EFFECT OF CORPORATE DIVIDEND PAYOUT POLICY ON BANK PERFORMANCE IN NIGERIA

BY

OGBODAGA EDIRI FAITH
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BEING PROJECT SUBMITTED TO THE SCHOOL OF POSTGRADUATE STUDIES, DEPARTMENT OF BUSINESS ADMINISTRATION, FACULTY OF BUSINESS ADMINISTRATION, NASARAWA STATE UNIVERSITY KEFFI,

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AUGUST, 2018.

DECLARATION

I hereby declare that this dissertation has been written by me and it is a report of my research work. This work has not been presented elsewhere for the award of any academic programme in any institution. All quotations are indicated and sources of information specifically acknowledged by means of references.

______________________ ________________
OGBODAGA EDIRI FAITH **DATE**
NSU/ADM/MGT/0137/16/17

CERTIFICATION

The dissertation, "Effect of Corporate Dividend Payout Policy on Bank Performance in Nigeria", meets the regulations governing the award of Masters in Business Administration (MBA), of the School of Postgraduate Studies of Nasarawa State University, Keffi for its contribution to knowledge and literary presentation.

__________________ ____________________
Dr. R.A. Andah Date
Project supervisor

____________________ ___________________
Dr. J.E.I. Abbah Date
Head of department

___________________ ___________________
External Examiner Date

___________________ ___________________
Prof. S.A.S. Aruwa Date
Dean, School of Postgraduate Studies

DEDICATION

This research is dedicated to God Almighty.

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ABSTRACT

The study focused on examining the impact of corporate dividend payout policy on bank performance in Nigeria. The researcher employed five variables as independent variables, namely Bank size, Dividend payout ratio, Earnings per share, Dividend Cover, and Dividend Yield while return on Equity of Deposit Money Banks was used as dependent variable of the study. The ex-post factor research design was used as the study relied on secondary data obtained from annual report and accounts of 10 Deposit Money Banks for data collection purpose. Frequency distribution table and descriptive statistics were used for data presentation and analysis respectively while the formulated hypotheses were tested through the use of the multiple regression analysis. The findings of this study reveal that there is a significant positive relationship between Bank size, Dividend payout, Earnings per share, Dividend yield, Dividend cover and Return on Equity on an individual and collective basis. The study concluded that dividend payout policies of banks in Nigeria are complex and vary in line with the unique internal environment of each bank. Consequently, a high dividend payout policy means more current dividends and less retained earnings, which may consequently result in slower growth and perhaps lower market price per share. Low payout policy means less current dividends, more retained earnings and higher capital gains. Therefore, it is plausible that some investors will prefer high-payout companies while others may prefer low-payout companies. Accordingly, it is recommended that Deposit Money Banks in the country should improve on their performance indicators, particularly as it relates to shareholders' perspective such as bank size, Dividend payout ratio, Earnings per share, Dividend Cover, Dividend Yield and Return on Equity (ROE) as they are of importance in the valuation of financial performance of the financial industry in Nigeria. Again, banks should adopt optimal dividend policy that would better the lots of shareholders both in the short-run and long-run should be adopted. Lastly, banks should devote adequate time in designing a dividend policy that will enhance firm's performance and shareholder value. Again, the company should review its dividend policy in order to reduce agency cost and maximize the value of the company.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The issue of dividend policy is a very important one in the current business environment. Dividend policy remains one of the most important financial policies not only from the view point of the company but also from that of the shareholders, consumers, employees, regulatory bodies and the environment (Monogbe and Ayankunle, 2015). Corporate entities are saddled with three basic decisions which are financial decisions, investment decision & dividend decision and these decisions, according to Ehikioya (2015), bother on investment in assets, financing structure and dividend policy of the organization. Of these three fundamental responsibilities, dividend decision has remained a major factor used to appraise the activities of the agent in principal/agent relationship where the agent is contracted to represent the interest of the shareholders while protecting and promoting the interests of the other stakeholders. The relative merits of dividend policy on the performance of firms are important both from the firm and stakeholders perspectives. The question, the study therefore poses is "has dividend policy of a firm actually impacted on its economic value and performance particularly in developing nations?"

In the view of Uwuigbe, Jafuru and Ajayi (2012), the survival of any company is dependent on the continuous investment in facilities and the employment of internal financing through the use of retained earnings from an integral part of sources of financing to foot investment needs. Furthermore, Ozuomba, Anichebeand Okoye (2016) defined dividend as the distribution of earnings (past & present) in real assets among the shareholders of a firm in proportion to their ownership. Dividend policy can be managed or residual policy. In a managed dividend, managers tend to smooth dividend by fixing dividend payment at a certain level of earning and investment, while in the

residual, dividends are paid only after possible investment portfolios have been made. In this case dividend tends to be highly variable and often zero. Dividends are often unpredictable in the business cycle and are usually one of the indicators of business performance worldwide.

According to Enekwe, Nweze and Agu (2015), companies in developing countries like Nigeria have low dividend payout if they pay at all. The empirical studies which have mainly focused on developed economies show that, there is relationship between the dividend payout and financial performance of companies. In Nigeria, Increase dividend payments induced investors to discount the firm earnings at lower rate of return while dividend reduction increases investor's uncertainty in raising the required rate of return. Similarly, in the views of Adediran and Alade (2013), the pattern of corporate dividend policy not only varies several times but also across country especially developed and emerging economies. If the value of a company is the function of its dividend payment, dividend policy therefore is a significant measure of firms' performance especially in the banking sector, is a principal channel of returning cash to shareholders.

Dividend policy in the banking sector has presented different issues to managers, one of such is "what should the bank dividend policy be?" Once the bank decides on what to pay as dividend, they may establish to some extent what permanent dividend policy should be used, which may in turn impact on investors and perception of the bank in the financial market. What they decide depends on the situations of the bank at presents and in future and also on the preference of current investors and potential investors.

From the above discretion, the study is driven by the strong desire to investigate the impact of dividend payout on bank performance in Nigeria, exploring activities of ten (10) DMBs as it relates to dividend payment and bank performance over a time period of twenty (20) years.

1.2 Statement of the Problem

Since time immemorial, dividend has been recognized as a veritable tool for measuring company performance. The issue of dividend policy in corporate organization in both developed and developing countries has been of great concern globally. Consequently, a firm must decide each period whether to retain all its earnings or distribute part of them to shareholders. This also depends on whether the firm is optimistic of having acceptable investment opportunities in the future. If the firm pays a low dividend, there will be high retained earnings for future investment opportunities. If the investment opportunities did not materialize, then dividends would be increased and share price falls.

A common belief amongst shareholders is that improved company performance is a fallout of increase in dividend payment, thus translating into increased effort of companies to satisfy shareholders. The above assertion, though gives an impression of the company dividend policy, makes it difficult to gauge bank overall performance over the years. Again studies on corporate dividend payout and bank performance has been on historical basis with much neglect of current happening in the financial system, thus prompting this study, which intend to investigate the following critical challenges:

i. Huge displeasure and unattractiveness of investment in bank shares owing to repeated non- payment of dividend to shareholders.

ii. Decline in bank performance/profitability; a situation which has brought to the fore, increase in bank distresses.

iii. Unfavorable business environment which in turn affects output & profitability of bank.

iv. Apparent shortage of research materials that directly link dividend pay-out policy and bank performance in the country (Nigeria)

Dividend policy of a firm is therefore an important one in the current business environment as it remains one of the most important financial policies not only from the viewpoint of the company, but also from that of the shareholders, the consumers, employees, regulatory bodies and the Government. Consequently, this research work will address the above mentioned challenges and help to ascertain whether, corporate dividend payout helped in appraising bank performance in recent time.

1.3 Research Questions

The following research questions outline below were analyzed critically in this study.

i. To what extent does bank size affect return on equity of Deposit Money Banks (DMBs) in Nigeria?

ii. Does dividend pay-out ratio have any relationship with return on equity of Deposit Money Banks in Nigeria?

iii. How does earning per share affect return on equity of deposit money banks in Nigeria?

iv. How does dividend cover affect on return on equity of Deposit Money Bank in Nigeria

iv. To what extent does dividend yield affect return on equity in Nigeria?

1.4 Objectives of Study

The study focused on impact of corporate dividend payout policy on bank performance in Nigeria, the following strategic objectives are developed:

i. To determine the relationship between Bank size and return on equity of Deposit Money Banks in Nigeria.

ii. To examine the impact of Dividend pay-out ratio on return on equity of Deposit Money Banks in Nigeria.

iii. To examine the relationship between Earning per share and return on equity of Deposit Money Banks in Nigeria.

iv. To establish the extent to which Dividend cover affects return on Equity of Deposit Money Banks in Nigeria.

v. To examine the relationship between Dividend yield and return on equity of Deposit Money Banks in Nigeria.

1.5 Statement of Hypotheses

H_{01}: There is no significant relationship between Bank size and Return on Equity of Deposit Money Banks in Nigeria.

H_{02}: There is no significant relationship between Dividend pay-out ratio and Return of Equity of Deposit Money Banks in Nigeria.

H_{03}: Earning per share has no significant effect on Return on Equity of Deposit Money Banks in Nigeria.

H_{04}: There is no significant relationship between Dividend Cover and Return on Equity in Deposit Money Banks in Nigeria.

H_{05}: There is no significant relationship between Dividend yield and Return on Equity of Deposit Money Banks in Nigeria.

1.6 Scope of the Study

The study focused on the impact of corporate dividend pay- out policy on bank performance in Nigeria. Dividend pay- out is measured by four variables which are bank size, earning per share, dividend pay- out ratio, dividend yield, dividend cover while bank performance is measured by return on equity (ROE). The study used ten (10) banks, for a period of ten (20) years 1997-2016.The research work is descriptive in nature and uses secondary data for analysis purpose, and multiple regression would be used for test of hypotheses.

1.7 Significance of the Study

i. **Managers**; The study will be of importance to the managers of companies who have been appointed by shareholders to manage the operation of the company, they form policies that will enable them manage fund invested. The findings from the research work will give them clear guidelines and relevant information that will help them make decisions regarding dividend matters.

ii. **Academicians**; These are learned personnel with understanding in a given discipline, the research will give them more incites to the body of knowledge and also act as a basis for further research due to the gabs identified.

iii. **Investors and investment Analyst**: The study will enable investors to identify the best firm to invest their fund in, and to the investment analyst it will help them offer proper services to their clients relating to the performance of a company.

iv. **Stakeholders**; such as the creditors, employees, suppliers. The findings from the research work will help them monitor the overall performance of the company by observing the previous trend in dividend pay-out and establish whether the company has foreseeable future or will look elsewhere that have a brighter future.

v. The government and its agencies such as the CBN, SEC, and CAC will be enlightened in a bit when making policies relating to dividend and tax or tax on dividend.

vi. The study will contribute to existing literature on dividend policy and other financial policy decision maker in making decisions on how much of the firm's earnings should be distributed and how much to be retained in the firm.

1.8 Limitations of the Study

i) Difficulty in obtaining research materials from the library: The study was hindered to a large extent by the unavailability of current, relevant and recent materials from the library which causes the researcher to depend on journals, publications etc.

The study is also limited to the quality of secondary data which involved collection banks annual report & accounting in order to aid data presentation and analysis and this was marred by several challenges such as distance to CBN.

ii) **Inadequate sample size and period;** Due to limited time given for the submission of the research work the researcher has to make use of ten(10) banks instead of twenty two(22) deposit money banks in the country and for a limited period of twenty (20) years and this prevented the researcher from expanding the scope in order to meet up with the submission date.

CHAPTER TWO

LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 The Concept of Dividend

The word 'dividend' is derived from the Latin word "Dividend um" which means "that which is to be divided". This distribution is made out of the profits after deduction of all expenses, provision for taxation, and transferring reasonable amount to reserve as retained earnings from the total income of the company. In the views of Oyinlola and Ajeigbe (2014), dividend decisions are made to determine the amount of earning to be retained by the company for re-investment and the amount of earnings to be distributed to shareholders, this dividend decisions as determined by a firm dividend policy. Dividend can also be defined as a portion of corporate profit that is paid out by the corporation to their shareholders as the reward for investing in the corporation. Dividend is considered as the sharing of recognized asset among shareholders that could either be paid regularly by the corporation or called out by shareholders any time. However, it is not a business expenses for the corporation (Santhi, Appannan and Lee Wei Sim, 2011).

Furthermore, Ikunda, Muiru and Kamau (2016) see dividend as an appropriation of profits to shareholders after deducting tax and fixed interest obligations on debt capital. Dividends are compensatory distribution to equity shareholders for both time and investment risks undertaken. Pandey (2010) defines dividend as a portion of a company's net earnings which the directors recommend to be distributed to shareholders in proportion to their shareholdings in the company. It is usually expressed as a percentage of nominal value of the company's ordinary share capital or as a fixed amount per share. Dividends are usually paid out of the current year's profit and

sometimes out of general reserves and they are normally paid in cash and dividend payment is known as cash dividend. Dividend payment is a major component of stock return to shareholders (Zakaria, et al, 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.

2.1.2 Types of Dividends:

There are various types of dividends that companies payout. They include;

2.1.2.1 Cash Dividend

M'rabet and Boujjat (2016) and Murekefu, et al (2012) disclosed that cash dividend announcement convey valuable information which shareholders do not have about management's assessment of a firm's future profitability, thus reducing information asymmetry. Such information can be made use by investors in assessing the firm's financial performance in making investment decision, Dividend policy under this model is therefore relevant. Most companies pay dividends in cash. A company should have enough cash in its bank account when cash dividend is declared. To make this possible, the firm would have taken adequate measures to ensure the availability of cash. Some firm takes the precaution of holding their reserves in cash and marketable securities, when they declare dividend they disposes those securities to enable them have enough cash to meet their obligations to the shareholders. The cash account and the reserve account of the 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 dividend is distributed. The market price of the share and the value of the firms will drop in most cases by the amount of the cash dividend distributed.

2.1.2.2 Bonus Shares

Oyinlola and Ajeigbe (2014) noted that an issue of bonus shares is the distribution of shares free of cost to the existing shareholders. Issuing bonus shares increases the number of outstanding shares of the company, these bonus shares are distributed proportionately to the existing shareholders. The declaration of the bonus shares will increase the paid-up share capital and reduce the reserves and surplus (retained earnings) of the company. The total net worth is not affected by the bonus issues. In fact, bonus issues represent a recapitalization of reserves and surplus, It is merely an accounting transfer from reserves and surplus to paid-up capital.

2.1.2.3 Stock Dividends

Asamoah (2010) hinted that there are times when firms consider its expedient to retain most or all of its earnings in order to facilitate growth and respond to corporate needs. When this happens the company will not want to distribute cash to shareholders, rather it will declare stock dividend to shareholders. There will be no change in the total capitalization of the firm as the assets and liabilities remains unchanged but there is going to be a drop in the earnings per share. Also there is going to be drop in the market price of the stock, while there is going to be a corresponding rise in the volume of equity shareholdings , the reserved or retained earnings is going to drop.

2.1.2.8 Share Splits

A share split is a method used to increase the number of outstanding shares to a proportional reduction of the per value and the number of outstanding shares. The shareholders total funds remain unaltered.

Reasons for share split:

The following are reasons for splitting of a firm’s ordinary shares:

i. To make trading in shares attractive.

ii. To signal the possibility of higher profits in the future.

2.1.2.9 Script Dividend

It is the dividend given in the form of promissory note to pay the amount at a specific future date. The promissory note is known as Scripts or Dividend Certificate. When a company is a regular dividend paying company, temporary its cash position is affected due to lack of funds. Which are likely to be released shortly, the opinion is preferred. Script may or may not be interest bearing (Uwuigbe and Olusegun, 2013).

2.1.2.10 Bond Dividend

In case the company does not have sufficient funds to pay dividend in cash it may issue bonds for the amount due to the shareholders by way of dividends, it has longer maturity date then Script dividend, it always carry interest thus, bond holders get regular interest on their bonds besides payment of bonds money on the due date but it practice is not seen in Nigeria nor legally allowed (Uwuigbe and Olusegun, 2013).

2.1.2.11 Property Dividend

In case of such dividend the company pays dividend in the form of asset other than cash. This may be in form of company's product; this type of dividend is not popular in Nigeria (Uwuigbe and Olusegun, 2013).

2.1.3 Dividend Payout Policy

Dividend policy means the payout policy that managers follows in deciding the size and pattern of cash distribution to shareholders overtime Sean Wean Lee (2009) it is important to understand how the firms profit are divided between dividend payments and retain earning. Corporate managers in their daily routine of life are exposed to a number of crucial decisions regarding finance of a company. Among all such decision

dividend payout policy is one of the most important financial decisions that came across (Baker and Powell, 1999). A company's board of directors with the input of some management sets a corporate dividend policy. Dividend policy explain the strategy in the organization about the payment amount which is announced to investors as a profit on share, the procedure of dividend is the method as well as arrangement which organization builds up plus effect of the organization to pay dividend out to investors (via Abassi, 2012; Adediran and Alade, 2013). Dividend policy is the time pattern for dividend payment. The dividend policy question is the question for whether the firms should payout cash now or invests the cash and pay it out later?, Should the firm pay out large percentage of earning now or small percentage? Because investment, financing, and dividend decision are interrelated, management cannot consider dividend decision in isolation of those decisions thus, the firm's dividend policy and capital structure are interrelated. Asamoah (2010) is of the view that dividend policy is directly connected with the theories of capital structure, If any enterprise pays dividend it decrease the degree of financing of equity capital from internal sources, and as consequence may requires external financing sources, therefore dividend decision of the firm and its capital structure are interrelated. A company's dividend policy can be dependent on its shareholder, Market signal and its growth potential.

2.1.4 Types of Dividend Payout Policies

Odeleye (2015) and Nwidobie (2016) noted that Dividend policy means the payout policy those mangers follows in deciding the size and pattern of cash distribution to shareholders overtime, There are three commonly used dividend policies which are as follows ;

2.1.4.1 Constant payout ratio dividend policy

Firms that adopt a constant payout policy pay a constant percentage of their earnings as dividend and continue it considerably for a long time. According to this policy the firm pays a fixed dividend each year and maintains it even though the firm earnings should fluctuate. The major problem faced by firms that adopt the constant payout policy is that, the firm earnings decrease or in a certain time the firm record loss than profit, as a result the firm's stock price may be adversely affected because dividend are often considered as an indicator of firm's future condition and status. On the other hand stable dividend payout policy has help to raise long term finance, is reasonably easy to operate, and sends a clear signal to investors about the company performance and the price of the share will remain high

The stability of dividend is described in two different ways;

i) Regular or Stable Dividend Policy:

In this policy a company pays a fixed amount of dividend per share every year and maintains it for a considerably long time even though the earning varied in that year. Often, the regular dividend policy is built around a target payout ratio. Regular dividend policy has advantages, first it helps to increase the status of the firm in the eyes of the investors. A firm that adopts stable dividend policy can satisfy its shareholders and can enhance its credit standing in the market. Not only that the dividend must be regularly paid but the dividend must be stable. It may be fixed amount per share or a fixed percentage of net profits or it may be total fixed amount of dividend on all the shares etc. Usually, this policy is chosen by those investors who depend upon the dividend to meet their living and operating expenses.

ii. Constant payout ratio:

In this policy, a fixed percentage of net earnings are paid as dividend every year, that is, constant payout ratio. For example, a company adopts a 60 percent payout, that is, 60

percent of net earnings of the company will be paid as dividend and 40 per cent of net earnings will be transferred to reserves. No dividend is paid in the year of loss. Companies generally, prefer this policy because it reflects the ability of the company to pay dividends. But it is not preferred by shareholders as the return fluctuates with the amount of earnings (Syed et al, 2010).

2.1.4.3 Policy of No Immediate Dividend:

With zero dividend policy the firm decided not to pay any dividend at all. The major advantage of this payout policy is, it is easy to operate and will not include the administrative cost associated with paying of dividend. Odeleye (2015) posited that management follows a policy of "paying no immediate dividend" in the beginning of its life, as it requires funds for growth and expansion or they may be experiencing serious financial difficulties and may be unable to pay dividend. In this case, the firm can minimize adverse effects on the stock.

2.1.5 The Dividend Process and Payment Time Line

Zakaria, Muhammad and Zulkifli (2012) disclosed that firms in different countries pay dividend in different time period, quarterly, semi- annually and annually basis. The firm's dividend payment usually set by the board of directors and paid out to stockholders a few weeks later. There are several key dates between the time that the board declared and actual time stockholders are paid.

i) **Declaration date** - The date in which the board of directors declares the dividend that will be paid for that quarter (or period).This date is important because, by announcing its intent to increase, decrease, or maintain dividend, the firm conveys information to financial markets. Thus, if the firm changes its dividends, this is the date on which the market reaction to the change is most likely to occur .On this day, the company creates a liability on his

books. It now owes the money to stockholders. On the declaration date the board will also announce the record and payment date.

ii) **Ex-Dividend Date** - Date that determines whether a shareholder is entitled to a dividend payment; investors must have bought the stock before this date in order to receive the dividend because dividend will not pay to investors who bought the stock after the ex-dividend date. The stock price will generally fall on that date to reflect the loss. Cum dividend means a stock traded with dividend and these Investors are entitle to dividend if they own the stock before the ex-dividend date

iii) **Record Date** – investors must own the stock on this date to receive the declared dividend. At the close of the business, a few days after the ex-dividend date, the company closes its stock transfer books and makes up a list of the shareholders to date on the holder record date. These shareholders will receive the dividends. There is generally no price effect on this date.

iv) **Payment date**- This is the date the dividend will actually be given to shareholders of company, the final step involves mailing out the dividend checks to record holders on the dividend payment date. Usually the payment day is two or three weeks after the holder record date.

2.1.6 Implication of Dividend Payout Policy

According to Adelegan (2010), the implication of dividend payout on companies is however complex. A high dividend payout policy means more current dividends and less retained earnings, which may consequently result in lower growth and perhaps lower market price per share. Low payout policy means less current dividends, more retained earnings and higher capital gains. Therefore, it is possible that some investors will prefer high-payout companies while others may prefer low-payout companies. It is

important to note that paying dividends involves outflows of cash; the cash accountable for the payment of dividend is affected by the companies' investment and financial decision. A decision for inquired capital expenditure means that less cash would be available for the payment of dividend. Given firm's capital expenditure that do not have sufficient internal funds to pay dividends can raise funds by issuing per share. In this case, a dividend decision is not separable from the firms' decisions. The firm will have a given amount of firm fort paying dividend given its investment and financial decisions. A dividend decision involves a trade-off between the retained earnings and issues of new shares. A higher dividend payout attracts more investors and when there is a rush for the company's stock, the price of the stock will move up, this is known as regular effects. But, a lower dividend payout on the other hand will discourage many investors from investing and this intent can lead to reduction in the price of shares of that particular firm.

2.1.7 Measurement of Dividend Payout

2.1.7.1 Bank Size

Bank size is measured by the natural logarithm of the book value of the firm's total Assets. Koduk (2015) stated that firm size significantly affects firm's debt and dividend payout. A firm's size has a positive effect on financial performance since they are able to utilize this for economic benefits. Large firms have easy access to resources that are used for production, including cheap labor. They are able to get cheaper funding, enjoy economies of scale by getting discounts on items they buy in bulk. Larger banks can mean greater efficiency, profitability, and diversification, But if a bank grows too large, it may have the opposite impact and be less efficient, less profitable and more risky. Many banks have acknowledged this and have started to simplify their structure, their product range and their balance sheet.

2.1.7.2 Dividend Payout Ratio or Payout Ratio (DPR)

This measures the percentage of net income that is distributed to shareholders in the form of dividends during the year. In other words, this ratio shows the portion of profits the company decides to keep for funding its operations and the portion of profits that is given to shareholders. Investors are particularly interested in the dividend payout ratio because they want to know if the company or companies are paying out a reasonable portion of net income to investors. Investors can see that these dividend rates cannot be sustained very long because the company will eventually need money for its operations (Uwuigbe et al, 2012). Dividend pay-out ratio is calculated as;

$$\textbf{Dividend pay-out ratio} = \frac{\textbf{Dividend per share}}{\textbf{Earnings per share}} \times \frac{\textbf{100}}{\textbf{1}}$$

Obviously, this calculation requires a little more work because you must figure out the earnings per share as well as divide the dividends by each outstanding share Since investors want to see a steady stream of sustainable dividends from a company, the dividend payout ratio analysis is important. A consistent trend in this ratio is usually more important than a high or low ratio. Since it is for companies to declare dividends and increase their ratio for one year, a single high ratio does not mean that much. Investors are mainly concerned with sustainable trends. Conversely, a company that has a downward trend of payouts is alarming to investors. Generally, more mature and stable companies tend to have a higher ratio than never start u companies. The dividend payout ratio is the amount of dividends paid to stock holders relative to the amount of total net income of a company. The amount that is not paid out in dividends to stockholders is held by the company for growth. The amount that is kept by the company is called retained earnings.

2.1.7.3 Earnings Per Share

Earnings per share also called net income per share, is a market prospect ratio that measures the amount of net income earned per share of stock outstanding. In other words, this is the amount of money each share of stock would receive if all of the profits were distributed to the outstanding shares at the end of the year. Earnings per share are also a calculation that shows how profitable a company is on a shareholder basis. So a larger company's profits per share can be compared to a smaller company's profits per share. Obviously, this calculation is heavily influenced on how many shares are outstanding. Thus, a larger company will have to split its earnings amongst many more shares of stock compared to a smaller company. The formula for calculating earnings per share is given as;

$$\text{Earnings per share} = \frac{\text{profit after tax}}{\text{Numbers of outstanding share}}$$

Earnings per share are the same as any profitability or market prospect ratio. Higher earnings per share are always better than a lower ratio because this means the company is more profitable and the company has more profits to distribute to its shareholders. Although many investors don't pay much attention to the earnings per share, higher earnings per share ratio often makes the stock price of a company rise. Since so many things can manipulate this ratio, investors tend to look at it but don't let it influence their decisions drastically (Anike, 2014)

2.1.7.4 Dividend Cover

Dividend cover also commonly known as dividend coverage, is the ratio of company's earnings (net income) over the dividend paid to shareholders So, if a company has net profit after tax of 2400 divided by total ordinary dividend of 1000, then dividend cover is 2.4. . It helps indicate how sustainable a dividend is. Dividend Cover of less than 1.5

may indicate a danger of a dividend cut while more than 2.4 is viewed as healthy. The inverse of dividend cover is the Payout Ratio. , calculated as net profit or loss attributable to ordinary shareholders by total ordinary dividend. Dividend cover in respect of ordinary share capital may be calculated as follows:

$$\text{Dividend Cover (Dc)} = \frac{\text{Profit after tax- Irredeemable preference shares}}{\text{Dividend paid to ordinary shareholder}}$$

Dividend Coverage Ratio indicates the capacity of an organization to pay dividends out of profit attributable to the shareholders. A dividend cover of 3 implies that a company has sufficient earnings to pay dividends amounting to 3 times of the present dividend payout during the period. When calculating dividend coverage for ordinary share capital, it is necessary to deduct any dividend paid on irredeemable preference shares from the net profit earned during the accounting period in order to arrive at the earnings attributable to ordinary shareholders. Dividend on redeemable preference shares is already deducted from the income statement as interest expense *(finance cost)* and hence no further adjustment is required in its respect in the dividend cover calculation.

2.1.7.5 Dividend Yield

Dividend yield is the financial ratio that measures the quantum of cash dividends paid out to shareholders relative to the market value per share. It is computed by dividing the dividend per share by the market price per share and multiplying the result by 100. A company with a high dividend yield pays a substantial share of its profits in the form of dividends. Dividend yield of a company is always compared with the average of the industry to which the company belongs. It indicates how much a company pays out in dividends each year relative to its share price. Dividend yield is represented as a percentage and can be calculated by dividing the naira value of dividends paid in a given year per share of stock held by the naira value of one share of stock. In the

absence of any capital gains, the dividend yield is effectively the return on investment for a stock. The formula for calculating dividend yield may be represented as follows:

$$\text{Dividend Yield (DY)} = \frac{\text{Annual Dividend Per share}}{\text{Stock Price per share}}$$

2.1.8 Bank Performance

The word „Performance" is derived from the word "Parfourmen" which means "to do", to carry out, and to render". It refers to the act of performing, executing, accomplishing and fulfillment e.t.c. In broader sense, performance refers to the accomplishment of a give task measured against preset standards of accuracy, completeness, cost and speed. In other words, it refers to the degree to which an achievements being or has been accomplished. In the words of French Kohlar "the performance is a general term applied to a part or to all the conducts of activities of an organization over a period of time often with reference to past or projected cost efficiency, management responsibility or accountability or the like". Thus, not just the presentation, but the quality of results achieved refers to the performance. Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. Financial performance is used to indicate firm's success, conditions and compliance. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. Shareholders, investors, creditors, managers have most interest in knowing the financial performance of a firm before investing. One of the key financial performance indicators used to measure bank performance annually include;

2.1.8.1 Return on Equity (ROE)

Return of equity is the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation’s profitability by revealing how much profit a company generates with the money shareholders have invested. ROE is expressed as a percentage; it is a ratio that provides investors with insight into how efficiently a company (or more specifically, its management team) is managing the equity that shareholders have contributed to the company. Below is some insight into how to calculate it.

$$\text{Return on equity} = \frac{\text{Net Income}}{\text{Average Stockholder Equity}}$$

The formula for return on equity, sometimes abbreviated as ROE, is a company's net income divided by its average stockholder's equity. The numerator of the return on equity formula, net income, can be found on a company's income statement.

Investors may also calculate the change in ROE for a period by first using the shareholders equity figure from the beginning of the period as a denominator to determine the beginning ROE. ROE measures the rate of return for ownership interest (shareholders equity) of common stock.

2.1.9 Conceptual Model

Although, various researchers have conducted studies on the above subject matter such as; Turakpe and Legaaga (2017), Adediran and Alade (2013), Ayunkwu et al (2016) but these studies were carried out in Nigeria, though using smaller number of banks and in the case of the latter, primary data. This is the reason why the researcher has chosen the framework below in order to assess the relationship between bank dividend pay-out policy and bank performance in the Nigeria banking industry.

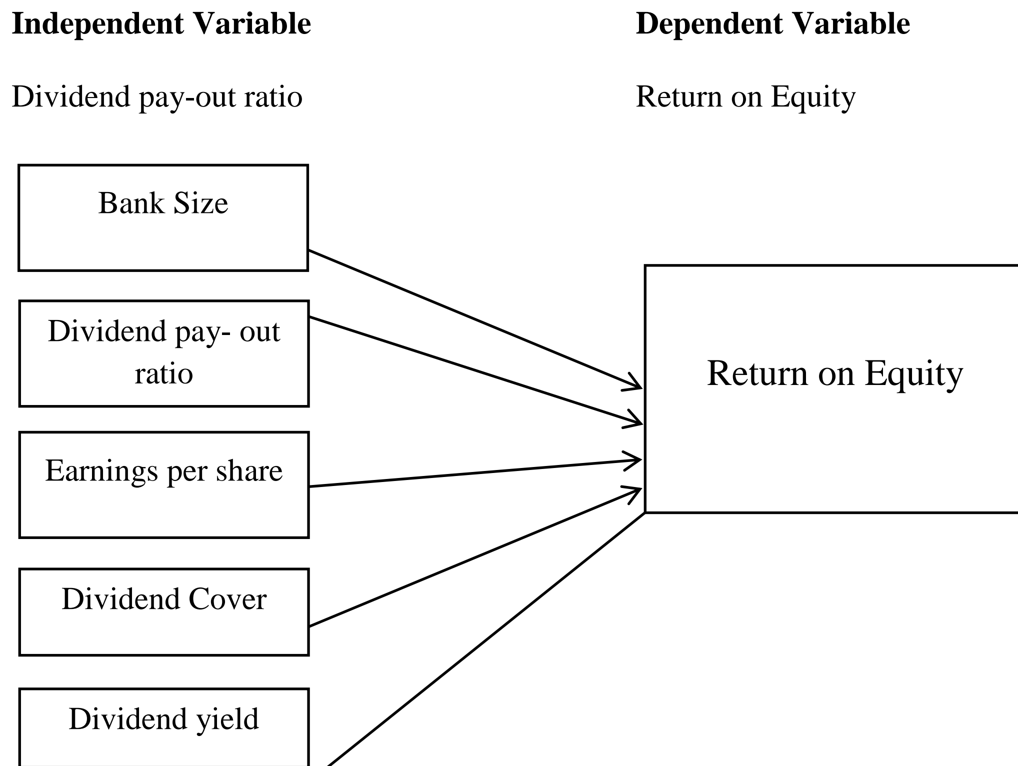

Fig.2.1: Conceptual framework

Source: Researcher's model (2018).

To effectively assess the relationship between bank dividend pay-out policy and bank performance in the Nigeria banking industry, the researcher used ROE as the dependent variable while Dividend pay-out ratio (independent variable) is broken down into Bank size, Dividend pay-out ratio, Dividend Yield, Dividend Cover and EPS as the independent variable.

2.2 Theoretical Framework of Dividend Payout Policy

Several theories exist as regard dividend payout policy. However, this study shall focus on five theories which are;

i) Signaling theory

ii) Bird in Hand theory

iii) Walter's Theory

iv) Agency theory

v) Dividend irrelevance Theory (MM Theory)

2.2.1 Signaling Theory

This theory was developed by James poterba and Lawrence in 1983 -1985, the theory suggested that when a company announces an increase in dividend pay-out ,it is an indication that it possesses a positive future prospect .It also suggest that companies paying the highest level of dividend are or should be more profitable that otherwise identical companies. The author documented a testing of the signaling theory after obtaining empirical data on the relative market value of dividend and capital gains. “the effect of dividend taxation on dividend pay-out and the effect of dividend taxation on investment’’ and these led to the development of a traditional view of dividend that include in the theory that ,dividend signal some private information about profitability, stock prices tend to rise when a company announces an increase in dividend pay-out vis-à-vis.

The theory is relevant to the study as dividend pay-out becomes the key performance indicator, for gauging the current and future performance of the firm, where dividend payment is sustained, performance is likely to be favourably predicted (positive prediction) but when dividend is not sustained or well decided, performance is likely to be unfavourably (negative projection).

This theory was criticized on the basis where bank managers fraudulently declares huge capital, which can lead both prospective and existing shareholders being ignorantly swayed that the company has positive outlooks in the future. Of particular reference is **Cadbury Nig. Plc, African Petroleum Plc., EcoBank Nig. Plc.,** which was suspended on the floor of Nigerian Stock Exchange for fraudulently declaring fictitious dividend,

the implication of the above is that companies' managers see dividend payment as an instrument to manipulate investors.

2.2.2 Bird in Hand Theory

The theory was developed by Myron Gordon and John Lintner (1962) as a counterpoint to postulates that investors prefer dividends from stock to potential capital gains because of the inherent uncertainty of the later. Based on the adage "a bird in the hand is worth two in the bush". The bird-in-hand theory states that investors prefer the certainty of dividend payments to the possibility of substantially higher future capital gain, investing for capital gains is predicated largely on conjecture. An investor may gain an advantage in capital gains by conducting extensive company, market and macroeconomic research, but ultimately, the performance of a stock hinges on a host of factors completely out of the investor's control, or this reason, capital gains investing represents the "two in the bush" side of the old adage. Investors chase capital gains because of the possibility of those gains being large and making the investor rich, but the possibility is just as real that capital gains are non-existent or, worse, negative. Monogbe and Ayankunle (2015) put that outside shareholders prefer a higher dividend today to a highly uncertain capital gain from a questionable future investment. If someone says, "A bird in the hand is worth two in the bush," he/she means that it is better to be satisfied with something you have than to risk losing it by trying to get something better you may not succeed in getting or what is available today is more important than what may be available in the future. So the rational investors are willing to pay a higher price for shares on which more current dividends are paid. The relevant of the theory to the study is that dividend payment indicates how investors value dividend to capital gain so the higher the dividend in firm the higher the value of shareholders to the firm. A number of studies demonstrate that this mode fails if it is posited in a complete and perfect market with

investors who behave according to notions of rational behavior (Miller and Modigliani, 1961; Bhattacharya, 1979)

2.2.3 Walter's Theory.

It was developed by Prof. James Walter in 1963. The theory dwells on the relevance concept of a dividend decision. According to this concept, a dividend decision of the company affects its valuation. The companies paying higher dividends have more value as compared to the companies that pay lower dividends or do not pay at all, the theory also went further to put that investment policy cannot be separated from the dividend policy since both are interlinked. He formed a model for share valuation that states that the dividend policy of a company has an effect on its valuation. He categorized two factors that influence the price of the share viz. *Dividend Payout Ratio* of the company and the relationship between the *Internal Rate of Return* of the company and the *Cost of Capital*. Walter's theory further explains this concept in a mathematical model; Walter's Model shows the clear relationship between the return on investments or internal rate of return (r) and the cost of capital (K). The choice of an appropriate dividend policy affects the overall value of the firm. The efficiency of dividend policy can be shown through a relationship between returns and the cost.

I. If **r>K,** the firm should retain the earnings because it possesses better investment opportunities and can gain more than what the shareholder can by re-investing. The firms with more returns than a cost are called the "Growth firms" and have a zero payout ratio. These firms will have surplus profits to invest. Because of this, the firms in growth phase can earn more return for their shareholders in comparison to what the shareholders can earn if they reinvested the dividends.

II. If **r<K,** the firm should pay all its earnings to the shareholders in the form of dividends, because they have better investment opportunities than a firm. Here the

payout ratio is 100% and is called “declining firm” Declining firms make returns that are less than what shareholders can make on their investments. So, it is illogical to retain the company’s earnings. In fact, the best scenario to maximize the price of the share is to distribute entire earnings to their shareholders.

III. If **r=K,** the firm’s dividend policy has no effect on the firms value. Here the firm is indifferent towards how much is to be retained and how much is to be distributed among the shareholders. The payout ratio can vary from zero to 100% is called “normal firm” The firms in normal phase will make returns equal to that of a shareholder. Hence, the dividend policy is of no relevance in such a scenario. It will have no influence on the market price of the share. Assumption of the model

i. All the financing is done through the retained earnings; no external financing is used.
ii. The rate of return (r) and the cost of capital (K) remain constant irrespective of any changes in the investments.
iii. All the earnings are either retained or distributed completely among the shareholders.
iv. The earnings per share (EPS) and Dividend per share (DPS) remain constant.
v. The firm has a perpetual life.

Criticism of Walter’s Model

1. Walter’s model of share valuation mixes dividend policy with investment policy of the firm. It is assumed that the investment opportunities of the firm are financed through the retained earnings and no external financing such as debt, or equity is used. In such a case either the investment policy or the dividend policy or both will be below the standards.

2. The Walter’s Model is only applicable to all equity firms. Also, it is assumed that the rate of return (r) is constant, but, however, it decreases with more investments, this reflects the assumption that the most profitable investments are made first and then the poorer investments are made thereof

2.2.4 Agency Theory

This theory was developed by Easterbrook in 1984. The proponent argues that dividend reduces the over-investment problem because the payment of dividend increases the frequency with which firms have to go to equity markets in order to raise additional capital. In the process of attracting new equity, firms subject themselves to the monitoring and disciplining of these markets, this lowers agency cost. Agency theory assumes that large-scale retention of earnings encourages behavior by managers that does not maximize shareholder value. Dividends, then, are a valuable financial tool for these firms because they help avoid asset/capital structures that give managers wide discretion to make value-reducing investments.

According to Munene (2014) managers are always imperfect agents of shareholders and managers‟ interests are not necessarily the same as shareholders‟ interests, and therefore they do not always act in the best interest of the shareholders. Shareholders therefore incur (agency) costs associated with monitoring managers‟ behavior, and these agency costs are an implicit cost resulting from the potential conflict of interest among shareholders and corporate managers. The payment of dividends might serve to align the interests and mitigate the agency problems between managers and shareholders, by reducing the discretionary funds available to managers (Rozeff, 1982).This view also makes sense when one considers the rationale behind agency theory. Managers acquire control over corporate resources either from outside contributions of debt or equity capital, or from earnings retentions. From an agency

perspective, one advantage of contributed capital is that it comes with additional monitoring, because rational suppliers of outside capital will not be forthcoming with funds at attractive prices if they believe that managers' policies merit low valuations. Even if a firm does not have free cash flow, dividend payments can still be useful for the shareholders in order to control the over-investment problem. The theory is criticized on the basis that it assumes that increased dividend would only be founded through issue of shares in the capital market. It fails to recognize the importance of increased customer patronage, favourable economic conditions, decreased competition e.t.c as key factors that can prompt an increase in bank profitability and hence rise in dividend declared for the period.

2.2.5 Dividend Irrelevance Theory.

The theory was introduced by Modigliani and Miller in the year 1961. The exponents proposed that the dividend policy of a company has no effect on the stock price of a company or the company's capital structure. If an investor gets a dividend that's more than he expected then he can re-invest in the company's stock with the surplus cash flow. If the expected dividend is too small, then he can sell a part of his shares and replicate the same cash flow he would get if the dividend was what he expected. In both cases, investors are irrelevant to what the company's dividend policy is because they can create their own cash flows. Higher returns are what investors care about. They can have that return through re-investing or selling a part of their shares**.** If the market conditions are perfect, then they don't care if the return is from dividends or from stock price appreciation. The model propagates that current dividends and home-made dividends (capital gain) are perceived to be similar in value by shareholders (Arnott, 2003). The argument put forth is as follows: What shareholders benefit as current

dividends is compensated by the loss in future capital gains and vice versa? What shareholders lose in the form of current dividends, they benefit as a future capital gain.

Assumptions of the Theory For this theory to work, investors need a certain frame of mind and this can be achieved only if we live in a perfect world.

Some of the assumptions for this theory are:

i. Taxes do not exist: Personal income taxes or corporate income taxes
ii. When a company issues a stock, there are no flotation costs or transaction costs
iii. When a firm decides its capital budgeting, dividend policy has no impact on it.
iv. Risk of uncertainty does not exist. That is, investors are able to forecast future prices and dividends with certainty and one discount rate is appropriate for all securities and all time periods, and that Information is readily and freely available to all investors that is Information about the firm's future prospects is available to the company's manager as well as investors

The theory of dividend irrelevance has been criticized on many points;

i) Most investors prefer dividend to capital gain or future dividends. When dividends are not paid in immediate period, they are retained by the firms for investment in profitable opportunities. However, the element of risk inherent in such future benefits is further enhanced by prevailing market imperfections. Thus, future
ii) Earnings and their growth cannot be predicted with certainty; hence, degree and timing of capital gain may become vague and uncertain. Therefore, most of the investors in market prefer current dividends to future dividends (Monogbe, 2015), M-M argues that, even if the assumption of perfect certainty is dropped and uncertainty is considered, dividend policy continues to be irrelevant. But according to number of writers, dividends are relevant under conditions of uncertainty.

iii) Market imperfections such as taxes, information asymmetry, transaction cost and signaling effect affect the dividend policy, which in turn affects the value of the firms as well as its share price in the market.

2.3 Empirical Review

A number of previous studies have been carried out linking dividend payout policy and performance of both banks and non-banks in Nigeria and abroad. A review of related literature is presented below:

Ozuomba, Anichebe and Okoyo (2016) examined how share value thus shareholders wealth is affected by dividend policies. This study seeks to analyze the effect of firm's dividend policies on shareholders" value of public companies in Nigeria, to empirically examine the linkage of dividend payout with information asymmetry, and to analyze the effect of various dividend policies on shareholders wealth. This study is based on survey design covers a one-year period with a sample of 10 quoted companies in the Nigeria stock exchange. In so doing, the methodology adopted is the ANOVA. This study shows the relevance of dividend and further proves that dividend policies of public limited companies influence the wealth of shareholders in Nigeria.

Analogbe (2014) investigated the relationship between dividend payment and corporate performance of Access Banks Plc. and Guarantee Trust Bank Plc. The study examined the relationship between earnings per share, Firm size, Return on asset being independent variables and dividend per share of Nigerian banks using only secondary data from six years annual report and accounts of the two quoted banks (Access bank Plc and Guaranty Trust Bank Plc) listed on the Nigeria stock exchange. Regression analysis was utilized in the data analysis. The researcher found out that there is significant relationship between earning per share and dividend per share of selected Nigerian banks. It was also discovered that there is significant relationship between firm

size and dividend per share of Nigerian banks. The researcher equally found out that there is relationship between return on asset and dividend per share of Nigerian banks. The study shows that there is significant relationship between net assets value per share and dividend per share of Nigerian banks. Based on the findings the researcher recommends that Organizations should ensure that they have a good and robust dividend policy in place. This will enhance their profitability and attract investments to the organizations. Directors of corporate organizations should be made to update the records of shareholders including their next-of-kin to avoid a deliberate diversion or undue retention of unclaimed dividend warrants. Due procedures for the recognition and utilization of profit arising from investment of unclaimed dividend should be effected and properly accounted for.

Amuche (2014) examined the impact of dividend yield on stock prices of Nigerian banks; the impact of earnings yield on stock prices of Nigeria banks and the impact of payout ratio on stock prices of Nigeria banks. The study adopted the ex-post-facto research design and panel data covering 5-year period 2006-2010 were collated from annual reports of banks and the Nigeria Stock Exchange daily official list. The Ordinary Least Square Regression Model was used to estimate the relationship between dividend yield, earnings yield, payout ratio and stock prices. Average of daily stock prices was adopted as the dependent variable, while the independent variables included dividend yield (DY), earnings yield (EY) and payout ratio (POR). The result emanating from this study revealed that dividend yield had negative and significant impact on commercial banks‟ stock prices in Nigeria (coefficient of Dyield = -3.365; p-value = 0.035). Earnings yield had negative and significant impact on commercial banks‟ stock prices in Nigeria (coefficient of E-view = -0.331; p-value = 0.048) and dividend payout ratio had negative and non-significant impact on commercial banks‟ stock prices in Nigeria

(coefficient of P= -1.411; p-value = 0.269). The study thus, revealed that the dividend yield, earnings yield and payout ratio are not factors that influences stock prices rather the bank size was found to have positive and significant impact on stock prices. The study therefore recommends among others that managers should act in the best interest of investor as to reduce the agency problem, thus complete information about the dividend polices of the firm should be provided.

Adediran and Alade (2013) opted to study the relationship between dividend policy and corporate profitability, Investment and Earning per Shares. Data for the study were extracted from annual report and accounts of twenty five quoted companies in Nigeria. These data were subjected to regression analysis, using e-view software and the findings indicate that; there is a significant positive relationship between dividend policies of organizations and profitability, there is also a significant positive relationship between dividend policy and investments and there is a significant positive relationship between dividend policy and Earnings per Share. It is recommended that Organizations should ensure that they have a good and robust dividend policy in place because it will enhance their profitability and attract investments to the organizations.

Oladipupo (2017) Investigated on the impact of dividend policy on shareholders wealth Nigeria in Nigeria, the annual reports and account of ten (10) randomly selected firms quoted on the NSE was examined using a period of year 2011-2015, regression analysis were used to analyze data the study postulate that it is important for org to formulate dividend policy which enhances the unique of the business

Kathuo and Kimoro (2017) carried out a study on the determinant of dividend policy decision of listed banks in Kenya. It applied in this study that dividend policy decision includes making decision on the taught payout dividend growth rate amount to be paid

out from current earnings and the form of dividend payout therefore component manager have to make decision on the way profit are utilized as his can influences the future performance of the firm as well its current unique. The study uses a sample of eleven (11) commercial banks listed on the Nairobi securities exchange (NSE) in Kenya over the period of 2011-2015 audited published annual financial statement were used as a source of secondary data, data was analyzed using descriptive statistics as well as inferential statistics correlation and regression analysis were used to find the degree of relationship between the dependents and independents variables. The study reveals that profitability and cash flows have a positive and significant relationship with dividends policy decisions while bank size has insignificant. The study recommend that management of commercials banks to ensure that financial disclose are timely and accurately available to the public to make quality investment decision

Halley and Ayodele (2017) carried out an empirical investigation of the impact of dividend policy on performance of quoted companies in the developed economy, the sample size of the study was twenty (20) quoted firms actively operating within 2005-2016 in the stock market ordinary least square (OLS) statistical techniques was applied for analysis of data the findings reveals that there is a linear relationship between dividend policy and performance the study also recommend that profit after tax should be consider sensitive in relation to dividend payment.

Rachie and Weama (2016) examined the relationship between dividend payments and firm performances. A study of listed companies in Morocco, data were sources from the annual report as quoted firms and was analyzed using panel data regression model. The findings indicate that dividend policy is as important factor affecting firm performance and which therefore show then dividend policy is relevant in any organization its

therefore recommends that managers should devote adequate time in designing a dividend policy that will enhance firm performance.

Ayunku and Etale (2016) investigated the relationship between dividend payout policy and firm performance in Nigeria using a sample of some listed firm in the Nigeria stock exchange for the period of 2002-2012. The study adopted descriptive research design for data analysis the result shows / indicate that there dividend payout policy enhances firm performance in Nigeria while earning per share (EPS) had negative influences on dividend payout policy of firm in Nigeria. The study therefore recommended that manager of firms should endeavour to pay dividend as dividend payout policy enhance firm performances.

Monogbe and Ayankunle (2015) carried out a research on dividend policy on financial performance: a case study of selected registered firms in Nigeria data for the study was extracted from annual report and account of twenty five (25) quoted companies in Nigeria. it was subject to regression analysis firm the period of 2010-2015 it was discount that that the dividend policies of an organization have positive relationship with profitability investment and earnings per share of corporate organizations the study therefore recommends that organizations should effectively appropriate funds available to them and manage it in such a way that more profit can be generated which will in turn lead to increase in shareholders wealth maximization secondly appropriate and adequate monitoring and supervision should be embarked upon by the firm to ensure prudency and proper accountability.

Ehikioya (2015) conducted on empirical investigation of the impact of dividend policy on the performance of firms in developing economy. The data sample for this study is drawn from 81 firms listed on the Nigeria stock exchange during the period of 2001-

2010. The study employed the panel data regression model to analyze the data. The result provides that dividend policy is relevant in explaining the value and performance of firms in developing economics, especially listed firms on the Nigeria stock exchange. The study recommend policies that may have to improve the value and performance of the firm while contributing to shareholder wealth maximization.

Yusuf (2015) examined the impact of dividend payout ratio on performance of deposit money banking in Nigeria using a example of four (4) deposit money banks, correlation analysis and inevitable regression were used for analyzing of data, the findings revealed that dividend payout ratio is negatively related to deposit money banks in Nigeria the study recommends that deposit money banks should consider the dividend policy of the banks if they must achieve shareholders wealth and improve the consistence performance of bank performance.

Ugbe (2015) carried out a study on the determinant of dividends policy: a study of selected listed firms in Nigeria a sample of 50 listed firms in the study and also the corporate annual for the period 2006-2011 were used for the study the ordinary least (OLS) data estimation method was used for analyzing of data the study on its finding observed that there is a significant positive relationship between firm financial performance and dividend payout policy.

Enekwe, Nweze and Agu (2015) examined the effects of dividend payout on performance evaluating prudence of quoted cement companies in Nigeria. a statement of comprehensive income and statements of financial position of the quoted cement companies in the NSE were observed for a period of 12 years (2003-2014) ordinary least square techniques were apply as panel estimation while descriptive research method and simple linear regression for analyzing the findings suggested that dividend

payout ratio and significant relationship with the dependent variables employees in the study (ROA, ROCE), ROE), the study recommend that adequate time should be deviated in designing dividend policy that will enhance firm performance and shareholders value & adopted good dividend policies in order to reduce agency cost and maximize value of the companies and attract more investors.

Osegbue, Ifurueze and Ifurueze (2014) carried out a study on the analysis of the relationship between dividend payment and corporate performances of Nigeria banks. The study uses a panel data set of banks listed on the Nigeria stock exchange between year 1990-2010. Descriptive statistics were employed for analyzing of data. The findings from the research observed that there is no significance relationship between dividend payout and explanatory variables and that the explanation variables this results indicates that banks pay dividend in Nigeria with the intention of reducing the agency conflicts and maintain firm's reputation. The study recommends that consistent policies and stage economics environment should be maintained to encourage surplus earnings and high dividend payout ratio to shareholders in Nigeria.

James (2014) focused on measuring and analyzing the effect of dividend policy in banks' profits and growth he postulates that a firm must decide each period whether to retain all its earnings on distribute profits of them to shareholders, the study attempts to find whether dividend policy contributes to the shareholder wealth maximization of banking industry in Nigeria. Square method was adopted for analyzing of data, survey research design was adopted and structures questionnaire was administered to elicit employee of ECO bank plc, the findings revealed that there is significant relationships between dividend and profitability in the banking industry, the study also replenishment that the board of directors should review the dividend payout policy of the banking industry to ensure maximum operation., the banking sector should also ensure

compliance with relevant and required policies of dividend payments in order to reduce the adverse effect of dividend payment on the profitability of the banking industry.

Olowo and Moyosore (2014) carried out a study on the determinants of dividend payouts in the Nigeria banking industry over the period 2006-2008 regression techniques was employed for analyzing of data which are obtained from the annual report of all quoted banks in the Nigeria stock market. The result of the study reveals that banking risks negatively influence dividend payout.

Ojeme, Mamidu and Ojo (2015) dwelt on dividend policy and shareholders wealth in Nigeria quoted banks it focuses on the situation before and after the financial meltdown correlation result of dividend paid in 2017 -2010 using a sample of 21 banks quoted I the Nigeria stock exchange, the study reveals that payout of dividend is relevant and the amount paid affects the market value of shares, it study recommends that bank should endeavour to pay dividend regularly and bank should strike a balance between retention and payout ratio & there should be a steady increase in dividends paid by banks through the year & also other factors in the business environment should be considers before arriving at a dividend policy.

Uwuigbe, Jafaru and Ajayi (2012) examined the relationship between the financial performance and dividend payout among listed firms in Nigeria it also looks at the relationship between ownership structure, size of firms and dividends payouts, using 50 samples firms for the period of 2006-2012 and annual report of NSE as the main source of data collection. The study adopted regression analysis as statistical techniques for analyzing the data collected. The result shows that there is a significant positive relationship between performance often and dividend payout of the sampled firms in

Nigeria. The study therefore recommends that firms should always strive to pay dividend so as to improve the firms' value.

Nwidobie (2016) looked at corporate governance practices and dividend policies of quoted firms in Nigeria. This paper aims to determine the impact of corporate governance of quoted Nigerian firms on the dividend policy of these firms. Sectorial analysis of the dividend payout ratios of 57 quoted firms from13 sectors on the Nigerian stock exchange reveal that Nigerian firms adopt the dividend payout ratios of the industry leader and others the industry average. An impact analysis of corporate governance of these quoted firms on their dividend policies measured by their payout ratios using chi-square shows that corporate governance has no impact on the dividend policies of Nigerian firms as it does in developed economies because in Nigerian firms, shareholder rights are low, firms are controlled by numerical minority director-shareholders who make decisions affecting numerical majority shareholders, agency cost effect of dividend decisions is non-existent as controlling shareholders are also directors, and the rate dividend payout of these firms is an indication of the existence of expropriation of funds by director-shareholders. To redress this situation in Nigerian quoted firms, shares of closely held firms should not be traded on the exchange, maximum shareholding by an individual be the maximum 25%; capital market and firm regulators should verify the accuracy of disclosures to ensure they are not only made to comply with regulations but to instill good corporate governance practices in Nigerian firms.

Koduk (2016) carried out a study to determine the relationship between financial performance and dividend payout of Sacco's registered by SASRA. Secondary data for 164 Sacco's was collected for the period 2011 to 2015.The data was analyzed using descriptive statistics for coming up with an understanding, organizing and summarizing

the data as well as inferential statistics for making conclusions from the data. Correlation and regression analysis was used in determining the relationship between the variables. The result showed that there exists a positive relationship between dividend payout and financial performance of registered Sacco's by SASRA. A negative relationship also was shown by one variable- growth. The study recommends that firms should pay dividends based on their financial performance and this entails coming up with a good management strategy and effective dividend policy.

Ehikioya (2016) investigated the possible impact of dividend policy on the value and performance of firms in developing economies, He also explain further that In a world of significant agency problems between the principal and the agent, those entrusted with the affairs of the organization are repeatedly faced with the decisions to enhance the value of the firm. Appreciably, such decisions bother on investment in the assets, financing structure and dividend policy of the organization. The data sample for this study is drawn from 81 firms listed on the Nigeria Stock Exchange during the period 2001 to 2010. The study employed the panel data regression model to analyze the data and to investigate the possible link among the variables identified. The result of the investigation provides empirical evidence to support the view that dividend policy is relevant in explaining the value and performance of firms in developing economies, especially listed firms on the Nigeria Stock Exchange. The findings revealed a significant positive impact of dividend payout on the performance of firms, measured as return on assets and return on equity. Also, the analysis revealed that firm's dividend policy has a significant positive correlation with the firm's profitability, proxies by return on assets. The finding confirms the proposition that dividend policy is an important determinant of firm performance. The study suggests policies that may help

to improve the value and performance of the firm while contributing to shareholders' wealth maximization.

Monogbe and Ibrahim (2015) investigated the relationship between dividend policy and corporate profitability, Investment and Earning per Shares. Data for the study were extracted from annual report and accounts of twenty five quoted companies in Nigeria. These data were subjected to regression analysis, using Review software and the findings indicate that; There is a positive and significant association between the firm performance and dividend policy of the sampled firm. The study further shows that there is a strong and positive significant relationship between ROCE, ASST and dividend policy. While EPS shows a positive impact on the firm dividend policy. It is hereby recommended that Organizations should effectively appropriate fund available to them and manage it in such a way that more profit can be generate which will in turn lead to increase in the shareholders' dividend. Secondly, adequate monitoring and supervision should be embarked upon by the firm to ensure prudency and proper accountability.

Oyinlola and Ajeigbe (2014) investigated on the impact of dividend policy on stock prices of quoted firm in Nigeria There have been mixed results from numerous researches conducted not only in Nigeria but also in the rest of the world. Specifically, the relevance/irrelevance of dividend policy in valuation of firms' market share prices has always generated a controversy. The concern for this thus provided an inspiration to examine the impact of dividend policy on the stock prices of quoted firms in Nigeria. The research was conducted on 22 companies listed on Nigerian Stock Exchange (NSE) using secondary data on their firms' fundamentals as available on their respective annual reports from 2009 to 2013 and their closing quoted share prices extracted from two Nigerian Dailies – The PUNCH and The GUARDIAN. Regression analysis,

Correlation analysis and Granger Causality Test were used to test research hypothesis on 110 observations and the findings reveal that both dividend payout and retained earnings are significantly relevant in the market price per share of the companies. It is, therefore, recommended that optimal trade-off between dividend payment and retained earnings that would increase the shareholders' wealth in terms of cash and/or stock dividend as well as capital appreciation should be adopted by Nigerian listed firms.

Adediran and Alade (2013) opted to study the relationship between dividend policy and corporate profitability, Investment and Earning per Shares. Data for the study were extracted from annual report and accounts of twenty five quoted companies in Nigeria. These data were subjected to regression analysis, using e-view software and the findings indicate that; there is a significant positive relationship between dividend policies of organizations and profitability, there is also a significant positive relationship between dividend policy and investments and there is a significant positive relationship between dividend policy and Earnings Per Share. It is recommended that Organizations should ensure that they have a good and robust dividend policy in place because it will enhance their profitability and attract investments to the organizations.

CHAPTER THREE

RESEARCH METHODOLOGY

3.2 Research Design

Osika (2006) defined research design as the overall strategy that you choose to integrate the different components of the study in a coherent and logical way thereby ensuring you will effectively address the research problem. It constitutes the blueprints for the collection, measurement and analysis of data (Hassan, 2001).Research design entails the methods of data collection for general organization of the research for the purpose of finding solution to perceive societal phenomenon/challenges.

For this study a descriptive research design was adopted to examine the impact of dividend payout policy on bank performance in Nigeria, again the use of this method is guided by cause-effect between dividend payout and bank performance. Similarly, empirical studies of Osegbue (2014) and Enekwe (2005) also utilized this research design.

3.3 Population and Sample Size

Mbokani (2009) and Olannye (2006) defined population as a well-defined collection of individual objects known to have similar characteristics, "All individual or object within a certain population usually has common characteristics or traits". Research population for this study is the total number of Deposit Money Banks in Nigeria (DMBs) operating currently which is a total of twenty two (22) as registered by Central Bank of Nigeria given by (CBN, 2017).For the purpose of this research, ten (10) banks will be used as sample size representative 45% of the population. The choice of the sample size is guided by

i. Easy access to the annual report & account

ii. Researchers convenience due to their location (nearness to research base)

3.4 Sampling Techniques

Sampling techniques involves the criteria used for the selection of the study sample. Accordingly, Hafizan (2013) stressed that sampling techniques is the process of selecting a number of individuals for a study in such a way that the individual represent the large group from which they were selected. The choice of the ten (10) banks including: Access bank, Diamond bank, EcoBank, First bank, First city monument bank, Fidelity bank, Guaranty trust bank, Sterling bank, United bank of Africa, Zenith bank which is based on probability sampling techniques (simple random selection process entails writing the names of all the Deposit Money Banks (DMBs) in a folded paper and chosenten(10) randomly without bias. Again all the banks offers similar service and are duly licensed by CBN to practice as DMBs and they are within the reach of the researcher in terms of access to annual report.

3.5 Method of Data Collection

According to Olannye (2006), data collection refers to the process of obtaining relevant information regarding the major data of the research problem, research question and hypothesis for the purpose of demonstrating their truthfulness. Data collection is extensive to how figures are gathered from various sources to define the objective of the research. In research methodology, the method of collecting data is necessary so as to define the type of data valuation the research is embarking upon to suit the objectives of the research. Secondary source of data collection will be used for sourcing and gathering data and information for the research. The secondary sources include banks annual report and account. The variables to be derived from the sources are;

(i) Bank size

(ii) Dividend pay-out ratio

(iii) Earnings per share

(iv) Dividend cover

(v) Dividend yield.

(vi) Return on Equity

The time framework for the study is from 1997-2016

3.6 Techniques of Data Analysis

Data derived from banks annual report and accounting would be represented in a multiple frequency test table, descriptive statistics (involve the computation of minimum, maximum mean, range, standard statistics) would be used for data analysis. The model specification of the study used to test the five hypotheses via multiple regressions, analysis is as given below;

ROE = f (BS + DPR+EPS + DC +DY) +e

$ROE = \beta o + B_1BS + \beta_2 DPR + \beta_3EPS + B_4DC + B_5DY) + e$

Where:

ROE = Return on equity

BS = Bank size

EPS = Earnings per share

DPR = Dividend payout Ratio

DC = Dividend cover

DY = Dividend yield

$\beta_1, \beta_2, \beta_3, \beta_4$ and β_5 = coefficients of BS, DPR, EPS, DC and DY respectively

β_o = Constant term

e = Error term

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.2 Data Presentation and Description

Howard, (2012) points out that presentation include the description of the data set disseminated with the main variables covered, the classifications and breakdowns used the reference area, a summary information on the time period covered and, if applicable, the base period used. In another view, Osuala, (2005), hints that data presentation entails the use of tables, charts and graphs to demonstrate the trend, pattern and behavior of any research data.

In line with the above views, the study presented the variables, namely Return on Equity, Bank size, Dividend Payout Ratio, Earnings per Share, Dividend Cover and Dividend Yield below:

Table 4.2 Table of Variables

Table 4.2.1 Profit after Tax

		PROFIT AFTER TAX (N Million)								
YEAR	**ACCESS**	**DIAMOND**	**FBN**	**FCMB**	**FIDELITY**	**GTB**	**STERLING**	**UBA**	**ZENITH**	**ECOBANK**
1997	345778	-109654	99823	8,254,557	4,859,019	2,243,940	1,616,457	111,647	134,221	143,799.80
1998	277894	228775	156239	10,900,524	7,440,102	3,105,065	1,617,263	275,118	164,520	38,408,847
1999	431199	198755	214337	18,942,856	10,691,060	11,623,000	1,077,496	698,296	190,065	38,042,714
2000	677992	432770	447659	25,700,593	11,860,880	17,960,000	2,596,533	698,296	230,780	43,080,349
2001	578134	365113	2453891	27,910,091	13,541,189	47,251,326	4,093,822	528,338	245,677	4,252,025
2002	608217	301778	4366892	30,332,118	13,736,359	99,992,174	4,180,620	526,659	315,210	3477289.2
2003	556573	345840	6636335	7727399	7352287	737149	100982	2988440	500765	2123170
2004	637473	833498	7913503	1707791.8	5086403	6083439	125367	3804114	1789544	3360667
2005	501515	2528552	3539821	44839636	8254557	16056464	111647	3835493	2199783	4429884
2006	737149	3840545	4719762	3610183	10900524	20814216	275118	5303126	1616457	3377481
2007	6083439	6930754	6637146	4241532.9	18942856	5480415	439314	5660329	-1617263	10946204
2008	22885794	11822011	8849553	636343	25700593	8343325	698296	5441899	1077496	10678652
2009	-880725	-4883446	11061941	209107	27910091	10096979	512532	8331599	2596533	11252030
2010	12931441	6522455	12168135	1948396	30332118	14374966	281373	9783578	4093822	5055398
2011	5248866	-13940985	14749255	2412769	38434033	2632338	106472	12602109	5515213	4881363
2012	35815611	22108084	11799405	2787775	38042714	5510583	825510	16808764	5597613	2885963
2013	26211844	28544492	10541217	2843520	43080349	-4676265	493805	21137275	4724429	3124848
2014	39941126	25408696	4818842	3351564	42520253	2115400	622971	22258279	2412343	2824311

2015	65868773	5636623	2,596,533	698,296	230,780	59,047,082	5663428	10783672	1678994	2155776
2016	9,573,480	185,814,123	2,412,343	659,891	729,100	241,709,190	4,180,620	526,659	315,210	14,908,314

(Source: Annual report and Accounts of DMBs from 1997-2016)

Table 4.2.2 Total Equity

	TOTAL EQUITY									
YEAR	**ACCESS**	**DIAMOND**	**FBN**	**FCMB**	**FIDELITY**	**GTB**	**STERLING**	**UBA**	**ZENITH**	**ECOBANK**
1997	1,500,453.00	345,954.10	362,408.10	320,753.10	344,718.80	133,762.90	1,789,003.20	1,002,369.60	4,997,724.80	8243089
1998	1,500,453.00	109,864.00	60,271.00	106,713.20	87,326.50	27,658.30	2,899,128.60	1,677,854.00	5,654,231.50	9459727
1999	2,000,911.00	3,887,991.00	218,034.00	2,897,338.00	103,820.00	482,556.00	453,426.00	155,938.00	642,533.00	10868170
2000	2,123,790.00	4,055,642.30	271,230.00	4,678,921.00	5,447,812.00	406,750.00	485,089.18	840,502.42	829,152.00	12186795
2001	2780092	4966782	2448910.5	11678904	5663421	5611902.54	1088765.34	6732215.8	10722357.3	21500433
2002	2493387	6089914.5	113,705,183	68,796,732	219,185	320,229	45,957,835	149,376	107,750,578	26644308
2003	2500357	59344038	83,476,852	53,702,803	175,657	107,194	38,945,949	116,060	54,111,173	28433199
2004	3002830	69114931	65,035,248	46,183,046	114,673	67,610	5,661,262	78,684	16,183,353	33656352
2005	14071924	124994957	43,675,606	36,607,170	78,040	56,136	6,767,872	78,338	11,461,571	40156508
2006	28893886	223047862	30,663,550	20,739,611	56,046	46,076	11,129,198	54,560	6,505,420	43172624
2007	28384891	312249721	17,573,538	14,862,662	61,918	40,135	13,145,389	45,486	4,248,697	28820107
2008	184830757	603326540	16,233,564	12,211,037	46,111	23,106	12,998,708	36,925	2,794,614	995313

2009	173151023	604891836	413,983,817	48,394,253	437,768	405,540	65,787,520	244,845	244,595,621	1119727
2010	182504814	548402560	19,876,606	7,250,905	34,981	17,325	14,326,976	234,789	3,127,024	142112234
2011	187037078	722965977	574,586,579	28,636,557	1,002,486	543,289	78,140,098	336,812	391,688,687	201624788
2012	237624211	108855722	603,906,669	44,999,856	1,017,411	569,312	99,312,070	172,140	428,605,827	285761535
2013	245181997	138853722	706,893,133	67,236,605	121,862	552,526	162,063,156	144,358	490,877,501	412141104
2014	274155786	209024767	779,050,018	73,745,718	4035297.7	570,714	229,420,874	136,982	554,592,199	571562826
2015	360428904	214609455	1,002,370,638	98,631,825	13456789	796,942	321,743,748	210,118	735,300,741	638534113
2016	56612891	38871324	1,275,681,135	149,293,849	16672343	884,587	371,246,273	189,799	1,019,908,848	765543215

(Source: Annual report and Accounts of DMBs from 1997-2016)

Table 4.2.3 Return on Equity

ROE										
YEAR	**ACCESS**	**DIAMOND**	**FBN**	**FCMB**	**FIDELITY**	**GTB**	**STERLING**	**UBA**	**ZENITH**	**ECOBANK**
1997	0.2637	0.0542	0.0204	0.1422	0.1063	0.0156	0.1457	0.46	0.26	1.11
1998	0.2709	0.0386	0.2292	0.1518	0.1304	0.0273	0.1069	4.20	3.40	7.06
1999	0.3098	-3.9432	-0.003	0.215	0.1491	0.0185	0.1507	3.02	3.99	5.30
2000	0.2246	-0.6747	0.113	-0.0437	0.1683	-0.4288	0.0281	3.62	2.99	3.27

2001	0.178	1.5447	0.0791	-0.0336	0.1518	-0.8251	0.0423	0.99	1.05	1.20
2002	0.1265	-0.046	0.004	0.0687	-0.3008	1.127	0.1238	0.20	0.21	0.24
2003	0.1564	1.7703	0.897	0.2126	0.2157	0.2223	0.0939	0.20	0.21	0.24
2004	0.2743	0.1014	0.2373	0.1203	0.0232	0.1255	0.2143	0.48	0.51	0.58
2005	0.1945	-0.3214	0.2633	0.2408	0.0365	0.1049	0.0255	0.27	0.29	0.33
2006	0.1593	0.348	0.2727	0.2629	-1.6249	0.2396	0.0356	0.02	0.02	0.02
2007	0.3492	0.1203	0.2873	0.02	0.2745	0.2154	0.02359	0.36	0.38	0.43
2008	0.3324	0.1838	0.4123	0.0149	0.0534	0.2016	0.2353	0.18	0.19	0.21
2009	0.3876	0.3932	0.2242	0.0069	0.098	0.156	-0.0284	0.93	0.99	1.13
2010	0.42	0.2387	0.2736	0.0063	0.78	0.3652	0.0845	1.18	1.05	0.71
2011	0.54	0.1087	0.2907	0.0263	0.014	0.43	0.1542	2.93	0.57	0.48
2012	0.51	0.64	0.65	0.99	1.25	1.27	2.45	2.37	0.79	0.48
2013	0.29	0.37	0.37	1.54	2.29	2.51	3.05	-1.42	-0.57	6.04
2014	0.02	0.03	0.03	0.30	0.45	0.50	0.60	1.05	1.33	1.34
2015	0.38	0.48	0.48	0.31	0.47	0.51	0.62	0.21	0.26	0.27
2016	0.19	0.24	0.24	0.74	1.11	1.21	1.47	0.21	0.27	0.27

(Source: Annual report and Accounts of DMBs from 1997-2016)

Table 4.2.4 Earnings Per Share

EPS (Adjusted value in Naira: Kobo)										
YEAR	**ACCESS**	**DIAMOND**	**FBN**	**FCMB**	**FIDELITY**	**GTB**	**STERLING**	**UBA**	**ZENITH**	**ECOBANK**
1997	11	22	9.37	4.51	1.21	45.7	0.23	7.2	0.31	1.43
1998	19	19	6.87	5.73	1.67	51.09	0.19	7.26	0.32	2.31
1999	12	34	7.94	6.3	2.46	65.89	0.14	10.04	0.39	3.03
2000	9	107	4.21	7.09	3.06	75.1	0.34	10.71	0.43	2.31
2001	10	163	6.31	8.02	2.6	92.2	0.54	8.79	-0.43	3.65
2002	12	-21	7.84	10.3	2.5	113.2	0.85	12.61	0.28	3.56
2003	14	32	8.04	2.64	3.4	82.9	0.65	14.81	0.69	3.75
2004	16	27	9.18	24.57	3.69	16.2	0.64	19.08	1.09	1.68
2005	9	20	9.31	31.43	4.01	12.6	0.82	21.21	1.38	1.63
2006	11	57	8.11	35.15	5.08	40.646	0.69	24.7	1.48	1.29
2007	87	80	7.93	35.86	6.41	22.72	0.48	19.7	1.25	1.4
2008	141	110	6.36	42.26	6.78	23.56	0.81	12.7	0.64	1.26
2009	-5	-34	31	381	164	52	262	21	11	60
2010	72	45	78	406	117	43	188	-2	223	305

2011	157	-92	95	196	80	24	200	64	156	241
2012	157	153	46	288	70	34	198	108	306	186
2013	114	170	19	324	318	18	134	175	45	214
2014	174	143	67	210	254	26	167	115	52	126
2015	237	23	17	45	42	30	174	129	51	160
2016	189	34	22	36	52	39	105	114	76	174

(Source: Annual report and Accounts of DMBs from 1997-2016)

Table 4.2.5 Bank Size

BANK SIZE										
YEAR	ACCESS	DIAMOND	FBN	FCMB	FIDELITY	GTB	STERLING	UBA	ZENITH	ECOBANK
1997	89576309	4367887	4199110	43631658	58719810	1565187	13510658	75847752	64667401	4743412
1998	59179095	5515086	1724220	4666058	49825517	10533680	2499681	79065123	85723090	6792614
1999	44247431	7494855	3156335	1716190	889632	1137058	50172162	98518061	1.07E+08	5973770
2000	40341963	13360358	3973770	1500400	2955400	4603911	34199119	1.73E+08	1.39E+08	6466871
2001	26999914	27881451	1646680	1629003	3579300	4500920	2171192	1.83E+08	1.81E+08	4015400
2002	23445129	84643020	4150005	3906320	829162	5137070	4577212	2.22E+08	2.08E+08	1146000
2003	22582040		10225677	5678422	13445004	678955	799122	10544500	3148600	8137252

2004	31341507	69114931	14556891	6449071	23007800	708955	883716	11910016	3966420	10272290
2005	66918315	124994957	20145789	7899000	28767100	735047	1060554	13399870	4100577	12370223
2006	174553866	218866192	25667544	8766900	34118953	1403487	1401588	16875084	5570611	12584136
2007	328615194	312249721	31638842	10919795	43183042	47416277	1895134	18908215	3953348	11900566
2008	674865041	603326540	36862557	15242343	32229181	44878733	2160210	21252320	5030844	15400788
2009	647574719	602041711	31524701	16162445	46570094	53380868	2177772	29159552	6681553	29700500
2010	726960580	542098489	34199119	25527658	50172162	93679844	2499681	47251802	8202734	44669911
2011	949382097	714063960	38871371	32983844	78304741	92764986	2927005	80347062	9634650	46726932
2012	1515754463	1059137257	38611514	47930278	93447892	105354528	3117467	76945793	9834229	49514245
2013	1704094012	1354930871	46039111	55437478	112359185	162368077	3267313	88963218	9347922	47162040
2014	1981955730	4561280	46061717	63830439	117822830	187655442	3747004	1.08E+08	7478808	48789155
2015	2411944061	7681658	1402035	1100230	1333357	36356	32865000	2488560	8973770	7449302
2016	56612891	38871324	1,275,681	1,492,938	1667234	884,587	3,712,462	189,799	7,019,909	86554321

(Source: Annual report and Accounts of DMBs from 1997-2016)

Dividend Payout Ratio (DPR)

This measures the percentage of net income that is distributed to shareholders in the form of dividends during the year. In other words, this ratio shows the portion of profits the company decides to keep funding operations and the portion of profits that is given to shareholders. Investors are particularly interested in the dividend payout ratio because they want to know if the company or companies are paying out a reasonable portion of net income to investors. Investors can see that these dividend rates can't be sustained very long because the company will eventually need money for its operations. Dividend payout ratio/payout ratio is calculated as;

DPR= $\frac{DividendPerShare}{EarningsPerShare}$ X $\mathbf{100}$

Obviously, this calculation requires a little more work because you must figure out the earnings per share as well as divide the dividends by each outstanding share Since investors want to see a steady stream of sustainable dividends from a company, the dividend payout ratio analysis is important.

Earnings per Share

Earnings per share also called net income per share, is a market prospect ratiothat measures the amount of net income earned per share of stock outstanding. In other words, this is the amount of money each share of stock would receive if all of the profits were distributed to the outstanding shares at the end of the year. Earnings per share are also a calculation that shows how profitable a company is on a shareholder basis

Return on Equity (ROE)

Return of equity is the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much

profit a company generates with the money shareholders have invested. ROE is expressed as a percentage and calculated as;

$$ROE = \frac{NetIncome}{ShareholdersEquity}$$

Where; Net income = Profit after Interest and Tax.

Dividend Cover

Dividend Coverage Ratio indicates the capacity of an organization to pay dividends out of profit attributable to the shareholders

$$(Dc) = \frac{\text{Profit after tax- Irredeemable preference shares}}{\text{Dividend paid to ordinary shareholder}}$$

Dividend Yield

Dividend yield is the financial ratio that measures the quantum of cash dividends paid out to shareholders relative to the market value per share. It is computed by dividing the dividend per share by the market price per share and multiplying the result by 100. The formula for calculating dividend yield may be represented as follows:

$$\text{Dividend Yield (DY)} = \frac{\text{Annual Dividend Per share}}{\text{Stock Price per share}}$$

4.3 Analysis of Results and Findings

As stated in the research methodology the techniques for data analysis would be multiple regression framework. The multiple regression analysis was used because it enabled the author to test each of the independent variable on the dependent variable. The author used the GRETL statistical software.

Model 1 Specification:

$ROE = \propto_0 + \propto_1 BS$ --1

The result obtained is presented below:

Model 1: multiple regression, using observations 1997-2016 (T = 20)

Dependent variable: ROE

	Coefficient	*Std. Error*	*t-ratio*	*p-value*	
Const	2.11119e+06	2.83883e+06	0.7437	0.47834	
BS	0.148253	0.0278766	5.3182	0.00071	***

Mean dependent var	15867256	S.D. dependent var	7427356
Sum squared resid	1.09e+14	S.E. of regression	3699164
R-squared	0.779511	Adjusted R-squared	0.751950
F(1, 8)	28.28306	P-value(F)	0.000713
Log-likelihood	-164.3098	Akaike criterion	332.6197
Schwarz criterion	333.2249	Hannan-Quinn	331.9558
Rho	-0.106355	Durbin-Watson	2.104860

From the above result we find that Bank Size (BS) has a positive effect on Return on Equity (ROE) for the selected 10 banks such that a unit change in BS will lead to 0.148253 increases in ROE.

Model 2 Specification:

$ROE = \alpha_0 + \alpha_1 DPR$ ---2

The result obtained is presented below:

Model 2: multiple regression, using observations 1997-2016 (T = 20)

Dependent variable: ROE

	Coefficient	*Std. Error*	*t-ratio*	*p-value*	
Const	845767	3.80427e+06	0.2223	0.82964	
DPR	3.17569	0.749248	4.2385	0.00284	***

Mean dependent var	15867256	S.D. dependent var	7427356
Sum squared resid	1.53e+14	S.E. of regression	4372822
R-squared	0.691892	Adjusted R-squared	0.653379
F(1, 8)	17.96494	P-value(F)	0.002843
Log-likelihood	-165.9829	Akaike criterion	335.9657
Schwarz criterion	336.5709	Hannan-Quinn	335.3018
Rho	-0.184015	Durbin-Watson	2.360319

From the above result we find that Dividend Payout Ratio (DPR) has a positive effect on Return on Equity (ROE) for the selected 10 banks such that a unit change in DPR will lead to 3.17569 increase in ROE.

Model 3 Specification:

$ROE = \alpha_0 + \alpha_1 EPS$ ---3

The result obtained is presented below:

Model 3: OLS, using observations 1997-2016 (T = 20)

Dependent variable: ROE

	Coefficient	*Std. Error*	*t-ratio*	*p-value*	
Const	3.15292e+06	2.67697e+06	1.1778	0.27273	
EPS	0.135266	0.0255885	5.2862	0.00074	***

Mean dependent var	15867256	S.D. dependent var	7427356
Sum squared resid	1.11e+14	S.E. of regression	3716562
R-squared	0.777432	Adjusted R-squared	0.749612
F(1, 8)	27.94414	P-value(F)	0.000741
Log-likelihood	-164.3568	Akaike criterion	332.7135
Schwarz criterion	333.3187	Hannan-Quinn	332.0497
Rho	0.038475	Durbin-Watson	1.760684

From the above result we find that Earnings PerShare (EPS)has a positive effect on Return on Equity (ROE) such that a unit change in EPS will lead to 0.135266 increase inROE.

Model 4 Specification:

$ROE=\propto_0+\propto_1 DC$ ---4

The result obtained is presented below:

Model 4: multiple regression, using observations 1997-2016 (T = 20)

Dependent variable: ROE

	Coefficient	*Std. Error*	*t-ratio*	*p-value*

Const	4.08354e+06	3.89251e+06	1.0491	0.32480	
DC	2.16366	650.409	3.3266	0.01044	**

Mean dependent var	15867256	S.D. dependent var	7427356
Sum squared resid	2.08e+14	S.E. of regression	5102955
R-squared	0.580413	Adjusted R-squared	0.527964
F(1, 8)	11.06635	P-value(F)	0.010437
Log-likelihood	-167.5270	Akaike criterion	339.0539
Schwarz criterion	339.6591	Hannan-Quinn	338.3901
Rho	0.047632	Durbin-Watson	1.791417

From the above result we find that Dividend Cover (DC) has a positive effect on Return on Equity (ROE) such that a unit change in DC will lead to 2163.66 increase in ROE.

Model 5 Specification:

$ROE = \propto_0 + \propto_1 DY$ --5

The result obtained is presented below:

Model 5: multiple regression, using observations 1997-2016 (T = 20)

Dependent variable: ROE

	Coefficient	*Std. Error*	*t-ratio*	*p-value*	
Const	1.56085e+07	2.73967e+06	5.6972	0.00046	***
DY	0.159389	0.712545	0.2237	0.82861	

Mean dependent var	15867256	S.D. dependent var	7427356
Sum squared resid	4.93e+14	S.E. of regression	7853379
R-squared	0.006216	Adjusted R-squared	-0.118007
F(1, 8)	0.050037	P-value(F)	0.828605
Log-likelihood	-171.8382	Akaike criterion	347.6764
Schwarz criterion	348.2816	Hannan-Quinn	347.0126
Rho	0.571499	Durbin-Watson	2.697717

From the above result we find that Dividend Yield (DY) has a positive effect on Return on Equity (ROE) such that a unit change in DY will lead to 0.159389 increases in ROE.

4.4 Test of Hypotheses

We present a summary of the results of model 1 – 5 below

Table 4.4: Extract of results

INDEPENDENT VARIABLES	COEFFICIENTS AND P-VALUES
Bank Size (Bank Size)	Coefficient: (0.148253) P-Value: (0.00071***)
Dividend Payout Ratio (DPR)	Coefficient: (3.17569) P-Value: (0.00284***)
Earnings per Share (EPS)	Coefficient: (0.135266) P-Value: (0.00074***)
Dividend Cover (DC)	Coefficient: (2.16366) P-Value: (0.01044**)
Dividend Yield (DY)	Coefficient: (0.159389)

	P-Value: (0.00046***)

Source: Data Extracted from regression output

****** Significance at a level of 1%***

***** Significance at a level of 5%***

Set value: 0.05

Five hypothesis formulated in the chapter one of this study are tested below using the results obtained from the regression analysis. The hypothesis will be tested using the decision rule as stated below:

Decision Rule: Reject null hypothesis (H0) if p-value is less than 0.05 (5%) and if not, do not reject the null hypothesis.

4.4.1 Test of Hypothesis one

H_{01}: There is no significant relationship between Bank size and Return on Equity of Deposit Money Bank in Nigeria.

From table 4.4 the P-value of Bank sizeis 0.00071 which is less than the set value. Thus, the rejection of the null hypothesis (H0) which states that there is no significant relationship between Bank size and Return on Equity of Deposit Money Bank in Nigeria. The alternate hypothesis (H1) is therefore accepted which states that there is significant relationship between Bank size and Return on Equity of Deposit Money Bank in Nigeria.

4.4.2 Test of Hypothesis two

H_{02}: There is no significant relationship between Dividend pay-out ratio and Return of Equity of Deposit Money Bank in Nigeria.

From table 4.4 the P-value of Dividend pay-out ratiois 0.00284, this is less than the set value of 0.05, and this shows that Dividend pay-out ratiois significant. Therefore, we reject the null hypothesis (H_0) which states that there is no significant relationship between Dividend pay-out ratio and Return of Equity of Deposit Money Bank in Nigeriaand accept the alternate (H_1) which states that there is significant relationship between Dividend pay-out ratio and Return of Equity of Deposit Money Bank in Nigeria.

4.4.3 Test of Hypothesis three

H_{03}: Earning per share has no significant effect on Return on Equity of Deposit Money Bank in Nigeria.

The P-value of Earning per share from the table 4.4 is 0.00074; this is less than the set value of 0.05, which indicates a significant relationship between Earning per share and Return on Equity. Therefore, we reject the null hypothesis (H_0) which states that Earning per share has no significant effect on Return on Equity of Deposit Money Bank in Nigeria and accept the alternate (H_1). The alternate hypothesis states that Earning per share has significant effect on Return on Equity of Deposit Money Bank in Nigeria.

4.4.4 Test of Hypothesis four

H_{04}: There is no significant relationship between Dividend Cover and Return on Equity in Deposit Money Bank in Nigeria.

From the table 4.4, the P-value of Employed Salary and Emolumentsis 0.01044, this shows a significant relationship between Dividend Cover and Return on Equity because this is less

than the set value of 0.05. This therefore leads to the rejection of the null hypothesis (H_0) which states that there is no significant relationship between Dividend Cover and Return on Equity in Deposit Money Bank in Nigeria and the acceptance of the alternate hypothesis (H_1) which states that there is significant relationship between Dividend Cover and Return on Equity in Deposit Money Bank in Nigeria.

4.4.5 Test of Hypothesis five

H_{05}: There is no significant relationship between Dividend yield and Return on Equity of Deposit Money Bank in Nigeria.

From the table 4.4, the P-value of Retirement and Employees Obligationsis 0.00046, this shows a significant relationship between Dividend yield and Return on Equity because this is less than the set value of 0.05. This therefore leads to the rejection of the null hypothesis (H_0) which states that there is no significant relationship between Dividend yield and Return on Equity of Deposit Money Bank in Nigeria and the acceptance of the alternate hypothesis (H_1) which states that there is significant relationship between Dividend yield and Return on Equity of Deposit Money Bank in Nigeria

4.5 Discussion of Findings

The findings of this study are hereby discussed and supported with relevant literatures thus;

4.5.1 Bank Size and Return on Equity

The P-value of Bank Size is 0.00071 which is less than the set value of 0.05, which indicates that the extent to which Bank Size affects Return on Equity is significant ($r = .7795$, $P = 0.00071 < 0.05$. The implication of the above is that the 77.95% variation in ROE is explained by Bank size while the remaining 22.1% is explained by other variables not included in this study. The t ratio values on the other hand show 5.318. It implies that

Bank Size has a positive trend with Return on Equity. One percent (1%) movement in Return on Equity is accounted for by coefficient value of (β= 0.148253).The adjusted r-squared value is 0.7519 depicts that bank size is a major determining factor of ROE. A Durbin Watson value of 2.104 shows that the model auto-fit. This findings is in line with the finding of Enekwe, Nweze and Agu (2015), Abdelwahed (2014), Al-Hasan, Asaduzzaman and Karim (2013).

4.5.2 Dividend Payout Ratio and Return on Equity

The P-value of Dividend Payout Ratio is 0.00284 which is less than the set value of 0.05, which indicates that the extent to which Dividend Payout Ratio affects Return on Equity is significant (r = .691892, P = 0.00284< 0.05. also, The implication of the above r value of 0.691892is that the 69.1% variation in ROE is explained by DPR while the remaining 30.9% is explained by other variables not included in this studyThe t ratio value on the other hand shows4.2385. It implies that Dividend Payout Ratio has a positive relationship with Return on Equity. One percent (1%) movement in Return on Equity is accounted by coefficient value of (β= 3.17569).The adjusted r-squared value is 0.763 depictsthat DPR is a major determinant of ROE in the selected DMBs and also shows a near goodness of fit relationship between Dividend Payout Ratio and Return on Equity. A Durbin Watson value of 2.3603 shows that the model auto-fit. This is in line with the finding of Abdelwahed (2014), Ouma (2012) and Mehta (2012). On a contrary basis, Enekwe, Nweze and Agu (2015) discovered that there is a negative relationship between dividend payout ratio and return on equity

4.5.3 Earnings per Share and Return on Equity

The P-value of Earnings per share is 0.00074 which is less than the set value of 0.05, which indicates that the extent to which Earnings per shares affects Return on Equity is significant (r = .777432, P = 0.09974< 0.05. The implication of the above r value of 0.77743 is that the 77.7% variation in ROE is explained by EPS while the remaining 22.3% is explained by other variables not included in this study.tratio value on the other hand shows5.2862. It implies that Earnings per share has a positive trend with Return on Equity. One percent (1%) movement in Return on Equity is accounted by a coefficient value of (β= 0.135266).The adjusted r- squared value is 0.763 depicts that DPR is a major determinant of ROE in the selected DMBs and also establishes a near goodness of fit relationship between Earnings per shares and Return on Equity. A Durbin Watson value of1.76068 shows that the model auto-fit. This is in line with the finding of Abdul and Muhibudeen (2015), Al-Hasan et al, Ijaiya (2013), Mehta, A (2012)e.t.c

4.5.4 Dividend Cover and Return on Equity

The P-value of Dividend Cover is 0.023 which is less than the set value of 0.05, which indicates that the extent to which Dividend Cover affects Return on Equity is significant (r = .580413, P = 0.01044< 0.05. The implication of the above r value of 0.5804 is that the 77.7% variation in ROE is explained by Dividend Cover while the remaining 41.2% is explained by other variables not included in this study. The t-ratio value on the other hand shows 3.3266. It implies that Dividend Cover has a positive trend with Return on Equity. One percent (1%) movement in Return on Equity is accounted by standardized coefficient of (β= 2.16366).The adjusted r- squared value is 0.527964 depicts that DC is a major determinant of ROE in the selected DMBsand also establishesa near goodness of fit relationship between Dividend Cover and Return on Equity. A Durbin Watson value of

1.791417 shows that the model auto-fit. This is in line with the finding of Onanjiri (2014), Ouma (2012), and Uwuigbe (2012)

4.5.5 Dividend Yield and Return on Equity

The P-value of Dividend Yield is 0.023 which is less than the set value of 0.05, which indicates that the extent to which Dividend Yield affects Return on Equity is significant (r = .759, P = 0.023 < 0.05. The implication of the above r value of 0.5804 is that the 75.9% variation in ROE is explained by Dividend Yield while the remaining 24.1% is explained by other variables not included in this study. The t statistics values on the other hand show 5.3182. It implies that Dividend Yield has a positive trend with Return on Equity. One percent (1%) movement in Return on Equity is accounted by standardized coefficient of (β= 0.775).The r squared value is 0.763 depicts that DY is a major determinant of ROE in the selected DMBsand also establishesa near goodness of fit relationship between Dividend Yield and Return on Equity. A Durbin Watson value of 2.6977 shows that the model auto-fit. This is in line with the finding of Abdul and Muhibudeen (2015), Adediran and Alade (2013)

4.6 Summary

This chapter covers the presentation of data, its analysis and interpretation of the data obtained from 20 publicly quoted Deposit Money Banks in Nigeria covering a-20 year period in the publication of their annual report. The analysis was carried out using the aggregate indices as computed by the researcher using Microsoft excel 2010 edition simple regression model to test the hypothesis formulated in the study. Consequently, a computer-based software (GRETL) was used to run the regression analysis. Each of the stated hypotheses was tested using results from this analysis.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.2 Summary of Findings

The following are the findings from the study;

Firstly, result shows that there is a significant relationship between Bank Size and Return on Equity (r = 7795, P = 0.00071< 0.05)

Secondly, it was discovered that there is a significant relationship between Dividend payout ratio and Return on Equity (r = .691892, P = 0.00284< 0.05)

Thirdly, result shows that there is a significant relationship between Earnings per share and Return on Equity (r = .777432, P = 0.00074< 0.05)

Also, it was seen from the analysis that there is a significant relationship between Dividend cover and Return on Equity (r = .580413, P = 0.01044 < 0.05)

Lastly, there is a significant relationship between Dividend Yield and Return on Equity r = 0.006217, P = 0.00046<0.05

5.3 Conclusion

Against the backdrop of improving firm value and therefore shareholders' wealth, the main purpose of this research has been to examine and analyze dividend payout policies of banks. This was to establish whether dividend policies have an effect on the bank performance and shareholders' wealth. The findings of this study reveal that there is a significant positive relationship between Bank size, Dividend payout, Earnings per share, Dividend yield, Dividend cover and Return on Equity on an individual and collective basis. The study concluded that dividend payout policies of banks in Nigeria are complex and vary in line with the unique internal environment of each bank. Consequently, a high dividend payout policy means more current dividends and less retained earnings, which

may consequently result in slower growth and perhaps lower market price per share. Low payout policy means less current dividends, more retained earnings and higher capital gains. Therefore, it is plausible that that some investors will prefer high-payout companies while others may prefer low-payout companies. Accordingly, it is recommended that Deposit Money Banks in the country should improve on their performance indicators, particularly as it relates to shareholders' perspective such as bank size, Dividend payout ratio, Earnings per share, Dividend Cover, Dividend Yield and Return on Equity (ROE) as they are of importance in the valuation of financial performance of the financial industry in Nigeria. Accordingly, it is recommended that Deposit Money Banks in the country should improve on their performance indicators, particularly as it relates to shareholders' perspective such as bank size, Dividend payout ratio, Earnings per share, Dividend Cover, Dividend Yield and Return on Equity (ROE) as they are of importance in the valuation of financial performance of the financial industry in Nigeria

5.3 Recommendations

The study recommends that:

i) Deposit Money Banks in the country should improve on their performance indicators, particularly as it relates to shareholders' perspective such as bank size, Dividend payout ratio, Earnings per share, Dividend Cover, Dividend Yield and Return on Equity (ROE) as they are of importance in the valuation of financial performance of the financial industry in Nigeria.

ii) Again, banks should adopt optimal dividend policy that would better the lots of shareholders both in the short-run and long-run should be adopted.

iii) Banks should devote adequate time in designing a dividend policy that will enhance firm's performance and shareholder value. Again, the company should

review its dividend policy in order to reduce agency cost and maximize the value of the company.

iv) It is essential for those entrusted with the affairs of the banks in the country to allocate adequate time and other resources in the design and implementation of a robust dividend policy. Undoubtedly, this measure would help not only to motivate investors, but would serve as a monitoring and control mechanism in the system, enhance firm performance and by extension improved on shareholders wealth maximization

v) Management should adopted good dividend payout policies as it will attract investors. Thus increases the value of financial performance of quoted cement companies in Nigeria

vi) Banks should effectively appropriate fund available to them and manage it in such away that more profit can be generate which will in turn lead to increase in the shareholders' dividend. Secondly, adequate monitoring and supervision should be embarked upon by the firm to ensure prudency and proper accountability

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