the firm, the proxy of market value was Tobins 'Q' while dividend policy used dividend yield. The number of items disclosed (points) against standard six items (points) against standard six items (points) measured corporate social responsibility disclosure. The study controlled firm size and growth in sale to account for variation in market value that might be wrongly attributed to shareholder activism, dividend policy and corporate social responsibility disclosure.

Before the analysis, the data was transformed, several panel data diagnostic tests, unit root test, normality, autocorrelation, Granger causality and Heteroskedasticity were performed to ensure that data was suitable for regression analysis. Data analysis was facilitated using two softwares; Minitab 19 was employed to generate underlying trends in the study variables. Stata Ver. 14.0 was used in random and fixed effects analysis. MACRO process imbedded in Stata Ver. 14.0 was used to conduct moderations and moderated mediation. The next section presents the findings of the study and interpretation.

CHAPTER FOUR

RESEARCH FINDINGS, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter reports results of the analysis of the moderated mediation of corporate social responsibility disclosure and dividend policy on the direct relationship between shareholder activism and market value. The chapter begins by outlining data sources and conducting data cleaning of the panel data in order to balance the panels. The chapter then reports results of the trend analysis conducted over the ten year period commencing from 2008 to 2017. Next, the properties of the panel data were examined using Stata to check for existence of econometric problems. Finally, the postulated relationships were tested.

4.2 Data Sources

This study used secondary data drawn from the 64 firms listed at the Nairobi Securities Exchange, and which had been trading on the NSE for the ten year period under study. 54 firms met this criteria. In retrospect, the researcher was keen on information pertaining to among others; the ratio of three major shareholder capital to total value of share capital for computing shareholder activism, the common logarithm of the ratio of dividend per share to market price per share for computing dividend policy; disclosure content points for six dimensions for computing corporate social responsibility disclosure; the ratio of total current value of capital and debt to total asset value for computing market value; and the natural logarithm of the ratio of total assets and increase in sales to previous year sales, for computing firm size and growth in sales respectively.

4.3 Descriptive Statistics

The study used data covering 54 firms for the period 2008–2017. The dependent variable is market value measured as a ratio of Total Equity and debts to Value of Total Assets. The independent variable is shareholder activism measured as the ratio of 3 block shareholder capital to total share capital. The mediating variable is dividend policy which is the ratio of dividend per share to market value per share. CSR – disclosure measured as a ratio of CSR elements identified to the standard number of elements, usually 6 is the moderating variable. Firm size and growth in sales are regarded as the control variables. Firm size was measured using logarithm of change of the value of Total Assets while Growth in Sales was measured using the ratio of change of the value of sales to the value of the previous year's sales. Table 4.1 gives the summary statistics of 540 observations.

On average, the ratio of 3 block shareholder capital to total share capital was 0.612 with a standard deviation of 0.175. The minimum shareholder activism was 0.14 while the maximum was 0.977. The inter-firm variability in shareholder activism was 0.168 while the intra-firm variability was 0.055. The implication of these results is that shareholder activism did not differ markedly across and within the listed firms. It had a negative skewness of 0.650 and a kurtosis value of 3.084. The jarque-Bera statistics was significant, JB=38.18, $p < 0.05$ indicating that data for shareholder activism was not normally distributed and warranted transformation.

The overall mean value for dividend policy was 0.066 with a standard deviation of 0.185. The essence of this low payout ratio is that most listed firms were re-investing most of their earnings perhaps into expanding operations. This seemed to be so across the firms as determined by the between firms standard deviation of 0.114. However, the maximum dividend policy value of 2.61 indicates that some firms were paying out more dividends than what their earnings could support. The dividend policy was positively skewed with a value of 4.61 and was leptokurtic with a kurtosis value of 31.61.

The mean market value ratio was 1.363 with an overall standard deviation of 6.98, had a between firms standard deviation of 3.82 and intra-firm standard deviation of 5.86. Based on mean market value which was above 1, it could be argued that most firms had their stocks undervalued and were trading below the worth of their assets. The implication of significant variations in market value confirm that the listed firms differed markedly in size. It was positively skewed (10.10) and highly leptokurtic (111.7; it was not normally distributed as determined by the significant Jarque-Bera statistic, $JB=275031$, $p< 0.05$.

Meanwhile, the mean CSRD index was 0.605 with an overall standard deviation of 0.210. The significance of this mean value is that over 60 percent of CSR elements are disclosed by the firms. This level of CSR disclosure confirms that firms listed at the NSE voluntarily contribute to sustainable social development, and do not differ significantly both between and within firms. It was slightly negatively skewed (-0.184) and mesokurtic (2.381); it was not normally distributed as determined by the significant Jarque-Bera statistic, $JB=11.663$, $p< 0.05$.

Descriptive statistics for control variables were as follows: growth in sales was in the range -2.01 to 8.54 and, averaged 0.125 with a standard deviation of 0.533. It was positively skewed (7.99) and leptokurtic (122.3); it was equally not normally distributed as determined by the significant Jarque-Bera statistic, $JB=323803$ $p< 0.05$.

On the other hand, firm size ranged between -0.518 and 1.000; averaged 0.0085 with a standard deviation of .062; was not skewed (8.81E-05), and was mesokurtic; firm size was normally distributed as determined by the non-significant Jarque-Bera statistic, JB=3.016, p> 0.05. Following the fact that most variables had data that was not normally distributed, logarithmic transformations were undertaken prior to conducting analyses.

Table 4.1

Descriptive statistics

variable		Mean	SD	Min	Max	Skew	Kurtosis	Jarque-Bera	Prob.	Obs
SA	Overall	.612	.175	.14	.977	-6.50	3.084	38.18	.000	540
	Between		.168	.177	.952					
	Within		.055	.357	.919					
DP	Overall	.066	.185	0	2.61	4.61	31.61	20176	.000	538
	Between		.114	9.0E-05	.782					
	Within		.146	-.713						
CSRD	Overall	.605	.210	.167	1	-.184	2.381	11.663	.003	540
	Between		.166	.267	.967					
	Within		.130	.205	.938					
MV	Overall	1.363	6.98	1.0E-04	96.9	10.10	111.7	275031	.000	540
	Between		3.82	.166	24.4					
	Within		5.86	-23.1	82.4					
GS	Overall	.125	.533	-2.01	8.54	7.99	122.3	323803	.000	534
	Between		.216	-.319	1.27					
	Within		.489	-1.57	7.40					
FS	Overall	.0085	.062	-.518	1	8.8E-05	2.634	3.016	.221	540
	Between		.018	-.037	.119					
	Within		.059	-.482	.890					

4.4 Data Diagnostics

Panel data were cleaned both for missing values and outliers for purposes of remaining with balanced panels. The 54 initial panels under study were therefore tested for missing values and outliers.

4.4.1 Missing Data

Missing values were first examined by computing descriptive statistics of the six variables, and checking the total observations. The logic behind examining missing values was informed by studies which have shown that some advanced statistical techniques cannot work when some data are missing (Ware et al., 2012). Consequently, results presented in Table 4.2 revealed that dividend policy and growth in sales had some missing observations.

Table 4.2

Descriptive Statistics prior to 'drop if'

Variable	Obs	Mean	Std. Dev.	Min	Max
Shareholde~m	540	.612	.175	.14	.977
Corporates~y	540	.605	.210	.167	1
Dividendpo~y	538	.066	.185	0	2.61
Growthinsa~s	534	.125	.533	-2.01	8.54
FirmSize	540	.009	.062	-.518	1
Marketvalue	540	1.363	6.98	-1.003	96.9

The panels with more data N was then used to remove missing data. The syntax was operated on all the six variables under study. Descriptive statistics were generated as shown in Table 4.3. Missing data was removed in order to suit random and fixed effects requirement for panel data analysis (Wang, 2019).

Table 4.3

Descriptive Statistics after 'drop if'

Variable	Obs	Mean	Std. Dev.	Min	Max
Shareholde~m	534	.614	.176	.14	.977
Corporates~y	534	.605	.210	.167	1
Dividendpo~y	534	.067	.186	0	2.61
Growthinsa~s	534	.125	.536	-2.01	8.54
Firm Size	534	.008	.062	-.518	1
Market value	534	1.357	7.022	-1.003	96.9

From the results, it was clear that variable observations were all balanced at 534. All the variables had positive mean scores, and were minimally dispersed as demonstrated by small standard deviations.

4.4.2 Checking for Outliers

Outlier test across the four principal constructs under study was conducted using box plots. Arguments have been made to the effect that it is nontrivial to estimate the parameters of dynamic panel data models consistently, thus justifying the need to eliminate extreme data (Hassan & Marimuthu, 2016). The 'graph box var' command was used to generate box plots for each of the four variables in question. Results shown in fig. 4.1 confirmed that shareholder activism had two outliers at the extreme lower end while dividend policy had one outlier at the extreme upper end. Corporate social responsibility disclosure and market value had no outliers. The three observations that amounted to outliers were sought and corrected.

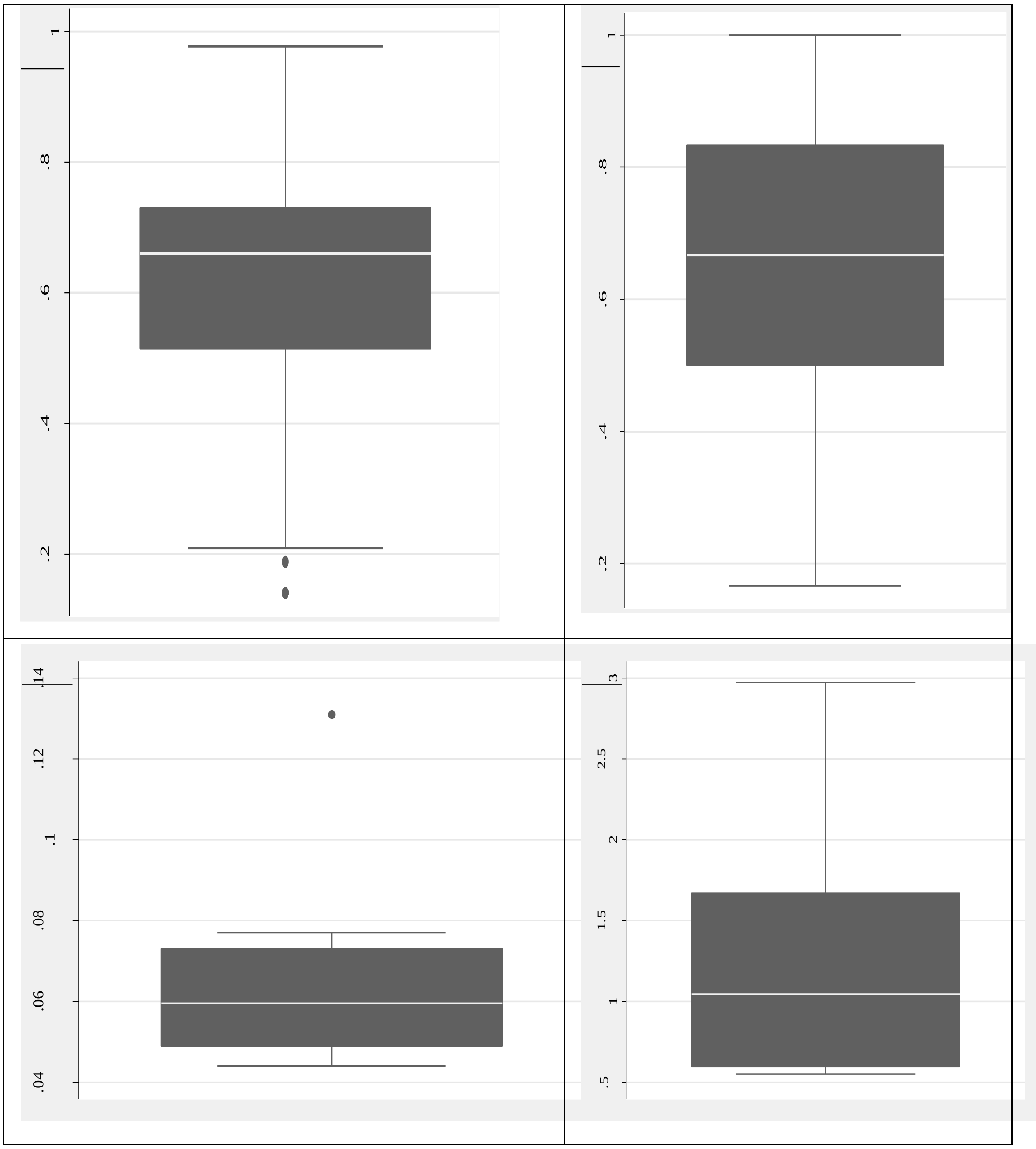


Fig. 4.1 Outlier test results

4.5 Underlying Trend in Study Variables over the Ten years Under Study

Prior to examining the postulated moderated mediated relationships, it was necessary to examine the underlying trend among the key constructs. Considering that the study utilized data collected over a given period of time, it was important to check the tendency of data to increase, decrease or remain stable.

4.5.1 Trend in Shareholder Activism of Listed Companies at the NSE

Shareholder activism was conceptualized as the independent variable in this study. Analysis of the trend in shareholder activism over the ten years period starting 2008 yielded an increasing trend defined by a slope whose value was 0.000194 (fig. 4.2)

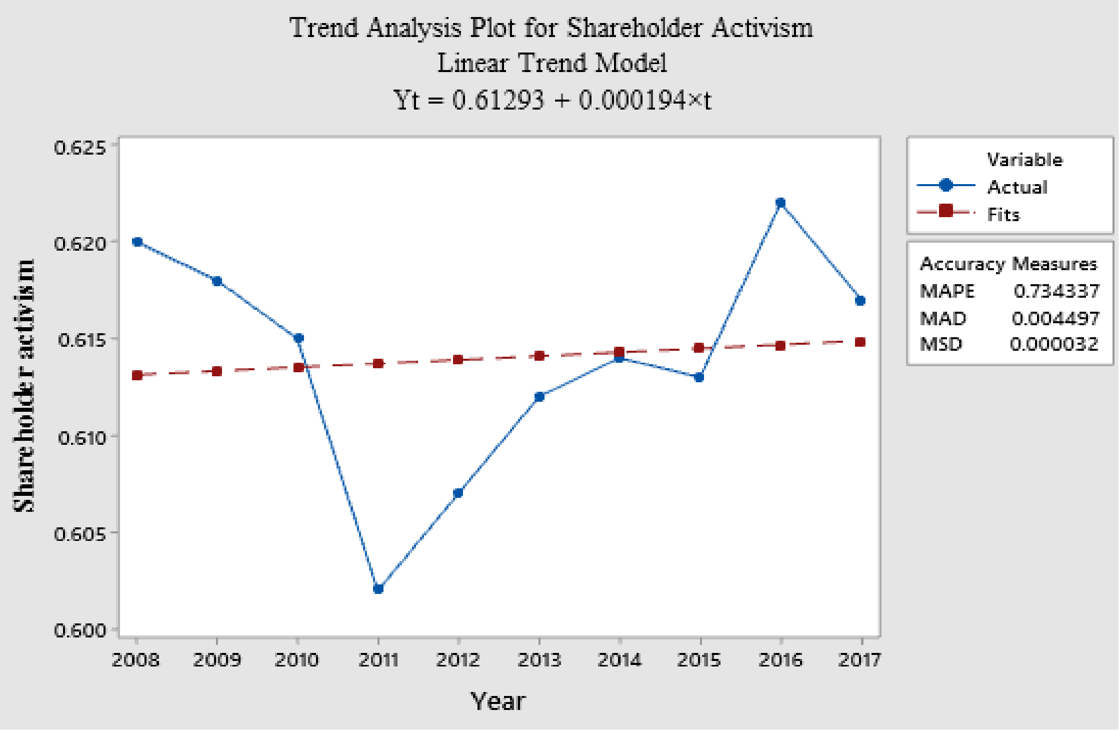


Fig 4.2 Trend for shareholder activism

The raw data indicated that shareholder activism in the listed firms had experienced a moderate drop between 2008 and 2010, which was then followed by a very sharp drop in 2011. However, it increased steadily between 2011 and 2016, hitting a peak in 2016 followed with a drop in 2017. The fitted trend line was estimated to fit the equation

$Y_t = 0.61293 + 0.000194t.$

4.5.2 Trend in Corporate Social Responsibility of Listed Companies at the NSE

Corporate social responsibility disclosure was conceptualized as the moderating variable. The actual ten year series chart for corporate social responsibility yielded an increasing trend defined by a slope of 0.0115 (Fig. 4.3). Corporate social responsibility increased steadily between 2008 and 2011. It remained somehow stable in 2012, and increased sharply in 2013. This was followed by a sharp dip in 2014 and a moderate rise between 2014 and 2017. The long term trend however elicited an increasing trend represented by the linear equation:

Yt = 0.5515 + 0.01150t.

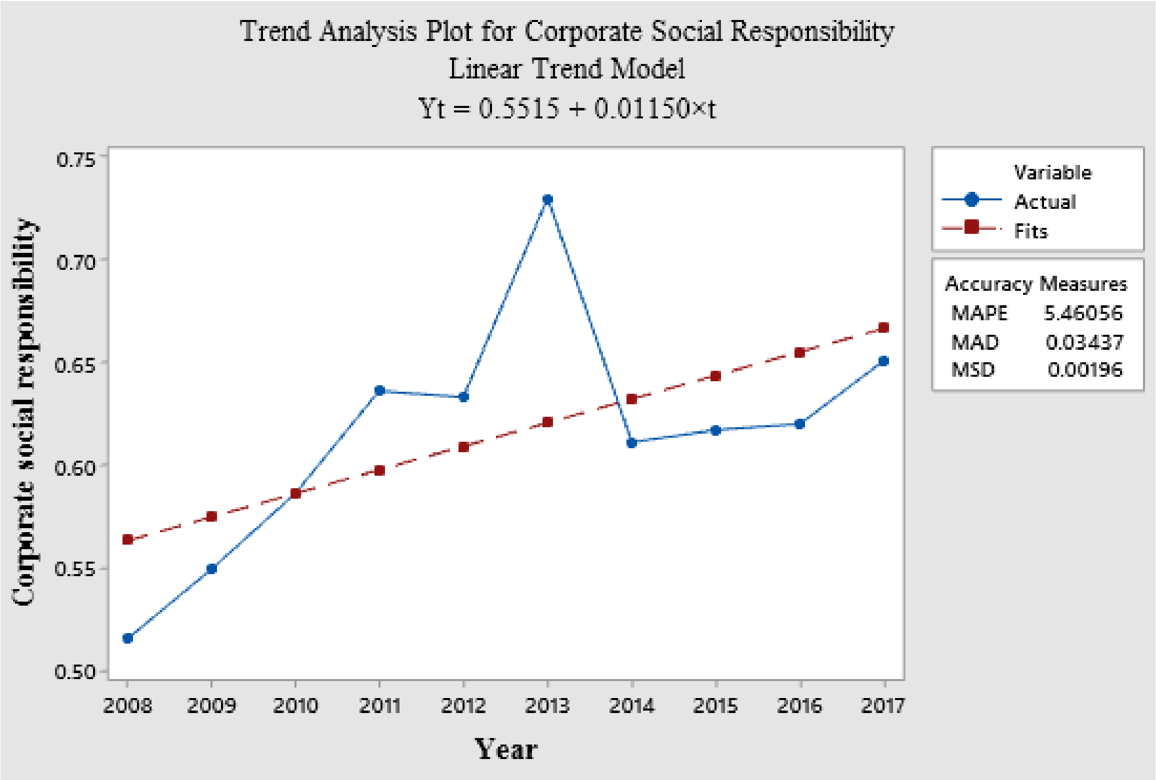


Fig 4.3 Trend for CSR disclosure

4.5.3 Trend in Dividend Policy of Listed Companies at the NSE

Dividend policy in this study was conceptualized as the mediating variable. The series of peaks and troughs depicted in the actual time series chart for dividend policy (Fig. 4.4) indicates that dividend policy kept fluctuating over the ten year period. For instance, there was a peak in 2009; a trough in 2010; a peak in 2011; a trough in 2013. However, after 2013, dividend policy seemed to register some consistent increase. The long term trend was represented by an increasing fitted trend with an estimated linear model defined by: Yt = 0.0342 + 0.00591t.

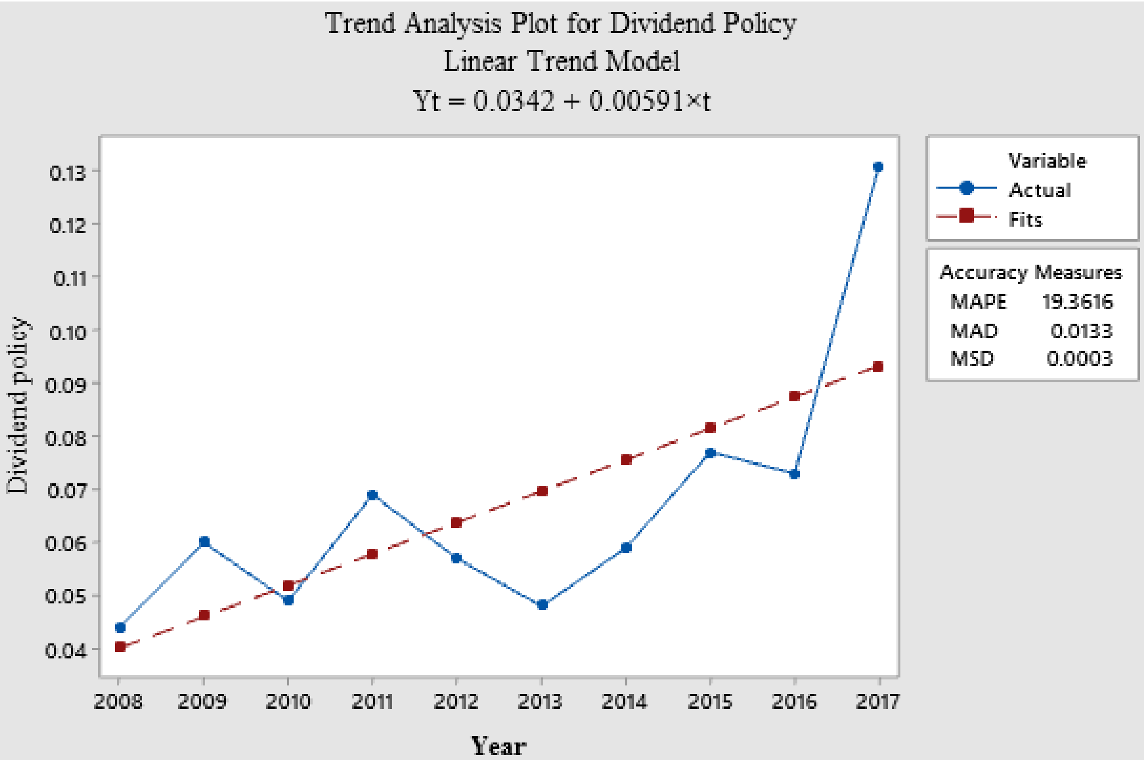


Fig 4.4 Trend for dividend policy

4.5.4 Trend for Growth in Sales of Listed Companies at the NSE

Growth in sales was deemed in this study as the first variable with potential to have extraneous effects on the conceptualized relationships. Consequently, it was treated as the first control variable. The trend of Growth in Sales shows a sharp drop between

2008 – 2009, which was then followed by stable trend between 2009 – 2010. it registered steady increase between 2010-2012. This was followed by decreasing trend between 2013-2017. Analysis of the trend for growth in sales over the ten year period yielded a long term decreasing trend defined by the linear model: Yt = 0.2417 – 0.02135t (Fig. 4.5).

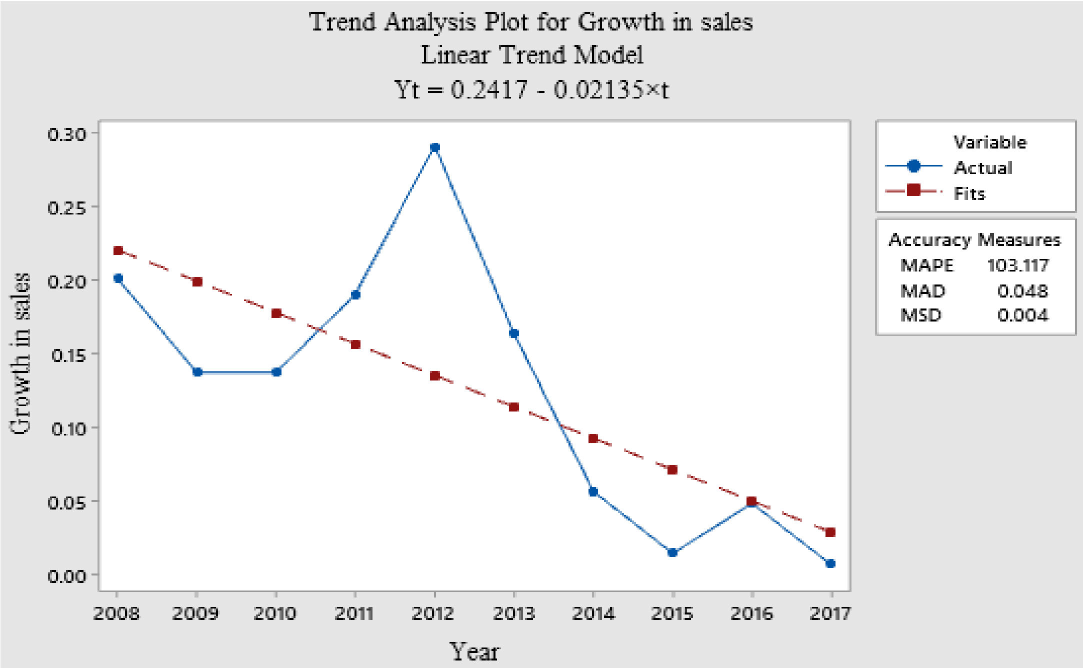


Fig. 4.5 Trend for growth in sales

4.5.5 Trend for Firm Size of Listed Companies at the NSE

Firm size was also seen as a potential avenue for extraneous effects on the conceptualized relationships. It was therefore deemed as the second control variable. A series of peaks and troughs was depicted in the actual time series. For incidence there was a peak in 2008, 2010, 2012 and 2016 and trough in 2009, 2011 and 2013. It increases steadily between 2014 and 2015 and lastly a sharp increase in 2017 (Fig. 4.6). Nevertheless, the long term pattern in firm size defined a decreasing trend represented by the model: Yt = 0.01233 – 0.00066t.

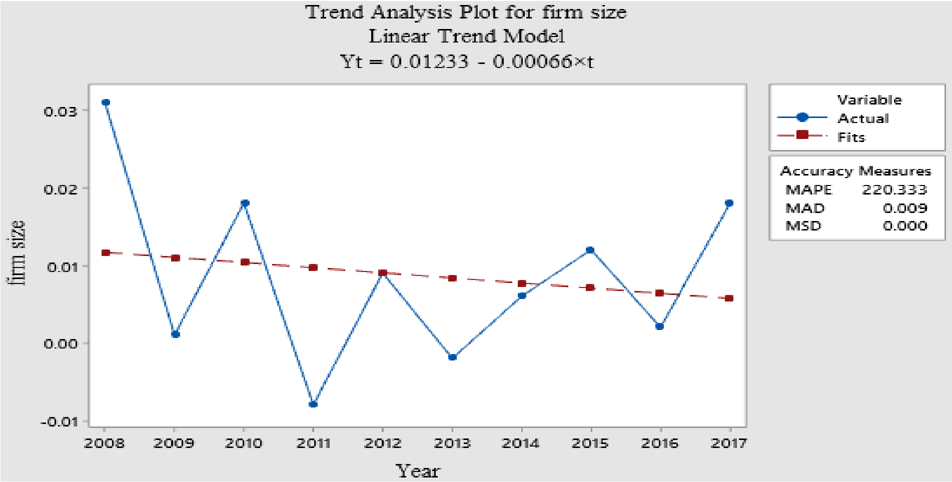


Fig 4.6 Trend for firm size

4.5.6 Trend for Market Value of Listed Companies at the NSE

Market value was conceptualized as the dependent variable in this study. The time series chart for market value (Fig. 4.7) was characterized by steep rises and drops in the early years of 2008, 2009, 2010 and 2011. After 2011, there was a gradual decline in market value. The long term trend indicated a decreasing pattern defined by the model: Yt = 1.944 – 0.1083t.

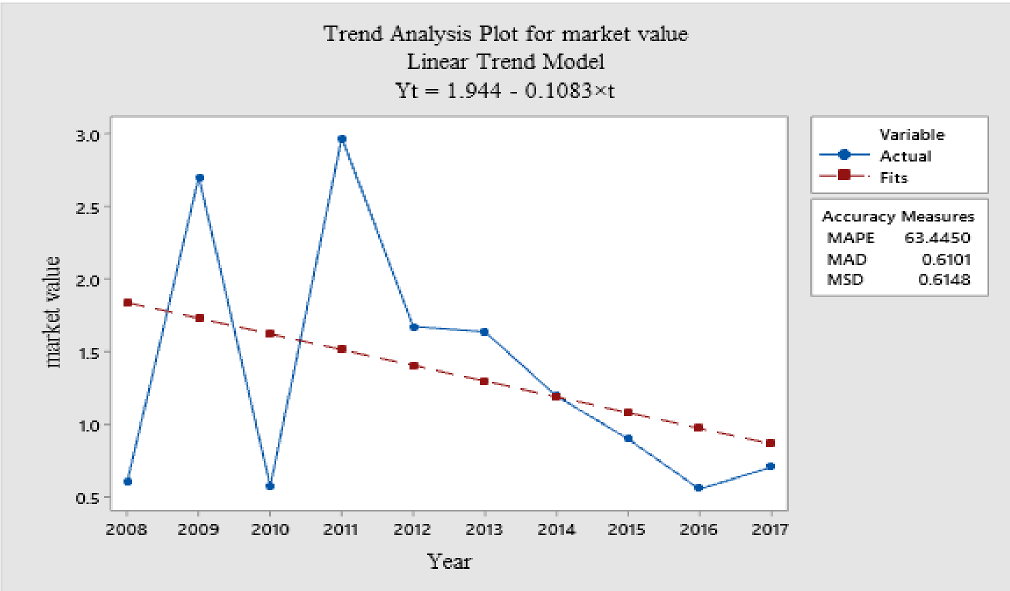


Fig 4.7 Trend for market value

The implication of the trends in the key constructs is that despite most firms' showing an increasing trend in shareholder activism, corporate social responsibility and dividend policy, their market value has been on the decline in the ten year period under consideration. This could perhaps be as a result of their dwindling fortunes in growth in sales and firm size.

4.6 Robustness Tests

4.6.1 Testing for Normality

Jarque-Bera tests were conducted to test normality in the panel data, in order to identify departures away from Gaussianity (Alejo et al., 2015). Alejo et al. argue that lack of Gaussianity could be detrimental to the reliability of estimates and testing procedures. Under the Jarque-Bera test, the Jarque-Bera Chi2 statistics with associated probability were computed. A significant Chi2 value indicated a non-normal panel data. Results of the test (Table 4.4) revealed that panel data for the independent, mediating, and moderating variables were all normality distributed owing to the non-significant Jarque Bera Chi2 statistics.

Table 4.4

Normality Test Results

Variable	Jarque-Bera Chi 2	df	Prob > Chi 2
Log Shareholder activism	1.743	2	0.41837
Log Corporate social responsibility disclosure	1.344	2	0.51078
Log Dividend policy	1.086	2	0.58110

4.6.2 Testing for Granger Causality

Granger causality Wald tests were conducted to examine if any two variables were related at any instantaneous moment in the ten year period. Granger causality was tested on the premise that data generation process during the ten year period was independent. Under this test, the null hypotheses was that variables under study did not granger cause each other. Under this test, significant F-statistics would indicate granger causality. Results of the test as presented in Table 4.5 indicate that, there was no granger causality in either of the pairs involving the four principal constructs in whichever direction.

Table 4.5

Pair wise Granger Causality Tests

Null Hypothesis:	F-Statistic	Prob.
CSR-D does not Granger Cause Shareholder activism	0.03082	0.9700
Shareholder activism does not Granger Cause CSR-D	5.01108	0.1106
Dividend policy does not Granger Cause Shareholder activism	6.59795	0.0797
Shareholder activism does not Granger Cause Dividend policy	1.40537	0.3710
Market value does not Granger Cause Shareholder activism	1.58515	0.3390
Shareholder activism does not Granger Cause Market value	2.15842	0.2625
Dividend policy does not Granger Cause CSR-D	1.42662	0.3669
CSR-D does not Granger Cause Dividend policy	0.16609	0.8543
Market value does not Granger Cause CSR-D	1.04829	0.4516
CSR-D does not Granger Cause Market value	0.47250	0.6632
Market value does not Granger Cause Dividend policy	5.09486	0.1085
Dividend policy does not Granger Cause Market value	0.07603	0.9285

4.6.3 Testing for Heteroskedasticity

Determining heteroskedasticity has been viewed as an essential way of confirming whether a typical regression model can be run on a given data set (Hair et al., 2020). Heteroskedasticity occurs when conditional variances of residuals around the fitted line of regression are not constant leading to incorrect perceptions of standard errors associated with the significance of the tests. In this study, heteroskedasticity was tested using the Breusch-Pagan/Cook-Weisberg test. Under this test, the assumption made was that there was constant variance in residuals for shareholder activism, corporate social responsibility disclosure and dividend policy. A summary of the Breusch–Pagan/Cook-Weisberg test results is given in Table 4.6. For the three variables, the probabilities for the Chi2 (1) statistics were all above 0.05, an indication that there were no issues of heteroskedasticity.

Table 4.6

Results of the Breusch-Pagan/ Cook-Weisberg Heteroskedasticity Test

Variable	Breusch-Pagan/ Cook-Weisberg Chi2(1) Statistics	Prob >Chi2
Shareholder activism	0.65	0.4214
CSR	0.42	0.5150
Dividend policy	0.15	0.6983

4.6.4 Testing for Autocorrelation at lag Order

The Langrange –multiplier test was used to test for the presence of autocorrelation among residuals. Autocorrelation, commonly known as serial correlation or independence of panels relates to correlation among residuals of adjacent panels. Such correlations are bound to interfere with multiple tests for random effects. Under Langrange–multiplier approach, non-significant chi2 statistics implied lack of autocorrelation. The results presented in Table 4.7 clearly show that for all the three variables, the langrange–multiplier statistics were non-significant at both lags (p-values were greater than 0.05). This implies that there was no autocorrelation at lag order for the three variables. Adjacent panel residuals were therefore uncorrelated.

Table 4.7

Autocorrelation results at lag order

Variable	Lag	Langrange-multiplier statistic (Chi2)	df	Prob>Chi2
Shareholder activism	1	0.9297	1	0.33494
	2	0.1890	1	0.66375
Corporate social responsibility disclosure	1	1.7667	1	0.18379
	2	0.6643	1	0.41503
Dividend policy	1	3.8042	1	0.05113
	2	0.4784	1	0.48916

4.6.5 Testing for Stationarity

Panel data unit root tests were run using the Levin–Lin-Chu approach for strongly balanced data such as in the case of shareholder activism, corporate social responsibility, and market value. Data for dividend policy was not strongly balanced. Fisher-type unit root test was therefore employed to test whether panels in the case of dividend policy had unit root. The Levin–Lin-Chu results presented in Table 4.8 confirm that there were 54 panels with 10 periods for each of the independent, mediator and moderator variables under investigation. The null hypothesis that panels contain unit roots was rejected for shareholder activism, Adjusted t = -13.205, $p<0.001$; corporate social responsibility disclosure, Adjusted t = -40.5755, $p<0.001$;

and market value, Adjusted t = - 26.5825, p<0.001. This indicated that panels in the three variables were stationary.

Table 4.8

Results of Levin-Lin-Chu panel root test

Levin-Lin-Chu unit-root test for shareholder activism, corporate social responsibility disclosure and market value			
Ho: Panels contain unit roots			Number of panels = 54
Ha: Panels are stationary			Number of periods = 10
Drift term: Not included ADF regressions: 1 lag			
LR variance: Bartlett kernel, 6.00 lags average (chosen by LLC)			
Variable		statistic	p-value
Shareholder activism	Unadjusted t	-16.9872	
	Adjusted t*	-13.2050	0.0000
corporate social responsibility	Unadjusted t	-40.1995	
disclosure	Adjusted t*	-40.5755	0.0000
market value	Unadjusted t	-29.6779	
	Adjusted t*	-26.5825	0.0000

In the case of the Fisher type unit root test, the inverse chi-squared P-values of 253. 7838, p<0.001; Inverse normal Z-value of -2.0126, p<0.05; Inverse logit t(269) L* value of -5.3987, p<0.001 and the Modified inv. chi-squared Pm value of 9.9193 p<0.001 were all significant at the 5% level (Table 4.9). The implication of these results is that the null hypothesis that all panels contained unit root was rejected at the 5% level. The conclusion then was that at least one panel in the data on dividend policy was stationary.

Table 4.9

Results of Fisher-type panel root test

Fisher-type unit-root test for Dividend policy		
Based on augmented Dickey-Fuller tests		
Ho: All panels contain unit roots	Number of panels = 54	
Ha: At least one panel is stationary	Avg. number of periods = 10	
ADF regressions: 1 lag		
LR variance: Bartlett kernel, 6.00 lags average (chosen by LLC)		
Variable	statistic	p-value
Inverse chi-squared(108) P	253.7838	0.0000
Inverse normal Z	-2.0126	0.0221
Inverse logit t(269) L*	-5.3987	0.0000
Modified inv. chi-squared Pm	9.9193	0.0000

4.7 Inferential Data Analysis

Inferential analysis centered on testing the direct effects of the control variables on market value, the direct effects of shareholder activism on market value on one hand, and on dividend policy on the other, the direct effect of dividend policy on market value; the mediating effect of dividend policy on the relationship between shareholder activism and market value, and the moderated mediation effect of corporate social responsibility disclosure and dividend policy on the relationship between shareholder activism and market value.

4.7.1 Bivariate Correlations

The models in this study were based on regression analysis. Therefore, bivariate correlations were run bearing in mind that correlations is a precursor to regression. Table 4.10 revealed that shareholder activism, CSRD, dividend policy, growth in sales and firm size corelated significantly with market value. An indication that regression could be run.

Table 4.10

Bivariate correlations

	SA	CSRD	DP	GS	FS	MV
SA	1.0000					
CSRD	-0.1007*	1.0000				
DP	-0.0293	0.0975*	1.0000			
GS	0.0004	0.0892*	0.0005	1.0000		
FS	0.0213	0.0492	-0.0644	-0.0202	1.0000	
MV	-0.0892*	-0.0834*	0.2208*	0.1253*	-0.3676*	1.0000

*significant at the 0.05 level

4.7.2 Testing the Effect of the Control Variables

From previous findings that have shown that market size and growth in sales have potential to impact on organizational productivity (Chen, et al., (2019). This study assumed therefore that firm size and growth in sales of firms trading at the NSE had direct impacts on market value. There was therefore need to examine these direct effects. Results presented in Table 4.11 confirms that growth in sales, $b=1.7709$, $p<0.05$ had a positive and significant effect on market value. In contrast, firm size, $b=-0.3349$, $p < 0.05$ had a negative but significant effect on market value. This was an indication that prior to testing the direct effects of shareholder activism on market value, and that of dividend policy on market value, the Hausman test was needed in deciding on random or fixed effects tests that could suitably address these control variables. Random effects test was selected.

Table 4.11

Effects of Control Variables

Random-effects GLS regression			Number of obs =			534
Group variable: YEAR			Number of groups =			10
R-sq:			Obs per group:			
within = 0.0219			min =			52
between = 0.2531			avg =			53.6
overall = 0.0244			max =			54
			Wald chi2(2) =			13.35
corr(u_i, X) = 0 (assumed)			Prob > chi2 =			0.0013
Marketvalue	Coef.	Std. Err.	z	P>z	[95% Conf.	Interval]
Growth in sales	1.770867	.5631998	3.14	0.002	.6670162	2.874719
Firm Size	-.3348626	.1534528	-2.18	0.029	-.6356245	-.0341006
_cons	6.730184	2.576225	2.61	0.009	1.680876	11.77949
sigma_u	0					
sigma_e	6.9529157					
Rho	0	(fraction	of variance due to u_i)			

4.7.3 Direct Effects of Shareholder Activism on Market Value

4.7.3.1 The Hausman Test

The Hausman test was run to decide between fixed or random effects. The null hypothesis for this Hausman test was that the preferred model was random effects (Xu & Li, 2020). The Hausman test results displayed in Table 4.12, confirmed that the Hausman Chi-square statistic was not significant. Consequently, the random effects model was used. The rationale of using random effects model was that variation across firms was assumed to be random and uncorrelated with the predictor variable. Consequently, under the random effects approach, the control variables were included in the model.

Table 4.12

Hausman Test Results for Market Value on Shareholder Activism

Predictor variable	Coefficients			
	(b) fixed	(B) random	(b-B) Difference	Sqrt(diag(V_b-V_B)) S.E.
Shareholder activism	-8.7840	-4.6235	-4.1605	4.2039

b = consistent under Ho and Ha; obtained from xtreg

B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

chi2(1) = (b-B)'[(V_b-V_B)^(-1)](b-B) = 0.98

Prob>chi2 = 0.3223

4.7.3.2 Random Effects of Shareholder Activism on Market Value

The random effects GLS regression model was used to determine the direct effects of shareholder activism on market value. To check the robustness of the coefficients, the regression was run first without control variables and then with control variables.

a) Random effects model without control variables

The regression results of the model without control variables (Table 4.13) indicates the following. Differences across panels were uncorrelated as determined by the corr(u_i,x) value of 0. The Wald chi-square value, χ^2 (10) = 25.00, p=0.0054 was significant being an indication that the random effects model was statistically suitable. The regression coefficient for regressing market value on shareholder activism was positive and significant, b=0.784, p<0.01. A unit increase in shareholder activism across time and between firms was therefore likely to result in a 0.784 units increase in market value. The overall R-square value was 0.0707 indicating that shareholder activism explained only 7.07 percent of the variation in market value. The intra-class correlation (rho) was 0.043 revealing that the 4.3 % of the variance was due to differences across panels.

Table 4.13

Effects of Shareholder activism on market value

Market value	Without control variables	With control variables
Shareholder activism	.7840123**	.6960864**
	(.1941654)	(.1811544)
Growth in sales		1.349371**
		(.5122562)
Firm Size		-38.35402**
		(4.363345)
_Cons	.3405579	1.279646
	(.9151594)	(.8673137)
Wald chi2(10)	25.00**	113.09**
R-Squared	0.0707	0.1989
rho	.0428452	.04733817

Note: The standard errors of the coefficients are in brackets. Statistically significant estimates are marked with asterisks where *, ** represent p-values less than 5 and 1 per cent respectively.

Therefore, the random effects model without controls is illustrated in equation. (4.1) MV_{it}.

$MVit = 0.341 + 0.784SAit + \varepsilon it$ ……………………….……………………..(4.1)

b) Random effects model with control variables

When control variables were introduced results in Table 4.13 indicate that the random effects model was still statistically suitable ($\chi 2$ (10) = 113.09, p<0.01); the regression coefficient for regressing market value on shareholder activism remained positive and significant (b=0.696, p<0.01) and the variance explained in market value increased marginally (Rsquare = 0.1989). The control variables, growth in sales (b = 1.349371,

$p<0.01$) and firm size ($b = -38.4$, $p<0.01$), were statistically significant. The results clearly show that the regression coefficient in regressing market value on shareholder activism was robust.

Meanwhile, a unit increase in growth in sales across time and between firms was therefore likely to result in a 1.349 units increase in market value and a unit increase in firm size across time and between firms was likely to result in a 38.4 units decrease in market value. However the robustness of the coefficient of shareholder activism indicated shareholder activism will continue impacting market value positively in the long-run. Therefore, the random effects model for regressing market value on shareholder activism featuring the control variables is illustrated in equation 4.2.

$MVit = 1.280 + 0.696SA_{it} + 1.349GS_{it} -38.35FS_{iv} + \mathcal{E}_{it}$ ……………………… (4.2).

4.7.4 Direct Effect of Shareholder Activism on Dividend Policy

4.7.4.1 The Hausman Test

The Hausman test results to decide on the appropriate model between the fixed effects and random effects models presented in Table 4.14 revealed that the Hausman statistic was not significant, Chi 2 (1) = 0.49, p=0.4828. The random effects model that allowed for inclusion of the control variables was therefore deemed to be the suitable model.

Table 4.14

Hausman Test for dividend Policy on Shareholder Activism

Predictor variable	Coefficients			
	(b) fixed	(B) random	(b-B) Difference	Sqrt(diag(V_b-V_B)) S.E.
Dividend policy	-.1473	-.0884	-.0589	.0839

b = consistent under Ho and Ha; obtained from xtreg

B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

chi2(1) = (b-B)'[(V_b-V_B)^(-1)](b-B)

= 0.49

Prob>chi2 = 0.4828

4.7.4.2 Random Effects of Shareholder Activism on Dividend Policy

Two random effects regressions (one without control variables and other with control variables) were run to check the robustness of the regression coefficient of regressing dividend policy on shareholder activism.

a) Without Control Variables

The random effects model regressing dividend policy on shareholder activism without including control variables (Table 4.15) indicated that differences across panels were uncorrelated (corr(u-i, x) = 0; the model was statistically suitable ($\chi^2(10) = 1153.70$, $p<0.01$); shareholder activism had a positive and significant effect on dividend policy ($b=0.099$, $p<0.01$). Thus a unit increase in shareholder activism across time and between firms is likely to increase dividend policy ratio by 0.099 percentage points; 15.7 percent of the variance was due to differences across panels (rho = 0.157). Shareholder activism explained 71.8 percent of the variance in dividend policy (Rsquare = 0.718).

Table 4.15

Effects of Shareholder Activism on Dividend Policy

Dividend policy	Without control variables	With control variables
Shareholder activism	.0987898**	.0987722**
	(.0029568)	(.0029645)
Growth in sales		.0001115
		(.0078876)
Firm Size		-.0527354
		(.0662043)
_Cons	.0110051	.0126098
	(.0135096)	(.0137914)
Wald chi2(10)	1153.70**	1149.22**
R-Squared	0.7182	0.7187
rho	.15683966	.16040953

Note: The standard errors of the coefficients are in brackets. Statistically significant estimates are marked with asterisks where *, ** represent p-values less than 5 and 1 per cent respectively

Therefore, the resulting random effects model is illustrated in equation 4.3.

$DPit = 0.011 + 0.099SA_{it} + \varepsilon_{it}$ …………………………………………………… (4.3)

b) With control variables

Integration of control variables had little impact on the regression coefficient of shareholder activism which remained positive and significant (b = 0.099, $p<0.01$). Both growth in sales (b=0.0001, $p>0.05$) and firm size (b=-0.053, $p>0.05$) had insignificant effects on dividend policy. Shareholder activism alongside the controls explained 71.9 percent of the variance in dividend policy which was not very different from what variation in shareholder activism alone explained. The implication of these results is that the coefficient for regressing dividend policy on shareholder activist was quite robust (Table 4.15). The overall random effects model for regressing dividend policy on shareholder activism including controls is illustrated in equation 4.4.

$$DP_{it} = 0.013 + 0.099SA_{it} + 0.0001GS_{it} - 0.053FS_{it} + \varepsilon_{it} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \quad (4.4)$$

4.7.5 Direct Effect of Dividend Policy on Market Value

4.7.5.1 Hausman Test

The Hausman test was again run to decide whether to test for fixed effects or random effects of dividend policy on market value under the control of growth in sales and firm size. The test results (Table 4.16) confirmed that the fixed effects model was more appropriate, Chi 2(1) = 194.61, $p<0.001$. Under this model the effect of the control variables were presumed to be removed giving an opportunity to assess the net effect of dividend policy on market value without including the control variables in the model.

Table 4.16

Hausman Test for Market Value on Dividend Policy

Predictor variable	Coefficients			
	(b) fixed	(B) random	(b-B) Difference	Sqrt(diag(V_b-V_B)) S.E.
Dividend policy	-6.8519	4.2178	-11.0696	.7935

b = consistent under Ho and Ha; obtained from xtreg

B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

chi2(1) = (b-B)'[(V_b-V_B)^(-1)](b-B)

= 194.61

Prob>chi2 = 0.0000

a) Fixed effects model without control variables

In the fixed effects model regressing market value on dividend policy without control variables (Table 4.17), the model was not statistically suitable as determined by $F(10,476) = 1.09$, $p>0.05$. The errors were correlated with regressors (corr (U_i,xb) = -0.1867 dividend policy had no significant effect on market value ($b=-1.897$, $p>0.05$). The coefficient of variation was very minimal (R-square = 0.0006).

Table 4.17

Effects of Dividend Policy on Market Value

Market value	**Without control variables**	**With control variables**
Dividend policy	-1.896876	-1.95293
	(1.841779)	(1.713858)
Growth in sales		1.206202*
		(.514121)
Firm Size		-35.25622**
		(4.244322)
_Cons	.6783085	1.52441
	(.8428475)	(.801739)
F (10, 476)	1.09	
F(12, 474)		7.39**
R-Squared	0.0006	0.1279
rho	.29537367	.2954769

Note: The standard errors of the coefficients are in brackets. Statistically significant estimates are marked with asterisks where *, ** represent p-values less than 5 and 1 per cent respectively.

b) Fixed Effects Model with Control Variables

Integration of control variables into the model (Table 4.17) resulted in a statistically suitable model ($F(12,474) = 7.39$, $p<0.01$). The total variance explained in market value increased to 12.8 percent (R-squared = 0.1279). Dividend policy was not a significant regressor of market value ($b=-1.953$, $p>0.05$). However, growth in sales ($b=1.206$, $p=0.019$) and firm size ($b=-35.3$, $p<0.01$) were both significant regressors of market value. The implication of these results is that the coefficient for dividend policy in equation 4.5 was not robust.

$$MVit = 1.524 – 1.953DP_{it} + 1.206GS_{it} – 35.3FSit + \varepsilon_{it} \quad (4.5)$$

4.7.6 Testing Direct Hypotheses

Three hypotheses were formulated to test the conceptualized direct effects.

Hypothesis $H_0$1 postulated that shareholder activism had no significant effect on the market value of firms listed at the NSE in Kenya. The findings summarized in Table 4.18 confirmed that shareholder activism was a positive and significant predictor of market value of the firms under study, $b= 0.696$, $p<0.01$. The hypothesis was therefore not supported. More precisely the coefficients show the following: a unit change in shareholder activism across time, and between firms increased market value of the firms by 0.784 units. The intra-class correlation (rho) revealed that 4.28% of the variance was due to differences across panels. These findings are consistent with other findings in existing literature.

For instance, the findings are consistent with findings by Bhandari et al. (2021) who demonstrated that shareholders activism raised the market value of the firms under investigation by 53 percentage points. However, it must be noted that the findings by these scholars was based on a systematic review and may not have factored current market trends. Nevertheless, the findings of this study support findings by Filatotcher and Dotsenko (2015) from the UK context showing that the form of investment, and the nature of proposals determined the shareholder activism effectiveness measured through stock market returns. Consequently, the findings made by this study shows that the positive impacts of shareholder activism on market value are independent of the context and are also experienced at the NSE.

Besides, examining both the random and fixed effects that took cognizance of firm and time effects is justified by findings made by Guimaraes et al. (2019) from the Brazilian corporate governance context. These scholars determined that firm’s market value may vary with time by showing that in the long run, companies with activists were more efficient and gained in market value.

However, the finding that shareholder activism impacted positively on market value negates findings by other studies. It has for instance been documented that lack of agreement on implementation of shareholder proposals negates the expected benefits of shareholder activism on market value (Bhandari et al., 2018). Moreover the limiting of power to a few individuals among large concentrated holdings elicits negative impacts from shareholder activism (Bhandari & Arora, 2017).

Hypothesis $H_0 2$ presupposed that shareholder activism had no significant effect on dividend policy of firms listed at NSE in Kenya. Shareholder activism, $b=0.099$, $p< 0.01$ had a positive and significant influence on dividend policy (Table 4.18). The intra-class correlation, $rho = 0.157$ indicated that 15.7% of the variance was due to differences across panels (rho = 0.157). Shareholder activism explained 71.8 percent of the variance in dividend policy (R-Square = 0.718).

This finding showing existence of a positive effect between shareholder activism and dividend policy supported several previous studies that have portrayed similar views. It has for instance been demonstrated that largest shareholders control decisions regarding dividend declarations and the nature of dividends (Kuhlmann, 2017; Musango, 2016). Besides, it is argued that shareholder activism need to be examined from the traditional model of corporate governance in which, activism signals the nature of dividends to be paid out (Kuhlmann, 2017).

The findings showing that shareholder activism had a positive and significant effect on market value show that the relationships between shareholder activism and dividend policy are independent of the context of study. The findings mirror the findings by Barros et al. (2021) whose study in the US firms confirmed that shareholder activism positively influenced decisions to pay dividends in the surveyed firms. Similar findings of the positive influence of dividend policy on shareholder activism have been reported in the UK firms (Driver et al., 2020), and in the German firms where hedge fund activism has been found to impact dividend policy significantly.

Hypothesis $H_0$3 presumed that dividend policy had no significant effect on market value of firms listed at NSE in Kenya. The study determined that dividend policy had a negative but non-significant effect on market value, b =-1.897, p>.05 (Table 4.18). The hypothesis was not upheld. From (rho), the interclass correlation, 29.5% of the variance was due to differences across panels, and dividend policy alongside growth in sales and firm size explained 12.79% of the variance in market value. The finding in this study that dividend policy impacts negatively on market value of firms listed at the NSE supports findings by Anggeriani, Khaira & Amlys (2018) who reported a negative regression coefficient after regressing firm value on dividend policy measured via dividend payouts. The negative effect of dividend policy on market value was also replicated in studies by Lunapow and Tumiwa (2017) from manufacturing firms listed at the Indonesian Stock Exchange; and by Bundagaga (2020). However, unlike the other studies, coefficient was not statistically significant, and was not robust.

The study replicates findings reported elsewhere, and widens the geographical scope of such studies. For instance, Duy et al. (2019) used the Hong Kong securities exchange to report a negative correlation between the dividend payout ratio and share price volatility. In doing so, they shed light and supported other scholar's views that capital gains were the antecedents to optimal dividend policy. The non-significant negative effect established by this study echoes the finding by Munawar (2018) showing that a non-significant impact of dividend policy on market value in the context of plantation firms drawn from the Indonesian Stock Exchange.

Table 4.18

Summary of Direct Effects

Hypothesis	coefficient	rho	R-squared	Decision
Shareholder activism had no effect on market value	b=-.784**	.0428	0.1989	Reject H_0
Shareholder activism has no effect on dividend policy	b=0.099**	0.157	0.718	Reject H_0
Dividend policy has no significant effect on market value	b=--1.897	0.295	.1279	Failed to reject H_0

4.8 The Mediating Effect of Dividend Policy on the Relationship Between Shareholders Activism and Market Value

Fig. 4.8 presents the path diagram indicating the results of the mediating effect of dividend policy on the relationship between shareholder activism and market value of firms at the NSE. In the illustration, the coefficient between shareholder activism and dividend policy was 0.099, the coefficient between dividend policy and market value was 2.94 and the coefficient between shareholder activism and market value was 0.750. The variance of market value–shareholder activism scores (e_i) was 46 while that of dividend policy–shareholder activism scores was 0.0096.

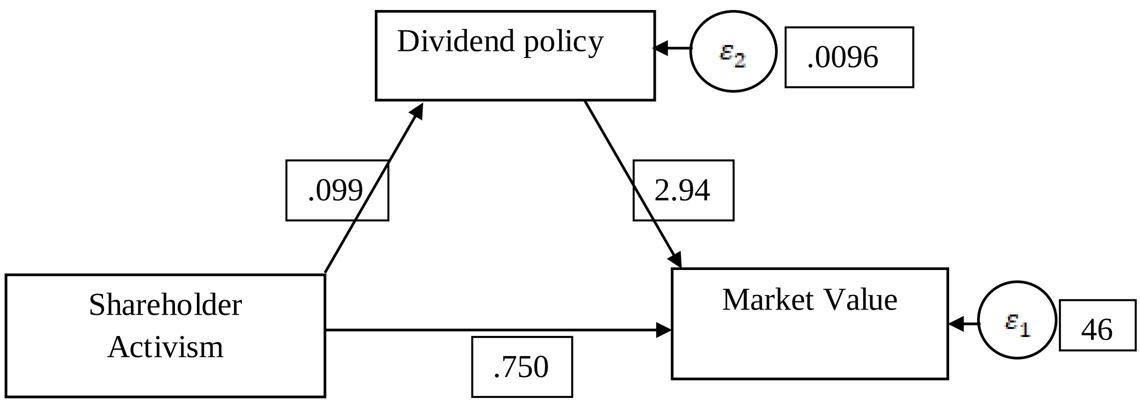


Figure 4.8 Mediating Effect of Dividend Policy between Shareholders Activism and Market Value

To examine whether dividend policy significantly influences shareholder activism's effect on market value, the direct and indirect effects were tested. Examination of the direct effects shown in Table 4.19 not only confirmed the coefficients in the path diagram but also revealed that the effect of dividend policy on market value was non-significant, b=2.940, p=0.323; the direct effect of shareholder activism on market value was significant, C_1 = 0.750, p=0.031; and the direct effect of shareholder activism on dividend policy was also significant, a=0.099, p<0.01.

Table 4.19

Indirect Effects showing the Influence Dividend Policy

Direct effects							
	Coef.		OIM Std. Err.	z	P>|z|	95% Conf. Interval	
Structural							
Marketvalue							
Dividendpolicy	2.9397		2.972	0.99	0.323	-2.89	8.764
shareholderactivism	.75035		.3476	2.16	0.031	.0691	1.432
Dividendpolicy							
shareholderactivism	.09905		.0027	37.02	0.000	.0938	.1043
Indirect effects							
Structural							
Marketvalue							
Dividendpolicy	0		(no path)				
shareholderactivism	.2912		.2945	0.99	0.323	-.286	.868
Dividendpolicy							
shareholderactivism	0		(no path)				
Equation-level of fit							
depvars	Variance				R-Squared	mc	mc^2
	fitted	predicted	residual				
Observed							
Marketvalue	48.63	2.780	45.86		.0572	.2391	.0571
Dividendpolicy	.0340	.0243	.0096		.7173	.8469	.7173
Overall					.7198		

The indirect effects (Table 4.19) showing the influence dividend policy may have on the relationship between shareholder activism and market value was small and non-significant, a*b=0.291, p=0.323. The implication of this result is that dividend policy did not significantly mediate the influence of shareholder activism on market value.

The computed equation-level goodness of fit (Table 4.19) yielded an overall R-squared value of 0.7198. This implies that the relationship between shareholder activism and dividend policy explained 71.98 percent of the variance in market value.

Research hypothesis $H_0$4 postulated that dividend policy does not mediate the relationship between shareholder activism and market value of firms listed at the NSE. The findings of the study confirmed that the indirect effect of shareholder activism on market value was not statistically significant, a*b=0.291, p=0.323. Hypothesis $H_0$4 was supported by the data, and the conclusion was that dividend policy does not mediate the relationship between shareholder activism and market value of firms listed at the NSE. This findings contradicts findings previously reported albeit, through proxies. It has for instance been shown that dividend policy significantly mediates the link between profitability and firm value in the context of manufacturing firms trading on the Indonesian Stock Exchange (Mas Santika Dewi & Abundaniti, 2020). Meanwhile, dividend policy has been shown to relate indirectly with capital structure (Qammar et al. (2017).

These findings confirm that dividend policy is itself a significant covariate of market value and therefore, rather than mediate in the relationship between shareholder activism and market value, it would rather impact market value. This is indeed the finding reported by the many scholars delving into such research. For instance, Ofori-Sasu et al. (2017) used the Ghanaian context to demonstrate dividend policy impacts positively on market value. Besides, research shows that such direct impacts of dividend policy may be positive (Anandasayaman & Thirunavukharosu, 2016; Asem & Tian, 2016; Brahmaia & Ravi, 2017; Chabouni, 2017; Duy et al., 2019; Febriana & Djawahir, 2016; Gabriel & Loan, 2016; Gunawan et al. 2018) or negative (Anggerriani et al., 2018; Hassan et al., 2015; Osamwonyi & Lola–Ebueku, 2016); or even fail altogether to have any impacts (Sadi’ah, 2018; Memon, Channa & Khoso, 2017; Setiewaty et al. 2018).

4.9 Moderation Effects

Stata version 15 was used to run the moderations, involving the conditional indirect effect of shareholder activism on market value through dividend policy and the conditional direct effect of shareholder activism on market value.

4.9.1 CSRD Moderating the Effect of Shareholder Activism on Market Value

The first moderation model involved shareholder activism and market value. The conceptualized moderation is illustrated in fig. 4.9.

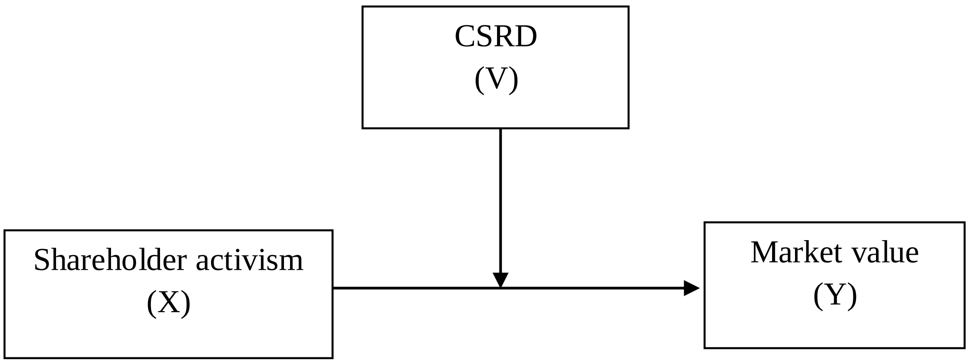


Figure 4.9 Shareholder activism – Market Value Moderation Path

This conceptualized moderation model yielded the statistical diagram presented in fig. 4.10.

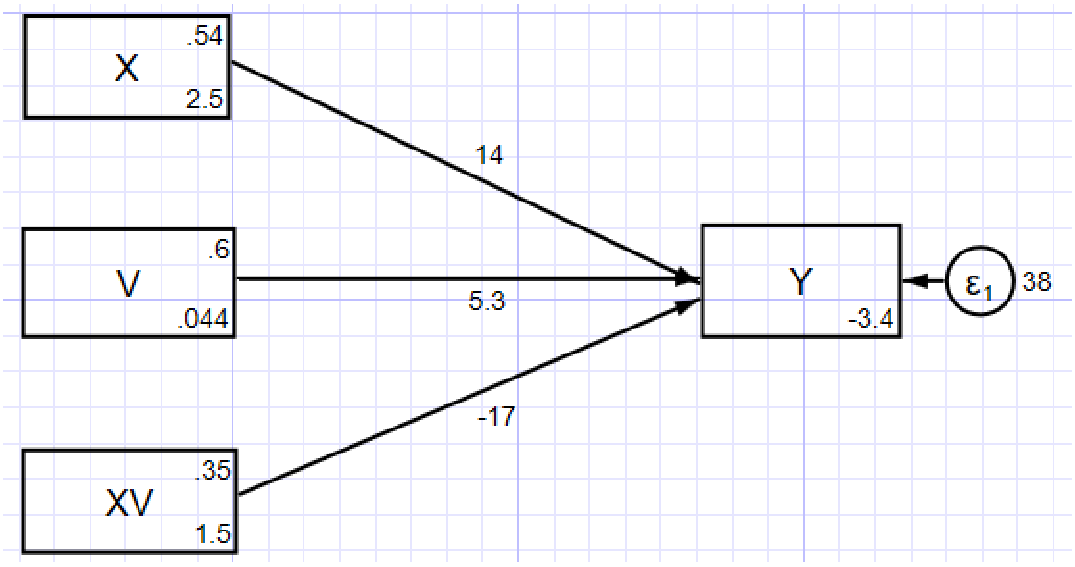


Figure 4.10 Statistical diagram for the Dividend Policy – Market Value Moderation

The statistical diagram indicates that the coefficient between shareholder activism and market value was approximately 14 with an intercept of 0.54 and a variance of 2.5. The coefficient between CSRD and market value was about 5.3 with an intercept of 0.6 and a variance of 0.044. The coefficient between the interaction of shareholder activism and CSRD and market value was approximately -17 with an intercept of 0.35 and a variance of 1.5. The variance of the market value-shareholder activism scores was 38.

The resulting moderation output (Table 4.20) indicates that shareholder activism had a positive and significant effect on market value, b=14.22, $p<0.01$; CSRD had a positive and significant effect on market value, b=5.27, $p < 0.01$; while the interaction between shareholder activism and CSRD had a negative and significant effect on market value, b=-17.3; $p<0.01$. The implication of the significant interaction is that CSRD moderated the effect of shareholder activism on market value. Moreover, the equation level goodness of fit yielded an overall R-squared of 0.2133, indicating that the relationship between shareholder activism and CSRD explained 21.33 percent of the variance in market value.

Table 4.20

Moderating the shareholder Activism-market value Relationship

	Coef.		OIM Std. Err.	z	P>|z|	95% Conf. Interval	
Structural							
Y							
X	14.22		1.279	11.12	0.000	11.7	16.7
V	5.27		1.400	3.77	0.000	2.54	8.02
XV	-17.303		1.667	-10.4	0.000	-20.6	-14.04
_cons	-3.413		.929	-3.67	0.000	-5.23	-1.59
Var(e.Y)	38.26		2.33			33.96	43.1
Equation-level of fit							
depvars		Variance			R-	mc	mc^2
	fitted	predicted	residual		Squared		
Observed							
Y	48.64	10.37	38.26		.2133	.4618	.2133
Overall					.2133		

The subsequent model for CSRD moderating the effect of shareholder activism on market value is illustrated in equqtion 4.7

MVit = -3.413 + 14.22SAit + 5.27 CSRDit – 17.3 (SA*CSRD) it + Ɛit……….. (4.7)

This moderation was supported by the interaction chart between shareholder activism and market value (Fig. 4.11). From the graph it is evident that CSRD moderates the relationships between shareholder activism and market value. For instance, At high levels of CSRD an increase in shareholder activism does not seem to have an impact on market value since the line looks horizontal. At medium levels of CSRD an increase in shareholder activism leads to moderate increase in market value. Shareholder activism exerts the larger effect on market value at low levels of CSRD. In the figure the line represeting the relationship between shareholder activism and market value at low levels of CSRD has steeper slope.

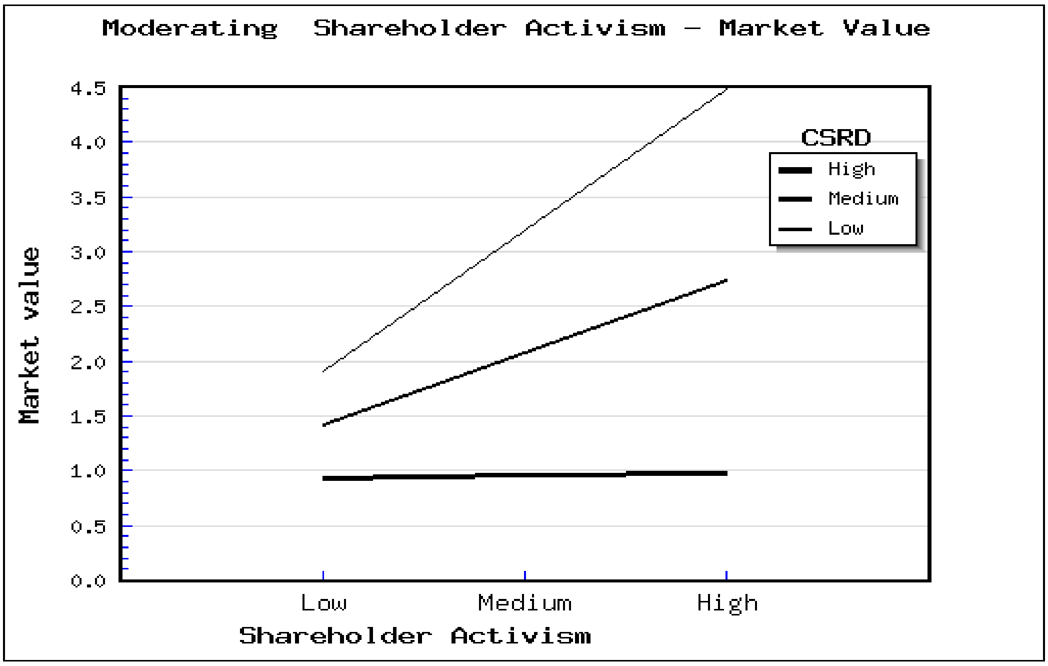


Figure 4.11 Moderating Shareholder Activism – Market Value

Research hypothesis H_05 postulated that corporate social responsibility disclosure does not moderate the relationship between shareholder activism and market value of firms listed at the NSE. The findings of the study confirmed that shareholder activism had a significant direct conditional effect on market value. Hypothesis H_05 was not supported by the data, and the conclusion was that CSRD moderates the relationship between shareholder activism and market value of firms listed at the NSE.

The finding showing that CSRD influences the effect of shareholder activism on market value provides a framework though which the conditional direct effect of shareholder activism on market value can be understood. There is a void in studies on the potential of CSRD to moderate relationships focusing market value. Consequently this finding deviates from the common one probing direct effects but not conditional direct effects.

For instance, Bhandari and Arora (2017) used the Indian corporate context to show that shareholder activism impacted positively on corporate governance quality.in doing so they continued the trend that looks at direct effects, and reflected the views expressed by Platonova et al. (2018) that adherence to mission and vision, churning out quality services and products, showing commitment to employees, society, and to charity and benevolent are six CSR disclosure indices that improved corporate governance.

Similarly, the finding showing the conditional direct effect of shareholder activism deviate from findings by Giovanni et al. (2015) who used the Italian Stock Exchange context to that CSR impacted negative on the stock prices of the firms. In doing so, they echoed findings showing impacts the financial performance of Islamic banks positively (Mallin et al., 2014). However, all these studies went for direct effects. The result in this study shows the conditional direct effect of shareholder activism on market value which opens up room for more research on the relationship.

Moreover, in finding that CSRD offers a conditional direct path from shareholder activism to market value, this study provides knowledge that can be exploited to end conflicts between managers and owners. CSR provides an enabling business environment that can exploited to maximize shareholder returns as recommended by

Subhan et al. (2018). The finding also circumvents the feeling that investors are held back by a poor business environment that informs poor social performance as shared by Al-Haija et al. (2021).

4.9.2 CSRD Moderating the Relationship between Dividend Policy and Market Value

The second moderation model involved CSRD moderating the relationship between dividend policy and market value. The path diagram for the moderation of the relationship between dividend policy and market value is illustrated in fig 4.12.

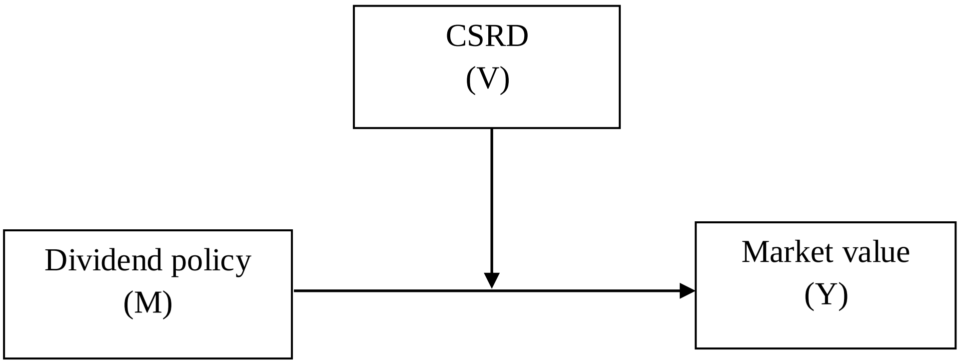


Figure 4.12 Dividend Policy – Market Value Moderation Path

The subsequent statistical diagram for regression is illustrated in fig. 4.13.

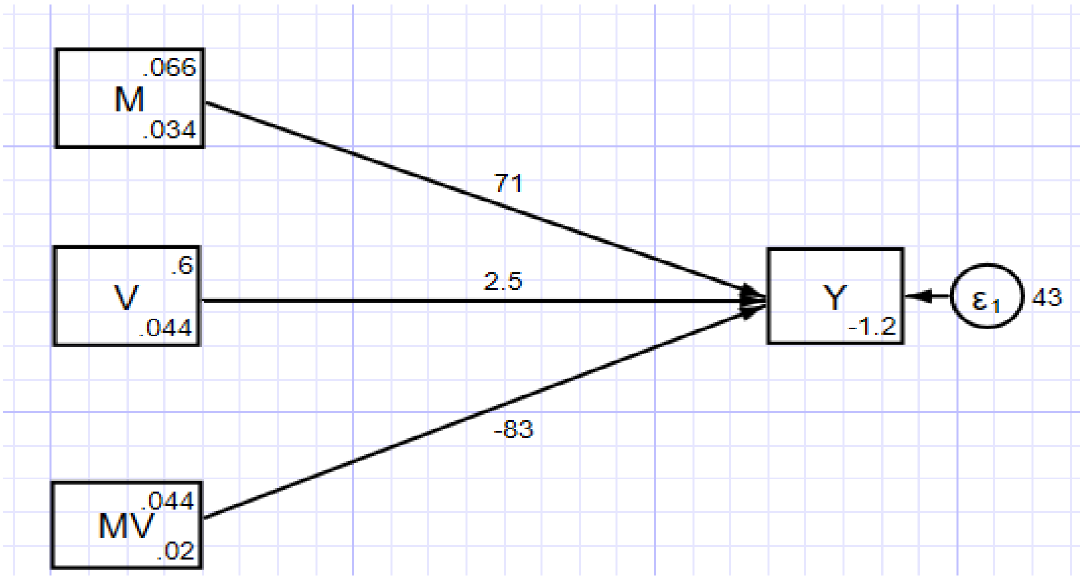


Figure 4.13 Statistical Diagram for the Dividend Policy – Market Value Moderation

The statistical diagram indicates that the coefficient between dividend policy and market value was approximately 71 with an intercept of 0.066 and a variance of 0.034. The coefficient between CSRD and market value was about 2.5 with an intercept of 0.6 and a variance of 0.044. The coefficient between the interaction of dividend policy and CSRD and market value was approximately -83 with an intercept of 0.044 and a variance of 0.02. The variance of the market value-dividend policy scores was 43.

The resulting moderation output (Table 4.21) indicates that dividend policy had a positive and significant effect on market value, $b=70.8$, $p<0.05$; CSRD had a positive but non-significant effect on market value, $b=2.53$, $p>0.05$; while the interaction between dividend policy and CSRD had a negative and significant effect on market value, $b=-82.95$; $p<0.01$. The implication of the significant interaction is that CSRD moderated the effect of dividend policy on market value. Moreover, the equation level goodness of fit yielded an overall R-squared of 0.1257, indicating that the relationship between dividend policy and CSRD explained 12.6 percent of the variance in market value.

Table 4.21

Moderating the Dividend Policy-Market Value Relationship

		Coef.	OIM Std. Err.	z	P>|z|	95% Conf. Interval	
Structural							
Y							
M		70.83	9.236	7.67	0.000	52.7	88.9
V		2.535	1.433	1.77	0.077	-.274	5.34
MV		-82.98	12.12	-6.85	0.000	-106.7	-59.2
_cons		-1.229	.935	-1.32	0.188	-3.062	.603
Var(e.Y)		42.53	2.588			37.7	47.9
Equation-level of fit							
depvars		Variance			R-Squared	mc	mc^2
	fitted	predicted	residual				
Observed							
Y	48.6	6.11	42.5		.126	.354	.0126
Overall					.126		

The subsequent model for CSRD moderating the effect of dividend policy on market value is illustrated in equation 4.8

MVit = -1.229 + 70.8DPit + 2.54 CSRDit – 82.98DPit*CSRDit + Ɛit……….. (4.8)

Similary the moderation effect of CSRD on the relationship between dividend policy and market value was corroborated by the resulting interaction graph (fig. 4.14).

At a low level of dividend policy, the market value is high for companies with high levels CSRD than companies with medium and low levels CSRD as the dividend policy increase. The market value increases with increase in levels of CSRD but the increase is strongest with companies with low levels of CSRD than companies with high and medium levels of CSRD. At medium CSRD increase of dividend policy does not seem to have effect on the level of market value, whereas at lower levels of CSRD increase in dividend policy leads to largest effect on market value.

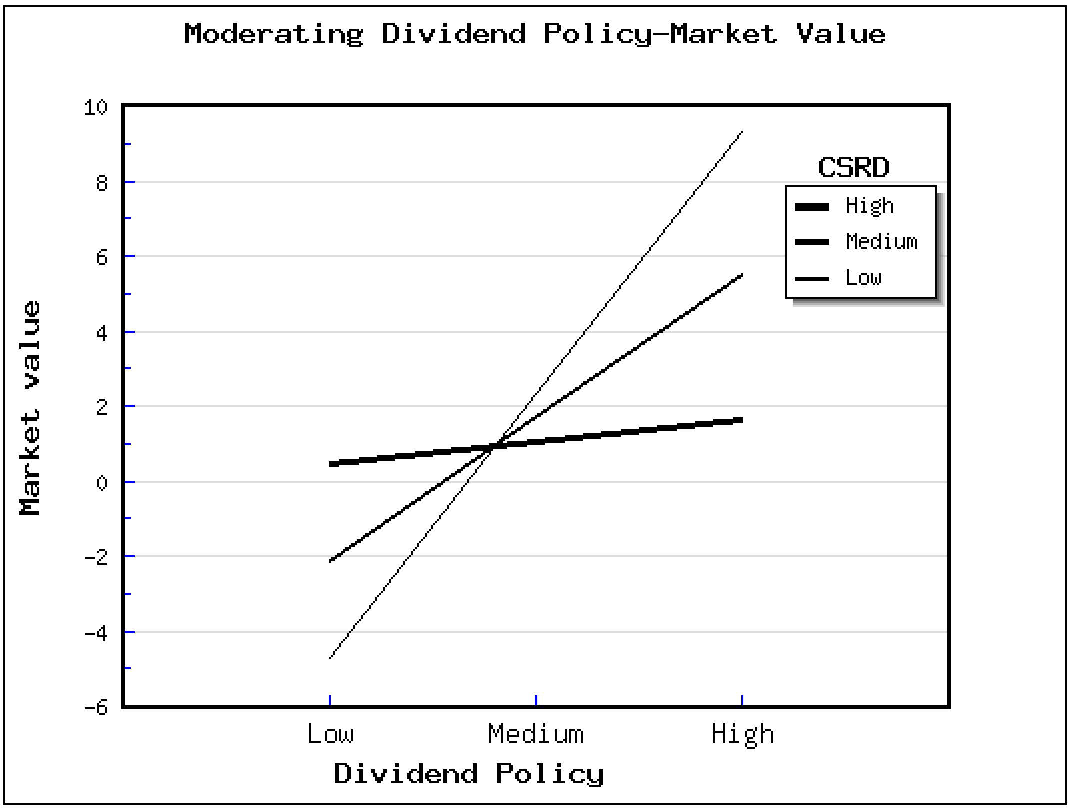


Figure 4.14 Moderating Dividend Policy – Market Value

Research hypothesis $H_0$6 postulated that corporate social responsibility disclosure does not moderate the relationship between dividend policy and market value of firms listed at the NSE. The findings of the study confirmed that dividend policy had a significant direct conditional effect on market value. Hypothesis $H_0$6 was not supported by the data, and the conclusion was that CSRD moderates the relationship between dividend policy and market value of firms listed at the NSE.

These results are a novelty considering that studies investigating the influence of CSRD on the effect of dividend policy are rare. Existing studies concentrate on the direct impacts of CSRD on dividend policy. For instance, Homan (2019) employed the Malaysia context to show that CSR disclosure had a positive correlation with Earning Response Coefficient, a proxy for dividend policy. Mohamed et al. (2016) used the Islamic bank's context to show that CSR disclosure impacted positively on financial performance. Similarly, Wu, et al. (2021) demonstrate that CSR disclosure related positively and significantly with financial performance. Yet showing that CSRD impacted positively on dividend policy was no guarantee that it could moderate the relationship involving dividend policy and market value. This study therefore fills such a big gap by showing that corporate social responsibility disclosure can be employed to inject a boost on the effect of dividend policy on market value.

4.9.3 Testing for the Moderated Mediation Effects of Corporate Social Responsibility Disclosure and Dividend Policy on the Relationship Between Shareholder Activism and Market Value.

Research hypothesis $H_0$7 posited that corporate social responsibility and dividend policy had no significant moderated mediation effects on the relationship between shareholder activism and market value in the context of firms listed at the NSE.

4.9.3 Testing for Moderated Mediation Using Model 15 from Hayes

Moderated mediation using Hayes model 15 was conducted to test the conditional indirect effect of shareholder activism on market value through dividend policy; and also to test the conditional direct effect of shareholder activism on market value.

The conceptualized statistical diagram for these tests is illustrated in fig. 4.15.

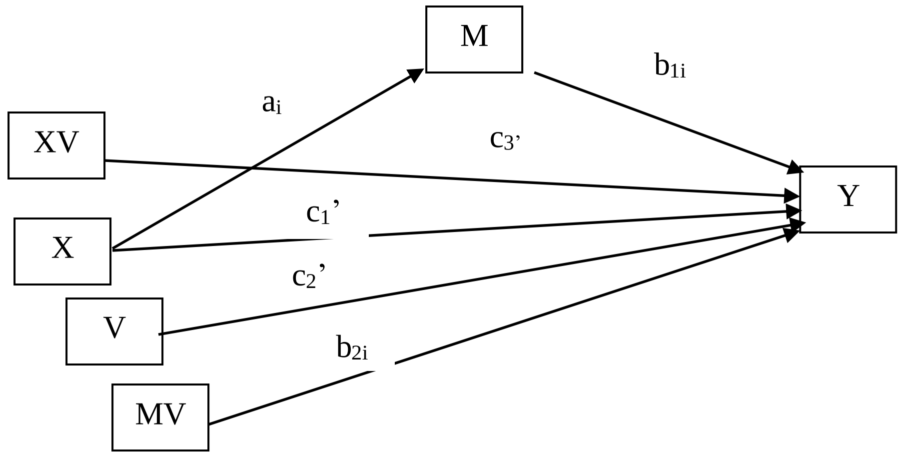


Figure 4.15 Conceptual Statistical Diagram for Moderated Mediation

Where, X represents shareholder activism; M represents dividend policy; Y represents market value; and V represents CSRD. The conditional indirect effect of X on Y through M was given by a_i (b_{1i} + b_{2i} V), while the conditional direct effect of X on Y was given by $c_{1'} + c_3$'V.

The generated statistical diagram in Fig. 4.16 revealed that the coefficient between shareholder activism and dividend policy, a_i was 0.099 with an intercept of 0.54 and a variance of 2.5. The coefficient between dividend policy and market value, b_{1i} was 12 with a variance of 0.013. The coefficient between shareholder activism and market value, c_1' was 13 with an intercept of 0.54 and a variance of 2.5. The coefficient between CSRD and market value, c_2'was 5.3 with an intercept of 0.6 and variance of 0.044. The coefficient between the interaction of shareholder activism and CSRD on market value, c_3' was -16 with an intercept of 0.35 and variance 1.5; and the coefficient between the interaction of dividend policy and DSCR on market value, b_{2i} was -12. The variance of the market value–shareholder activism score was 38 while the variance of the dividend policy–shareholder activism score was 0.0096.

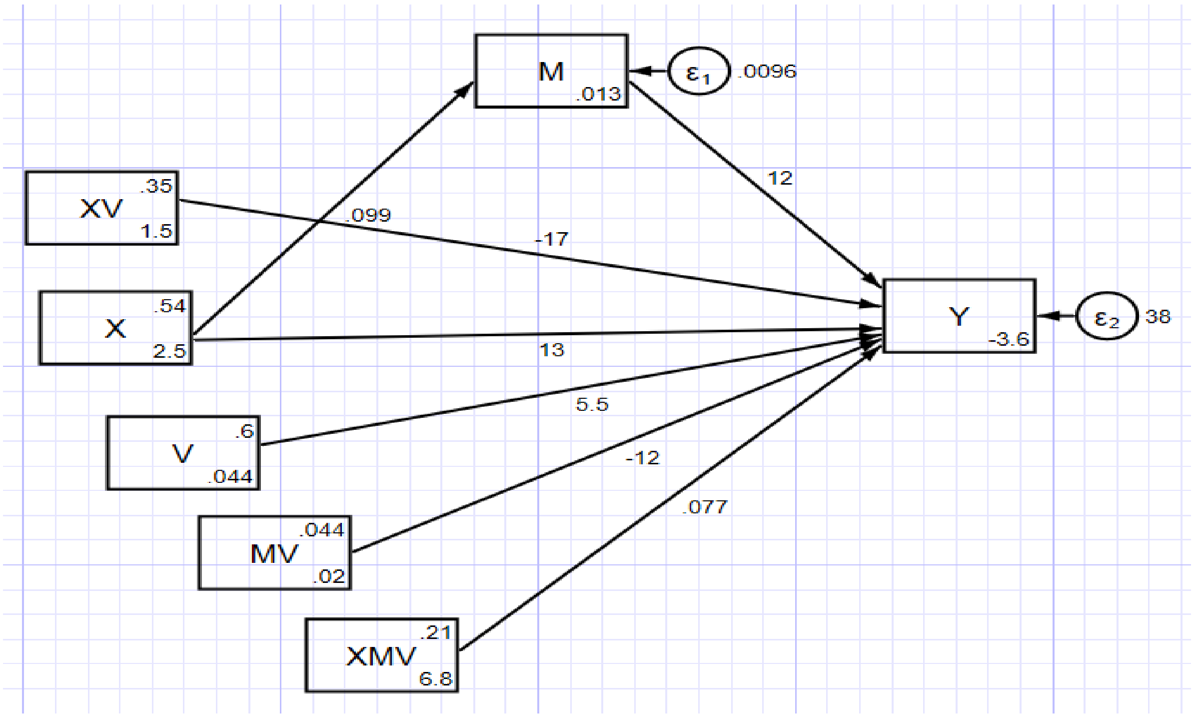


Figure 4.16. Generated Statistical Diagram for Moderated Mediation

The resulting moderated mediation output (Table 4.22) indicates that dividend policy had a positive and non-significant effect on market value, b_{1i}=12.31, p = 0.290; the interaction of market value with CSRD had a negative and significant effect on market value, c_3'=-16.6, p< 0.01; shareholder activism had a positive and significant effect on market value, c_1'=13.3, p<0.01; CRSD had a positive and significant effect on market value, c_2'=5.46, p<0.01; the interaction between dividend policy and CSRD had a negative and significant effect on market value, b_{2i}=-12.1; p<0.05; and shareholder activism had a positive and significant effect on dividend policy, a_i = 0.099, p<0.01.

Table 4.22

Moderated Mediation Output

.

	Coef.	OIM Std. Err.	z	P>|z|	[95% Conf.	Interval]
Structural						
Y						
M	12.32411	11.65438	1.06	0.290	-10.51806	35.16628
XV	-16.62005	3.286079	-5.06	0.000	-23.06064	-10.17945
X	13.28528	2.10065	6.32	0.000	9.168078	17.40247
V	5.460914	1.665787	3.28	0.001	2.19603	8.725797
MV	-12.17596	15.70212	-0.78	0.438	-42.95156	18.59964
XMV	.0765933	.4056901	0.19	0.850	-.7185446	.8717312
_cons	-3.557335	1.030387	-3.45	0.001	-5.576856	-1.537814
M						
X	.0990486	.0026756	37.02	0.000	.0938046	.1042927
_cons	.0125363	.0044619	2.81	0.005	.0037911	.0212816
var(e.Y)	38.09741	2.318535			33.81373	42.92378
var(e.M)	.009613	.000585			.0085321	.0108308

LR test of model vs. saturated: chi2(4) = 1575.80, Prob > chi2 = 0.0000

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The conditional indirect effect of shareholder activism on market value was given by -3.56 + 0.077 CSRDit

This equation implies that the conditional indirect effect of shareholder activism on market value through dividend policy increases with increasing corporate social responsibility disclosure. Meanwhile, the conditional direct effect of shareholder activism on market value displayed in equation 4.10 reveals a remarkable decline in the effects of shareholder activism with increasing corporate social responsibility disclosure.

Condition direct effect = 13.2 -16.6 CSRDit……………………………….. (4.10)

Hypothesis H_07 presumed that there were no moderated mediation effects of corporate social responsibility and dividend policy on the relationship between shareholder activism and market value among listed firms at NSE in Kenya. The study yielded enough evidence to show that shareholder activism had an indirect conditional effect on market value given by -3.56+0.077CSRDit, and a corresponding direct conditional effect on market value given by 13.2 -16.6 CSRDit. The hypothesis was subsequently not supported.

This finding is a new addition to existing knowledge which is devoid of studies on the concurrent unconditional and conditional effects of shareholder activism on market value. Most existing studies tend to focus on the direct effects, indirect effects, and conditional direct effects. For instance, Guimaraes et al. (2019) established that shareholder activism impacted negatively on the efficiency of companies. Bouaziz et al. (2020) demonstrated that the nature of shareholder activism predicted firm performance in the context of SBF 120 index allied firms drawn from France. Meanwhile, Bhagwat et al. (2020) documented that the diverse forms of shareholder activism that existed in the US context were crucial for value addition in firms. Similarly, Pineiro–Chonsa et al. (2018) used the US context to confirm that shareholder activism had impacts on market albeit negative ones.

Although evidence has documented that dividend payout mediates the relationship between internal governance and free cash flow (Guizani, 2018), and between institutional ownership and stock price volatility (Gonzalez et al. (2017). There is a scarcity of studies showing the mediating effect of dividend policy on the relationship between shareholder activism and market value. Neither are there studies on dividend policy being an avenue for the indirect conditional effect of shareholder activism on market value. Therefore, this study contributes immensely to filling this gap.

4.10 Discussions of Findings

The study findings were discussed in line with existing empirical studies for purposes of determining agreements and disagreements with previous findings, and potential for new knowledge. The discussions followed the respective specific objectives of the study.

4.10.1 Shareholder Activism and Market Value

The study established that shareholder activism had a positive and significant random effects on market value. This finding reflects the push and pull between management and institutional investors with regards to the role which shareholder activism can play in enhancing market value of firms (Bhandari, et al., 2018).

According to Bhandari and the other scholars, managers and institutional shareholders tended to disagree on implementation of shareholder proposals which are essentially proxies of shareholder activism. Whereas managers resisted proposals from shareholders, institutional investors consisting of majority shareholders welcomed them. This means that majority shareholders understood the positive impacts of shareholder activism. In such a scenario, shareholder activism could be seen to boost market value by strengthening the role managers' play in implementing strategies aimed at improving market value. Moreover, most firms listed at the NSE may be viewed as large concentrated share holdings. Bhandari and Arora (2017) argue that such large concentrated holdings, often limit power in few hands and in doing so; they increase the desire for shareholder activism among other investors whose powers may be limited. The finding of the positive influence supports the views posited by King and Bozos (2017) showing that shareholder activism has the potential to generate economically meaningful changes in risk and returns.

The positive effect of shareholder activism on market value contradicts reflections in a study which shows that in the banking industry for instance, shareholder activism may be a threat to financial stability and by extension to market value (Roman, 2015). Such contradictory findings perhaps confirm that shareholder activism impacts different contexts differently. The finding showing that shareholder activism affects firm value positively however, supports most findings. According Bebchuk et al. (2015), shareholder activism elicits significant positive long term performance on firm value measured via Tobin's Q and ROA. Sharfman (2020) on the other hand, argue that shareholder activism will continue to dictate the future of corporate markets and the value of shares. Heugens et al. (2020) extol the importance of shareholder activism by pointing out that controlling minority shareholder structures increases agency costs and leads to a decline in firm value.

The positive impact of shareholder activism on market value has also been demonstrated by studies which associate shareholder activism with positive changes in companies (Pineiro–Chonsa, Vizcaino-Gonzalez, and Caby, 2018; Barros et al. 2021; DesJardine and Durand (2020. These scholars argue that shareholder activism spurs positive abnormal returns and modest changes in operating returns. Financial activism as a synonym of shareholder activism has on the other hand been associated with potent impact on firm outcomes (Gillan & Starks, 2007; Thomas & Cotter, 2007). Meanwhile, shareholder activism through the proxy of proposals has been shown to impact stock price positively (Renneboog & Szilagyi, 2008).

The finding that shareholder activism in the context of firms listed at the NSE impacts positively on firm value perhaps provides more insights than findings which have reported lack of relationship between firm performance and government related shareholder activism (Gillan & Starks, 2007; Yermack, 2010). Given that shareholder activism in the context of the firms trading at the NSE are not governance related, the positive relationship could be feasible. Besides existing evidence overwhelmingly point to the positive impact that shareholder activism is poised to play in value increasing, making it necessary to explore the nature of shareholder activism in the context of firms trading at the stock exchange.

Denes, Karpoff and McWilliams (2015) for instance argue that activism that adopts corporate takeover characteristics such as stockholdings, tend to increase share value and improve firm operations. On the contrary, activism that does not involve formation of ownership blocks has a minimal impact on firm value. Denes *et al.* (2015) further posit that shareholder activism has a value increasing impact over time. Existing evidence on the practice of shareholder activism however corroborate the negative impacts reported in this study.

Sarkar and Sarkar, (2000) having conducted a study in corporate governance in the context of large shareholder activism in developing countries, concluded that effectiveness of shareholder activism is restricted to a handful of developed nations such as Germany, US, UK and Japan. Suffice it to say that this study was in a developing country context. In yet another study on the impact of shareholder activism in Brazil, Guimaraes *et al.* (2018) established that, although shareholder activism improves firm value in the long run, shareholders tend to target less efficient companies. Filatotcher and Dotsenko (2015) on the other hand examined shareholder activism in the UK context and reported that, effectiveness of shareholder activism varied basing on form, investor and nature of proposals. Meanwhile, Hadani, Goranova and Khan (2011) examined the moderating influence of shareholder activism in the relationship between institutional investors and earnings management. They reported results showing that despite shareholder proposals having a positive impact on earnings management, shareholder activism by the largest owners negatively impacts earnings management.

Other findings which lend credence to the negative effect of shareholder activism on firm value in contradiction to this study includes; Grewal, Serafam and Yoon (2016) who for instance, established that although filing shareholder proposals enhanced firms' governance, such proposals did not however attract majority support. Shareholder activism's influence on firms' value has also been explored from a debt holder's perspective. Sunder, Sunder, and Wongsunwai (2014) argue that hedge fund is for instance pegged on the nature of shareholder activism. Hadani, et al, (2018)

also noted that despite the popularity of proposals making them to represent the most common proxy for shareholder activism; they enjoy limited voting success and may not be the best avenue to use to gauge the impact of shareholder activism.

Several factors may be responsible to some of the contradictory findings. Besides the context in which the study was conducted, the form of investment, and the nature of proposals may also be the reason. Filatotcher and Dotsenko (2015) contend that type of investor, the form of investment, and the nature of proposals determined the shareholder activism effectiveness. This is therefore a sufficient reason for the contradictory findings since the investors were different and possibly the forms of investment may have been different. Another potential source for the contradictory findings is shareholder proposal as a proxy measure for shareholder activism as suggested by Bouaziz et al. (2020). These scholars demonstrated that shareholder activism measured through shareholder proposals was not a significant determinant of market performance.

Yet another source for contradictory results is the volatility in share price and diversity in the measurement of market value. According to Amahalu et al. (2018). The volatility in share price can not guarantee the ability for the firm to create visible value as expected may not be guaranteed. Besides using the diverse ratios such as return on equity (ROE), return on assets (ROA), and Tobin's Q to measure market value as previously used by others (Brahmaia and Ravi, 2017; Garcia-Zambrano et al., 2018) is likely to yield varying findings opening room for contradictory results. In the case of the NSE, contradictory results could be due to the many covariates in the study context that may have been unused.

It becomes apparent from the findings by these scholars (Cziraki *et al.*, 2009; Grewal *et al.,* 2016; Guimaraes et al., 2018; Filatotcher and Dotsenk, 2015; Hadani et al., 2011; Sunder *et al.,* 2014) that, shareholder activism impacts variously on firm value in the context of the NSE, was not wholly unexpected. Factors such as nature of investors, reception of proxy proposals, level of country development and nature of shareholders activism elicited by firms trading at the NSE are potential contributors to a finding that contradicts others in existing literature. Whichever way, this study tilts the scale towards studies showing positive direct impacts of shareholder activism on market value.

4.10.2 Shareholder Activism and Dividend Policy

On the effect of shareholder activism on dividend policy, this study confirmed that dividend policy was indeed a function of shareholder activism, and that shareholder activism impacted positively and significantly on dividend policy. This is indeed the expected position given that largest shareholders hold sway on decisions regarding dividend declarations and the nature of dividends (Kuhlmann, 2017; Musango, 2016). Kuhlmann (2017) argues that shareholder activism ought to be viewed from the traditional model of corporate governance in which, activism signals the nature of dividends to be paid out. Besides it has been shown that shareholders have the powers to vote against directors if their views are not factored into decisions (Musango, 2016). This in essence lends credence to the finding showing that shareholder activism has a positive influence on dividend policy.

The study finding reflects the findings by Barros et al. (2021) which was conducted in the US. The findings therefore confirms that a mixed-method design used in Kenya to explore whether shareholder activism influences the dividend policy can replicate findings that show that show that shareholder activism positively influenced decisions to pay dividends in the surveyed firms. This study moves a step further by accounting for factors such as CSR disclosure to condition the direct effects and the indirect effects through dividend policy.

However, the finding of this study contradicted the finding by Saez and Gutierrez (2015) showing that shareholder activism undertaken by controlling shareholders negatively impacts dividend payout. However this study was of causal nature contrary to the systematic review carried out by Saez and Gutierrez (2015). Two pertinent issues arise from the findings of this study. Firstly, the study having used 3 block shareholders confirms that the nature and type of shareholder activism matters greatly in its relationship with dividend policy. Secondly, the research design may be critical to the nature of results reported.

The positive effect of shareholder activism on dividend policy reported in this study is consistent with Driver et al. (2020). Using the investor pressure perspective to analyze the influence of shareholder activism on dividend policy. These scholars determined that takeover threats led to an increase of dividends across firms; higher payout was a function of higher board equity, and short-term trading positively affected dividends. However, they used the meta-analysis method on UK firms. The findings of this study therefore added to the knowledge gained from Driver et al. (2020) by using the ex-post-facto design which uses data collected in real time as opposed to testing other scholars' findings done in meta-analysis.

The findings also supported the findings by Maffett et al. (2020) from a study examining the consequences of shareholder activism from a cross-border activism perspective. Seeking to establish the global nature of shareholder activism, and using 7,000 activist shareholder campaigns spread across 56 countries, they determined that investor activism resulted in higher payouts. While their findings add to the array of shareholder activism in firms, including cross-border activism. They did not specify the nature of firms under study. However, this study reports similar findings in the context of firms listed at the NSE.

The positive influence of shareholder activism on dividend policy of firms was also implicit in the findings by Pucheta–Martineza and Lopez– amora (2017) who analyzed the impacts of shareholder activism on dividend policy from a board composition perspective. They established that shareholder activism by way of foreign and institutional directors sitting on boards had a positive effect on dividend policy through mitigating agency costs. Moreover, they determined that such directors were pressure-sensitive. Therefore this study replicates the findings using block holder shareholders' pressure on dividend policy decisions.

The positive impact of shareholder activism on dividend policy was contradicted by the findings by Kilincarslan and Ozdemir (2018) from an empirical study conducted to examine shareholder activism and dividend policy in UK firms from an investment horizon perspective. Having used panel data for the period 2000–2010 from non-financial firms. By using the churn rate of overall stock to measure investment horizons, Kilincarslan and Ozdemir (2018) determined that churn rate had a negative relationship with dividend payments. This study however used divergent dividend policy proxies yielding positive effects. Moreover, the period of study was made more current. And the context was that of a developing country.

The finding that shareholder activism influences dividend policy positively, further supports findings by Mead, (2016) who argue that, dividend minded shareholders act as a potential third force in decisions towards declarations of dividends. In this way, they are bound to influence dividend policy. Mead, (2016) view these kinds of shareholders as natural activists whose focus solely on agitating for long term dividends. Moreover, it has been argued that long term institutional investors have been central to the success of organizations and ought to be listened to (Kabi, 2015).

The positive influence of shareholder activism on dividend policy of firms is also captured through the findings by Abor and Fiador (2014), showing that board composition and board size which are sometimes dictated by shareholder activism, positively and significantly influenced dividend payout in the Kenyan and Ghanian contexts. Moreover, Abor and Fiader (2014) confirmed that institutional ownership in the form of shareholding could have influences on dividend payout, a situation which has been experienced in Kenyan and South African firms. Bourveau and Schoenfeld (2017) on the other hand show that activist investors put management on toes and this culminates into frequent issuance of earnings. Besides, Bourveau and Schoenfeld postulate that shareholder activism is a precursor to positive price reaction and hence improved share earnings.

The positive impact of shareholder activism on dividend policy is also echoed by Barros *et al*. (2021) in postulating that activist shareholders play a critical role in management decisions aimed at profitability. Using panel data covering the period 2000 to 2017 Barros and colleagues found that shareholders activities are responsible for decisions to collect dividends as a risk management mechanism, in which case they influence dividend policy.

Some studies in existing discourse on shareholder activism and dividend policy however contradict the finding of this study that shareholder activism is a positive predictor of dividend policy. Mancinelli and Ozkan (2006) for instance established that as voting rights of the largest shareholders increased, dividend payouts among firms reduced. The argument made here is that shareholder activism which is concentrated among few large shareholders may be retrogressive to dividend payouts. Similar findings are replicated by Lopez-Iturriaga, and Santana–Martin (2015) who argue that voting rights acquired by shareholder coalitions and dominant owners relate negatively with dividends. The implication is that dominant owners enter into coalitions ostensibly for purposes of reducing cost of appropriation.

In the event that contradictory finding have previously been reported with regards to shareholder activism and dividend policy, the finding of this study underscores the central role that shareholders play in the survival of firms listed at the NSE. This is because through their activism, they are at the centre of sustained dividend payouts owing to their direct influence on dividend policy.

4.10.3 Dividend Policy and Market Value

Despite the long term growth in dividend policy together with long term decline in market value as depicted in the two trends, the fixed effects regression revealed that divided policy had no significant influence on firm value. This finding contradicts an array of findings reported in the extensive literature but is feasible since high dividends are bound to eat up on retained earnings and revenue reserves. In this way, new assets to boost firm value are not brought on board. Indeed, it has been argued that although shareholders like cash dividends, they would rather plough earnings back into the business (de Wet & Mpenda, 2013). Moreover, it has been pointed out that when dividends are paid, the firm in question is also required to pay dividend distribution tax (Singh & Tandon, 2019). This reduces funds availability for future investments.

The lack of significant effects of dividend policy on market value in this study is contrary to the finding by Duy et al. (2019) in a study that used volatility in the share price as a proxy of market value in examining dividend policy and market value. They reported a negative correlation between the dividend payout ratio and share price volatility as opposed to the lack of significant effect. It is however important to note that these scholars focused on the Hong Kong stock exchange which may have divergent covariates from the Kenyan one. Consequently, the lack of significant effect in Kenya could be explained by this divergence in covariates. Moreover it could be possible that Duy et al. (2019) used a different analysis model instead of the fixed effects model employed in this study. This implies that scholars continue to apply different contexts and models to possibly bring these contradictory findings to an end.

However the non-significant effects of dividend policy on market value reported in this study corroborated those of Anggeriani et al. (2018). In seeking to determine open mining firms' dividend policy and market value, these scholars used the Indonesian securities exchange to determine that dividend policy correlated negatively (r=-1.58) but not significantly with market value. Such findings confirm that the dividend policy and market value are both country specific and firm specific and would require fixing the effects. Although these findings by Anggeriani et al. (2018) contradicted findings by Gunawan et al. (2018), who had reported positive impacts of dividend policy on market value; and earlier findings by Memon, Channa, and Khoso (2017) from the Pakistan context showing that dividend policy measured through dividend payout and dividend yield impacted significantly on stock market price, the possibility of different models can not be ruled out. Consequently, the insignificant findings of this study adds to the array of findings that have reported insignificant though negative effects (Sadi’ah, 2018; Setiawaty et al., 2018).

Moreover the insignificant effects contradicts Khadiga et al. (2017) who employed the Pakistan context to determine that dividend policy positively and significantly impacted firm performance and shareholder wealth. It is however necessary to note that in using the ordinary linear regression (OLS) approach, Khadija et al. (2017) did not realize the potential impacts of the differences in firms and time. Besides, they failed to confirm robustness in their effects by taking cognizance of other potential covariates. Therefore, the finding of this study raises awareness on the need for using robust models such as the fixed effects model that fixes firm and time related effects.

The need to consider fixed effects models is implicit in the findings by Munawar (2018) that indicated insignificant effects as was the case in this study. Munawar (2018) used the fixed effects model to examine the effect of dividend policy on market value, among other variables in plantation firms drawn from the Indonesian Stock Exchange (IDX). Although the scholar established that the dividend payout ratio used to measure dividend policy had a positive but non-significant effect on market value, the element of insignificance reflects what the present study reported. It could be argued that the positive nature of Munawar's findings was due to differences in contextual covariates. Perhaps from this contradictory findings, scholars should look to exploiting different contexts and covariates. Moreover, Munawar (2018) concentrated on firms from only one sector impling that there was no threat of across sector effects that may have been experienced in the present study that employed several sectors.

The study findings also contradicts findings by Kanakriyah (2020) who employed the Amman securities markets and the industrial and service sector context to probe the effect of dividend policy on financial performance. The study determined that Kanakriyah (2020) determined that both dividend yield and dividend payout ratio related strongly to financial performance. Both the measures indicated positive and significant impacts on financial performance consistently over the years. Although Kanakriyah (2020) used panel data from companies listed on the Amman stock exchange a kin to data used in the present study, the contradictory results could be due to the short period of study which was from 2015 to 2019. Both studies used data retrieved from annual reports of the companies under investigation. However, the different measures used for dividend policy could have been an avenue for the contradictory findings.

Besides, the finding of insignificant effects reported in this study contrasted findings by Naz and Siddiqui (2020) who explored share price volatility as a dividend policy function in the Karachi stock exchange and determined that confirmed that dividend policy measured via dividend payout and dividend yield positively affected price volatility.Although they used panel data for the period 2010 – 2019 collected from the Karachi exchange, the contradiction in findings may have been due to the fact that they used the OLS model which did not take into consideration the firm and time effects. Moreover, dividend policy was measured using dividend payout and dividend yield as proxies. These findings also contradicted the findings by Duy et al. (2019), who reported a negative relationship between dividend payout and share price volatility, albeit from the Hong Kong context. Therefore the contradictory findings could be attributed to the fact that in the present study, the fixed effects model was used to fix the potential effects of the difference across firms and time. Besides, this study focused on the Kenyan context thereby introducing different covariates.

The insignificant findings of the effects of dividend policy on market value in this study resonated with findings by Panchal (2018) who used selected sectors from the Indian context to analyze how dividend policy impacts companies' market performance. The study by Panchal (2018) targeted the Fifty (50) firms for short-term analysis and the banking sector for long-term analysis, and reported that despite the critical nature of dividend policy, it did not significantly impact market performance. Therefore this study adds to the strand of studies whose findings were reported non-significant impacts (Anggeriani et al., Munawar, 2018). However, they also contradicted others that reported significant impacts (Kanakriyah 2020; Khadija et al., 2017; Naz & Siddiqui, 2020). These contradicting findings could be attributed to several factors including the study context, covariates in the context, the regression models employed, and the period for the panel data.

Contradictory findings were also reported in the study by Kadim et al. (2020) who analyzed market value using dividend policy, among other factors, and reported that dividend policy was a significant predictor of market value. However, these scholars focused on the automotive sub-sector firms listed at the Indonesian stock exchange, and used the Sobel test and path analysis. It becomes apparent that the differences in analysis approaches were a potential avenue for the contradictory results. This argument is justified by the fact that findings by Kadim et al. (2020) also contradicted the findings by Munawar (2018), who used the same stock exchange to find positive but non-significant impacts. He used the fixed effects model similar to the present study which also used the fixed effects model to report insignificant effects between dividend policy and market value.

The role of the model employed is also amplified by the findings of Ofori–Sasu et al. (2019) who used the Ghanaian context to analyze the effect of dividend policy on market value using shareholder value as a proxy. Drawing data from annual reports of companies trading on the stock exchange of Ghana for the period 2009 to 2014, and measuring dividend policy using dividends per share, they used the pooled Ordinary Least Squares (OLS) panel regression, they determined that dividend policy was a significant and robust predictor of shareholder value. These findings by Ofori–Sasu et al. (2019) contradicts the findings of this study possibly because of the pooled OLS model which ignores the firm specific and time-related effects. Moreover, despite shareholder value being a proxy for market value, it may not have adequately reflected market value.

The finding in this study that dividend policy has no significant effect on market value of firms listed at the NSE supports a number of studies. Anggeriani *et al.* (2018) for instance found a negative regression coefficient after regressing market value on dividend policy measured via dividend payouts. The argument posited by Anggeriani and others is that dividend payments amount to details which otherwise don't affect the welfare of shareholders. The negative impact of dividend policy on market value was also reported in open mining companies trading on the Indonesian stock exchange (Anggeriani, Khaira & Amlys, 2018).

Lunapow and Tumiwa (2017) also reported negative and significant effects between dividend policy and firm value in the context of panel data drawn from manufacturing firms listed at the Indonesian Stock Exchange. The negative effects narrative was also advanced by Bundagaga (2020) when reporting that dividend yield and current dividend payouts could not influence market value in the context of banks in Middle East and Northern America (MENA). On the basis of this array of studies showing negative impacts of dividend policy on market value of listed firms in other contexts, it becomes apparent that the finding in this study is not unique. Various factors combine to lead to such a finding and particularly in times like this when the economy does not support cash flow, liquidity and profitability which are facets of dividend payout decisions. From the Indian context, Bezawada and Tati (2017) used the electrical equipment manufacturing industry to demonstrate that dividend yields had negative and non-linear associations with market value.

These findings of negative influence of dividend policy on market value in the context of firms listed at the NSE nevertheless contradicts a majority of existing studies which report positive effects. Sukwawardini and Ardiansati (2018) for instance established that divided policy proxied by payout ratio was a significant contributor to market value in the context of manufacturing firms featuring on the Indonesian market of securities. Meanwhile, Ubesie and Emujulu (2020) using Nigerian firms specializing in consumer goods, demonstrated that dividend per share (DPS) had a positive interaction with financial characteristics. Further evidence from Ubesie and Emejulu with regards to granger causality revealed lack of directional relationship between dividend policy and financial performance. Suffice to say that this present study also revealed pair wise granger causality without directional relationship between dividend policy and market value.

In another recent study, Adesina *et al.* (2017) employed the Ordinary Least Squares (OLS) regression model to show that earnings per share were positive predictors of market price in the context of Nigerian banks. Meanwhile, Roman (2015) used panel data drawn from commercial and Islamic banks listed on the Jordanian Amman Stock Exchange, to show that dividend policy had a statistically significant effect on market value of the banks. However, Roman established that there was variability in dividend policy used bank-wise, a potential avenue for the disconnection seen in the findings.

The pattern of positive impacts of dividend policy is replicated in the Pakistan context. Farrukh *et al.* (2017) used regression to show that dividend policy positively and significantly influenced shareholder wealth and firm performance. Still in Pakistan, Memon *et al.* (2017) documented findings which indicated that dividend policy has a positive and significant effect on market prices of stocks. Meanwhile, from the Saudi Arabian context, Chaabouni (2017) utilized the financial markets to demonstrate that dividend announcements were significant determinants of share prices. A plethora of studies had hitherto confirmed the positive influence which dividend policy has on market value albeit, through various proxies (Anandasayanan & Thikunavukkarasu, 2016; Febriana, 2016; Gabriel, 2016; Osamwonyi & Lola-Ebueku, 2016; Ozuomba et al., 2016; Shah & Mehta, 2016; Widyastuti, 2016).

The contradictory nature of the findings with respect to the impacts dividend policy has on market value confirms that the finding made in this study was expected. It is clear that with an array of indicators for measuring dividend policy as well as, market value, the relationship between the two constructs relies more on how specific firms and contexts choose to measure them. Moreover, in most studies featuring Stock Exchange Contexts, the negative impact has been predominant reflecting diversity in dividend policy usage and various proxies of measuring market value.

4.10.4 The Mediating Effect of Dividend Policy on the link Between Shareholder Activism and Market Value

The study indicated that divided policy did not mediate the relationship between shareholder activism and market value of firms listed at the NSE in Kenya. This finding could perhaps be explained by the findings in this study which indicated that both shareholder activism and dividend policy have significant direct effects on market value. Moreover, the study indicated that dividend policy in firms listed at the NSE was a function of shareholder activism and therefore depends more on shareholder decisions. In this way, dividend policy may not have been in a position to mediate a relationship that was already very strong.

Indeed, it may be conceivable to expect dividend policy to mediate in relations involving market value when other factors are considered. It has for instance been shown that dividend policy significantly mediates the link between profitability and firm value in the context of manufacturing firms trading on the Indonesian Stock Exchange (Mas Santika Dewi & Abundaniti, 2020). This is conceivable since dividend policy is in a position to provide decisions on how to channel profits into firm value.

Moreover, it has been argued that dividend policy relates indirectly with capital structure and hence, diverse dividend policies may be needed for diverse capital structure (Hashemijoo, Ardekani & Younesi, 2012). Hashemijoo *et al.* (2012) contend that, decisions around dividend policy are made more complex by the fact that it can affect capital structure. Consequently, the finding that dividend policy does not mediate the effect of shareholder activism and market value in the context of firms listed at the NSE may be explained by this complexity surrounding this notion of dividend policy.

Meanwhile, using the same Indonesian stock Exchange, Husain et al. (2020) contradicted the findings by Mas Santika Dewi and Abundanti (2020) in showing that, dividend policy did not mediate the link between profitability and firm value. It is however noted that whereas Mas Santika Dewi and Abundanti considered manufacturing firms in the period 2016–2018, Husain *et al.* (2020) used firms drawn from the automotive and components sub sector listed in the period 2014–2018. The implication of these findings is that the sector from which firms are drawn, and the period chosen for study could be responsible for contrasting findings. It may therefore be argued that the lack of mediation of dividend policy on the effect of shareholder activism and market value in the case of the NSE could be as a result of the extended period of study stretching form 2008–2017 inclusive.

The potential of dividend policy to mediate in the relationship between shareholder activism and market value has also been previously annulled by studies on Board Structure Dynamics. Ofori-Sasu, Abor and Quaye (2019) have documented that board structure dynamics mediate the effect of dividend policy and shareholders wealth at market value. The finding by these three scholars implies that shareholder activism should rather have been the mediating variable. This is because board structure dynamics may in a way influenced by shareholder activism. It has for instance been postulated that large shareholder blocs have the power to fire or vote a member of the board (US Securities and Exchange Commission, 2010).

That board structure dynamics could be a function of shareholder activism is further expounded by Musango (2016). According to Musango, shareholder activism possesses the potential to interfere with the expected separation of powers between the shareholders and the board of directors. Musango (2016) argues that some shareholders take advantage of their increased shareholding to influence how companies are managed. Musango points toward Kakuzi limited where a previous minor shareholder raised his shareholding in order to influence treatment of squatters. Such a scenario corroborates the notion that shareholder activism is more of a mediator to the effect of dividend policy on market value and perhaps explains why this study found no mediating influence of dividend policy.

Other studies in the discourse on mediating potential of dividend policy have yielded results which are supported by the finding in this study that dividend policy does not mediate the effect of shareholder activism on market value. Handayani et al. (2018)

for instance used banking companies' financial statements for the period 2014-2016 to show that dividend policy was not a mediator of the effect of institutional ownership on company value. In another study, Mansourfar, Didar and Sadigh (2017) used firms listed on the Tehran Stock Exchange between 2007 to 2014 to show that the role played by dividend policy in mediating the effect of quality of corporate governance on informative income smoothing was not verifiable. Meanwhile, concentrating on property and real estate firms listed in the Indonesia Stock Exchange for the period starting from 2014 to 2018, Ridhani, Yahya and Daulay (2020) reported that dividend policy was not able to mediate the effect of profitability policies to company value.

From the foregoing discussion conclusive evidence is adduced to the effect that there is no guarantee that dividend policy will mediate the relationship between shareholder activism and market value. The findings in this study in the context of the NSE, and in the period 2008 to 2017 therefore add to existing discourse from a developing nation perspective.

4.10.5 The Moderating Effect of CSR Disclosure on the link Between Shareholder Activism and Market Value

The interaction between shareholder activism and CSRD had a negative and significant effect on market value, implying that CSRD moderated the effect of shareholder activism on market value. Moreover, the equation level goodness of fit yielded an overall R-squared of 0.2133, indicating that the relationship between shareholder activism and CSRD explained 21.33 percent of the variance in market value. This finding seems to lend support to existing scholarship which highlights the direct impacts of corporate social responsibility on firm / market value. Wirawan *et* *al.* (2020) for instance focused on the direct effects of corporate social responsibility on firm value under the moderating influence of risk management to show that other than playing the moderating role, corporate social responsibility disclosure impacted positively on market value. In their findings, Wirawan and colleagues also established that risk management did not maximize the effect of CSR disclosure on market value. Meanwhile, Nekhilia *et al.* (2017) compared the impact of corporate social responsibility disclosure on market value in the context of family and non family market value, measured in terms of Tobin's Q related positively to CSR disclosure in the case of family firms but negatively with CSR disclosure in the case of non family firms.

These studies show that corporate social responsibility disclosure is not only likely to impact directly on market value, but has also the potential to institute conditional direct effects of shareholder activism on market value. In this way, the finding of this study that CSR disclosure moderates the effect of shareholder activism on market value is within the realms of existing discourse. The existence of the moderation of the effect of shareholder activism on market value could also be explained from a shareholder activism perspective.

Michelon, Rodrigue and Trevisan (2020) conducted a study on shareholder activism and CSR disclosure as possible marketization of a social movement. They established that shareholder activism that sought CSR transparency was able to inspire change in corporate activities beyond disclosure, albeit in the short term. The argument advanced by Michelon *et al.* (2020) is that in placing focus on CSR disclosure, the social movement lodged into a market driven corporate centric approach is entrenched in the ideals of social justice and community concern. In essence, Michelon et al.

posit that CSR disclosure moderates the relationship between shareholder activism and profitability as established in this study.

The potential for CSR disclosure to moderate the effect of shareholder activism on market value could also be due to firm ownership type. It has previously been demonstrated that ownership by individuals, employees and firms is responsible for the relatively flawed corporate social responsibility strategies taken by the firms they invest in (Dam & Scholtens, 2012). In this way, prudent CSR strategies could guarantee the ability of CSR disclosure to moderate in the relationships involving market value.

Sjostrom (2010) opines that the potential of CSR disclosure to moderate the relationship between shareholder activism and market value is made more achievable by norm entrepreneurs. According to Sjostrom, these are shareholders who seek to influence corporate behaviour. The postulation here is that such shareholders are able to manipulate CSR disclosure to adopt new standards of appropriateness in which case, CSR disclosure ends up having a significant influence on the relationship between shareholder activism and market value.

The other potential reason that may influence the moderating potential of CSR disclosure is its multidimensionality. Platanova et al. (2016) for example aver that CSR disclosures involve a variety of inputs touching on among others; investment and pollution control; and employment of a diversity of internal processes and behaviours such as treatment of women and minorities, relationships with customers, and nature of products. Besides, Platanova *et al.* (2016) argue that outputs are also diverse. From such diversity, it becomes apparent that choosing the right mix of inputs and processes is critical in CSR disclosure effectiveness.

The contextual setting could also be a potential cause of the moderation influence of corporate social responsibility disclosure in the case of the link between shareholder activism and market value. Young and Thyil (2013) while examining the relationship existing between corporate governance and CSR reported that contextual factors such as shareholders, economic, environment, industry impacts, national governance and regulation, and soft laws were critical to the incorporation of CSR into governance. It is important to note here that firms listed at the NSE are subject to most of these contextual factors.

The finding showing that CSRD moderates the influence of shareholder activism on market value reflects the direct influence reported by Bhandari and Arora (2017). While employing the Indian corporate context to determine the impact of shareholder activism on governance quality. They found out that the block holder activism involving the three principal shareholders a good measure for shareholder activism. Consequently, the positive impact of shareholder activism that they reported on corporate governance quality paves way for implementing effective corporate social responsibility practices. Indeed, Bhandari and Arora (2017) strengthened the notion that prudent employment of the six CSR disclosure indices, including adherence to mission and vision, churning out quality services and products, showing commitment to employees, society, and to charity and benevolent was pre-requisite for improved corporate social responsibility, and with it enhanced market value (Platonova et al., 2018).

The finding however contradicts the finding by Giovanni et al. (2015) who used used the Italian Stock Exchange context to analyze CSR's impact on firms' stock prices at the exchange, and established that prudent performance in the social component of

CSR had a negative impact on the stock prices of the firms. They further demonstrated that the effect was higher when environmental strategies were leveraged. However, they noted that investors in the Italian context perceived strategies focusing on social performance as unnecessary and only used to lower shareholders' income. These feelings among shareholders were rather hard to comprehend, given that evidence has shown that CSR disclosure impacts the financial performance of Islamic banks positively (Mallin et al., 2014). The implication is that different contexts may look upon different covariates that may be attributed to such contradicting findings.

Besides, the contradictory findings could be explained by market trends which have been shown to be a function of company news and announcements that are put in the public domain (Gordon, 2014). For instance, Gordon (2014) argues that the nature of the information in terms of being bad or good influences stocks either negatively or positively. This implies that the potential to moderate depends on the position of stocks, which may directly affect company layoffs, and yield negative impacts on consumer trust in the organization's future. The essence then is that positive CSR initiatives and undertakings are likely to condition the direct influence of shareholder activism on market value.

The argument posited here is that positive CSR impacts shareholder activism leading to firm growth and enhanced stock performance. However, in contexts where CSR is detested, a negative impact on investor growth can be reported which in turn fails to moderate the influence of shareholder activism. Such failure to moderate is exemplified in a study examining the role of block holder activism on short-term profitability demonstrated that CSR policies related negatively with the performance following the perception among shareholders that CSR initiatives attracted expenses that could easily be avoided and eat into company profits (di Donato & Izzo, 2012). Yet, the moderating potential of CSR disclosure is reflected in another study which found that CSR disclosure impacted positively and significantly on the performance and reputation of corporate in the context of Malaysian Islamic banks (Arshad et al., 2012). Once again, the contextual covariates could be attributed to such contrasting findings.

The conflict between managers and owners is also seen as a possible reason for the contrasting findings regarding the moderating potential of CSR disclosure on the effect of shareholder activism on market value. According to Sutedi (2012), stakeholder theory advocates for close attention to the business environment in order to maximize shareholder returns. Sutedi (2012) contends that company survival is dependent on stakeholder support which thrives in an enabling environment. The implication here is that an enabling environment promotes friendly CSR initiatives that sooth shareholders allowing CSR disclosure to condition the effect of shareholder activism on market value.

A similar position of a favourable environment if CSR disclosure is to moderate the effect of shareholder activism on market value is held by Puteri et al. (2018). These scholars argue that social reporting offers competitive strategic functions. They argue that CSR disclosure provides information that can be leveraged to increase market value. In this way, CSR disclosure proves to be a potent competitive tool for the concerned company. According to Puteri et al. (2018), research has shown that social and environmental performance positively impacts market value and is poised to moderate the effect of shareholder activism on market value.

Thohuri (2012) also advocates for the potential moderation of CSR disclosure by contending that investors are held back by a poor business environment that informs poor social performance. Under such circumstances, stock prices experience a decline leading to a reduced market value of the company. In such a scenario, CSR disclosure is bound to fail to condition the effect of shareholder activism on market value.

The moderating influence of CSR disclosure is implicit in the primary aim of business which is percieved as the ability to satisfy shareholders' and other stakeholders' needs directly or indirectly (Poddi & Vergalli, 2009). Consequently, successful companies seek to harmonize market value and stakeholder satisfaction through careful production processes that have potential to condition shareholders influence. Indeed, ideal companies are gauged on the premise of their fundamental production processes, corporate social responsibility performance is also a key indicator of outstanding companies (Murwaningsari, 2009). According to Peloza (2009), CSR disclosure measures such as social, environmental, and a combination of the two prove a favourable environment for a shareholder to risk investment. In this way, such an environment can only further strengthen the efforts of shareholders to increase market value.

The findings of this study further lend support to empirical evidence which shows that firms that leverage CSR initiatives tend to maximize returns for their stakeholders in terms of: increased reputation and image (Schrietz and Epstein, 2005), increased financial gains arising from superior benefits that accrue from CSR practices compared to related costs (Izzo, 2014), and decline in cost of debt (Izzo, & Magnanelli, 2012). The positive effects of CSR disclosure on firms' financial performance demonstrated by previous studies focusing on CSR disclosure across firms (Aribi and Gao, 2012; Arun, 2015; Makini et al., 2018) also serve as testimony of the potential inherent in CSR as a moderator in the effect of shareholder activism on market value. Besides, annual reports have been used to document the positive benefits of CSR disclosure to the adherence to CSR expectations Wu, et al. (2021).

The finding however, contradictory other results reported regarding the negative effects of CSR disclosure on firms' financial performance (Ahmed et al., 2012; Beck, Frost, & Jones, (2018). Such contradictory findings are expected in a case where firm and time effects exist. This has been the cause of controversial findings on the relationship between corporate social responsibility disclosure and market value. whereas some studies have shown a significant positive relationship between CSRD and market value (Gordon 2014), other studies have shown a significant negative relationship (Giovanni, Francesca & Maria 2015, diDonato & Izzo, 2012, Fombrun *et al.* 2000, Schnietz and Epstein 2005, Izzo and Magnanelli 2012, Almilia and Wijayanto in Thohiri, 2011, Makini *et al.* 2018, Aribi & Gao, 2012 and Arun, 2015, Beck, Frost, & Jones, (2018), Ahmed *et al* 2012, Arshad *et al.* 2012, Mallin *et al*. 2014. Such controversies have no doubt permeated the moderating potential of CSR disclosure, and demonstrated the need to be careful when deciding on the suitable model to use.

From the foregoing discussion, the researcher argues that the finding showing that CSR disclosure does moderate the effect of shareholder activism on market value as found in this study is a reflection of the array of other existing studies. This moderation may be attributed to a host of potential factors, some of which includes marketization of social movements, nature of firm ownership, multidimensionality of the CSR disclosure concept; and the contextual setting.

4.10.6 Moderating Influence of CSR Disclosure on the Effect of Dividend Policy and Market Value

The study determined that such a model was statistically viable, and that the interaction between dividend policy and CSR disclosure impacted significantly on market value. The statistical diagram and the associated moderation output indicated that the interaction between dividend policy and CSR disclosure had a significant negative effect on market value. The significance of the interaction was a confirmation that CSR disclosure was indeed a moderating variable to the relationship between dividend policy and market value.In so doing, this finding was consistent with the finding reported by Suteja and Mayasari (2017) that CSR disclosure moderated the relationship between investment policy and market value. In essence, Suteja and Mayasari were of the view that disclosure of CSR ought to be perceived as the outcome of decision implementation.

The moderation of CSR disclosure on the effect of dividend policy on market value established in this study can also be explained through findings made by Ni and Zhang (2019). According to these two scholars, mandatory CSR disclosure has the potential to bring down a firm's dividend payouts. In this way the firm could potentially channel the bulk of the profits back into the investment, leading to increasing market value. The same argument is made by Sheikh et al. (2021). By exploring CSR and dividend policy from a strategic choice perspective, Sheikh *et al.* (2021) contend that an increase in CSR activities leads to reduced dividend payout among dividend paying firms. Similar views are shared by Benlemlih (2019) in positing that CSR stabilizes dividend payout in firms.

Customer awareness also features in the discourse concerning CSR disclosure and market value. Servaes and Tamayo (2013) pointed out that CSR activities have the propensity to add value to the firm under given conditions. This in essence confirms that given favourable conditions, CSR disclosure can strengthen the relationships between dividend policy and market value by adding value to firms in question. Indeed, it has been demonstrated that CSR disclosure can enhance the value of a firm in the market by reducing the firm's equity (Reverte, 2011). In this way, CSR disclosure strengthens the impact of dividend policy by making value additions.

Despite such an array of evidence on the potential of CSR disclosure to moderate the relationship between dividend policy and market value, these findings are however contradicted by Setiyowati and Retnasari (2018). In a study examining the moderation of CSR on dividend policy and company value in the Indonesian context, Setiyowati and Retnasari established that CSR was not proven as a moderator of the relationship between dividend policy and company value. Meanwhile, Zamir and Saeed (2020) caution that location matters in CSR disclosure for which firms in close proximity to financial centers show a high level of disclosure compared to those in remote areas.

The finding showing that CSR disclosure moderates the effect of dividend policy on market value also resonates well with Homan (2019) who examined the potential for CSR disclosure to have direct impacts on Earning Response Coefficient (ERC). Seeking to establish the need for effective corporate governance following the events leading to the financial crisis in East Asia, which occurred in 1997, and the corporate scandals witnessed in Malaysia involving Malaysia finance, industries connected with technology resources, Malaysia airline, and perwaja steel, Homan (2019) went on to determine that CSR disclosure correlated positively with ERC such that an increase in

CSR disclosure led to the rise in ERC and vice versa. Such a correlation vindicates the potential for CSR to provide an environment that supports crafting of a dividend policy capable of higher impacts on market value.

Besides, the finding in this study regarding the moderation of CSR disclosure on the effect of dividend policy on market value supports Mohamed et al. (2016) who used the Islamic bank's context in the Gulf Corporation Council (GCC), to show that financial performance in the context of Islamic banks was a function of CSR disclosure where increasing CSR initiatives leads to increased market value. Moreover, Wu, et al. (2021) corroborates these findings, when using the Islamic financial institution's context to demonstrate that CSR disclosure related positively and significantly with financial performance. The finding also reinforces the findings of Mwamburi (2017), who used firms listed on the Kenyan bourse to show that CSR announcements elicited abnormal cumulative returns. Given the scanty research on the conditional direct effect of dividend policy on market value, the finding in this study contributes new knowledge that other scholars to build on.

However, the finding of this study contradicts findings of some studies examining CSR disclosure and dividend policy which have reported negative impacts (Rashidah, 2006), but largely support others which have reported positive impacts (Arshad et al., 2012; Hassan et al. 2010; Homan, 2019; Mallin et al., 2014; Mohammed et al., 2016, Mwamburi, 2017). Such contradictory findings in the direct effects imply the there could be contradictory findings in the moderating effects. Such contradictions are expected given the different models used, and the diversity in contextual covariates.

4.10.7 Moderated Mediation Effect of Corporate Social Responsibility and Dividend policy on Shareholder Activism and Market Value.

The study determined that there were direct and indirect conditional effects of shareholder activism on market value conditioned by corporate social responsibility disclosure. This implies that in the context of firms listed at the NSE, CSR disclosure plays a critical role in the relationship between shareholder activism and market value, irrespective of whether the relationship is direct or indirect through dividend policy. More importantly, the study determined that besides impacting market value directly, shareholder activism can be conditioned to impact market value indirectly through dividend policy. Consequently, CSR disclosure moderated the mediation relationship between shareholder activism and market value through dividend policy.

In finding that dividend policy did not mediate the relationship between shareholder activism and market value, this study was consistent with other studies showing that dividend policy did not mediate relationship between shareholder activism and market value an indication of lack of indirect effect (Ofori-Sasu et al. (2017)). Yet in the finding of this study, moderated mediation potential of CSR disclosure is implicit in the ability for CSR disclosure to moderate the relationship between dividend policy and market value an indication of conditional effects. This finding reveals that CSR disclosure strengthens the direct effect of dividend policy on market value of firms listed at the NSE.

The finding introduces a new dimension to the existing discourse that hardly demonstrate the conditional indirect effect between shareholder activism and market value through dividend policy. Previous studies have documented the role CSR disclosure plays in relationships involving market value, but have hardly examined this role from a perspective where CSR disclosure seeks to condition the indirect relationship between shareholder activism and market value. Luo and Bhattacharya (2006) for instance, established that in firms which post low capability in innovativeness, CSR harms market value by lowering customer satisfaction. On the other hand Purbawangsa et al. (2019) fail to document the moderated mediation potential, but instead demonstrate the indirect effect of CSR disclosure on corporate profitability and corporate value. Therefore, the finding of this study showing moderated mediation potential in CSR disclosure provides a basis upon which scholars can base their arguments focusing conditional effects of CSR disclosure. Moreover, the contradictory findings by others (Luo & Bhattacharya, 2006; Purbawangsa et al., 2019) make sense given that different models and time periods are bound to yield different findings. Besides, the contextual differences often introduces a diversity of covariates.

The ability of CSR disclosure to have a moderated mediation impact on the link between shareholder activism and market value through dividend policy is reflected in Rehman *et al.* (2020), who points to the potential impact of decision to disclose or otherwise to conclude that CSR disclosure plays, a positive and significant role in the relationship involving market value among firms who choose to file CSR disclosures. Consequently, it can be argued that in moderating the relationship between dividend policy and market value, CSR disclosure completes the indirect path between shareholder activism and market value through dividend policy.

However, the moderated mediation finding contradicts the findings by Flammer (2015). Reflecting the views of Luo and Bhattacharya (2006), Flammer argues that despite being beneficial to firms, close call CSR proposals do not guarantee general benefits. This contradiction could perhaps be explained by the fact that this present study used the fixed effects model that is sensitive to time and firm fixed effects. A consideration that Luo and Bhattacharya may not have made.

The finding in this study provides a novel disclosure showing that CSR disclosure is more of a predictor variable for market value whose effect requires moderation. As a matter of fact, an avalanche of studies in existing literature argues for direct and indirect impact of CSR disclosure on firm market value. Borghesi, Chang and Li (2019) for example demonstrated that CSR initiatives are employed as insurance, and preserve value for firm during uncertainty by assuming the position of social reservoirs of social capital.

Banerjee and Schroering (2020) show pessimism with regards to CSR in concluding that although CSR is a resource for firms, such a benefit is contingent, and may expose socially responsible firms to additional pressures that could interfere with market value. The issue of alignment of CSR activities also crops up as potential causatives of the non moderated mediation finding. Manokaran *et al.* (2018) argue that the potential for CSR to impact financial performance was dependent upon the alignment of the CSR activities with insurance firms' regulatory reporting standards. Manokaran *et al.* (2018) findings are indeed consistent with findings by Platonova *et al.* (2018) that the moderating potential of CSR disclosure is inhibited by its multidimensional nature.

4.11 Chapter Summary

The chapter commenced with an examination of descriptive statistics of variables under study. These statistics confirmed that the shareholder average was 0.613, and that shareholder activism did not vary significantly across firms with time. The dividend policy reported a low average of 0.066 indicating perhaps that most listed firms re-invested most of their earnings. Market value gave a mean ratio of 1.363 which, being bigger than 1 meant that most firms had their stocks undervalued and were trading below the worth of their assets. The CSRD value of 0.605 suggested that over 60 percent of CSR elements were disclosed by the firms which underscores voluntarily contribution to sustainable development.there was high variability in growth in sales and firm size among the listed firms.

The subsequent data diagnostics identified some missing values and outliers that were cleaned before commencement of analysis. The trend of the variables over the period under study was also generated. Robustness tests conducted included normality, granger causality, heteroskedasticity, autocorrelation, and stationarity. The tests confirmed that both the random effects and fixed effects models used in the study were robust. The hausman test indicated that the direct effects were to be tested using the random effects model. However, the mediation, moderation, and moderated mediation effects were suitably tested using the fixed effects model that fixes firm specific characteristics as well as time. Prior to these tests which employed regression models bivariate correlations were run and confirmed that regressions could be performed.

The direct tests confirmed that shareholder activism had a positive and significant effect on market value, dividend policy had no signicant effect on market value, and shareholder activism impacted dividend policy positively. Dividend policy did not mediate the relationship between shareholder activism. However, corporate social responsibility disclosure offered shareholder activism room for conditional indirecteffects on market value through dividend policy, and conditional direct effect on market value. Table 4.23 gives a summary of the results of hypotheses testing.

Table 4.23

Summary of Hypotheses Tests

Hypothesis	R-squared	Coefficients	Decision
$H_0$1: shareholder activism has no significant effect on the market value of firms listed in at NSE in Kenya.	0.1989	b=0.696, p<0.01	Rejected
$H_0$2: shareholder activism has no significant effect on dividend policy of firms listed at NSE in Kenya	0.719	b = 0.099, p<0.01	Rejected
$H_0$3: Dividend policy has no significant effect on market value of firms listed at NSE in Kenya.	0.1279	b=-1.953, p>0.05	Failed to Reject
$H_0$4: Dividend Policy does not mediate the relationship between shareholder activism and market value of firms listed at NSE in Kenya	.720	a*b=0.291, p>0.05.	Failed to Reject
$H_0$5: Corporate social responsibility disclosure does not moderate the relationship between shareholder activism and market value of firms listed at NSE in Kenya.	0.2133	For interaction b=-17.3; p<0.01	Rejected
$H_0$6: Corporate social responsibility disclosure does not moderate the relationship between dividend policy and market value of firms listed at NSE in Kenya.	.1257	For interaction b=-82.95; p<0.01 For indirect conditional effect -3.56+0.077CSRD	Rejected
$H_{07;}$ There is no moderated mediation effects of corporate social responsibility and dividend policy on the relationship between shareholder activism and market value among listed firms at NSE in Kenya		For direct conditional effect 13.2 -16.6 CSRD	Rejected

The next chapter provides an indepth discussion of findings with special attention on the hypothesis. It also provides recommendations and suggestion for further study.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings of the study in line with specific objectives. Following this, the findings are discussed in relation to existing empirical studies and conclusions are drawn thereof. The chapter then reports on recommendations for practice and theory, and for future studies.

5.2 Summary of Findings

The main finding of the study and which reflects the researcher's contribution to knowledge is that in the context of firms listed at the NSE, corporate social responsibility disclosure provides an avenue for a moderated mediation model bringing together shareholder activism, dividend policy and market value. The implications of such findings are that corporate social responsibility disclosure and dividend policy provides shareholder activism with the framework for conditional indirect effect and conditional direct effect on market value. This exemplifies the fact that in developing countries CSRD is bound to promote required virtues for market growth. In developed economies honesty is a virtue which is valued and any disclosure of CSR activities is taken seriously. The finding of this study confirms that with seriousness developing economies have the capability to entrench and leverage CSR through CSR disclosures that potentially enhances the economies.

5.2.1 Shareholder Activism and Market Value

The first objective of the study sought to investigate the direct effect of shareholder activism on market value. Through the random effects model suggested by the Hausman test results, the study established that in the period between 2008 and 2017, shareholder activism has been on an increasing trend even if the raw data depicted troughs and peaks at certain periods in time. The trend in market value within this period however indicated a decline. Shareholder activism was found to have a positive and significant random effect on market value within this period. Shareholder activism explained 7.07 percent change in market value. This implies that shareholder activism has the capacity to influence market value where increased shareholder activism leads to increase in market value and vice versa.

5.2.2 Shareholder Activism and Dividend Policy

The second objective of this study focused on assessing the direct effect of shareholder activism on dividend policy of firms listed at the NSE. The trend analysis revealed that in the ten year period under study, shareholder activism was increasing, as was dividend policy. This picture was replicated in the random effects model which revealed that shareholder activism had positive random effects on dividend policy, which were significantly different from zero. Besides, a model that seeks to examine direct effects between shareholder activism and dividend policy was found to be statistically viable owing to the significant Fisher statistic. Differences in shareholder activism in the company of growth in sales and firm size across panels were able to account for 16.04 % of the variance in dividend policy.

5.2.3 Dividend Policy and Market Value

The third specific objective of this study examined the direct effect of dividend policy on market value of firms listed at the NSE. The long term trend in market value for the period under consideration indicated a gradual decline in market value. This was evident in the test for direct effects between dividend policy and market value. Using the fixed effects model, the fixed effects regression output confirmed that a model relating market value to dividend policy in the company of growth in sales and firm size was statistically viable and that dividend policy had negative fixed effects on market value in the context of firms listed at the NSE. However, this effect was not significant. This may be attributed to Covid-19 epidermic and extreme cases of shock and political temperatures.

5.2.4 The Mediating Effect of Dividend Policy on the Relationship Between Shareholder Activism and Market Value

The fourth objective of the study sought to establish the mediating effect of dividend policy on the link between shareholder activism and market value of firms listed at the NSE for the period 2008 to 2017 inclusive. The study through examination of indirect effects revealed a non-significant mediation influence ($a*b = 0.291$; $p=0.323$). The equation level goodness of fit indicated that the regressors in the mediation model explained a large percentage of variance in market value. The researcher therefore posited that shareholder activism did not have an indirect influence on market value via dividend policy.

5.2.5 Moderating Effect of CSR Disclosure on the link Between Shareholder Activism and Market Value

Research objective five investigated the moderating effect of CSR disclosure on the link between shareholder activism and market value in firms listed at the NSE. Using Stata, the appropriate statistical diagram was generated and together with the resulting moderation output were used to show that, the interaction between shareholder activism and CSRD had a negative and significant effect on market value ($b=-17.3$; $p<0.01$). Consequently, the significant interaction confirmed that CSR disclosures significantly moderated the direct influence of shareholder activism on the market value of the firms under investigation.

5.2.6 Moderation Effect of CSR Disclosure on the link Between Dividend Policy and Market Value

The sixth specific objective assessed the moderating effect of CSR disclosure on the relationship between dividend policy and market value of firms listed at the NSE in Kenya. The study determined that such a model was statistically viable, and that the interaction between dividend policy and CSR disclosure impacted significantly on market value ($b=-82.95$; $p<0.01$). The statistical diagram and the associated moderation output indicated that the interaction between dividend policy and CSR disclosure had a significant negative effect on market value. The significance of the interaction was a confirmation that CSR disclosure was indeed a moderating variable to the relationship between dividend policy and market value. The implication of this finding is that CSR disclosure maximized the effect of dividend policy on market value.

5.2.7 Moderated Mediation Effect of CSR Disclosure on the link Between Shareholder Activism and Market value through Dividend Policy

The fifth and final specific objective of this study sought to determine the moderation mediation effect of CSR disclosure on the direct link between shareholder activism and market value, and the indirect link between shareholder activism and market value through dividend police for firms listed at the NSE. The study determined that there were direct conditional effect of shareholder activism on market value conditioned by social responsibility (13.2-16.6 $CSRD_{it}$) and indirect conditional effects of shareholder activism on market value conditioned by corporate social responsibility disclosure (-3.56+0.077$CSRD_{it}$). This implies that in the context of firms listed at the NSE, CSR disclosure plays a critical role in the relationship between shareholder activism and market value, irrespective of whether the relationship is direct or indirect through dividend policy. More importantly, the study determined that besides impacting market value directly, shareholder activism can be conditioned to impact market value indirectly through dividend policy.

5.3 Conclusions

In view of the findings made and the subsequent discussions, the following conclusions were drawn consistent with the specific objectives.

First and foremost, the researcher concludes that shareholder activism has a significant impact on market value. Similar to a majority of existing studies, the impact is a positive one in the case of firms listed at the NSE. While this is a novel finding for the NSE, it is feasible given that a number of factors that could have led to this kind of finding can be delineated. For instance some management teams hesitate to receive proxy proposals. Besides, issues such as the nature of investors and nature of shareholder activism experienced in the firm are bound to lead to the positive impact such as experienced.

The second conclusion arising from this study is that in the context of firms listed at the NSE in Kenya, shareholder activism plays a critical role towards dividend policy. Through such activism, shareholders are able to oversee survival of the firms by being at the centre of decisions directed towards dividend payout. Despite the positive impacts that shareholder activism has on dividend policy; concentrating shareholder activism among large shareholders, turns out to be a retrogressive move on dividend payouts.

In contrast to other existing studies, this study concludes that dividend policy in firms listed at the NSE has no significant impact on market value. Although this finding goes against the expectation, it shows that there is a diversity of dividend policies utilized across the firms under study, and this diversity ultimately leads to such unexpected results. It would appear that most of the firms give cash dividends which in turn reduce retained earnings and revenue reserves required to boost market value. Most shareholders prefer cash dividends to bonus issue, and this eats up on capital reserves, hence the negative effect revealed.

In most firms listed at the NSE, the indirect effect of shareholders activism on market value through dividend policy is not experienced. The direct effect is on the contrary very strong and hardly requires the mediation of dividend policy. This is so because dividend policy more often depends on shareholder activism and may not play the mediating role. Shareholder proposals are in fact skewed towards influencing dividend policy to suit higher returns to their capital.

CSR disclosure in the context of firms listed at the NSE minimally moderates the relationship between shareholder activism and market value. Given that CSR disclosure has been found to moderate relationships involving market value in other contexts, it is clear that factors such as contextual setting, multidimensionality of the concept of CSR disclosure, and nature of firm ownership influence the moderation potential of CSR disclosure. Besides, it may be argued that the decreasing trends in firm size and growth in sales in the firms could have minimized the moderation potential of CSR disclosure.

CSR disclosure also moderates the relationship between dividend policy and market value in firms listed at the NSE, thereby creating the possibility of an indirect path. This clearly underscores the fact that through increased CSR disclosure activities most firms, are able to bring down dividend payout, and in so doing, maximize market value. Moreover, CSR disclosure reduces the firm's equity which leads to enhanced value of the firms in the market.

The final conclusion made is that the anticipated conditional indirect effect of shareholder activism on market value through dividend policy, introduced by CSR disclosure is significant in the context of firms listed at the NSE. Moreover, CSR disclosure also conditions the direct effect between shareholder activism and market value. The essence then is that in these firms CSR disclosure conditions payment of cash dividends by creating a favourable environment that which in turn increases retained earnings hence, raising market value.

5.4 Implications for Theory and Practice

This study postulated a moderated mediation model relating shareholder activism to market value through dividend policy under the moderation of CSR disclosure. From the findings, several implications for theory and practice of market value in the realm of shareholder activism can be adduced.

5.4.1 Implications for Theory

Four theories were employed to underpin this study. The first theory is the irrelevant dividend theory advanced by Modigliani and Miller in 1961. According to this theory, company value under a competitive market is independent of the profits made but is increased if retained earnings are ploughed back to viable investments that can guarantee higher yield. This theory is in this case contradicted by the finding which shows that dividend policy has no significant impact on market value. The essence here is that by giving cash dividends retained earnings for ploughing back into viable investments is reduced. This contradictory position actually supports evidence showing that in the real world, investors and shareholders continue to ask for dividend payout. The implication therefore is that M & M dividend irrelevant theory may have been overtaken by emerging changes in the security markets and does require being re-defined.

On the contrary, the findings under dividend policy and market value add credence to the second theory namely; the theory of relevance proposed by Myron Gordon in 1963. According to this theory most investors are risk averse and would rather go for current dividends as opposed to capital gains. This ends up in increased market prices of shares. The non-significant effect was therefore an indication that in most firms under study, shareholders could have leaned towards the relevance of dividends in which case, cash dividends, seen to be current were preferred at the expense of retained earnings. This is indeed, a direct application of dividend relevance which is perhaps preferred by youthful shareholders drawn from the millennial generation.

The third theory used to underpin this study was stakeholder theory advanced by Edward Freeman in 1984. According to this theory, a firm's stakeholders should include all people affected by the firm and what it does. In Freman's view, an organization is bound to cease to exist if the support of this group of individuals is not gained. In finding that CSR disclosure does moderate the relationship between shareholder activism and market value, this study corroborated the views inherent in the stakeholder theory that the interests of about anyone involved with firm ought to be taken care of. Therefore by using the major shareholders, interests of smaller shareholders and other stakeholders such as employees, customers and the government were factored in leading to these expected results.

The fourth and final theory used to underpin this study was Agency theory proposed by Steven Ross in 1973 as the Economic Theory of Agency, and advanced by Barry Mitrnick in 1974 as Theory of Agency. Agency theory seeks to resolve issues that may arise between shareholders as business principals and company executives who are deemed as agents. In essence, shareholders rely on company executives in the form of Board of Management to execute transactions.

The findings showed that SCRD does moderates the relationship between shareholder activcism and market value through dividend policy. It therefore supports the agency theory which requires the managers to use mutual consensus to meet the needs of different stakeholders. CSRD provides elements touching on customers, employees, environment, owners and government. In disclosing the different elements in the financial statements, different stakeholders are directly or indirectly shown how the company meets their needs.

5.4.2 Implications for Practice

It has been noted that the Kenyan bourse has been facing a crisis which has gone on to dampen investor interest (Anyanzwa, 2019). Anyanzwa argues that a series of company failure has rocked the bourse which happens to be the largest in the East Africa region, leading to a loss in investor interest in the regional stock markets. The findings of this study bring forth important implications for practice regarding shareholder activism and market value under the moderated mediation of CSR disclosure and dividend policy.

First and foremost, the finding showing that shareholder activism has a positive effect on market value of the firms listed at the Kenyan bourse is an indicator that firms need to exploit shareholder activism among shareholders and the board of management. Maina (2014) in highlighting challenges which the NSE faces identifies one of them as insider trading. Maina argues that despite implementing disciplinary measures among executives, it has not been possible to eliminate insider trading from the bourse. This clearly shows disconnect between shareholders and executives, and reflects a push and pull between management and investors leading to activism that results in reduced market value. The essence then is to exploit shareholder activism to boost market value.

Besides, the finding which attributes factors such as nature of investors, nature of shareholder activism, and refusal of proxy proposals with the positive effect of shareholder activism on market value, bodes well for the firms in question. It is important to note that firms trading at the NSE are drawn from diverse sectors. Consequently, there is bound to be diversity in the nature of investors. Balancing between the contributions of large and small shareholders could perhaps see stability in shareholder activism and increase in market value. Another implication of these findings is that firms listed at the bourse should be careful not to concentrate shareholder activism in major shareholders. This brings in a situation where such major shareholders exploit small shareholders by influencing the firms' behaviour to favour them.

The significance of dividend policies in setting parameters for delivering dividends to shareholders cannot be overemphasized. A firm's dividend policy in essence reflects the firm's financial performance. In finding that shareholder activism has a positive and significant influence on dividend policy, this study underscores the need for the firms listed at the NSE to practice shareholder activism that supports strict dividend policy. This would ensure that decisions of the management of the firms regarding distribution of profits as dividends are in line with growth of credit standing and share prices. Otherwise, liberal dividend policies could give room to hedge fund activism where shareholders may seek significant change in the firm's strategies, financial structures and board compositions leading to financial predicaments.

The negative impact experienced between dividend policy and market value does not auger well with market value of the firms under study. It would appear that most of them have erroneous dividend policies that have resulted in unbalanced capital structures. In this way, earnings per share may have been falling; it also seems that the stock market in reaction to the fall in earnings per share has led to sagging share prices and with it, a decline in market value of the firms. The non-significance of this effect however means that it could have been due to firm and time effects. Firms listed at the NSE ought to take cognizance of the fact that in today's competitive business environment, assumptions postulated by M-M such as: existence of perfect capital market, non existence of tax differentials between income on dividend and capital gains, existence of a well planned firm's investment policy; and lack of uncertainty with regards to future investments and profits of the firm may not be viable.

The finding that the indirect influence of shareholder activism on market value via dividend policy in the context of the firms listed at the NSE is not sustained provides food for thought among the listed firms. It would have been conceivable to imagine that the impact of shareholder activism on market value varies with nature of dividend policy, in which case dividend policy should have been a mediator. However, knowing that control variables such as growth in sales, and firm size may have an influence on market value, such finding is acceptable. Besides in panel data analysis such was the case for this study, effects attributable to time and firms cannot be ruled out.

The implication of this finding is that firms need to hold the parameters of firm size and growth in sales under control in order to examine the potential of dividend policy to mediate in such a relationship. Besides, the effects of the time and firm variations should be fixed. The expectation is that with the control of firm size and growth in sales, strict dividend policy would be formulated to oversee retention of larger share of earnings, availing sufficiently larger resources which would go into enhancing market value of the firm. On the contrary formulation of liberal policy could lead to high dividend payout and a reduction in earning capital. On the other hand, fixing firm and time effects would mean that the coefficients are stable. Company policy makers relying on dividends may not influence increase in market value especially if the dividends are mostly shared as opposed to bonus issues. The moderating effect of CSRD therefore offers listed firms that seek to grow in market value an avenue to do so.

In finding that CSR disclosure moderates the relationship between shareholder activism and market value of firms listed at the Kenyan bourse, the study underscores the need for firms to examine other secondary covariates. The firms for instance need to take cognizance of the diversity in the contextual settings of the various firms owing to the different sectors from which they are drawn. Such differing contexts are bound to impact on the firms' shareholder activism activities and in turn weaken the capability of such shareholder activism to influence market value. In this way it becomes tenable for suitable CSR disclosure activities to moderate the effect of shareholder activism on market value.

The finding showing that CSR disclosure moderates the relationship between shareholder activism and market value should be a wake up call to firms to realize that prudent creation of CSR structures requires leveraging aspects such as that prudent employment of the six CSR disclosure indices, including adherence to mission and vision, churning out quality services and products, showing commitment to employees, society, and to charity and benevolent was pre-requisite for improved corporate governance. Such aspects together with an appropriate shareholder activism plan interacts to impact market value positively.

Besides, the moderation of CSR disclosure on the effect of shareholder activism on market value should focus stakeholders on prudent performance in the social component of CSR which negatively impacts the stock prices of the firms. This impact is more so when environmental strategies were leveraged. However, stakeholders must also take cognizance of critics of strategies focusing on social performance, who view them as unnecessary and only used to lower shareholders' income. The point then is to be very critical in determining the CSR strategies to engage.

The capability for CSR disclosure to moderate the effect of shareholder activism on market value ought to interest firms listed at the NSE. CSR disclosure is attributed to market trends. The nature of information in terms of being good or bad is deemed to have an inverse effect on stocks. Yet, CSR activities certainly affects the nature of information. The leveraging of positive CSR manifests firm growth and potentially enhances stock performance and directly limits company layoffs that would have otherwise impacted consumer trust negatively and distorted the company's image. However, in contexts where CSR is detested, a negative impact on investor growth is often reported. This is reflected in a study examining the role of block holder activism on short-term profitability demonstrated that CSR policies related negatively with the performance following the perception among shareholders that CSR initiatives attracted expenses that could easily be avoided and eat into company profits. Such findings definitely underscore the importance of positive CSR milestones in firms.

Besides, stakeholders and firm owners must appreciate the importance of CSR initiatives in alleviating conflict. For instance, stakeholder theory recognizes conflict between managers and owners that requires ascertaining of favourable shareholder returns. Consequently, stakeholder theory advocates for close attention to the business environment in order to maximize shareholder returns. Therefore, company survival is dependent on stakeholder support which thrives in an enabling environment. A good CSR supported environment is likely to free investors who are held back by a poor business environment leading to poor social performance. Under such circumstances, stock prices experience a decline leading to a reduced market value of the company. Supporting a favourable environment entails exploiting social reporting for competitive strategic functions. Therefore, CSR disclosure provides information that can be leveraged to increase market value. In this way, CSR disclosure proves to be a potent competitive tool for the concerned company. Indeed, research has shown that social and environmental performance positively impacts investor proactivity, leading to stock price increase and enhancing the market value of companies (Puteri et al., 2018).

In taking cognition of the moderating potential of CSR disclosure on the effect of shareholder activism on market value, firm owners will be keeping with their primary business aim of satisfying shareholders' and other stakeholders' needs directly and also indirectly. Therefore, to succeed firm owners must seek to harmonize market value and stakeholder satisfaction through careful production processes that are CSR compliance. As a matter of fact, research shows that although ideal companies are gauged on the premise of their fundamental production processes, corporate social responsibility performance is also a key indicator of outstanding companies (Murwaningsari, 2009). Such research point out that CSR disclosure measures such as social, environmental, and a combination of the two prove a favourable environment for a shareholder to risk investment. They also argue that CSR disclosure enables reputation enhancement, social audit, improved processes for social performance, and enhanced explicit values and social principles within the management. Consequently, it becomes apparent that firms stand to benefit from positive CSR activities.

Moreover, CSR disclosure takes on many dimensions which imply that deciding on the suitable dimension for specific firms is the key to sustaining its moderation potential in the relationship involving shareholder activism and market value. Evidence has previously shown that firms are bound to disclosure CSR activities depending on firm type and size (Hou & Reber, 2011). Consequently, it is conceivable to find CSR moderating the effect of shareholder activism and market value in panel data involving so many firms. This does not rule out the possibility of CSR disclosure to fail to moderate in other situations. It is therefore incumbent upon firms listed at the NSE to recognize the importance of CSR disclosure in reducing information asymmetries. This is achieved through the provision of information required by investors to have informed assessment of risks arising out of environmental liabilities and potential litigation.

Besides, the finding showing that CSR disclosure moderates the relationship between dividend policy and market value provides an avenue through which, firms can re-examine whether the CSR disclosure activities in place have the potential to balance out benefits between shareholders and stakeholders. It is necessary to observe here that mandatory CSR disclosure has for instance been seen to benefit stakeholders at the expense of shareholders (Ni & Zhang, 2019). This in essence implies that firms listed at the NSE ought to be keen on the modes or dimensions of CSR disclosure to adopt, if they have to maximize market value on their dividend policies. Such moderation provides a leeway for the indirect linkage between shareholder activism and market value that recognizes the contribution of dividend policy.

The finding showing that CSR disclosure moderates the effect of dividend policy on market value offers the firms an opportunity to to entrench the culture of effective coperate governance. By leveraging CSR disclosure, firms have a better chance to avoid events such as those that led to the financial crisis in East Asia, which occurred in 1997, and the corporate scandals witnessed in Malaysia involving Malaysia finance, industries connected with technology resources, Malaysia airline, and perwaja steel. CSR disclosure bodes well with accountable practices that can be audited and improved to avoid unwarranted scandals.

Besides, emphasis on CSR disclosure is likely to improve the firms' profitability and survival. Information in existing literature vindicates the utility of CSR disclosure in increased profits and financial performance among Islamic banks, listed firms, and firms in general. Firms listed at the NSE can therefore look to exploit CSR activities that can entrench openness, trust and accountability. Indeed it has been shown from the Kenyan context that CSR announcements occasioned abnormal cumulative returns (Mwamburi, 2017).

Moreover, this finding which finds a moderation effect of CSR disclosure on the relationship between dividend policy and market value corroborates two views held with regards to CSR disclosure. According to Cheung, Hu and Schwiebert (2016), the first CSR view posits that 'firms are likely to pay fewer dividends because CSR activities lower the cost of equity, encouraging firms to invest or board cash rather than pay dividends. Meanwhile the second view postulates that 'CSR activities are positive NPV projects that increase earnings and hence dividend payouts'. Firms listed at the NSE should therefore take cognizance of the fact that, CSR disclosure may strengthen or weaken the relationship between dividend policy and market value in equal measure depending on the strength of involvement in CSR disclosure activities. In view of the two CSR views, stronger involvement in CSR disclosure is bound to lower dividend payout leading to enhanced market value and vice versa.

The finding showing existence of the moderated mediation effect of CSR disclosure is a novel finding that allows players to recognize that CSR disclosure is a conditioning factor in the effects of shareholder activism. Firms have a choice to either go for the conditional indirect effects of shareholder activism on market value by leveraging dividend policy or settle for the conditional direct effect of shareholder activism on market value. This realization has a number of practical implications. First and foremost, it supports the researchers conceptualization of viability of such a model in the context of firms listed at the NSE. Secondly, it shows that it is conceivable to imagine conditional indirect effects between shareholder activism and market value via dividend policy among firms listed at the Kenyan bourse. Having such options has potential to protect firms from market volatility.

This finding of the study makes a significant contribution to sustainable development goals by impacting directly on goals No. 8, 10 and 16. Sustainable development goal No. 8 aims to attain decent work and economic growth. The finding shows that CSRD moderates the relationship between shareholder activism and market value and dividend policy and market value. This needs to the control of issuing dividends by limiting shareholder activism and ensuring growth of market value. Sustainable development goal No. 10 focuses on reduced inequalities. This study demonstrated that shareholder activism directly impacts on market value and at the same time dividend policy impacts directly on market value. Therefore by incorporating CSRD large shareholders are checked and their powers neutralized to the advantage of small shareholders.

5.5 Recommendations of the Study

On the basis of the findings made and the resulting implications for practice, a number of recommendations were made both for practice and future research.

5.5.1 Recommendation for Practice

Firms listed at the NSE should seek to clearly outline the roles and responsibilities of shareholders and the executive. In this way, executives would be in a position to understand the diverse nature of shareholder activism and that of investors. This may essentially reduce cases of executives hesitating to accept proxy proposals and implementing erroneous dividend policies.

Although shareholder activism may ultimately influence dividend policy by allowing shareholders to be at the centre of decisions, firms should be wary of concentrating shareholder activism among large shareholders. Such a move can lead to exploitation of small shareholders, and crafting of policies that favour major shareholders. There is need for firms to balance between contributions made by both categories of shareholders for the sake of stability in shareholder activism.

Considering the significance of dividend policies in setting up parameters for dividend payouts, firms listed at the NSE need to practice a lot of prudence in policy framing to avoid situations where policies are too liberal. This is likely to change the non-significant effect of dividend policy on market value as established in this study. In so doing, the firms are likely to reduce the payout ratio and increase retention ratio.

Contextual factors such as firm size and growth in sales ought to be factored in when examining the indirect effect of shareholder activism on market value via dividend policy. Such factors are likely to have an influence on dividend policy and inhibit the impact of shareholder activism. Meanwhile, firms should seek to formulate strict dividend policies that would ensure that larger share of earnings are retained and in the process availing resources for enhancing market value.

Firms listed at the NSE should consider factors such as the firm context and multidimensionality of CSR disclosures which potentially influences the moderating potential of CSR disclosure in the relationship between shareholder activism and market value. Besides, firm size and type could be at the centre of the non moderation influence.

When putting in place CSR disclosure activities, firms listed at the NSE should strive to vet whether such activities balance out benefits between shareholders and stakeholders. Firms should opt for self CSR disclosure as opposed to mandatory disclosure which could favour stakeholders more. In order to maximize upon the CSR disclosure potential for market value, firms should take a stronger involvement in CSR activities to occasion lower dividend payout and enhanced market value.

For the NSE context, firms need to exploit CSR disclosure for their conditional indirecf effect of shareholder activism on market value through dividend policy, and conditional direct effect of shareholder activism on market value. Besides, firms should aim to strengthen the direct effects and the indirect effect albeit, by engaging variables appropriately, and creating the appropriate CSR supported environment.

5.5.2 Limitations of the Study and Suggestion for Further Studies

The study focused on listed firms at NSE, which is a highly regulated market. The firms prepare standardized financial reports with many assumptions. They provide only what is required by law or what will provide competitive edge. Shareholder activism and corporate social responsibility are relatively new phenomena in developing economies. Moreover the study focused in the years 2008-2017 when the economic was relatively stable. The findings therefore can be generalized to developing economies due to county specific factors such as country laws, political and economic factors and level of corporate governance.

The findings of this study are somehow inconclusive in many ways. Consequently, recommendations for future studies are made that may lead to better modeling of the relationships involving shareholder activism, dividend policy, CSR disclosure and market value. There is need to examine the question of moderated mediation in the context of shareholder activism and market value by diversifying models employed.

This study indicated that the indirect effect between shareholder activism and market value via dividend policy was not significant. In view of this, future studies should strive to use other variables with shareholder activism being the mediating variable, corporate governance, the independent variable, and market value, the dependent variables, meanwhile, future studies could also explore whether shareholder activism moderates the link between capital structure and market value in the context of firms listed at the NSE.

Another finding that met the expectations was that CSR disclosure moderated the effect of shareholder activism on market value of firms listed at the NSE. Future studies should seek to explore whether shareholder activism could still moderate the relationship between CSR disclosure and profitability of firms when other covariates are used, and the level of robustness of the resulting regression coefficients.

The hypothesized model examining the conditional indirect effect of CSR disclosure on the relationship between shareholder activism and market value through dividend policy was conceivably proved to be possible. Future studies should seek to examine whether the conditional indirect effect of shareholder activism on the relationship between capital structure and market value through CSR disclosure would remain significant and robust.

5.6 Summary of the Chapter

This chapter has summarized shareholder activism and market value, shareholder activism and dividend policy, dividend policy and market value, mediation effects on the relationship between shareholder activism and market value, moderation effects of CSRD on shareholder activism on market value, moderation effects of CSRD on dividend policy and market value on the other hand. It also summarizes and discusses moderated mediation of CSRD on the relationship between shareholder activism and market value through dividend policy. Findings of other studies were compared. Conclusions were drawn consistent the specific objectives. The chapter discusses implications for theory and practice and recommendations for practice and suggestions for further studies.

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APPENDICES

APPENDIX I: LISTED COMPANIES AT NSE

	Sector	Company
	Agricultural	
1.		Eaagads Ltd
2.		Kapchorua Tea Co. Ltd
3.		Kakuzi Ltd
4.		Limuru Tea Co. Ltd
5.		Rea Vipingo Plantations Ltd
6.		Williamson Tea Kenya Ltd
7.		Sasini Ltd
	Automobiles and Accessories	
8.		Car and General (K) Ltd
	Banking	
9.		Absa Bank Kenya PLC
10.		Stanbic Holdings Plc.
11.		I&M Holdings Ltd Ord
12.		Diamond Trust Bank Kenya Ltd
13.		KCB Group Ltd
14.		Standard Chartered Bank
15.		BK Group PLC
16.		The Co-operative Bank of Kenya Ltd
17.		NCBA Group PLC
18.		HF Group Ltd
19.		Equity Group Holdings
20.		National Bank of Kenya Ltd
	Commercial and Services	
21.		Express Ltd
22.		Sameer Africa PLC
23.		Standard Group Ltd
24.		Uchumi Supermarket Ltd
25.		Nairobi Business Ventures Ltd
26.		Kenya Airways Ltd
27.		TPS Eastern Africa (Serena) Ltd
28.		Longhorn Publishers Ltd
29.		Nation Media
30.		Scangroup Ltd
31.		Deacons (East Africa)
	Construction and Allied	
32.		Athi River Mining
33.		Bamburi Cement Ltd
34.		Crown Paints Kenya PLC.
35.		E.A.Cables Ltd

36.		E.A.Portland Cement Ltd
	Energy and Petroleum	
37.		Total Kenya Ltd
38.		KenGen Ltd
39.		Kenya Power & Lighting Co Ltd
40.		Umeme Ltd
	Insurance	
41.		Jubilee Holdings Ltd

42.		Sanlam Kenya PLC
43.		Kenya Re-Insurance Corporation Ltd
44.		Liberty Kenya Holdings Ltd
45.		Britam Holdings Ltd
46.		CIC Insurance Group Ltd
	Investment & Investment Services	
47.		Olympia Capital Holdings ltd
48.		Centum Investment Co Ltd
49.		Home Afrika Ltd
50.		Trans-Century Ltd
51.		Kurwitu Ventures
52.		Nairobi Securities Exchange Ltd
	Manufacturing and Allied	
53.		B.O.C Kenya Ltd
54.		British American Tobacco Kenya Ltd
55.		Mumias Sugar Co. Ltd
56.		Kenya Orchards Ltd
57.		Carbacid Investments Ltd
58.		Unga Group Ltd
59.		Flame Tree Group Holdings Ltd
60.		East African Breweries Ltd
61.		Eveready East Africa Ltd
	Telecommunication and Technology	
62.		Safaricom PLC Ord
	Real Estate Investment Trust	
63.		Stanlib Fahari I-REIT
	Exchange Traded Fund	
64.		New Gold Issuer (RP) Ltd

APPENDIX II: DATA COLLECTION CHECKLIST

Income statement	Balance sheet	Corporate governance statement	Variable
Current Revenue /sales Previous' years revenue /sales	- -	- -	Growth in sales
Market price per share Dividend per share	- -	- -	Dividend policy
- - - - -	Ordinary share capital Preference share capital Total long term liabilities Total value of assets Total value of fixed assets	- - - -	Market value
-	Total share capital	Value of three main shareholders	Shareholder activism
-	-	Social responsibility elements identified Corporate governance codes	Corporate social responsibility disclosure

APPENDIX III: ANALYSIS OF OUTPUT RESULTS

```
F test that all u_i=0: F(53, 476) = 3.15                    Prob > F = 0.0000

. xtreg Y X i.year,re

Random-effects GLS regression                   Number of obs     =        540
Group variable: ID                              Number of groups  =         54

R-sq:                                           Obs per group:
     within  = 0.0018                                         min =         10
     between = 0.6319                                         avg =       10.0
     overall = 0.0707                                         max =         10

                                                Wald chi2(10)     =      25.00
corr(u_i, X)   = 0 (assumed)                    Prob > chi2       =     0.0054

------------------------------------------------------------------------------
           Y |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
           X |   .7840123   .1941654     4.04   0.000     .4034551     1.16457
             |
        year |
       2009  |   2.028901   1.263313     1.61   0.108    -.4471465    4.504949
       2010  |  -.0597282   1.263221    -0.05   0.962    -2.535596     2.41614
       2011  |   2.216575   1.263795     1.75   0.079    -.2604185    4.693569
       2012  |   .9485094   1.263547     0.75   0.453    -1.527997    3.425016
       2013  |    .941965   1.263383     0.75   0.456    -1.534221    3.418151
       2014  |   .4481972   1.263695     0.35   0.723      -2.0286    2.924994
       2015  |   .0883987   1.264525     0.07   0.944    -2.390025    2.566822
       2016  |  -.2275228    1.26427    -0.18   0.857    -2.705447    2.250402
       2017  |  -.4141982   1.271624    -0.33   0.745    -2.906536     2.07814
             |
       _cons |   .3405579   .9151594     0.37   0.710    -1.453122    2.134237
-------------+----------------------------------------------------------------
     sigma_u |  1.3025619
     sigma_e |  6.1565638
         rho |   .0428452   (fraction of variance due to u_i)
------------------------------------------------------------------------------
```

```
. xtreg Y X i.year Growthinsales FirmSize,re

Random-effects GLS regression                   Number of obs     =        540
Group variable: ID                              Number of groups  =         54

R-sq:                                           Obs per group:
     within  = 0.1251                                         min =         10
     between = 0.6051                                         avg =       10.0
     overall = 0.1989                                         max =         10

                                                Wald chi2(12)     =     113.09
corr(u_i, X)   = 0 (assumed)                    Prob > chi2       =     0.0000

------------------------------------------------------------------------------
           Y |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
           X |   .6960864   .1811544     3.84   0.000     .3410303    1.051142
             |
        year |
       2009  |   .9764113   1.178625     0.83   0.407    -1.333652    3.286475
       2010  |  -.4737164    1.17272    -0.40   0.686    -2.772206    1.824773
       2011  |   .7430584   1.183689     0.63   0.530    -1.576929    3.063046
       2012  |   .0097136   1.175706     0.01   0.993    -2.294629    2.314056
       2013  |  -.2418859   1.179636    -0.21   0.838     -2.55393    2.070158
       2014  |   -.301847   1.178791    -0.26   0.798    -2.612236    2.008542
       2015  |  -.3562958   1.178928    -0.30   0.762    -2.666952    1.954361
       2016  |  -1.117635   1.181366    -0.95   0.344     -3.43307      1.1978
       2017  |    -.60713   1.184046    -0.51   0.608    -2.927817    1.713557
             |
Growthinsales |   1.349371   .5122562     2.63   0.008      .345367    2.353374
    FirmSize |  -38.35402   4.363345    -8.79   0.000    -46.90602   -29.80202
       _cons |   1.279646   .8673137     1.48   0.140    -.4202576     2.97955
-------------+----------------------------------------------------------------
     sigma_u |  1.2771646
     sigma_e |  5.7294181
         rho |  .04733817   (fraction of variance due to u_i)
------------------------------------------------------------------------------

   .
--------------------------------------------------------------------------------
             |                 OIM
             |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
-------------+------------------------------------------------------------------
Structural   |
  Y          |
           M |   70.83302   9.236219     7.67   0.000     52.73036    88.93567
           V |   2.534807   1.432869     1.77   0.077     -.273565    5.343179
          MV |  -82.97518   12.11995    -6.85   0.000    -106.7298   -59.22052
       _cons |  -1.229349   .9348379    -1.32   0.188    -3.061598    .6028997
-------------+------------------------------------------------------------------
    var(e.Y) |   42.52501   2.587989                      37.74348    47.91228
--------------------------------------------------------------------------------
LR test of model vs. saturated: chi2(0)   =      0.00, Prob > chi2 =      .
.
```

```
Equation-level goodness of fit
```

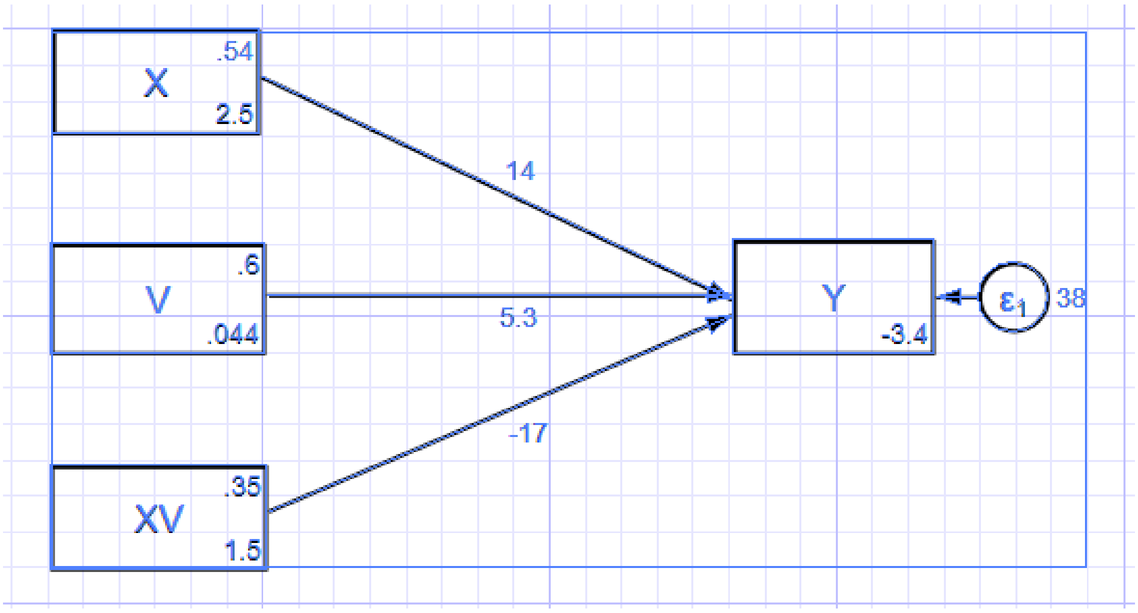
depvars	fitted	Variance predicted	residual	R-squared	mc	mc2
observed						
Y	48.63632	6.111313	42.52501	.1256533	.3544761	.1256533
overall				.1256533		

```
mc  = correlation between depvar and its prediction
mc2 = mc^2 is the Bentler-Raykov squared multiple correlation coefficient
```


```
Equation-level goodness of fit
```

depvars	fitted	Variance predicted	residual	R-squared	mc	mc2
observed						
Y	48.63632	6.111313	42.52501	.1256533	.3544761	.1256533
overall				.1256533		

```
mc  = correlation between depvar and its prediction
mc2 = mc^2 is the Bentler-Raykov squared multiple correlation coefficient
```

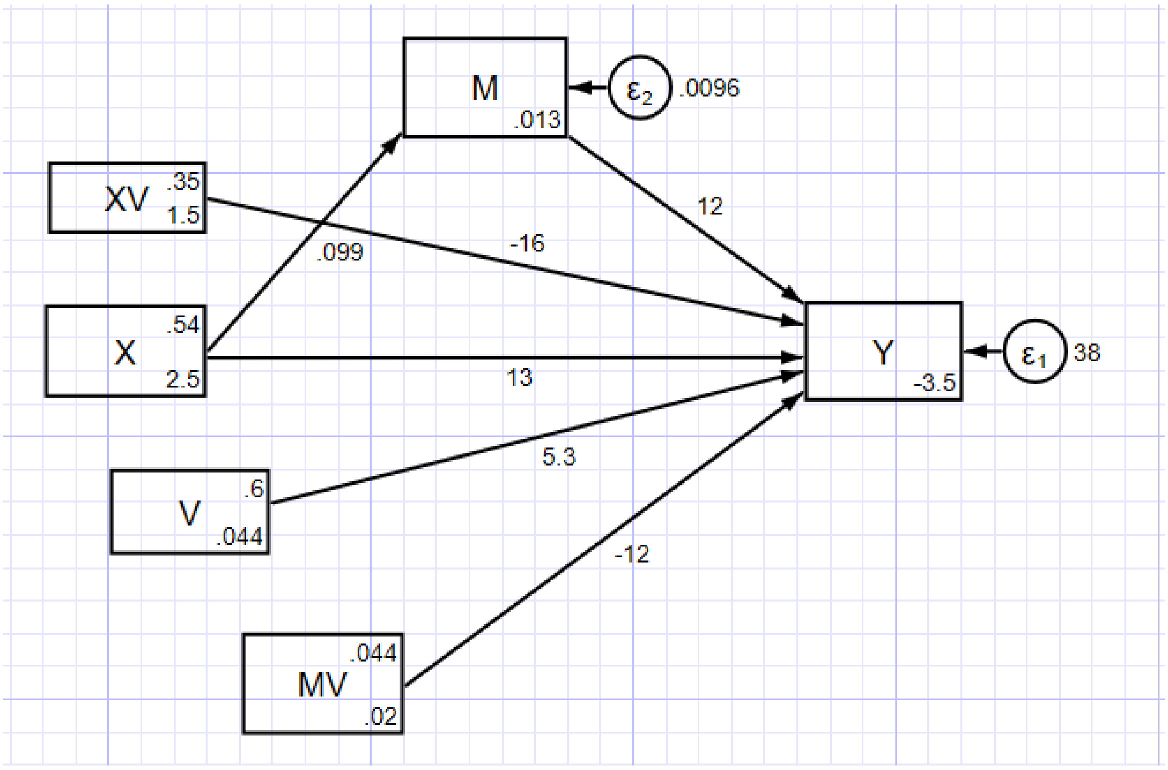
.

	Coef.	OIM Std. Err.	z	P>|z|	[95% Conf.	Interval]
Structural						
Y						
X	14.21979	1.279035	11.12	0.000	11.71293	16.72665
V	5.279076	1.399842	3.77	0.000	2.535436	8.022716
XV	-17.30301	1.665664	-10.39	0.000	-20.56765	-14.03837
_cons	-3.412709	.9294196	-3.67	0.000	-5.234338	-1.59108
var(e.Y)	38.26357	2.328647			33.9612	43.11099

.

depvars	fitted	Variance predicted	residual	R-squared	mc	mc2
observed						
Y	48.63632	10.37275	38.26357	.2132717	.4618135	.2132717
overall				.2132717		

mc = correlation between depvar and its prediction
mc2 = mc^2 is the Bentler-Raykov squared multiple correlation coefficient



.

	Coef.	OIM Std. Err.	z	P>|z|	[95% Conf.	Interval]
Structural						
Y						
M	12.30427	11.65429	1.06	0.291	-10.53773	35.14626
X	13.05244	1.700569	7.68	0.000	9.719382	16.38549
XV	-16.16867	2.254505	-7.17	0.000	-20.58742	-11.74992
V	5.291326	1.402898	3.77	0.000	2.541697	8.040956
MV	-12.10624	15.6983	-0.77	0.441	-42.87434	18.66186
_cons	-3.473857	.930727	-3.73	0.000	-5.298049	-1.649666
M						
X	.0990486	.0026756	37.02	0.000	.0938046	.1042927
_cons	.0125363	.0044619	2.81	0.005	.0037911	.0212816
var(e.Y)	38.09993	2.318688			33.81596	42.92662
var(e.M)	.009613	.000585			.0085321	.0108308

LR test of model vs. saturated: chi2(3) = 1575.75, Prob > chi2 = 0.0000

Equation-level goodness of fit

depvars	fitted	Variance predicted	residual	R-squared	mc	mc2
observed						
Y	50.85162	12.75169	38.09993	.2507627	.5007621	.2507627
M	.0340095	.0243966	.009613	.717345	.8469622	.717345
overall				.7695		

mc = correlation between depvar and its prediction
mc2 = mc^2 is the Bentler-Raykov squared multiple correlation coefficient

APPENDIX IV: RESEARCH PERMIT

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **143552**

Date of Issue: **19/February/2021**

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