IMPACT OF DIVIDEND POLICY ON MARKET SHARE PRICE OF NIGERIAN BANKING SECTOR
(A CASE STUDY OF SELECTED BANKS IN NIGERIA)

BY

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PROPOSAL

BACKGROUND TO THE STUDY

Dividend policy has been a puzzle in corporate finance for several decades. Among numerous research subjects about dividend policy, the most popular one is the relationship between the dividend level and the share price of a firm. Dividend policy is a major financing decision that involves with the payment to shareholders in return of their investments. Every firm operating in a given industry follows some sort of dividend payment pattern or dividend policy and obviously it is a financial indicator of the firm.

Statement of the Problem

Dividend policy is an integral part of financial management decision of a firm. There is adequate empirical evidence pointing to a strong relationship between dividend policy and stock market prices. However, managers are in a dilemma as to whether to pay large, small or zero percentage of their earnings as dividend is or to retain them for future investments.

Objectives of the Study

The research work is to critically examine the possible effects that a firm's dividend policy might have on the market share value of listed commercial banks in Nigeria. Therefore, the aims and objective of the study include:-

- To find the relation between the shares market price and the dividend policy of the banks.
- To analyze the factors affecting the market price of the banks share.
- To measure the impact of the bank's dividend policy on its shares market price.

Research Question

- To what extent does the market price affect the banks dividend policy?
- What are the factors affecting the market price of the banks shares?

Research Hypotheses

Ho: There is no significant relationship between market price and the banks dividend policy

H1: There is significant relationship between market price and the banks dividend policy

Significance of the study

It is very important for the corporations to formulate a dividend policy which enhances the value of the business. Due to the globalization and privatization of the firms, they face very difficulties in making the profits.

Scope and Limitation of the Study

The scope of this study is restricted to the 20 selected commercial banks in Nigeria which are Access, Citi, Diamond, Eco, First, Fidelity, FCMB, GT, Keystone, Skye, Standard Chartered, Stambic IBTC, Sterling, Enterprise Finance, Union, Unity, UBA, Wema and Zenith.

Conceptual Review

The concept of dividend has been defined by many authors and researchers.

Bierman and Baker (2018), Powell and Veit (2012), have described it as an appropriation of profits to shareholders after deducting tax and fixed interest obligations on debt capital. Olamide, Ojo and Adewumi (2017), designed of as cash flows that accrue to equity investors. That is a form of return to shareholders on their confidence in the future of the company in which they have invested Dividends are usually paid out of the current year's profit and sometimes out of general reserves.

Theoretical Framework

When it comes to dividend theories, there are two main schools of thought, the first is that dividends have an effect on firm value and the second is that dividends do not have an effect on firm value. This section presents a review of existing theories on dividend policy and their empirical evidence. The theories on dividend policy are divided into two groups that include dividends irrelevant theories and dividends relevant theories

Empirical Review

The term dividend policy can be described as the policy a company uses to decide how much it will pay to shareholders in dividends. The dividend policy a firm adopts has implications for different stakeholders such as managers, lenders, and investors.

Research Methodology

This chapter deals with research design, population of the study, sampling techniques, sample size, research instruments, validity and reliability of the instrument and method of data analysis.

Research Design

Research design according to Yeosuf (2016) is defined as a procedural plan that is adopted by the researcher to answer questions validly, objectively, accurately and economically. According to Selltiz, Deutsch and Cook (2019) a research design are the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.

Population of the Study

Population according to Yeosuf (2016) is a statistical concept that refers to the complete collection of individuals, object or measurements that have characteristics in research work, in that to study a phenomenon or problem. Cooper and Schindler (2014) also defined population as the element which we wish to make inference on.

Summary

The objective of this research work is to investigate the impact of dividends policy on the Market Share value of commercial banks in Nigeria. Having used the panel data regression analysis through both the Fixed Effect and Random Effect Model for the empirical estimation.

Conclusion

In the last decade stock market of Nigeria went through many changes and huge ups and downs were seen. The economic crisis of the world in some years back also affected the market adversely. In the last couple of years the markets have again try to shown steady upward trend.

Recommendations

Based on the findings, the study made the following recommendation.

Dividend policy has proven to be of paramount importance with regards to the market share value and thus commercial bank management should avail the policy to its shareholders. This will grants them an opportunity to contribute to the improvement of the policy.

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CHAPTER ONE
INTRODUCTION

1.1 Background to the Study

Dividend policy has been a puzzle in corporate finance for several decades. Among numerous research subjects about dividend policy, the most popular one is the relationship between the dividend level and the share price of a firm.

Dividend policy is a major financing decision that involves with the payment to shareholders in return of their investments. Every firm operating in a given industry follows some sort of dividend payment pattern or dividend policy and obviously it is a financial indicator of the firm. Thus, demand of the firm's share should to some extent, dependent on the firm's dividend policy. Dividend policy is one of the most widely researched topics in the field of finance but the question is whether dividend policy affects stock prices still remain debatable among managers, policy makers and researchers for many years. Dividend policy is important for investors, managers, lenders and for other stakeholders. It is important for investors because investors consider dividends not only the source of income but also a way to assess the firms from investment points of view. It is the way of assessing whether the company could generate cash or not. Many investors like to watch the dividend yield, which is calculated as the annual dividend income per share divided by the current share price. The dividend yield measures the amount of income received in proportion to the share price. If a company has a low dividend yield compared to other companies in its sector, it can mean two things: (1) the share price is high because the market reckons the company has impressive prospects and isn't overly worried about the company's dividend payments, or (2) the company is in trouble and cannot afford to pay reasonable dividends. At the same time, however, a high dividend yield can signal a sick company with a depressed share price. Dividend yield is of little importance for growth companies because, retained earnings will be reinvested in expansion opportunities, giving shareholders profits in the form of capital gains.(Abdullahi A., 2014).

According to the dividend discount model (Gordon, 2019); it is feasible to derive that dividend payment augmentation should be accompanied by the value increase in a firm. Miller and Modigliani (2018) however, point out that the value of a firm is not influenced by current and future dividend decisions, which is well recognized as the dividend irrelevance theory. Kapoor (2019), dividend connotes to the payout policy, which managers pursue in deciding the size and pattern of cash distribution to shareholders over time. Therefore, managements' primary goal is shareholders' wealth maximization, which translates into maximizing the value of the company as measured by the price of its common stock. This goal can be achieved by giving the shareholders a fair payment on their investments.

Gordon (2017), found that dividend policy of the company did affect the market prices of its shares. Shares value is represented by the market price of the company's common stock, which in turn, is the function of the company's investment, financing and dividend decisions. Dividend decisions are recognized as centrally important because of increasingly significant role of the finances in the firm's overall growth strategy.

Bishop, (2020), contends that managers must not only consider the question of how much of the company's earnings are needed for investment, but also take into consideration the possible effect of their decisions on share prices. Share prices of a firm tend to be reduced whenever there is a reduction in dividend payments. An announcement of dividend increase generates abnormal positive security returns and an announcement of dividend decrease generates abnormal negative security returns. A drop in share prices occurs because dividends have signaling effects. Kapoor (2019).

1.2 Statement of the Problem

Dividend policy is an integral part of financial management decision of a firm. There is adequate empirical evidence pointing to a strong relationship between dividend policy and stock market prices. However, managers are in a dilemma as to whether to pay large, small or zero percentage of their earnings as dividend is or to retain them for future investments. This situation is occasioned by the different shareholder interests which management has to satisfy. For instance, some shareholders prefer to be paid dividends every year for investing in other profitable business while other shareholders would like to invest in the future and thus, prefer that the dividends be retained by the company for re-investment. However, most investors prefer companies with high pay outs because they are less risky than potential future capital gains.

Since the management is dealing with competing interests of various shareholders, the kind of dividend policy they adopt may have either positive or negative effects on the share prices of the company.

Miller and Modigliani (2018), the effect of a firm's dividend policy on the current price of its shares is a matter of considerable importance, not only to management who must set the policy, but also to investors planning portfolios and to economists seeking to understand and appraise the functioning of the capital market. It is this basis that the study sought to establish the effects of dividend policy on market share value of listed company in Nigeria.

Therefore, since the management of firms are having a problem on whether dividend is to be paid to the shareholder or to be retained for the expansion of the firm. Managers are confused weather dividend policy has impacts on shareholder's share price value or not. Thus, this research work is aimed at examined its impact to both manager of a firm as well as individual shareholders who invest their resources in running the affairs of a particular companies activity taking selected commercial banks in Nigeria as sample

1.3 Objectives of the Study

The research work is to critically examine the possible effects that a firm's dividend policy might have on the market share value of listed commercial banks in Nigeria. Therefore, the aims and objective of the study include:-

i. To find the relation between the shares market price and the dividend policy of the banks.
ii. To analyze the factors affecting the market price of the banks share.
iii. To measure the impact of the bank's dividend policy on its shares market price.

1.4 Research Questions

i. To what extent does the market price affect the banks dividend policy?
ii. What are the factors affecting the market price of the banks shares?
iii. What are the impacts of dividend policy on market price of listed commercial banks in Nigeria

1.5 Research Hypotheses

H_o: There is no significant relationship between market price and the banks dividend policy

H1: There is significant relationship between market price and the banks dividend policy

1.6 Significance of the study

It is very important for the corporations to formulate a dividend policy which enhances the value of the business. Due to the globalization and privatization of the firms, they face very difficulties in making the profits. So the financial managers have to take this area very deep and to think about it that how firms compete in such type of modernized framework of businesses. The following are significant of the study;

i. The study findings will be helpful to managers in providing more insight in areas of dividend policy.
ii. The study will enhance researcher's knowledge on effect of dividend policy.
iii. Managers will benefit from the study by knowing how dividend policy might affect the value of a firm's.

1.7 Scope and Limitation of the Study

The scope of this study is restricted to the 20 selected commercial banks in Nigeria which are Access, Citi, Diamond, Eco, First, Fidelity, FCMB, GT, Keystone, Skye, Standard Chartered, Stanbic IBTC, Sterling, Enterprise Finance, Union, Unity, UBA, Wema and Zenith. The selection of the study period was constrained by the factors, such as its enlistment year in Nigeria Stock Exchange. The researcher will only concentrate on the banks that have been listed in Nigeria Stock Exchange on or before 2010 and also subject to availability of required data. The collected data will be analyzed using panel data regression.

1.8. Definition of Term

The following terms are operationally defined:

i. Dividend: This is defined as that portion of a company's net earnings that accrues to shareholders as a result of the money invested in acquiring the stock of a given company [9]. It is usually expressed as a percentage of nominal value of the company's ordinary share capital or as a fixed amount per share.
ii. Dividend policy: This is concerned with the division of net profit after taxes between payments to shareholders (ordinary shareholders) and retention for reinvestment on

behalf of the shareholders [15]. It is thus the trade-off between retained earnings on one hand and paying out cash on the other hand.

iii. Dividend per Share: This is the earnings distributed to ordinary shareholders divided by the number of ordinary shares outstanding.

iv. Earnings Per Share: This is the ratio showing the net profit per issued share or per share entitled to a dividend

v. Dividend Yield: This ratio indicates the earnings (in form of dividends) on investment in shares. It is also called the dividend-price ratio as it calculated by dividing dividend per share by the price per share.

CHAPTER TWO

LITERATURE REVIEW

2.1 Conceptual Review

The concept of dividend has been defined by many authors and researchers.

Bierman and Baker (2018), Powell and Veit (2012), have described it as an appropriation of profits to shareholders after deducting tax and fixed interest obligations on debt capital. Olamide, Ojo and Adewumi (2017), designed of as cash flows that accrue to equity investors. That is a form of return to shareholders on their confidence in the future of the company in which they have invested.

Dividends are usually paid out of the current year's profit and sometimes out of general reserves. They are normally paid in cash, and this form of dividend payment is known as cash dividend (Adefila, Oladipo, and Adeoti, 2013). Dividend payment is a major component of stock return to shareholders (Zakaria, 2012). Jo and pan (2009) assert that dividend payment could provide a signal to the investors that the company is complying with good corporate governance practices.

The dividend policy decisions of firms are the primary elements of corporate finance policy (Uwuigbe 2012). Nissim&Ziv (2016) defined dividend policy as the regulations and guidelines that a company uses to decide to make dividend policy is, of course, the trade-off between dividend payout and retrained earnings.

Dividend payout and dividend yield have been generally recognized as the proxies for dividend policy (Ramadan, 2013; Asgahr, Shah, Hamid, and Suleiman, 2011; etc). Dividend payout (Ratio) is defines by Ramadan (2013) as the ratio of total cash dividend paid out to common stock holders. Dividend yield, on the other hand, is a profitability indicator expressed as a cash dividend per share for common stocks divided by the per share market value, i.e. dividend per share divided by the market value per share.

Furthermore, section 370 sub-section (1) of CAMA, a company may in the annual general meeting, declare dividend only on the recommendation of the Directors. The Company may from time to time pay to the members such interim dividends as appear to the directors to be justified by the profits of the company. According to sub-section (3), the general meetings shall have power to decrease the amount of dividend recommended by the directors, but shall have no power to increase the amount recommended. While sub-section (5) stated that, subject to the provisions of these act, dividend shall be payable only out of the distributable profit of the company.

In addition, section 381 of CAMA states that a company shall not declare or pay dividends if there are reasonable grounds for believing the company is or would be, after the payment, unable to meet up with or pay its liabilities as they become due.

2.1.1 Forms of Dividend

The usual practice is to pay in cash (S. Mubaraq 2007); however, cash dividend and all other forms are discussed below:

Cash Dividend

Most companies pay dividends in cash. Cash dividends is a product of cash availability and cash planning, the cash account and the reserves account of a company will be reduced when the cash dividend is paid.

Thus, both the total assets and the net worth of the company are reduced when cash dividends is distributed. The market price of the share drops in most cases by the amount of dividend distributed.

Stock Dividend/Bonus Share/Script Dividend

In some countries, bonus shares or stock dividends are issued in addition to, and not in lieu of cash dividends. Stock dividend is the payment of dividends in the form of shares. This entails the capitalization of some reserves (except capital reserves on account of assets valuation).

These shares are distributed proportionately. Thus, a shareholder retains his proportionate ownership of the company. The declaration of bonus shares will increase the paid up share capital and reduce the reserves and surplus of the company, but the total net worth is not affected by the bonus issue

2.1.2 Dividend Payment Procedure

Dividends are generally paid twice in a year i.e. interim and final.

Declaration Date: is the date in which the board of directors announces forth coming dividend.

Date of Record: this designates when share transfer books are to be closed.

EX-DIV DATE: this is the date when the shareholders register is closed for the transfer of shares. Purchase of shares after this date confers collection of dividend on the old owner or seller.

Dividend Notice: this shows the amount of dividend payable after deducting appropriate withholding taxes.

Payment Date: this is the day dividend cheques are mailed out.

2.2 Theoretical Framework

Introduction

When it comes to dividend theories, there are two main schools of thought, the first is that dividends have an effect on firm value and the second is that dividends do not have an effect on firm value. This section presents a review of existing theories on dividend policy and their empirical evidence. The theories on dividend policy are divided into two groups that include dividends irrelevant theories and dividends relevant theories.

2.2.1 Dividend Relevance: The Walter's Model

Professor James E. Walter argues that the choice of dividend policies almost always affect the value of the firm. His model, one of the earlier theoretical works, shows the importance of the relationship between the firm's rate of return, r, and its cost of capital, k, in determining the dividend policy that will maximize the wealth of shareholders. Walter's model is based on the following assumptions:

a. **Internal Financing**: The firm finances all investment through retained earnings; that is debt or new equity is not issued.

b. **Constant Return and Cost of Capital**: The firm's rate of return, r, and its cost of capital, k, are constant.

c. **100 Percent payout or Retention**: All earnings are either distributed as dividend or reinvested internally immediately.

d. **Constant EPS and DIV**: Beginning earnings and dividends never change. The values of the earnings per share, EPS, and the dividend per share, DIV, may be changed in the model to determine results, but any given values of EPS or DIV are assumed to remain constant forever in determining given value.

e. **Infinite Time**: The firm has a very long or infinite life. Walter's formula to determine the market price per share is as follows:

$$P = DIV + r(EPS – DIV) \div k$$

kk

Where: P = Market price per share

DIV = Dividend per share

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EPS = Earnings per share

r = Firm's rate of return (average)

k = Firm's cost of capital or capitalization rate

2.2.2 Dividend Relevance: The Gordon's Model

Myron Gordon develops one very popular model explicitly relating the market value of the firm to dividend policy. Gordon's model is based on the following assumptions:

a. **All –Equity Firm**: The firm is an all-equity firm, and it has no debt.

b. **No External Financing**: No external financing is available. Consequently, retained earnings would be used to finance any expansion. Thus, just as Walter's model, Gordon's model too confounds dividend and investment policies.

c. **Constant Return**: The internal rate of return, r, of the firm is constant. This ignores the diminishing marginal efficiency of investment.

d. **Constant Cost of Capital**: The appropriate discount rate, k for the firm remains constant.

Thus, Gordon's model also ignores the effect of a change in the firm's risk class and its effect onk.

e. **Perpetual Earnings**: The firm and its stream of earnings are perpetual.

f. No Taxes: Corporate taxes do not exit.

g. **Constant Retention**: The retention ratio, b, once decided upon, is constant. Thus, the growth rate, g = br, is constant forever.

h. **Cost of Capital Greater than Growth rate**: The discount rate is greater than growth rate, k = g. If this condition is not fulfilled, we cannot get a meaningful value for the share.

Gordon's formula is given thus:

Po = DIV + DIV + …+ DIV = nΣt=1DIVt ÷ (1+k)t

(1+k)1 (1+k)2 (1+k)n

2.3 Empirical Review

The term dividend policy can be described as the policy a company uses to decide how much it will pay to shareholders in dividends. The dividend policy a firm adopts has implications for different stakeholders such as managers, lenders, and investors. The determinants of dividend policy is one of the most debated topics in corporate finance and dividend policy is a core theory of corporate finance which still keeps its prominent place. Debate about what drive companies to pay dividends has continued over the years. The earliest research was undertaken by Lintner (1956:97) on American companies in the mid of 1950s. Findings from the study show that dividend decisions made by companies are based on the current profitability and in part on the dividends of the previous year. However, since then, there have been a plethora of on-going debate on the drivers of dividend policy decisions in firms and the results are mixed.

Rafique (2012) in his study “Factors affecting Dividend Payout” Evidence from listed Non-financial Firms of Karachi Stock Exchange, using Dividend Payout ratio as dependent variable while Earnings, Firm Size, Growth, Profitability were the independent variables for secondary data obtained between 2005 and 2010. He used Multivariate Regression Analysis tool to analyze the data. The descriptive statistics revealed the data to be normal. Whereas when the assumptions needed to be fulfilled for OLS were tested, the data was found to be homoskedastic and free of autocorrelation. Multi-collinearity was partially found only with respect to Earnings &Profitability variables. Hence, Regression was run in isolation, once with earnings and once with profitability along with testing the two together in a third regression test. Regression results of all three regressions were consistent. Results revealed that Corporate Tax and Firm’s Size had significant relationship with Dividend Payout.

Maniagi, Musiega and Ondiek (2013), in their study “Determinants of Dividend Payout Policy Among Non-Financial Firms On Nairobi Securities Exchange, Kenya” using secondary data collected between 2007 – 2011. Dividend payout ratio was dependent variable while independent variables were profitability, Growth, current earnings, and liquidity. Size and business risk were taken as moderating variables. Descriptive statistics and multiple regressions were used for data analyses. Profitability, liquidity, current earnings and firms‘ growth activities were found to be positively correlated to dividend payout, Business risk and size, the two taken as moderating variables increase the precision of significant variables from 95% to 99% hence among major determinants of dividend payout. This means that, profitability, liquidity, current earning and firm growth activities are determinants of Dividend Policy in Kenya Non- Financial Sector.

Abdel Rehman (2012), in his study “Determinants of Dividend Payout Ratio: Evidence from Karachi Stock Exchange” using historical data collected from the annual reports of 2009 of 50 companies. The following variables was analyzed, Debt to equity ratio, operating cash flow per share, Profitability, Market to book value ratio, Current ratio and Corporate tax as independent variables on Dividend payout ratio as dependent variable. Using descriptive statistics and Regression Analysis (OLS), Relation of debt to equity ratio, profitability, current ratio and corporate tax was found to be positive with dividend payout ratio while Operating cash flow per share and market to book value ratio has a negative relationship with dividend payout ratio. Profitability, debt to equity and market to book value ratios were found to be the significant determinants of dividend payout ratio in Pakistan.

In related study by Phassawan (2013), “Factors Influencing Dividend Payout in Thailand: A Tobit Regression Analysis”, using historical financial data of between 2006 and 2010 of all firms in the Thailand Stock exchange.Leverage, Investment opportunities, Sales growth and Size of firms were the independent variables while DividendPayout ratio was the dependent variable. The results reveal that financial leverage, investment opportunities, and sales growth negatively affected the dividend payout; on the other hand, size of firm is positively affected dividend payout. Moreover, evidence shows that firms in property and construction sector are more likely to pay dividend than others. Additionally, profitable small and large firms tend to pay dividend; meanwhile, profitable medium firms are less likely to pay dividend. However, it is found that profitability, liquidity, and business risk are insignificantly related to dividend payout in Thailand.

Ifeanyi, Meshach and Priscilla (2014), in their study “An analysis of the relationship between Dividend Payment and Corporate Performance of Nigerian Banks” used panel data of Banks listed on the Nigerian Stock between 1990 – 2010 using Regression method to analyzed the variables which includes the impact of free cash flows, current profitability, financial leverage, business risk and tax paid on dividend payment ratio. The finding indicates that there is no significant relationship between dividend payout of banks in Nigeria and the explanatory variables. This result taken as a whole indicates that banks pay dividend in Nigeria with the intention of reducing the agency conflict and maintaining firms’ reputation. Furthermore, the Nigerian banks apportion more earning to the retention to boost growth of the banks when experiencing surplus earning.

Abubakar and Damankah (2014), in their study “Determinants of Dividend Payout of Financial Firms and Non-Financial Firms in Ghana”. The sample for the study was drawn from listed firms on the Ghana stock exchange from 2000 to 2009.The study used ordinary least squares panel regression model to estimate the determinants of dividend payout.

Profitability, board size, leverage and taxes were the variables. The results revealed that, out of the factors shown to have effect on dividend payout (i.e. profitability, board size, leverage and taxes) only board size exhibited consistence for both financial and non-financial firms in Ghana.

In a related study, Gustav and Gairat (2012), “Determinants of Dividend Payout Ratio: A study of Swedish Large and Medium Corporation”. Data for the study were collected for a period of five years 2006-2010. Free cash flow, growth, leverage, profit, risk and size were the variables studied against the dividend payout. Ordinary Least Square and Torbit Regression were used to estimate the relationship between the independent and dependent variables. The results indicate that some of the company selected factors have an impact on the companies' dividend payout ratios and there are some differences between large and medium caps. The dividend payout ratios of large caps have a significant relationship to free cash flow, growth and risk. While the dividend payout ratios of medium caps have a significant relationship to free cash flow, leverage, risk and size.

Kajola, Ajibola, Tobechi and Ndufu (2013), in their work "factors influencing dividend payment decision of Nigerian Listed Firms", studied the effects profitability, firm size, leverage, and changes in dividend payments on the dividend payout ratio. Sample of 25 listed non-financial firms for period 1997 – 2001 was analyzed. Panel data methodology was employed, while fixed and random effects models were used as estimation techniques. Result reveals that profitability, firm size, leverage and changes in the dividend payout are significant factors that affect dividend policy decisions of the sampled firms during the period of the study. It is hereby recommended that profitability, size, leverage and changes in dividend payout should be considered by Board of Directors of listed firms in Nigeria when designing their dividend payout policy decisions. The outcome of this study lends support for profitability, agency cost and signaling hypotheses of dividend policy.

Uwuigbe (2012), in his work "Determinants of Dividend Policy: A Study of Selected Listed Firms in Nigeria". 50 listed firms in the Nigerian stock exchange market were selected and analyzed for the study using the judgmental sampling technique. Also, the corporate annual reports for the period 2006-2011 were used for the study. Earnings, firm size, financial leverage and board independence were studied on their relationship to dividend payout decision using the regression analysis method. The study in its findings observed that there is a significant positive relationship between firms' financial performance, size of firms and board independence on the dividend payouts decisions of listed firms in Nigeria while findings from the regression analysis on the relationship between financial leverage (expressed in terms of debt-equity ratio) and the dividend payout of listed firms in Nigeria indicate that there is a significant inverse relationship between firms' financial leverage and the dividend payouts decisions of listed firms.

Based on the result, the study observed that there was a significant positive association between the financial performance of firms and dividend payout of firms listed in Nigeria. This outcome is in line with the propositions of Baker and Powell (2000), Al-Najjar and Hussainey (2009).

The study also concluded that firm size and board independence were also strong determinants of firms' dividend payout decisions; since larger firms typically have easier and better access to the capital market to raise funds with lower cost and fewer constraints compared to small firms. However, concluded based on the findings that there is a significant negative relationship between firms' financial leverage and the dividend payouts decisions of listed firms operating in Nigeria. Therefore, as the debt content in the capital structure of a firm decreases, its dividend payout ratio rises and vice versa. To this end, riskier and more financially indebted firms will always prefer to pay lower dividends. More so, firms with high financial leverage tend to have low dividend payout ratios in order to reduce the transaction costs associated with the external financing.

Anupam Mehta (2012) in his work "An Empirical Analysis of Determinants of Dividend Policy - Evidence from the UAE Companies" using Profitability, Risk,, Liquidity, Size and Leverage of the firm as independent variables while dividend payout ratio as the dependent variable of 149 firms in the areas of real estate, energy sector, construction sector, telecommunications sector, health care and industrial sectors (except bank and investment concerns) listed on the Abu Dhabi Stock exchange for a period of 5 years from 2005- 2009. The correlation and the multiple regression techniques were applied to find out the most significant variables used by the UAE firms in making the dividend decisions. The study found that profitability and size are the most important considerations of dividend payout decisions by UAE firms. From the findings of the study, it be concluded that size and risk and profitability explain 42% of the total variations in the dividend payout policy. It clearly shows that Size and Risk are the two most important considerations in deciding on dividend policy by UAE companies. The results of the study are similar to the other studies done in developing countries that the greater is the firm Size, the larger is the dividend payout.

In a related work, Rufus and Safoye (2014), in their research on “Determinants of Dividend Payout in the Nigerian Banking Industry” for period 2006 to 2008, using profitability, Liquidity, Size, Activity mix, revenue growth, debtequity ratio, retained earnings, loan-deposit ratio, loan loss provision and capital adequacy as explanatory variables. The study employed pooled regression techniques using the data of the Nigerian 7 quoted banks. The results show that profitability, Liquidity, Size and Activity mix are statistically significant factors which positively influencedividend payout. The results also show that revenue growth, debt-equity ratio, retained earnings, loan-deposit ratioand loan loss provision negatively influence dividend policy. The conclusion derived from the result, on average are in line with previous studies that support the assertion that banking risk s negatively influence dividend payout. It therefore follows that, profitability, liquidity, revenue growth, size, debt equity ratio, loan loss provision, retained earnings, loan-deposit and activity mix influence dividend payout in the Nigerian Banking Industry.

Nevertheless, despite the series of prior empirical researches that have been undertaken, it is observed that most of these studies have emerged majorly from developed economies. However, in order to shed more light on the determinants of firms' dividend policy, this study will attempt to re-examine some of the determinants of dividend payout policy in Deposit Money Banks in Nigeria.

2.4 Gap in Literature

There are some gaps in previous literature that drive this study to be carried out to determine the impact of dividend policy on market share value of listed companies in Nigeria.

Firstly, almost all empirical studies conducted in the past mainly focuses on the relationship between the dividend policy and share holder's wealth of listed companies.

Secondly, there is also a methodology gap on the previous study. Most of the empirical studies mainly focused on the secondary data of listed companies in Nigeria

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter deals with research design, population of the study, sampling techniques, sample size, research instruments, validity and reliability of the instrument and method of data analysis.

3.1 Research Design

Research design according to Yeosuf (2016) is defined as a procedural plan that is adopted by the researcher to answer questions validly, objectively, accurately and economically. According to Selltiz, Deutsch and Cook (2019) a research design are the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. For the purpose of this research work, the descriptive statistical method was adopted as the research design. The descriptive method as defined by Yeosuf (2016) is a means of discovering new meaning, describing what exist, determining the frequency with which something occur and categorizing information. This design is selected for the study because it allow for obtaining numerical and structured description of the population.

3.2 Population of the Study

Population according to Yeosuf (2016) is a statistical concept that refers to the complete collection of individuals, object or measurements that have characteristics in research work, in that to study a phenomenon or problem. Cooper and Schindler (2014) also defined population as the element which we wish to make inference on. They further mentioned that it is the total collection of elements about which one would intend to make inference. This population for this research works comprise of 20 selected commercial bank in Nigeria which are Access, Citi, Diamond, Eco, First, Fidelity, FCMB, GT, Keystone, Skye, Standard Chartered, Stanbic IBTC, Sterling, Enterprise Finance, Union, Unity, UBA, Wema and Zenith.

3.3 Sampling Technique

According to Yeosuf (2016) sampling techniques is the taking of any portion of a population as representative of that population. This is done through the aid of probability law. Such laws must make judicious use of known and readily available pieces of information about unit of the population. Sampling is also an act, process or techniques of selecting a suitable for a research study (Tejumaiye, 2018). The sampling technique that was utilized for this research work was simple random sampling techniques. It was adopted because it gives equal selection of the element present in the population of the study. And also to ensure that the samples are truly representative, that is typical or shows the characteristics of the population study.Therefore 10 commercial bank would be chosen as sample using sampling technique. This would hope that will provide the needed objectively.

3.3.1 Sampling size

The sample size was determined using Taro Yamane's Equation

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

$n = 120 / 1 + 120 (0.05)$

$n = 120 / 1+ 120 (0.0025)$

$n = 120/ 1 + 0.3$

$n = 120/ 1.3$

$n = 92.$

Therefore sample size equals ninety-two.

3.4 Research Instrument

This refers to the tool that was used in gathering or obtaining information needed for the research work from individual unit of analysis (Yeosuf, 2016). Thus, the basic instrument that was used in this study was questionnaire. The questionnaire contains relevant questions, which will facilitate the gathering and collection of adequate and factual information. This sub section deals with the tools for collecting data, the form of content of the tools and the procedure of administering the tools. In this research, data collection instrument was through the use of questionnaire. The questionnaire will be simple, structured and will be self-administered. It will be divided into two (2) sections.

3.5 Reliability of the Research Instrument

Reliability is the degree to which a particular procedure enables ones to collect the same data each time in repeated observation of the same phenomenon, that is reliability refers to the repeatability of findings. A reliable study therefore should always produce the same results from the same set of data irrespective of circumstances.

3.6 Validity of the Research Instrument

Validity refers to the degree to which the test actually measures what it claims to measures. It is also the extents to which inferences, conclusion and decision are made on the basis of test score are appropriate and meaningful. It measures the credibility or believability of the research. It focuses on whether an instrument actually measures what it intended to measure. An instrument is valid if it’s subjected to test to test-re-test method twice over a period of time which assesses the consistency of a test.

3.7 Method of Data Analysis

It is believed that statistical analysis which uses simple percentage and cross tabulation in analyzing collection data makes it easy to interpret. Therefore, the data analysis method that will be used for this research work is statistical analysis involving simple percentage measure coupled with cross tabulation. Data analysis, according to Babie (2006) is the transformation of the observation gathered from the field into a system of categories and translation of these categories into codes that could be quantitatively analyzed. The research adopted the use of Chi-square method in analyzing the data collected through the use of a questionnaire.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

The results of the impact of dividend policy and other explanatory variables on stock price are presented in the following section. First, the descriptive analysis is presented followed by the Perason's correlation analysis to see the association between stock price and all independent variables. Panel data analysis with fixed effect and random effect models are also used in order to see the impact of dividend policy on the market price of the listed commercial banks in NSE.

4.2 Data Presentation

Table 4.1 Descriptive Statistics

Variables	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
					Statistic	Std. Error	Statistic	Std. Error
Market Price	12.55	6129.7	780.359	980.2878	3.079107	0.20000	10.9352	0.39745
Dividend Yield	0	0.134	0.04309	0.033976	0.571536	0.19934	-0.39205	0.39615
Retention Ratio	0	1.775	0.59837	0.258545	-0.14755	0.19803	4.64764	0.39358
Profit After Tax	-11017.5	11185.86	1293.129	2164.601	-1.83002	0.19803	16.4499	0.39358
EarningsPer Share	-881.4	1177	32.007	130.4542	2.211845	0.19803	55.7114	0.39358
Return on Equity	-0.298	1.04	0.19588	0.112727	2.192763	0.19803	22.8253	0.39358

Source: Author's Computation, 2023.

Table 4.2 shows the detail of descriptive statistics of variables that affect the Market Price of Commercial Banks listed in NSE for the period of 2010 to 2015. Market Price which is the dependent variable in the model ranges from 12.55 to 6129.70 with a mean value of 780.359 and standard deviation is 980.2878. The first explanatory variable is dividend yield with a mean value of 0.04309 and a standard deviation of 0.033976. Retention ratio which is the second explanatory variable ranges from 0 to 1.775 and its mean value and standard deviation is 0.598373 and 0.258545 respectively. Profit after tax which is the third explanatory variable has a minimum value -11017.5 and maximum value 11185.86 with mean 1293.129 and standard deviation2164.601. The fourth explanatory variable is Earnings per Share with a mean value of 32.007 and a standard deviation of 130.4542. Finally, the fifth explanatory variable Return on Equity shows the minimum value -0.298 and maximum value 1.04 with mean 0.19588 and standard deviation 0.112727.

4.3 Correlation Results

Table 4.2 Pearson Correlation Analysis

		MP	PAT	EPS	DY	RR	ROE
MP	Pearson Correlation	1					
	Sig. (2-tailed)	.					
PAT	Pearson Correlation	-.123	1				
	Sig. (2-tailed)	.137	.				
EPS	Pearson Correlation	.128	.054	1			
	Sig. (2-tailed)	.123	.514	.			
DY	Pearson Correlation	-.246(**)	.180(*)	.065	1		
	Sig. (2-tailed)	.003	.029	.435	.		
RR	Pearson Correlation	-.183(*)	.306(**)	-.188(*)	.078	1	
	Sig. (2-tailed)	.026	.000	.021	.347	.	
ROE	Pearson Correlation	.140	-.121	-.507(**)	.150	.010	1
	Sig. (2-tailed)	.091	.139	.000	.070	.903	.

Source: Author's Computation, 2023.

Correlation matrix of all variables included in the analysis is presented in table 4.2 which is calculated based on data of 150 observe fated with return on equity and earning per share. The correlation coefficients for dividend yield and retention ratio are significant.

Result also reflects a significant correlations between dividend yield and profit after tax, retention ratio and profit after tax, retention ratio and earning per share, return on equity and earning per share. The correlation between earning per share and profit after tax is (.054), dividend yield and profit after tax is (.180), dividend yield and earning per share is (.065), retention ratio and profit after tax is (.306), retention ratio and earning per share is (-.188), and return on equity and earning per share is (-.507). This has been taken into consideration in the regression analysis to avoid multi-colinearity problem.

4.4. Regression Results: Empirical Model

Impact of dividend policy onstock price of the Commercial Banks in Nigeria is estimated using panel data analysis. Fixed Effect and Random Effect Model are used to validate the results after including the two independent variables Dividend Yield and Retention Ratio and control variables Profit after Tax, Earnings per Share, and Return on Equity.

Table4.3:Exhibited the results of Fixed Effect Model and Table 4.4 exhibited the results of Random Effect Model.

Table 4.3 Panel Data Regression Results (**Fixed Effect Model**)

Variables	**Coef.**	**Std. Err.**	**T**	**P>t**	**[95% Conf. Interval]**
_constant	628.8372	309.8353	2.03	0.045	14.93839 1242.736
Return on equity	2957.523	903.9123	3.27	0.001	1166.537 4748.509
Retention Ratio	4.081349	329.5323	0.01	0.990	-648.8447 657.0074
Dividend Yield	-6235.14	2153.408	-2.90	0.005	-10501.84 -1968.441
Earnings Per Share	5.704989	1.22275	4.67	0.000	3.282266 8.127712
Profit After Tax	-0.22544	0.044455	-5.07	0.000	-.3135182 -.1373546

Effect Specification

F statistics= 8.72		R-squared = 0.6428
Prob> F = 0.0000		Adjusted R-squared = 0.5344

Source: Author's Computation, 2020

Table 4.4 Panel Data Regression Results (**Random Effect Model**)

MP	Coef.	Std. Err.	t	P>t	[95% Conf. Interval]	
_Constant	517.949	272.2738	1.90	0.057	-15.69782	1051.596
Return on equity	3673.651	800.4578	4.59	0.000	2104.782	5242.519
Retention Ratio	-32.52537	295.8994	-0.11	0.912	-612.4774	547.4267
Dividend Yield	-8397.262	2086.978	-4.02	0.000	-12487.66	-4306.861
Earnings Per Share	6.25943	1.11596	5.61	0.000	4.072189	8.446671
Profit After Tax	-.1752699	.0417759	-4.20	0.000	-.2571492	-.0933907
	Effect Specification					
F statistics= 13.32					R-squared = 0.6348	
Prob> F = 0.0000					Adjusted R-squared = 0.5244	

Source: Author's Computation, 2023.

Fixed Effect Model provides statistically better results than Random Effect Model. Dividend Yield is negatively related to Stock Price and the impact is significant in both the Fixed Effect and Random Effect Model. On the other hand, Retention Ratio is positively related to Stock Price in Fixed Effect Model but negatively related to Stock Price in Random Effect Model and the impact is insignificant in both of the models. The relation between Dividend Yield and Stock Price is similar to Baskin (2018) but contrast to the results of Khan, et. al. (2021), and Nazir, Nawaz, Anwar, & Ahmed (2020).Negative relation between Retention Ratio and Stock Price shows the shareholders want their banks to pay dividends and when the banks retain that amount to fulfill their internal needs; this will negatively affect the stock prices.

Two control variables Earnings per Share and Return on Equity are positively related to Stock Price, but Profit after Tax is negatively related to Stock Price in case of both Fixed Effect and Random Effect Models. The impact of Earning per Share on Stock Price is highly significant and the result is consistent with Kan., et. al. (2021) and Adesola and Okwong (2019) who also found significant relation with Stock Price. The significant negative relation between Profit after Tax and Stock Price indicates that the shareholders are not concerned with the profit of the banks; they are only concerned with the amount of dividend paid to them. On the other hand, significant positive relation between Return on Equity and Stock Price shows that when management efficiently utilizes the shareholders' funds and provides better return on investment, it will positively affect the Stock Prices.Kan., et. al. (2021) and Raballe and Hedensted (2018) also found positive relationship between Return on Equity and Stock Prices.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The objective of this research work is to investigate the impact of dividends policy on the Market Share value of commercial banks in Nigeria.Having used the panel data regression analysis through both the Fixed Effect and Random Effect Model for the empirical estimation. The study thereforereveala significant negative relationship between Dividend Yield and Stock Price.Retention Ratio has a negative but statistically insignificant relationship with Stock Market Prices and this implies that the shareholders really want their banks to pay dividends and when the banks retain that amount to fulfill their internal needs; this will negatively affect the stock market value.

The result also indicate that Return on Equity and Earnings per share have a significant positive impact on stock price.The significant positive relation between Return on Equity and Stock Price shows that when management efficiently utilizes the shareholders' funds and provides better return on investment, it will positively affect the Stock Prices.

Profit after Tax has a significant negative impact on Stock Market Prices of the commercial banks of Nigeria. This significant relationship indicates that the shareholders are not concerned with the profit of the banks; they are only concerned with the amount of dividend paid to them.

In a nutshell, it is palpable that Nigeria commercial banks had a dividend policy, which has been and continues to be important factor driving their share value. However, it was not well understood by the most of the shareholders. The banks shareholders considered payment of dividends as major element in the value of shares as it demonstrated that the firm is strong enough and can pass up profitable investments. It is also evident that an increase in a dividend payout causes an increase in share price.

5.2 Conclusion

In the last decade stock market of Nigeria went through many changes and huge ups and downs were seen. The economic crisis of the world in some years back also affected the market adversely. In the last couple of years the markets have again try to shown steady upward trend. All these fluctuations in the stock prices due to external factors, including international factors, make it difficult to check the impact of dividend policy on share market value. Here it is also pertinent to mention that stock markets of Nigeria are mainly speculative and capital gains are mostly sought by investors, particularly individual investors. Institutions and long term investors give due consideration to dividends and dividend polices of companies, which is a large and significant portion of the total investment in the stock markets. The objective of the study was to analyses the relationship between Dividend Policy & Stock value of commercial banks in Nigeria listed in Nigeria Stock Exchange from 2010 to 2015. The empirical estimation based on the Fixed Effect and Random Effect Model show significant negative relation between Dividend Yield and Stock Price while Retention Ratio has a negative but statistically insignificant relationship with Stock Market Prices. This research further shows that Return on Equity and Earnings per share have statistically significant positive impact on stock price and Profit after Tax has a significant negative impact on Stock Market Prices of the commercial banks of Nigeria.

5.3 Recommendations

Based on the findings, the study made the following recommendation.

Dividend policy has proven to be of paramount importance with regards to the market share value and thus commercial bank management should avail the policy to its shareholders. This will grants them an opportunity to contribute to the improvement of the policy. Commercial bank must adjust its dividend policy to improve the market value of its shares. For an optimal dividend policy to be achieved and maintained, the bank's management should maintain regular dividend payment and any changes in policy should be shared with the shareholders.

Other recommendation from this study includes:

i. Nigerian firms should consider all the factors that affect dividend policy when formulating one, in order to have an optimal policy that satisfies its shareholders and other interested third party.

ii. Nigerian firms should Endeavour to practice a regular dividend policy so that prospective investor could know beforehand whether or not a firm's dividend policy tallies with their own expectation (client effect).

iii. Banks should be made to grant loans to people to enable them buy shares and the lending terms should be relaxed to enable Nigerians take advantage of the ongoing privatization and commercialization of government parastatals and companies.

5.4 Limitations of the Study

In carry out the research work, the researcher is bound to encounter some difficulties which serve as impediment factors. The following are the limitation in this study:

i. **Time**:- This is the first limitation that effected the research study badly because Carry out research required time and one cannot avoid missing lectures and embarking on a journey to the research work.

ii. **Finance:-** it is another limitation because the study required enough fund to carry out the research especially during the period of harsh economic reality which place a greater burden on the research limited resources.

Finally there was the problem of inadequate information and unavailable material or information for the study.

5.5 Suggested Areas for Further Study

The researcher suggested that further study can be carry out on the impact of dividend policy on market share prices. However, there are other countless that affect dividend policy of a firm with their attendant consequences on the share prices. The influence of other factors such as the ownership structure of a company, the different expectations of shareholders, liquidity, inflation and age of the firm, on the dividend policy could be explored in the subsequent research with the attendant effects on the share price.

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