

Dividends Policy and Market Value of Shares In Selected Quoted Deposit Money Banks in Nigeria

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Abstract

This study examined the relationship between dividend policy and market value of shares of quoted deposit money banks in Nigeria in relation to the restrictions of dividend payments as spelt out in Section 17 of the Banks and Other Financial Institutions Act (2007). The objectives of the study were: to ascertain the relationship between dividend payout ratio, earnings per share, profit after tax and market value of shares. The Study was predicated on dividend relevance theory and irrelevance theory of dividend. The panel data research design methodology was adopted using secondary data. The secondary data were obtained from annual reports of the ten quoted deposit money banks. The multiple regression, i.e. Panel Least Square method, was used to test the relationship between the variables for the period 2001-2017. The result showed that dividend policy has a significant positive impact on market value of shares of deposit money banks in Nigeria, implying that all variables relating to dividend policy in the study under the period specified contributed positively and strongly to the market value of shares of deposit money banks listed in the Nigerian Stock Exchange. The study concluded that dividend policy is a pertinent corporate finance function and financial policy decision which affects the market value of shares of deposit money banks in Nigeria. The study, therefore, recommended that management of quoted deposit money banks should take all necessary steps to ensure that they remain profitable. They should pay attention to their dividend payout in order to sustain their shareholders' wealth and attract prospective investors.

Key words: Dividends Policy, Market Value

1.0 Introduction

It is evident that more than one factor could affect the market value of shares in business organizations. Factors such as market information, company performances, demand, and supply have significantly affected the market value of shares in the past. Dividend policy is a critical decision area, it is one of the most important financial policies decision, not only from the viewpoint of the company but also from that of the shareholders and other stakeholders (Abdullah, 2014).

Jatmiko (2016) showed that in a perfect capital market with predetermined investment decisions and no information asymmetry, the value of the firm is independent of financing decisions. Adesola and Okwong (2009) asserted that a firm's financing decisions have no effect on the value of the firm or the distribution of wealth between classes of security holders. However, in an imperfect setting, dividends can influence shareholders' wealth by providing information to investors or through wealth redistribution among claimants.

Pandey (2008) opined that, to the shareholders, dividends communicate the idea that the business is profitable and financially strong. As shareholders consider dividend payment attractive by increasing their present return, companies on the other hand regard retained earnings as a major internal management source of financing corporate growth and investment projects. Dividend policy is an important aspect of corporate finance and has gained considerable attention from researchers providing theories, hypotheses, and explanations as regards the distribution of income to company's shareholders after retaining a specific amount of earnings to be reinvested in the business (Paramasivan, & Subramanian, 2012).

However, management of deposit money banks and other corporate organizations are faced with the difficulty of whether to pay a significant proportion of their profits as dividends or invest these earnings in financing future investment projects having positive net present value. This problem is borne out of the desire to satisfy the various needs of shareholders. Having to deal with conflicting interests of various shareholders, the kind of dividend policy a bank adopts could either lead to a positive or negative effect on the market value of shares of the company (Duke, Ikenna, & Nkamare, 2015). Therefore, this study sought to examine how dividend payments affect the market value of shares of selected Nigerian deposit money banks quoted in the Nigerian Stock Exchange.

2.0 Review of Literature

2.1 Conceptual Clarifications

2.2.1 Dividend and Dividend Policy

Incorporate finance; a finance manager is usually faced with two operational decisions: capital budgeting and financing decisions. Al-Malkawi, (2008) opined that capital budgeting decisions deal with the assets a company will acquire, while financing decisions center on how to finance these assets with the available funds. According to Paramasivan and Subramanian (2012), retained earnings and the nature of shareholders of a business concern are key factors that the finance managers put into consideration before deciding the appropriate dividend policy for that business. Akbar and Baig (2010) explained dividends as the portion of earnings that a company pays out to its shareholders. It also refers to the amount payable to shareholders from profits. Pandey (2005) opined that dividend is that portion of a company's net income which the directors recommend to be allocated to the shareholders in proportion to their shareholdings in the company. Pike and Neale (2009) said that there are influences of dividend on a company's value. However, a pay-out ratio is a signal that the company is very successful and the company managers are very committed to maximizing shareholders' wealth.

Quality managerial information about the company's performance can be communicated through the number of dividend pay-outs. Dividends are declared and paid after the income tax expense has been deducted from the profits earned. Dividend payments are not always made in cash; however, it is the right of the firm to decide what form of dividend to declare to its investors (DeAngelo, DeAngelo & Stulz, 2006).

2.2.2 Restriction on Dividend

The Banks and other Financial Institutions Act (BOFIA), 2007 Section 17 spelled out the following restrictions on dividend payments;

- 1 “No bank shall pay a dividend on its shares until:
 - All its preliminary expenses, organizational expenses, shares selling commission, brokerage, amount of losses incurred and other capitalized expenses not represented by tangible assets have been completely written off;
 - Adequate provisions have been made to the satisfaction of the Bank for actual and contingent losses on risk assets, liabilities, off-balance sheet commitments and such unearned incomes as are derivable therefrom;
 - It has complied with any capital ratio requirement as specified by the Bank pursuant to section 13(1) of this Act.
2. Any director, manager or officer who fails to comply with the requirements, of this section of this Act is guilty of an offence and liable on conviction to a fine of 5 percent of the dividend paid or to imprisonment for a term not exceeding 3 years or to both such fine and imprisonment”.

2.2.3 Dividends Pay-Out and Market Value of Shares

Finance theory and empirical practices indicate that dividend policy can be measured either by considering dividends as a proportion of the market value of equity share (dividend yield) or as a proportion of earnings, thus, dividend pay-out. Mirza and Afza, (2014) posited that dividend yield is the size of the dividend per share divided by the stock price on the date of the initial announcement. This can be construed to mean that it is the yield that carries the information about company performance to the market; the dividend yield significance as a determinant is an indicator for strong market efficiency. Conversely, dividend payments may be used as a method of predicting future dividends, for analysis of earnings by using the retention ratio to predict future growth in earnings and to identify where a firm is, in its life cycle. Firms tend to follow a certain pay-out policy dependent on their age and historical growth with mature firms paying higher dividends. It is this characteristic of dividend pay-out which makes it a possible construct for clientele theory (Nnamdi, 2009).

Zhou and Ruland (2006) indicated that firms with high dividend payouts are likely to gain strong future profits. In the same vein, Arnoth and Asness (2003) opined that an increase in future earnings tends to have a high dividend pay-out. A high dividend payout ratio means that more funds are distributed to shareholder and less profit are retained for growth and development. Also, investors are encouraged to invest in

companies that pay high dividends as they believe that consistent dividend payment will maximize their wealth and increase market value of corporate shares.

On the other hand, according to Pandey (2008), companies with a low dividend payout ratio experience higher growth because they retain high amount of earnings which can be used to finance available investment projects. Pani, (2008) opined that information perspective of dividend pay-out in relation to dividends signalling theory prescribes that dividend pay-out can be used as a tool to disseminate information about a company's financial performance to investors. This will help to avoid information imbalance among shareholders of corporate entities.

2.2 Theoretical Framework

Dividend Relevance Theory

According to Abdullah (2014), several other theories of dividend policy have been presented, which further increases the complexity of the dividend puzzle. According to him, these arguments include the information content of dividends, the clientele effects, and the agency cost hypothesis. On the development of dividend payments, DeAngelo and DeAngelo, (2000) discovered that dividend allocation patterns of corporate organizations are influenced by general economic conditions and some other factors, impacting various firms differently.

This theory of dividend policy is a realistic approach that treats dividends as an active decision variable and retained profits as the outstanding dividends. Relevance theory of dividend policy states that, dividend pay-outs are not limited to distribution of net income, and that any difference in dividend pay-out ratio could affect corporate value. Thus, a business concern should consequently, attempt to establish the most favourable policy that will maximize and sustain shareholders' wealth. (Baker, Powell and Theodore, 2002). Lintner (1956) and Gordon (1959) argued that shareholders prefer current dividends to capital gains. They suggested that shareholders are not usually risk-takers. Consequently, they attach more importance to current as against capital gains. Current dividend pay-outs are then, believed to lessen shareholders' doubt, causing them to discount the firm's profits at a lower rate, thereby, placing a higher value on the firm.

Gordon (1962) observed that some shareholders would prefer high current dividends. In another typical behaviour, he opined that a high dividend policy also helps investors because it minimizes doubt. He further claimed that shareholders value an investment by predicting, estimating and discounting future dividend pay-outs. He also argued that estimation of dividends to be received in the far future has greater uncertainty than near-term dividends. Because investors dislike uncertainty, the market value of shares should be low for those firms that pay lower dividends in order to retain high earnings.

Irrelevance of Dividend Policy Theory

Under this theory, Miller and Modigliani (1961) based their premise on the fact that a corporate organization's dividend policy decision is a passive residual. That is; it is autonomous of the market value of its shares. They discovered that corporate values are estimated by the company's investment and financing decision in the best capital structure, and not by its dividend payout decision.

In this manner, dividends are seen as an inactive residual and thus irrelevant in determining corporate values. Conversely, investors are undecided as to whether they should receive the expected return on their investment in the form of cash dividends or bonus shares. The essential foundation of their argument is that corporate values are determined by selecting most favourable investments with less risk (Karnawi, 2017)

Nevertheless, Joshi (2012) asserted that net dividend pay-out is the difference between net profits and investments, and simply an outstanding. Because the net dividend payment includes share reissue, a firm can regulate its dividend policy to any point with a compensating change in share residuals.

They posited that dividend policy is irrelevant based on their opinion that shareholders can, in theory, construct their own dividend policy.

The organization's option of dividend payments does not have effect on the value of shareholders. Therefore, all dividend policies are equal. The major significant insight of their study is that it recognizes the situation in which dividend policy can affect the corporate value (Nwamaka & Ezeabasili, 2017). The propositions rest on the following four assumptions; Information is not expensive and accessible to every person equally; No distorting taxes exist; there is no transportation or flotation cost; none agency cost exists (Khan, 2012).

Obamuyi, (2013) said that the fundamental postulations underlying this theory are; there is no buyer, seller or issuer of securities that is large enough to greatly influence the ruling price in a perfect capital market; information about is ruling is readily accessible for use without cost, and no agency fees, transfer taxes or

other relevant transaction costs are incurred in the trading of securities. Baker, Powell, and Theodore, (2007) stated in a different way that the beginning ruling market value of the share refers to the current value of the share that is paid during the period, plus the end current value of the market price of the share of the period. Investors are therefore indifferent towards retained profits and the pay-out of dividends in all future periods. Thus, shareholders' wealth is not influenced by current and future dividend decisions, but earning the power of the firm's assets (Uddin & Chowdhury, 2005). According to Lease, John, Kalay, Loewenstein, and Sarig, (2000), if a shareholder decides to receive from a firm cash flow that exceeds the dividend payment chosen by the firm's managers, the shareholder can create domestic dividends by selling shares to achieve the aspired cash flow level. They further posited that if the investor receives dividend cash flow that exceeds his or her consumption needs, then investor can still neutralize the firm's dividend resolution by overturning the flow of disallowed shares.

Sharif, Ali, and Farzand (2015) argued that an active dividend policy should not be pursued as a way of maintaining shareholders' wealth. Shareholders gain when dividend is paid but suffers a proportionate loss in the form of reduction in his relative share of the company. Zakaria, Muhammad, and Zulkifli (2012) agreed to this because the absence of retained earnings implied that new shares/loan stocks would have to be issued to finance an internal investment programme. Earnings retention also would lead to appreciation in the value of existing shares, since new investment would be financed without resulting in supplementary issues.

If a company with investment opportunities decides to distribute dividends while retain profits are insufficient to finance all investments, getting additional funds from outside sources would make up the shortfall in funds. The resultant loss in the existing market value of shares, as a consequence of acquiring external finance as an alternative of using retained profit is exactly equal to the total of the dividend paid (Shehzad & Ismail, 2014).

Solomon, Memba, & Muturi, (2016) opined that if a firm pays more cash dividend than an investor needed for immediate consumption, he could reinvest the surplus by buying extra shares with the money. If fewer dividends are declared, he could attain his consumption level by selling a proportionate fraction of his total shares in the market. Again, shareholders would be indifferent between dividend pay-out and retained profits. On the other hand, if the company raised new funds not in the form of shares, but as an issue of loan stock, the irrelevance of dividend policy remains unaffected. Although the cost of loan may be lower than the cost of shares, an increase in the company's level of gearing would cause the cost of shares to rise so that the effective additional cost of the new financing would be the equivalent (Zayol, Mya & Muolozie, 2017).

Uddin and Chowdhury (2005) said that Miller and Modigliani abandoned their postulation of total certainty in respect to future profits and investments, and considered the case of uncertainty. They admitted that dividend pay-out and market value of shares are subject to uncertainty, but affirmed that dividend policy still continues to be a passive residual, and based their conclusion upon the arbitrage argument. In summary, Salman, Lawal, and Anjorin, (2015) stated the irrelevance theory of dividend as the logic of the irrelevance theory which is not disputed given the assumptions underlying the model. However, it is now commonly accepted that the value of a model lies in the predictive or explanatory power.

2.3 Empirical Review

Jatmiko (2016) aimed at finding the effect of tax rate and dividend policy on the stock price, the effect of tax rate on the stock price, the effect of dividend policy on the stock price, and the effect of tax rate on the dividend policy using a secondary data involving fourteen (14) firms during the period of 2001-2014. The data collected were analyzed using path analysis; the results indicated that the tax rate and dividend policy had a significant positive effect on the stock price for about 76.8 percent. The tax rate had a significant positive effect on the stock price for about 32.6 percent, on the other hand, dividend policy had a significant positive effect on the stock price for about 17.5 percent, while the tax rate had a significant positive effect on the dividend policy for about 31.3 percent. It can, however, be deduced that a positive relationship exists between tax rate, dividend policy, and stock price. Salman, Lawal, and Anjorin (2015) investigated the impact of dividend policy on the share price of 10 selected quoted firms in Nigeria stock exchange from 1997 to 2012. The panel data were analyzed using the least square method. The results of their study show that the earning streams of companies under the study have a greater impact than their dividend pay-outs in shaping the price of their shares in the market.

Sharif, Ali, and Farzand (2015) investigated whether there is a relationship between dividend policy and stock prices of 45 non-financial companies listed on Karachi Stock Prices in Pakistan from 2001 to 2012.

The panel data were analyzed based on fixed and random effect tests; random effect results were focused after applying Hausman's test. The results revealed that dividend pay-out ratio has a significant positive relationship with share prices. This is supported by the Bird in hand theory which suggested that owners give preference to cash of estimated dividends over likely cash of capital gains. Profit after tax, Earning per share and Return on Equity are the three control variables used in this study. Profit after tax has insignificant relationship to stock prices, Earnings per share have significant positive relationship to Stock prices while there is a significant negative relationship between Return on equity and Share prices.

Baah, Tawiah, and Eric (2014) examined the industry sector determinants of dividend policy and its effect on share prices of 12 companies (covering 6 different sectors) listed on the Ghana Stock Exchange for the period 2006-2011. Findings showed that the main determinants of dividend policy for companies listed on GSE are returned on equity, profit after tax and size of the companies. It also reveals that most of the firms, however, show a statistically insignificant and weak relation between their dividend pay-out and share price. In another study carried out by Hunjra, Ijaza, Chani, Hassan, and Mustafa (2014), they examined the effect of dividend yield, dividend payout ratio, return on equity, earnings per share and profit after tax on stock prices in Pakistan. For this purpose four non-financial sectors (Sugar, Chemical, Food and personal care, Energy) were selected. A sample of 63 companies listed at Karachi stock exchange was analyzed for the period of 2006-2011. An ordinary least squares regression model was applied on panel data. The results indicated that dividend yield and dividend payout ratio which are both measures of dividend policy has significant impact on stock price. The dividend yield was negatively related to stock price, and the dividend payout ratio was positively related to the stock price which means that these results are against dividend irrelevance theory. For other independent variables; profit after tax and earnings per share had significant positive impact on stock price and return on equity which showed an insignificant positive impact on stock price. The paper recommended new insights for policymakers to improve the performance of the Karachi stock exchange.

3.0 Methodology

Research Design

This study utilized the panel data research design which may be seen as a combination of both cross-sectional and time-series design properties. The panel design is a method of studying sample units periodically observed over a defined time frame. Within the social and management sciences, the panel design approach has enabled researchers to undertake longitudinal analyses in a large variety of fields thus enabling repeated observations of enough cross-sections (Creswell, 2018). Thus, the annual reports of these Banks were used in determining the independent and dependent variables for the period, 2001– 2017 (17years).

Method of Data Analysis

Ordinary Least Square technique, i.e. Regression analysis was adopted to obtain interpretable findings. The relationship between the independent variables, i.e. dividend pay-out indicators; Dividend Payout Ratio(DPR), Earnings Per Share (EPS), Profit after Tax(PAT) and dependent variable; Market Value of share(MVS) was examined using the Multiple Regression analysis.

Model Specification

The univariate and multivariate specifications are presented below. However, the researcher took into consideration the most relevant characteristics expected to influence dividend policy in the Nigerian banking industry and dis-aggregated the models into univariate and multivariate specifications. Thus, in order to find out the relationship between the variables, the study adopted an empirical model used in the work of Abdullah, (2014). These models were specified and discussed as follow:

$$MVS_{it} = \partial_0 + \partial_1 DPR_{it} + \mu_{it} \dots \dots \dots (1)$$

$$MVS_{it} = \partial_0 + \partial_2 EPS_{it} + \mu_{it} \dots \dots \dots (2)$$

$$MVS_{it} = \partial_0 + \partial_4 PAT_{it} + \mu_{it} \dots \dots \dots (3)$$

$$MVS_{it} = \partial_0 + \partial_1 DPR_{it} + \partial_2 EPS_{it} + \partial_3 PAT_{it} \dots \dots \dots (4)$$

Where;

MVS= Market Value of Shares

DPR= Dividend payout ratio

EPS= Earnings per Share

PAT= Profit after Tax

4.0 Analysis and Interpretation of Results

4.1 Descriptive Statistics

Descriptive statistics show brief descriptive coefficients that summarize a given data set, which can be either a representation of the entire or a sample of a population. They are broken down into measures of central tendency (mean, median and mode) and measure of variability (standard deviation, minimum and maximum variables, kurtosis and skewness).

Table 4.1 Result from Descriptive Statistics

	MVS	DPR	EPS	PAT
Mean	9.826468	0.234961	1.058219	18124300
Median	4.500000	0.125000	0.660000	3504013.
Maximum	77.00000	2.000000	8.300000	1.78E+08
Minimum	0.000000	-0.160149	-5.370000	-46304602
Std. Dev.	15.98217	0.316498	1.494016	33798891
Skewness	2.448482	2.015309	0.594388	2.296886
Kurtosis	8.047967	9.449687	8.856499	8.830865
Jarque-Bera	348.2965	407.3205	251.4704	388.0079
Probability	0.579309	0.274949	0.485906	0.688404
Sum	1660.673	39.70848	178.8390	3.06E+09
Sum Sq. Dev.	42912.18	16.82873	374.9901	1.92E+17
Observations	170	170	170	170

Source: Computer Output Eviews 7, (2019).

The descriptive statistics of the above variables were shown in the table 4.1.

The market value of shares has a mean of 9.826468, which can be attributed to the positive MVS computed in the selected banks during the years specified. It can be observed from table 4.1 that the minimum MVS in the observations is 0.00 and the maximum MVS is 77.000. The mean values of the independent variables are 0.234961, 1.058219 and 18124300 which represent the center of the data. The mean values are the standard measure that shows the center of the distribution of data. The standard deviation of 15.98217, 0.316498, 1.494016, 33798891 shows the level at which the MVS, DPR, EPS, PAT, deviate from the mean respectively.

MVS, DPR, EPS, PAT, are positively skewed at 2.448482, 2.015309, 0.594388, and 2.296886 correspondingly. Their positive values of skewness show that the coefficients of the variables are positive and their means are greater than median values. All variables under study have a leptokurtic distribution (i.e. a distribution that displays a positive value of excess kurtosis). This is because their kurtosis values (8.047967, 9.449687, 8.856499 and 8.830865,) are greater than 3 and they have a very high peakedness. The Jarque-Bera statistic, a goodness-of-fit test of whether sample data have the skewness and kurtosis matching a normal distribution shows that the statistics are 348.2965, and the probability of obtaining such a statistic under normality assumption is 0.579309 percent. Therefore, the hypothesis that states "Market value of shares is normally distributed" is accepted. It can also be seen that all the variables have 170 observations. This can be attributed to availability of information on the variables used in the study.

4.2 Correlation Matrix of Variables

Table 4.2 Result from Correlation Matrix of Sampled Deposit money banks

	MVS	DPR	EPS	PAT
MVS	1.000000			
DPR	0.173435	1.000000		
EPS	0.297003	-0.022385	1.000000	
PAT	0.387953	-0.163776	0.458415	1.000000

Source: Computation from Eviews 7, (2019).

The correlation matrix table shows the correlation coefficients between the variables under study. Each cell in the table shows the correlation between two variables and the random variables in the table are correlated with each of the other values in the table. This helps to see which pairs have the highest correlation.

Table 4.2 briefly shows the relationship of variables with each other. MVS is positively related to all the independent variables. This means that the increase in DPR, EPS, and PAT will also increase the market value of shares in the proportion of 17 percent, 29.7 percent, and 38.8 percent, respectively. Profit after Tax

shows the highest correlation pair with market value of shares, implying that one percent increase in PAT will improve shares value by 39 percent. The table also shows that, in general, correlations between independent variables are not high; an indication of a reduced multi-collinearity problem usually associated with the time-series data. However, multi-co linearity is a problem, if any correlation exceeds 0.8. From the correlation matrix table above, the pair-wise variables are all less than 0.8 (Creswell, 2018). Thus, we conclude that multicollinearity exists between them.

4.3 Test of Hypotheses

The hypotheses formulated for this study were individually tested against the results of the statistical analysis carried out on the data of the sampled quoted deposit money banks. The decision rule was to accept the alternate hypothesis and reject the null hypothesis if the P-value obtained was lower than the 5per cent (0.05) benchmark specified in E-views for the analysis or to accept the Null Hypothesis. And reject the alternate hypothesis if otherwise.

Hypothesis 1

H₀: The dividend payout ratio has no significant impact on market value of shares of quoted deposit money banks in Nigeria.

Table 4.3 Regression Result of Hypothesis 1

Dependent Variable: MVS				
Method: Panel EGLS (Period random effects)				
Date: 02/20/19 Time: 20:21				
Sample: 1 170				
Periods included: 17				
Cross-sections included: 10				
Total panel (unbalanced) observations: 170				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
DPR	8.806290	3.993576	2.205114	0.0288
C	7.736823	1.566554	4.938752	0.0000

Source: Computer Output, Eviews 7.

Results of the statistical analysis shown in table 4.6 reveal that there was a significant positive relationship between dividend payout ratio and market value of shares. This was evident from the P-value (i.e. $0.0288 < 0.05$) associated with dividend pay-out ratio which was lower than the benchmark of 5per cent specified for this analysis. This outcome basically implied that with all other variables held constant, an increase or a change in the dividend payout ratio of quoted deposit money banks by one unit resulted in an 8.001338 units increase in the market value of shares of listed deposit money banks operating in Nigeria. Therefore, the null hypothesis was rejected while the alternative hypothesis which states that dividend pay-out ratio has significant impact on the market value of shares of Nigerian banks was accepted.

Hypothesis 2

H₀: Earnings per share have no significant impact on market value of shares of quoted deposit money banks in Nigeria.

Table 4.4 Regression Result of Hypothesis 2

Dependent Variable: MVS				
Method: Panel EGLS (Period random effects)				
Date: 02/20/19 Time: 21:26				
Sample: 1 170				
Periods included: 17				
Cross-sections included: 10				
Total panel (unbalanced) observations: 170				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
EPS	3.183309	0.813478	3.913211	0.0001
C	6.444968	1.482018	4.348779	0.0000

Source: Computer Output, Eviews 7.

The result of the statistical analysis shown in table 4.7 reveals that there was a significant positive relationship between earnings per share and market value of shares. This was evident from the P-value (i.e. $0.0001 < 0.05$) associated with earnings per share which were lower than the benchmark of 5per cent specified for this analysis.

This outcome basically implied that with all other variables held constant, an increase or a change in the earnings per share of quoted deposit money banks by one unit resulted in a 3.183309 units increase in the market value of shares of listed deposit money banks operating in Nigeria.

Therefore, the null hypothesis was rejected while the alternative hypothesis which states that earnings per share have a significant impact on market value of shares of Nigerian banks is accepted.

Hypothesis 3

H₀: Profit after tax has no significant impact on the market value of shares of quoted deposit money banks in Nigeria.

Table 4.9 Regression Result of Hypothesis 3

Dependent Variable: MVS				
Method: Panel EGLS (Period random effects)				
Date: 02/20/19 Time: 22:00				
Sample: 1 170				
Periods included: 17				
Cross-sections included: 10				
Total panel (unbalanced) observations: 170				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
PAT	1.830007	3.41E-08	5.375922	0.0000
C	6.501607	1.305702	4.979397	0.0000

Source: Computer Output, Eviews 7.

The result of the statistical analysis shown in table 4.8 reveals that there was a significant positive relationship between profit after tax and market value of shares. This was evident from the P-value (i.e. $0.0000 < 0.05$) associated with profit after tax which was lower than the benchmark of 5per cent specified for this analysis.

This outcome basically implied that with all other variables held constant, an increase or a change in the profit after tax of quoted deposit money banks by one unit resulted in a 1.830007 units increase in the market value of shares of listed deposit money banks operating in Nigeria.

Therefore, the null hypothesis was rejected while the alternative hypothesis which states that profit after tax has a significant impact on market value of shares of Nigerian banks is accepted.

4.3 Discussion of Findings

From the findings made in hypothesis one, it was deduced that a significant positive relationship exists between dividend payout ratio and market value of shares. This was evident from the P-value (i.e. $0.0288 < 0.05$) associated with dividend pay-out ratio which was lower than the benchmark of 5per cent specified for this analysis. This finding implies that dividend pay-out ratio (ratio of yearly dividend per share to earnings per share) is a strong factor in corporate dividend policy having a significant positive impact on market value of shares in quoted deposit money banks in Nigeria. This finding is in agreement with the work of Sharif, Ali, and Farzand (2015) on the relationship between dividend policy and stock prices of firms. Their results revealed that dividend pay-out ratio has a significant positive relationship with share prices. The findings support the dividend relevance theory postulated by Walter (1956) and Gordon (1962). This is also supported by the Bird in hand theory which suggested that shareholders give preference to cash of estimated dividends over likely cash of capital gains. This positive relation between MVS and DPR shows that shareholders prefer those companies who have high DPR because when companies pay dividend they will retain less and this will positively affect the stock price.

From the findings made in hypothesis two, it was deduced that there was a significant positive relationship between earnings per share and market value of shares. This was evident from the P-value (i.e. $0.0001 < 0.05$) associated with earnings per share which were lower than the benchmark of 5per cent specified for this

analysis. This result is in agreement with the work of Salman, Lawal, and Anjorin (2015) that investigated the impact of dividend policy on the share price which shows that the earning streams of companies have a greater impact than their dividend pay-outs in shaping the price of their shares in the market. This finding is also similar to the findings made by Sharif, Ali, and Farzand (2015) that earnings per share have a significant positive relationship to Stock prices. The result of earnings per shares having a significant positive impact on the market value of shares reveals that Nigerian investors consider EPS as an important determinant of stock prices. However, these findings do not support the view of Pandey, (2005) who purported that EPS does not have direct bearing on the market value of shares.

The findings made in hypothesis three showed that profit after tax has a significant impact on market value of shares of Nigerian banks and this is supported by the evidence from the P-value (i.e. $0.0000 < 0.05$) associated with profit after tax which was lower than the benchmark of 5 per cent specified for this analysis. The significant positive relationship between profit after tax and market value of shares shows that shareholders are concerned with the amount of profit made by the deposit money banks and not only the amount of dividend payments made to them. These findings on profit after tax and market value of share are consistent with Hunjra, Ijaza, Chani, Hassan, and Mustafa (2014) and Azeem and Kouser (2011). The results of their studies showed that PAT has significant positive relationship with market value of shares which means if companies are earning high profit, their share prices will become high. However, this result is not in agreement with Abdullah (2014) who examined how dividend policy decisions affect a firm's stock price and find out that Profit after tax has insignificant negative impact on stock price in all the thirty banks listed in Dhaka Stock Exchange for the period of 2007 to 2011.

5.1 Summary

The study considered the relationship between dividend policy and market value of shares of selected quoted deposit money banks in Nigeria.

The objectives of the study were: to ascertain the relationship between dividend payout ratio and market value of shares; to investigate the relationship between earnings per share and market value of shares; to determine the relationship between profit after tax and market value of shares. The study made use of secondary data. The data was obtained from annual reports of 10 sampled deposit money banks quoted on the Nigerian Stock Exchange from 2001-2017. Panel Regression analysis was used to test the hypotheses of the study. Results from statistical analysis showed that; there is positive significant relationship between dividend payout ratio and market value of shares implying that, dividend pay-out ratio has significant positive impact on market value of shares in quoted deposit money banks in Nigeria; there is positive significant relationship between earnings per share and market value of shares implying that, earnings per share has significant positive impact on market value of shares in quoted deposit money banks in Nigeria, and profit after tax has significant positive relationship with market value of shares indicating that profit after tax has significant positive impact on market value of shares.

5.2 Conclusion

As can be inferred from the result of the analyses carried out in the preceding chapter of the study, generally, dividend policy has a significant impact on the market value of shares of quoted deposit money banks in Nigeria. It was concluded from this study that all variables relating to dividend policy contribute strongly to the behavior of market value of shares of deposit money banks in the Nigerian capital market. Thus, none of the dividend policy indicators tested in this study is less important than the other. These results are against the dividend irrelevance theory.

Dividend policy is therefore seen as a pertinent corporate finance function and financial policy decision of deposit money banks, nationally and globally, as it affects the market value of shares not only from the viewpoint of the banks' shareholders but also from that of the stakeholders such as employees and regulatory bodies.

5.3 Recommendations

The following recommendations are made as regards the study:

1. Managements of quoted deposit money banks should take all necessary steps to ensure that they remain profitable so as to fulfill the financial objective of maximizing shareholders' wealth. A deliberate policy of returning part of the profit made to the shareholders should be instituted by companies operating in the country, and this can be done by adopting a healthy dividend payout structure.

2. Deposit money banks should adopt effective earnings management so that, investors while making an investment decision with a hope to have dividend, can focus on the earnings management as a signal for the dividend policy formulation.
3. Quoted deposit money banks should apply critical cost reduction strategies, aggressive marketing, and diversification strategies to improve on its net profits which by extension, could lead to enhanced dividend pay-out. When a dividend is enhanced, according to the signaling theory, it gives an indication that the bank is stable.

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