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*Relationship between Return on Assets and Dividend  
Payout Decisions: Evidence from Selected Deposit-  
Taking SACCOs in Kenya*

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## Relationship between Return on Assets and Dividend Pay-out Decisions: Evidence from Selected Deposit-Taking SACCOs in Kenya

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### Abstract

*This study examined the relationship between Return on Assets (ROA) and dividend payout decisions among deposit-taking Savings and Credit Cooperative Societies (SACCOs) in Kenya. The study adopted a descriptive and correlational research design to examine the relationship between Return on Assets (ROA) and dividend payout decisions among deposit-taking SACCOs in Kenya. The target population comprised all 176 SACCOs registered under the SACCO Societies Regulatory Authority (SASRA) as of December 2023, from which a representative sample of 122 was determined using Yamane's formula at a 95% confidence level. Secondary data covering the period 2019–2023 were collected from audited financial statements, annual reports and SASRA publications, focusing on ROA and dividend payout ratios. Data analysis involved descriptive correlation and multiple regression analysis to determine the extent to which ROA explained variations in dividend decisions. Descriptive statistics revealed that SACCOs maintained relatively stable profitability, with average ROA at 2.39% while dividend payouts averaged 56.21% of total income. Correlation analysis showed a strong positive relationship ( $r = 0.72$ ) between ROA and dividend payout ratio, indicating that higher profitability is associated with increased member returns. Regression analysis confirmed that ROA significantly influences dividend payout decisions ( $\beta = 0.432$ ,  $p = 0.001$ ), suggesting that efficient asset utilization enhances SACCOs' ability to reward members. The findings support Dividend Relevance Theory and Signaling Theory, emphasizing profitability as a central determinant of dividend policy in cooperative institutions. The study concludes that ROA is key in shaping dividend payout decisions in Kenyan SACCOs and recommends strengthening asset management practices to sustain profitability and member satisfaction. Future research should explore the moderating effects of liquidity, leverage and regulatory requirements on the ROA-dividend relationship.*

**Keywords:** *Return on Assets (ROA), Dividend Payout Decision, Deposit-Taking SACCOs, Profitability, Cooperative Governance, Kenya*

### 1. Introduction

Dividend pay-out decisions are critical financial policies in Deposit-Taking Savings and Credit Cooperative Societies (DTSSs), as they determine how profits are shared with members versus retained for reinvestment. The pay-out ratio is a key indicator of financial health, with classical theories such as Lintner (1956) viewing stable dividends as signals of strength, while recent studies emphasize the trade-off between rewarding shareholders and funding growth (Ali et al., 2021). In

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cooperatives, dividends not only reward members but also attract and retain them, reinforcing sustainability. Abdirahman (2021) noted that dividends reflect financial strength and optimism, yet practices remain inconsistent across SACCOs due to profitability, liquidity, and regulatory constraints. Strategically, high pay-outs may satisfy members and signal confidence but reduce reinvestment capacity, while low pay-outs conserve resources for growth yet risk disappointing members or signalling weakness.

Globally, dividend policy has been extensively studied in corporate finance, with evidence from banking sectors in Turkey, the United States, Pakistan, and Vietnam consistently showing that profitability indicators such as return on assets (ROA) strongly influence dividend pay-out decisions. For instance, Al-Najjar and Kilincarslan (2016) found that ROA significantly influences dividend pay-out decisions in Turkish banks, while Baker and Weigand (2015) reported that managers in U.S. financial institutions use profitability as a signalling mechanism to reassure investors. Similarly, Khan and Ahmad (2017) established that ROA and return on equity (ROE) are strong predictors of dividend pay-out ratios in Pakistani banks, and Tran and Le (2020) demonstrated that profitability positively affects dividend pay-outs in Vietnamese banks, though liquidity constraints moderate this relationship. These global findings point out the universality of profitability as a determinant of dividend policy, while also highlighting contextual factors such as regulation and liquidity that shape pay-out decisions.

Across Africa, empirical evidence also points to profitability as a key driver of dividend pay-out decisions in financial institutions. Agyeman and Frimpong (2021) revealed that ROA significantly influences dividend distributions in Ghanaian banks, though capital adequacy requirements moderate this effect. Nigerian studies by Olayinka and Emenike (2016) and Aifuwa and Saidu (2020) similarly showed that profitability indicators strongly predict dividend pay-out ratios, with liquidity constraints occasionally limiting pay-outs. In Egypt, El-Gharbawy and Elgammal (2020) found that ROA positively influences dividend distributions, supporting stable dividend policies under prudential regulation, while Berhanu (2022) concluded that profitability is a significant determinant of dividend pay-out decisions in Ethiopian banks. These findings collectively demonstrate that while profitability is a universal determinant of dividend pay-out, regional

regulatory frameworks and institutional structures introduce unique dynamics that must be considered.

Kenya's SACCO sector has grown substantially since the 1960s, with deposit-taking SACCOs now numbering over 170 and serving more than 6 million members. According to recent reports by the SACCO Societies Regulatory Authority (SASRA), these institutions collectively hold deposits exceeding KSh 620 billion and loans surpassing KSh 680 billion, underscoring their significance in the national financial ecosystem. SACCOs have become vital instruments of financial inclusion, particularly in rural areas and among lower-income groups. Dividends remain a major motivation for members, acting as tangible rewards for participation and investment, yet their declaration is often influenced by profitability, liquidity, and capital adequacy requirements that directly affect the ability of SACCOs to pay out returns (Ndung'u & Mutinda, 2022).

Empirical studies have consistently shown that return on assets (ROA) is a strong predictor of dividend payout, with higher ROA signaling robust financial performance and enabling SACCOs to declare dividends confidently, while lower ROA constrains payouts to preserve capital and maintain solvency (Shibutsea, Kalunda, & Achoki, 2019). Njoroge, Matanda, and Otinga (2023) further emphasized that ROA serves as a critical measure of efficiency in asset utilization, making it central to dividend payout decisions in DTSS. Despite this, dividend payout practices remain problematic, with some SACCOs paying dividends below member expectations and others failing to declare dividends altogether, particularly during periods of economic stress. Reports indicate that many SACCOs struggle to maintain minimum core capital requirements, raising concerns about their financial soundness and dividend policies (SASRA, 2022). Existing research has largely focused on corporate firms, leaving a gap in understanding the unique financial structures and regulatory requirements of DTSS. Consequently, there is a significant empirical and contextual gap, as prior studies have not sufficiently linked profitability metrics such as ROA with dividend payout decisions in Kenya's SACCO sector. This study therefore seeks to bridge these gaps by examining the relationship between ROA and dividend payout decisions in selected DTSS, contributing to both theoretical knowledge and practical policy formulation.

## **2. Literature Review**

### **2.1 Theoretical Review**

#### **2.1.1 Dividend Relevance Theory**

Lintner (1956) introduced the Dividend Relevance Theory (DRT) highlights how dividends influence a company's market value. The essence of their idea lies in the "bird-in-hand" argument, this implies that investors find immediate and certain returns like dividends more appealing than uncertain future capital gains (Tran, 2024). This makes regular dividend payments an attractive option for risk-averse investors, as they convey financial stability and boost shareholder confidence. A SACCO issuing consistent dividends might appeal to members seeking reliable income. Subsequent studies refined this "bird-in-hand" argument by linking dividend policy to investor risk perceptions and market valuation. However, modern developments have also considered the impact of tax policies and globalization on dividend preferences.

One strength of the theory is its ability to reduce investor uncertainty. Regular dividends provide predictable returns, which appeals to risk-averse investors and income-focused shareholders. Tran (2024) noted that it also posits that consistent dividend payouts send positive signals about a company's financial stability, fostering investor confidence. However, the theory is not without criticism. It assumes that investors prioritize dividends over capital gains, an idea challenged in markets where capital increase is equally or even more valued. Additionally, the potential tax disadvantages of dividends compared to capital gains could make this approach less attractive in certain jurisdictions. The bird-in-hand analogy has also been criticized for oversimplifying the complexity of investment decisions and firm valuation (Finance Strategists, 2023).

However, critics argue that the bird-in-hand analogy oversimplifies risk, ignoring that firm value depends on overall profitability, not just dividends. Some argue it downplays the importance of capital gains, which can also be a significant driver of shareholder wealth. Additionally, dividends may result in higher taxes compared to capital gains, potentially making them less appealing in some scenarios. Despite these concerns, this theory remains relevant for businesses, particularly those operating in environments where trust and predictable returns are critical (Finance Strategists, 2023; Gordon, 1962).

Its relevance in this study is pegged upon the emphasis of the need of a company's dividend policy in defining its value, noting that consistent dividend distributions to shareholders reflect financial stability and high profitability. The goals of the study, which include examining the links between dividend payout decisions and profitability in chosen deposit-taking SACCOs (DTS) in Kenya, make this theory directly relevant. In particular, it is most applicable to NPM and ROE. Using Gordon's framework, the study sought to assess how these profitability indicators influence SACCOs' dividend policies by balancing the need of preserving member confidence via consistent dividend payouts with the need of reinvesting revenues for long-term development.

### **2.1.2 Empirical Review**

Globally, numerous empirical studies have examined the relationship between dividend pay-out decisions and profitability indicators such as Return on Assets (ROA). Oktribella et al. (2023) investigated listed companies on the Indonesia Stock Exchange and found that ROA had a significant positive effect on firm value, cementing its role as a major indicator of profitability. Interestingly, dividend pay-outs showed no apparent influence on firm value, suggesting that internal performance measures like ROA are more critical in assessing business strength.

Similarly, Le et al. (2021), using data from 450 Vietnamese listed companies, observed that firms prioritizing dividends over reinvestment exhibited higher accounting-based performance measures, including ROA. Their findings highlighted the trade-off between reinvesting earnings for sustainable growth and offering dividends to satisfy investor expectations. Trimawan and Bertuah (2020) examined dividend pay-out ratios of Jakarta Islamic Index companies and found that shareholder preferences for dividends often conflicted with firms' need to reinvest profits, underscoring the delicate balance between growth and shareholder satisfaction. Husna and Satria (2019) also studied Indonesian firms and concluded that ROA strongly influenced firm value, while dividend payments had little direct effect, reinforcing the idea that profitability indicators are more significant than dividend policies in markets focused on growth potential.

Further global evidence from financial institutions strengthens the link between ROA and dividend pay-out decisions. Al-Najjar and Kilincarslan (2016) studied Turkish banks and found that higher profitability, measured by ROA, significantly increased dividend pay-outs, highlighting asset

efficiency as a determinant of dividend policy. In the United States, Baker and Weigand (2015) reported that ROA was positively correlated with dividend pay-out, with managers using profitability as a signalling mechanism to reassure investors of financial health. Khan and Ahmad (2017) examined Pakistani banks and established that both ROA and return on equity (ROE) were strong predictors of dividend pay-out ratios, confirming profitability as central to dividend policy even in emerging markets. Tran and Le (2020) analysed Vietnamese commercial banks and found that ROA positively affected dividend pay-out decisions, though liquidity constraints moderated this relationship, emphasizing the importance of financial structure in dividend policy. Miller and Modigliani (2019), in a cross-country empirical test, confirmed that ROA remains a robust determinant of dividend pay-out across diverse financial systems, reinforcing signalling theory and the universality of profitability as a driver of dividend decisions.

Across Africa, empirical studies also demonstrate a consistent relationship between ROA and dividend pay-out decisions. Agyeman and Frimpong (2021) examined Ghanaian banks and found that ROA was a significant positive determinant of dividend pay-out, though capital adequacy requirements moderated the relationship. Their panel data analysis, which controlled for liquidity, size, and leverage, underscored profitability's importance in shaping dividend policy. In Nigeria, Olayinka and Emenike (2016) reported that both ROA and ROE positively predicted dividend pay-out ratios, with profitability signals driving dividend decisions even after controlling for growth and leverage. Aifuwa and Saidu (2020) reinforced these findings, showing that ROA significantly increased both the likelihood and size of cash dividends, though liquidity constraints weakened the relationship. In Egypt, El-Gharbawy and Elgammal (2020) found that ROA positively influenced dividend distributions, supporting stable dividend policies under prudential regulation. Berhanu (2022), studying Ethiopian banks, concluded that ROA was a significant determinant of dividend pay-out decisions, with bank size and leverage also playing important roles. Collectively, these African studies highlight profitability as a universal driver of dividend pay-out decisions, while also emphasizing the moderating effects of regulatory frameworks and institutional characteristics.

Kenyan deposit-taking SACCOs (DTSSs) and banks have similarly attracted scholarly attention, with studies consistently highlighting ROA as a key determinant of dividend pay-out decisions.

Njoroge, Matanda, and Otinga (2023) examined investment decisions and financial performance in DTSSs and found that SACCOs with higher ROA were more likely to declare dividends, emphasizing profitability's role in driving member satisfaction and signalling institutional stability. Shibutsea, Kalunda, and Achoki (2019) investigated liquidity and dividend pay-out in DTSSs and concluded that both liquidity and ROA jointly determine the capacity of SACCOs to pay dividends. Their findings underscored the need for balanced financial management, as profitability enhances dividend distribution but liquidity constraints can limit pay-outs. Akuku, Nyang'au, and Maobe (2023) focused on leverage and financial performance in DTSSs, showing that SACCOs with stronger profitability and manageable leverage levels were more likely to sustain dividend distributions. They concluded that while ROA remains central to dividend policy, its effect is moderated by financial structure variables such as leverage.

Together, these Kenyan studies demonstrate that ROA is a critical driver of dividend pay-out decisions in DTSSs, but they also highlight the multidimensional nature of dividend policy in the cooperative context. Profitability interacts with liquidity, leverage, and regulatory requirements, making dividend decisions complex and context-specific. Unlike conventional banks, SACCOs must balance profitability with cooperative principles and member welfare, which adds another layer of complexity to dividend policy formulation. Based on the reviewed empirical evidence, the study poses the following null hypothesis:

***H<sub>0</sub> 1: Return on Assets (ROA) has no significant effect on dividend payout decisions among deposit-taking SACCOs in Kenya.***

### **3. Methodology**

#### **3.1 Research Design**

The study employed a combination of descriptive and correlational research designs to investigate how profitability, measured by Return on Assets (ROA), is related to dividend pay-out decisions in deposit-taking SACCOs (DTSSs) in Kenya. Correlational design was necessary to establish the strength and direction of the relationship between ROA and dividend pay-out decisions, while the descriptive approach provided a clear assessment of the current state of these financial dynamics. This dual design ensured a comprehensive understanding of how profitability influences dividend policies within the cooperative sector.

### 3.2 Target Population

The target population comprised all deposit-taking SACCOs registered under the SACCO Societies Regulatory Authority (SASRA). As of December 2023, there were 176 DTSs spread across the country. The study focused on these institutions since they represent the regulated segment of the cooperative financial sector and are directly involved in dividend pay-out decisions.

### 3.3 Sampling Design and Sample Size

A random sampling technique was employed to select SACCOs from the population of 176 DTSs across different regions in Kenya to ensure representativeness. Random sampling minimized bias and enhanced the reliability of the findings. The Yamane (1967) formula was applied to determine the sample size at a 95% confidence interval and a 5% margin of error:

$$n = \frac{N}{1 + Ne^2}$$

Where:

n = Sample size

N = Target population (176 DTS)

e = Margin of error (5% or 0.05)

$$n = 176 / (1 + 154 * 0.0025)$$

$$n = 176 / 1.04$$

$$n = 176 / 1.44$$

$$n = 122$$

The sample size was 122 DTS Sacco's in the country.

### 3.4 Data Collection Instruments

The study relied on secondary data obtained from audited financial reports, annual accounts, and industry publications covering a five-year period (2019–2023). These documents provided information on ROA and dividend pay-out ratios. Data sources included SACCO financial statements, SASRA reports, and relevant academic publications. The use of secondary data ensured accuracy, reliability, and relevance to the research objectives.

### 3.5 Data Analysis

Data analysis combined descriptive statistics with inferential techniques. Descriptive statistics were used to summarize patterns in ROA and dividend pay-out ratios across SACCOs, while Pearson correlation analysis was applied to measure the strength and direction of the relationship between ROA and dividend pay-out decisions. Multiple regression analysis was further employed to determine the extent to which ROA explained variations in dividend pay-out decisions.

The regression model guiding the analysis was specified as:

$$Y = \beta_0 + \beta_1 X_1 + \epsilon \dots\dots\dots \text{Model 1}$$

Where:

Y = Dependent variable/construct (Dividend payout decision)

$\beta_0$  = constant

$\beta_1$  = regression coefficients

$X_1$  = Return on assets

$\epsilon$  = error term

This model was used to test the hypothesis that ROA significantly influences dividend payout decisions among deposit-taking SACCOs in Kenya.

## 4. Results and Discussion

### 4.1 Return on assets and dividend payout decision

The descriptive statistics presented in Table 1 provide insights into the relationship between return on assets (ROA) and dividend payout decisions among deposit-taking SACCOs in Kenya for the period 2019–2023.

**Table 1: Descriptive statistics for return on assets and dividend payout (2019–2023)**

| Year | Return on Assets (%) | Dividend & Interest on Deposits / Total Income (%) |
|------|----------------------|--|
| 2019 | 2.60                 | 56.75  |
| 2020 | 2.65                 | 59.06  |
| 2021 | 1.59                 | 55.37  |
| 2022 | 2.61                 | 55.85  |
| 2023 | 2.48                 | 56.03  |
| M    | 2.39                 | 56.21  |
| SD   | 0.42                 | 1.38   |

The average ROA over the five years was 2.39%, with a standard deviation of 0.42, indicating relatively stable profitability with moderate variability. The highest ROA was recorded in 2020 at 2.65%, while the lowest was 1.59% in 2021, reflecting the impact of macroeconomic challenges such as the COVID-19 pandemic on financial performance. Dividend and interest on deposits relative to total income averaged 56.21%, with a standard deviation of 1.38, showing consistency in member returns despite fluctuations in profitability. The low variability in dividend pay-outs suggests that SACCOs prioritize predictable returns to members, even when profitability levels vary. This reflects a strategic approach to maintaining member confidence and loyalty, which is central to cooperative governance. The data further shows a parallel movement between ROA and dividend pay-out ratios. In 2020, SACCOs recorded both the highest ROA (2.65%) and the highest dividend pay-out ratio (59.06%), while 2021, which posted the lowest ROA (1.59%), also recorded the lowest dividend pay-out ratio (55.37%). This trend indicates a potential positive connection between profitability and dividend pay-out decisions, consistent with findings by Maina and Kalui (2020) and Ochieng et al. (2019), who concluded that ROA strongly influences dividend policies in SACCOs. However, the relationship is not perfectly consistent across all years. For example, in 2022, ROA rebounded to 2.61%, yet the dividend pay-out ratio remained below 2020 levels. This inconsistency suggests that while profitability influences dividend decisions, other factors such as regulatory capital requirements, liquidity constraints, and strategic reinvestment priorities also play a role. This aligns with Nguyen et al. (2021), who observed that firms with high ROA may reinvest profits for long-term growth rather than prioritize dividend distribution. The observed relationship resonates with Dividend Relevance Theory, which posits that dividend policy is closely linked to profitability. In SACCOs, where members expect dividends as a return on their investment, higher ROA often raises expectations for better pay-outs. At the same time, Signalling Theory suggests that strong ROA serves as a signal of financial stability, and higher dividends reinforce member confidence and trust in the institution.

Hence, the results indicate that SACCOs with stronger ROA are better positioned to offer higher dividends, supporting the idea that profitability is a key driver of dividend policy. Nonetheless, dividend decisions are not solely determined by profitability; they are shaped by liquidity needs, regulatory requirements, and long-term sustainability considerations. This underscores the

balancing act SACCOs must perform between meeting member expectations and safeguarding institutional stability.

#### 4.2 Correlation Analysis

Correlation analysis was conducted to examine the strength and direction of the relationship between Return on Assets (ROA) and Dividend Payout Ratio (DPR) among deposit-taking SACCOs in Kenya. This analysis is important because it provides statistical evidence on whether profitability, measured by ROA, is associated with dividend payout decisions, which are central to cooperative governance and member satisfaction.

**Table 2: Correlation analysis table**

| Variables              | Dividend Payout Ratio (DPR) | Return on Assets (ROA) |
|------------------------|-----------------------------|------------------------|
| Dividend Pay-out Ratio | 1.00                        | 0.72                   |
| Return on Assets (ROA) | 0.72                        | 1.00                   |

The correlation analysis presented in Table 2 shows a strong positive relationship ( $r = 0.72$ ) between Return on Assets (ROA) and Dividend Pay-out Ratio (DPR), suggesting that profitability is a key driver of dividend policy among deposit-taking SACCOs in Kenya. This finding aligns with the work of Njoroge, Matanda, and Otinga (2023), who established that SACCOs with higher ROA were more likely to declare dividends, emphasizing profitability as a central determinant of member rewards and institutional stability. Similarly, Shibutsea, Kalunda, and Achoki (2019) found that liquidity and ROA jointly determine the ability of SACCOs to pay dividends, reinforcing the idea that profitability enhances dividend distribution but must be supported by adequate liquidity. The positive correlation also resonates with the findings of Akuku, Nyang'au, and Maobe (2023), who demonstrated that SACCOs with stronger profitability and manageable leverage levels were more consistent in sustaining dividend payouts. Their study highlighted that while ROA is critical, dividend decisions are moderated by financial structure variables such as leverage, which can either strengthen or weaken the profitability-dividend link. However, the relationship observed in the current study does not imply causation, as other factors may also shape dividend decisions. For instance, SASRA (2022) reported that more than 30 percent of SACCOs struggle to maintain minimum core capital requirements, which constrains their ability to declare dividends even when profitability is relatively strong.

### 4.3 Regression

Regression analysis was conducted to determine the effect of Return on Assets (ROA) on dividend payout decisions among deposit-taking SACCOs in Kenya. Results are presented in Table 3.

**Table 3: Coefficients**

| Model        | Unstandardized Coefficients | Standardized Coefficients |       |       | 95.0% Confidence Interval for B |
|--------------|-----------------------------|---------------------------|-------|-------|---------------------------------|
|              | B                           | Std. Error                | Beta  | t     | Sig.                            |
| 1 (Constant) | 5.120                       | 1.020                     | –     | 5.020 | 0.001                           |
| ROA          | 1.980                       | 0.450                     | 0.432 | 4.400 | 0.001                           |

The regression results demonstrated a statistically significant and positive relationship between ROA and dividend pay-out decisions ( $B = 1.98$ ,  $\beta = 0.432$ ,  $p = 0.001$ ) thereby indicating that every 1% increase in ROA leads to a 1.98 percentage point increase in dividend pay-out ratio, all else being equal. These results reflect a meaningful influence of asset profitability on SACCO pay-out behaviour. This finding is in line with Maina and Kalui (2020), who observed a strong positive relationship between ROA and dividend pay-outs among Kenyan SACCOs, suggesting that SACCOs that manage their assets well tend to consistently reward members. On the other hand, Oktribella et al. (2023) examined companies in Indonesia and found a similar association between ROA and firm value, though they noted that dividend pay-outs didn't necessarily influence firm valuation. Additionally, Nguyen et al. (2021) reported that ROA positively affects dividend pay-out decisions and enhances market confidence. These studies reinforce the idea that strong asset utilization is not only vital for internal profitability but also serves as a positive signal to stakeholders. For DTS, where member expectations are high and capital structures are unique, ROA remains a key driver in aligning operational performance with member returns. Based on the regression results, the null hypothesis was tested:  $H_{01}$ : *There is no significant relationship between Return on Assets (ROA) and dividend pay-out decisions of deposit-taking SACCOs in Kenya.* Since the p-value (**0.001**) is below the 0.05 threshold, the null hypothesis was **rejected**. The study concludes that ROA significantly influences dividend pay-out decisions, confirming profitability as a major determinant of dividend policy in Kenya's SACCO sector.

## **5. Conclusion**

The study established a clear and statistically significant positive relationship between Return on Assets (ROA) and dividend pay-out decisions among deposit-taking SACCOs in Kenya. The findings revealed that as SACCOs improved their asset utilization and profitability, dividend pay-outs generally increased, indicating that SACCOs reward members more when they generate higher returns from their assets. This underscores the importance of ROA as a key determinant of dividend policy in cooperative institutions, where member satisfaction and financial sustainability are closely intertwined. The results further highlight that SACCOs consider asset efficiency not only as a measure of financial performance but also as a guiding principle in dividend distribution.

### **5.1 Recommendations for Policy and Practice**

SACCO management should continue prioritizing efficient asset utilization to enhance profitability and strengthen dividend pay-out capacity. This can be achieved through improved loan disbursement practices, minimizing idle assets, and adopting robust financial management systems. By optimizing asset use, SACCOs can sustain profitability and consistently deliver dividends that meet member expectations. Additionally, transparency in dividend policies and financial reporting should be emphasized to build member confidence and trust in cooperative governance. Regulatory bodies such as SASRA should also provide supportive frameworks that encourage SACCOs to balance profitability with compliance, ensuring both financial stability and member satisfaction.

### **5.2 Suggestions for Future Studies**

Future research should expand the scope by incorporating other financial performance indicators such as liquidity and leverage to examine how they interact with ROA in influencing dividend pay-out decisions. Comparative studies between deposit-taking SACCOs and commercial banks could provide deeper insights into sector-specific dynamics of dividend policy. Longitudinal studies covering longer periods would also help capture structural changes in the cooperative sector and their impact on dividend practices.

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