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**THE IMPACT OF DIVIDEND POLICY ON SHAREHOLDERS
WEALTH IN NIGERIA**

Bachelors Thesis

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I declare I have written the bachelor's thesis independently.

All works and major viewpoints of other authors, data from other sources of literature and elsewhere used for writing this paper have been referenced.

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TABLE OF CONTENTS

ABSTRACT.....	4
INTRODUCTION.....	5
1. LITERATURE REVIEW.....	8
1.1. The Dividends.....	8
1.2. The Dividend Policy and Type.....	10
1.3. Factors Affecting Dividend Policy.....	11
2. THE DIVIDEND THEORIES REVIEW.....	14
2.1. The Walter's Model.....	14
2.2. The Gordon's Model.....	16
2.3. The Miller-Modigliani Model.....	18
2.4. The Market Imperfections.....	21
3. EMPIRICAL RESULTS AND ANALYSIS.....	26
3.1. Data collection procedure.....	26
3.2. Analysis for Years (Longitudinal).....	27
3.3. Analysis for Individual Firm (Latitudinal).....	32
CONCLUSIONS.....	42
REFERENCES.....	44
APPENDICES.....	46
Appendix 1. Summary of Regression Coefficient for Years (Longitudinal).....	46
Appendix 2. Summary of Regression Coefficient for Firms (Latitudinal).....	46
Appendix 3. Summary of Test of Hypothesis.....	47

ABSTRACT

A crucial objective of the financial manager is to find out an optimal dividend policy that will enhance value of the shareholders. It is therefore, pertinent to establish whether relationship exist between dividend policy and shareholder's wealth. This thesis aim to analyze the various concepts and construct that relates to dividend policy and shareholder's wealth. Furthermore, various theories that are postulated by authors will be reviewed. The study makes a significant contribution toward the relationship between dividend policy and shareholders wealth creation. It is very important for organizations to formulate a dividend policy which enhances the value of the business.

The study will make use of secondary data which be collected from firms listed on the Nigeria Stock Exchange. The data will be generated from annual reports and accounts of ten (10) randomly selected firms quoted on the Nigeria Stock Exchange. It will span over a five (5) years period, covering the period 2011 to 2015. Regression analysis will use to analyze and establish the relationship between dividend payout and firm performance.

KEYWORDS: Annual Reports, Capital Gains, Dividend, Dividend Theories, Dividend Payment, Dividend Decision, Dependent Variable, Shareholders, Shareholders wealth.

INTRODUCTION

The corporate dividend policy has been debated in the academic arena in terms of its role in firm's value creation. There have been various analytical frameworks, intensive theoretical modelling and empirical analysis of the dividend policies and their impact on firm value. Corporate and finance managers acknowledged the significance of dividend payments in fulfilling shareholders' expectations. They often smoothed dividends over time with the hope that, dividend reductions may have unfavourable impact on share price and therefore make use of dividends as a device to signal information to the market. In addition, dividend policy is accepted to affect share price. However, the effect of firm's dividend policy on shareholders' wealth is still largely unresolved.

Several studies have been done regarding dividend policy and shareholder's wealth, especially in developed economies. The significant attempt to explain dividend policy of firms has been credited to Gordon and Lintner (1956) who conducted this research on American company in 1950s. Ever since that time, there has been a continuous debate on dividend policy in the developed market that always resulting in mixed, controversial and comprehensive outcomes. This issue did not get any genuine attention among scholastic researchers in Nigeria until 1974. Uzoaga and Alozieuwa (1998) attempted to highlight the pattern of dividend policy pursued by Nigerian companies, especially amid the time of indigenization and participation program defined in the first indigenization Decree of 1973. Their research covered fifty-two (52) companies' years of dividend action and thirteen (13) companies for four (4) years. Their findings reported that, it was very minimum evidences to support the long-established influences that determine dividend policies in Nigeria amid this time. They reasoned that, fear and resentment seem to have taken over from the established forces. However, they concluded that the problem emerging from dividend policy can be attributed to the share pricing policy (SPP) of the capital issue commission (CIC), which appear to have disregarded the established variables that ought to have represented the pricing of value share issues (Uzoaga, 1998)

It is pertinent to study the relationship between dividend policy and shareholders' wealth with special regard to Nigeria. It is a form of addition to knowledge as much of the studies carried out about dividend policy and shareholders' wealth was done in developed economy where the standard of living is high. In a developing economy, such as Nigeria, people see dividend as a regular source of income and therefore, expect companies to pay dividend on

a regular basis. A company that pays dividend regularly is perceived as being effective. This is in conformity with the “Bird in the Hand” theory which states that investors prefer dividend from their stock to potential capital gains because of the inherent uncertainty of capital gains. Some firms in Nigeria even go extra miles to pay dividends at all cost, regardless of the level of profit recorded.

This study empirically examines the possible effect a firm’s dividend policy has on shareholders’ wealth with special regard to Nigeria. The study became imperative considering that dividend policy remains one of the most debated and unresolved issue in corporate finance. The specific objectives are to:

- (i) Determine the relationship between dividend payout and shareholders’ wealth
- (ii) Identify whether the theory of divided policy is relevant in Nigeria
- (iii) Assess the relationship between dividend payout and firms’ performance

The study will provide answer to the following questions:

- (i) Is there any existing relationship between dividend payout and shareholders’ wealth in Nigeria?
- (ii) Is there any relationship between dividend payout and firms’ performance in Nigeria?
- (iii) Is the theory of dividend policy applicable to Nigeria?

The methodology to be use for this thesis is ex-post facto design as the study will be tested an event that has already taken place. The study will also make use of secondary data which be collected from firms listed on the Nigeria Stock Exchange. The data will be generated from annual reports and accounts of ten (10) randomly selected firms quoted on the Nigeria Stock Exchange. It will span over a five (5) years period, covering the period 2011 to 2015. Regression analysis will use to analyze and establish the relationship between dividend payout and firm performance. The scope will be limited to those companies that have data that are relevant to the study for five years. Therefore, only those companies that have been paying dividend consecutively for the past five years will be considered for the study. The research is limited to just five accounting periods.

The chapters are outlined and organized as follows: Chapter one – Literature review: This chapter explains the general overview of this study. It will consist of the dividends, the dividend policy and types, and factors affecting dividend policy.

Chapter two - Theoretical Review: The theoretical review will give detailed description of the area of the study (domain) and a review of related publications by researchers pertaining to the work of study. It will consist of the Walter's model theory, the Gordon's model, the Miller-Modigliani model, and the market imperfections.

Chapter three - Empirical results and analysis: This chapter will analyze data collected and accessed from the annual reports of selected companies and their Market Price of Shares (MPS) on the Nigerian stock exchange. It will consist of data collection procedure, analysis for years (Longitudinal), analysis for individual firm (Latitudinal), and test of hypothesis

Conclusion: This chapter will consist of the study summary, and conclusion. Appendix, references are also appended.

1. LITERATURE BACKGROUND

1.1. The Dividends

According to Pamela Peterson Drake, the term dividend means a reward or an individual share of something that is distributed. In finance, dividend refers to the distribution of earnings to the shareholders. The profits generated by a firm are invested further either in the existing business or in new investment opportunities to generate growth and hence, create value for the business. For many investors, an important consideration is whether a company pays dividends and the size of those dividends. The term dividend is used because the company's profits are being divided up amongst its shareholders. Dividend amounts are usually expressed in cents per share and are paid out on a per share basis, so the more shares shareholders own, the more dividends they will receive (Horne Van, 2001).

Modigliani stated that in assessing the merits of a company's dividend, investors calculate the dividend yield and this shows how much a company pays out in dividends each year relative to its share price (Modigliani, 1961). Using the dividend yield, investors can compare the historical income return being paid by different companies. Dividends can be paid quarterly (every three months), semi-annually (every six months) or annually (every twelve months). The residual profit of the firm after meeting every one of its commitments and speculations is then disseminated to the shareholders of the firm in the form of dividends. It should be noted that the dividends paid are only a portion of the firm's net profits. The dividend payout structure of a firm is decided by the board of directors appointed by its shareholders in the annual general meeting. Dividend payment policy aims at meeting the expectations of the existing investors as well as the potential ones (Arnott, 2003).

Dividends decisions are not standardized. They differ from company to company, industry to industry and from year to year (Monogbe Tunde G, 2015). The author agreed with (Monogbe Tunde G, 2015) because dividend decision is taken by the firm's board of directors, and is based on the current financial performance and future activities of the firm. The board normally holds quarterly or semi-annual dividend meetings. When generated profits are not adequate, firms may abstain from paying any dividends.

It would be very hard for a firm to dependably discover new investment opportunities for the surpluses and retained funds generated by its operations. In most cases a successful and profitable company will find that it needs to pay a dividend since this is the best option for shareholders (Troughton, 2012). Usually on a quarterly basis, each firm's board of directors determines what size and type of dividend should be distributed if any. In Nigeria, no public firm is required to pay a dividend, regardless of its past dividend history, or even if it has already announced its next payout amount and payment date (The Nigeria Companies and Allied Matters Act, 1990). Most firms in good financial standing are dedicated to maintaining and often increasing their dividend payouts, however, so they are reluctant to reduce or stop paying dividends unless necessary. Dividends are normally paid on a regular schedule and people need to be aware of four essential dates:

- **Date of Declaration:** The date on which the board of directors announces to shareholders and the market as a whole that the firm intends to pay a dividend. On this day, the firm provides three more dates that pertain to the payout (Baker, 2015).
- **Ex-dividend date:** This is the single most important date in the dividend investing world. On or after the ex-dividend date, a stock no longer comes attached with the right to be paid the most recently declared dividend. In other words, shareholders must purchase a stock before its ex-dividend date to receive its next scheduled dividend payout (Baker, 2015).
- **Date of record:** Record date is the date on which the firm looks at its records to see who the shareholders of the firm are. In almost all cases, the record date falls two to three business days after the ex-dividend date (Baker, 2015).
- **Payment date:** This is the day when the dividend checks will be mailed to the shareholders of a firm or credited to brokerage accounts. This date may be several weeks after the date of record so that the firm can accurately confirm the payout to the shareholders of record (Baker, 2015).

1.2. The Dividend Policy and Type

Before Nigeria gained her independence in 1960, there were very little dealings in shares in Nigeria and along these lines dividend policy and share prices were detached in the general economy, in light of the fact that an institution like the Stock Exchange which functions as an avenue for fund mobilization and growth of local capital formations were inadequate. The ramification of this was that Nigerian who had surplus liquidity had no neighbourhood speculation outlet to channel such and therefore, there were huge outflow of funds for interest in the British market (Uzoaga, 1998). However, with the foundation of the Lagos Stock Exchange who acted as a limited liability company under section 21 of the stock exchange was thus set for activities in securities. The first offer of share was made in Nigeria to the public in February 1969 when the conventional shares of the Nigerian Cement Company Limited were offered to the public. Since firm's shares were offered to the public and varied investors have divergent views for subscription, its along these lines that a deliberate policy must be pursued to guide against dividend in order to promote the company's growth and market value (Uzoaga, 1998).

Dividend policy is a statement guiding the payment or appropriation of profit between the firm and the residual owners. It is a statement clarifying the proportion of profit that should be paid out as dividend to shareholders taking cognizance of the organization environment and the expectations of the shareholders. It is a statement that compromises the two extreme of zero percent dividend (retain all) and hundred percent dividend (pay-out all) (Baker Kent.H, 1999). Dividend policy assists management in decision making as regards to what to do with profit earned during a financial period. According to Modigliani, the dividend policy of a firm determines the magnitude of the earnings distributed to shareholders. The net operating profit or profit after tax (PAT) has to be intelligently apportioned between dividend payments and investment (Modigliani, 1961). It also determines the amount of dividend payment to be made to the shareholders, the date of payment of dividends and the effect of the dividend policy on the value of the firm.

The several types of dividend policies are discussed as follows;

- **Constant Pay-out Dividend Policy:** This is a policy of paying constant percentage of earnings as dividend. A company could have a policy of paying out 20% of its earnings as dividend. With this policy, dividends fluctuate with earnings. This kind of policy will not favour an investor who is seeking a level of dividends as a steady

source of income. Thus, most firms do not follow such policy (Corporate Finance, 2008).

- **Regular Dividend Policy:** This is the most common dividend policy and it involves paying a regular steady dividend. With this policy, once a company begins with a particular level of dividend, shareholders can be sure that it will not reduce and will be sustainable in the future. The dividend may grow at a steady rate. Management should avoid cutting dividend. Once the dividend goes up, the firm will make efforts to ensure that it does not go down. However, if earnings drop below the estimated dividend sustainable level consistently, the firm might eventually consider a cut in dividends (Da Silva, 2004).
- **Multiple Increase Dividend Policy:** This is a policy whereby a firm announces frequent but small dividend increase just to give an impression of growth and movement. A firm that follows this policy believes that the stock market will consistently respond to dividend increase.
- **Regular plus Extra Dividend Policy:** This is a policy whereby a firm pays extra dividends. The firm will divide its announced dividend into two portions- a regular dividend and an extra dividend. The regular dividend will continue to be paid at the announced level and the extra dividend will be made as circumstance will permit (Baker, 2015). The extra dividend is considered to have a signalling effect.
- **The Residual Dividend Policy:** This is a dividend policy whereby the company chose to rely on internally generated equity to finance any new capital projects. Dividend payment will only come as residual after all capital projects have been met. The residual dividend model requires the company to attempt to maintain a target capital structure before making any dividend contributions (Troughton, 2012)

1.3. Factors Affecting Dividend Policy

There are certain factors that influenced dividend policy of a firm. Some factors affect the amount of dividend and some factors affect types of dividend. Below author listed and discussed about the major factors affecting dividend policy of a firm.

- **Availability of profitable investment opportunities:** Availability of profitable investment opportunities enhances the investments made by a firm. This may constrain the firm's dividend pay-out as a substantial portion of earnings is invested in growth avenues (Troughton, 2012).
- **Uncertainty of future income:** When future earnings are unpredictable and uncertain, a firm may adopt a stringent dividend policy. Uncertainty in the firm's future earnings may compel investors to switch to an alternative investment, which gives them regular earnings. Stable earnings in equity investment imply that the shareholders receive continuous and certain dividends periodically (Baker Kent.H, 1999).
- **Legal constraints:** The act guidelines and the broad legal framework of the country lay down guidelines that protect the interest of the investors and restrict firms from adopting fraudulent practices to misguide investors. According to The Nigeria Companies and Allied Matters Act, dividends are to be paid only out of the surplus (profits) generated by the firm after adjustments of various expenses and debt obligations and after making adequate provisions. If the firm becomes bankrupt due to overdue liabilities, it is restricted from paying any dividends to its shareholders. Such rules affect the firm's dividend policy (Baker Kent.H, 1999).
- **Lack of access to financing:** In times of need, if the firm does not have access to adequate fund sources, it is forced to restrain its disbursements, including dividend pay-outs. However, high earnings generated by a firm may undermine the effect of inaccessibility to funding sources. Given a firm's available internal funds, the smaller the size of the firm's profitable investments, the larger is the dividend level (Baker, 2015).
- **Maintenance of a target dividend:** When firms set a standardized dividend rate, they stick to it under all conditions. Once the standard dividend rate is established

by a firm, it must pay the dividends promised. The firm pays dividends even if its earnings are to be used for investments plans.

- **The tax position of the shareholders:** The tax position of different shareholders generates different dividend expectations. Investors falling under the high tax bracket prefer future dividends or capital gain while those who come under the normal or low tax bracket prefer current income in the form of dividend receipts. The higher the marginal tax rate of the individual shareholder, the greater is the benefit from dividend deferral through corporate reinvestment and a lower dividend level (The Nigeria Companies and Allied Matters Act, 1990).
- **Inflation:** The rate of inflation decreases the real value of dividend receipts. It affects the depreciation rate as well as the replacement and acquisition costs of assets. The real net income of the firm is low during the periods of high inflation rate. In such a scenario, the dividend pay-out ratio will also decrease.
- **The financial requirements of the firm:** The financial requirements of a firm affect the dividend payments when dividend is considered to be a residual function. When the financial requirements of the firm are high, low dividend payments or zero dividends are paid to the shareholders. In such a case, the firm has to rely on external borrowings. If the financial requirements are low, then dividends are paid to the shareholders (Pamela Peterson Drake, 2010)
- **Borrowing capacity:** Firms that have borrowing capacity borrow funds to finance their dividend pay-outs. Easy access to the required amount of funds is desirable for such firms. If the firm has the capacity to borrow funds within a short period of time, at the minimum cost and in the desirable amount, it may go ahead with its dividend payment plans. Cash dividends paid from borrowed funds (leverage) will tend to transfer wealth from bond holders to shareholders (Uzoaga, 1998).
- **Restrictions imposed by creditors:** Sometimes, creditors impose certain limitations on the firm in the loan agreement to safeguard their interests. These limitations are related to the payment of cash dividends for a certain range of earnings. Usually, creditors restrict dividend payment to a specified amount. Such protective covenants give creditors the security of getting their principal plus interest back in time (Uzoaga, 1998).

2. THE DIVIDEND THEORIES REVIEW

There are basically two broad groups of corporate dividend theories; the dividend relevance group and the dividend irrelevance group. The main theories of the dividend relevance theories are the Walter's model and the Gordon model. These theories argue that dividends are relevant and ascertain that every firm has an optimal dividend policy at a point of time. Firm's corporate dividend policy impacts its value as well as its stock price (Gordon, 1962). A firm should judiciously plan and basically assess its dividend policy to maximize its value and keeps its investors happy. The optimal or ideal dividend policy is the one that boosts or maximizes firm value. It brings about a balance between dividend payments and investments to enhance firm value (Gordon, 1962).

The dividend irrelevance theory was established by Merton Miller and Franco Modigliani (MM). Miller and Modigliani (MM) argued that in a world without taxes, transaction costs, and equal (symmetric) information among all investors that is, under-perfect capital market assumptions a company's dividend policy should have no impact.

The dividend irrelevance group school of thought argues that corporate dividend policy bears absolutely no impact on either firm's value or its stock price. One dividend policy is as good as another. Shareholders value dividends and capital gains equally. Even if the firm does not pay enough dividends or pays zero dividends, it does not affect its value (Modigliani, 1961).

2.1. The Walter's Model

The walter model was developed by Professor James E. Walter. He stated that the firm's dividend policy always affects its value and the market price of its share. In the long run, the share price starts reflecting the present value of the expected dividends (Williams, 1938). The investors rationalize that amount of retained earnings will affect the dividend payment and hence the share price (Harkavy, 1953). Walter's model discusses the effect of dividend payouts on the value of the firm and its stock price by comparing the firm's cost of capital k with its rate of return r . Walter's model assumed that;

- **Internal financing:** Retained earnings are the only source of funds for the firm. The firm is an all equity firm and does not go for external borrowings.
- **Constant return and cost of capital:** The cost of capital and the return associated with it are constant, fixed and predetermined by the firm.
- **Hundred percent pay-out or retention:** The firm opts for complete retention of the earnings or complete pay-out of the earnings to maximize its value.
- **Infinite time:** The firm has long and perpetual life and has perpetual stream of future earnings.

Here, the author analysed Walter's model under different relationships of r and k

- **For growth firms where $r > k$:** For growing firms, the internal rate of return is greater than the capitalization rate or cost of capital, i.e., $r > k$. However, the high rate of return must not be a current phenomenon. Rather, it must persist over a reasonable period. Because of r being greater than k , the growing firms earn more than what is normally expected as a return. A growing firm has numerous profitable investment opportunities, which help it to grow. As $g = b \times r$, with more retained earnings and high r the growth is more promiscuous. Shareholders of such firms prefer more retention to distribution of generated profits as they know that retention of profits means growth of the firm and, hence, growth of their money. The shareholders prefer such firms to retain the profits and invest it in profitable investment opportunities as alternative investment opportunities available to them provide a lower return than what the firm provides (Monogbe Tunde G, 2015).
- **For declining firms where $r < k$:** For a declining firm, the return on investments is less than the cost of capital, i.e., $r < k$. In such a condition, the firm is not growing but depreciating in value, i.e., growth is negative. There is no growth opportunity available to the firm, and those that are available yield very low return. The shareholders of such firms prefer current dividends to future return. The shareholders can invest the current dividends in more profitable ventures available in the market and thus earn a higher return. For such firms, the value is maximized when the pay-out is 100 percent and retention of profits is 0 (Monogbe Tunde G, 2015).
- **For normal firms where $r = k$:** A normal firm is the firm that sustains its position. For such firms, the return on investments is equal to the cost of capital, i.e., $r = k$.

The actual return received and the normal return expected by the shareholders are the same. The value of the firm becomes independent of the pay-out policy. Whether the firm pays 100 percent or retains 100 percent of the profits or anywhere in between the two, the value of the firm is not altered. Walter's model states that if $r > k$, no dividend should be paid. There should be 100 percent retention of profits, and if $k > r$ the dividend should be 100 percent of profits generated. The growth firms maximize the value by high retained earnings. However, when internal rate of return r is less than the cost of capital k , the firm is better off by distributing the earnings to shareholders. The investment opportunities available to the shareholder, in the market, are profitable, as compared to the investment opportunities available to the firm. The shareholder is better off if he/she is paid as much dividends as possible by the firm (Biza-Khupe, 2016).

2.2. The Gordon's Model

Myron J. Gordon in his work, *The Investment, Financing and Valuation of the Corporation*, developed dividend growth capitalization model. In this model, Gordon made a basic assumption that future dividend receipts on a stock determine the value of the equity. The basic rationale behind Gordon's model is that the worth of the share of a given company is no more than the current and future dividend receipts of its shareholders. Dividends are the cash flows that are returned to the shareholder. Being an advocate of the dividend relevance hypothesis, Gordon is of the view that the value of share changes with a change in the retention ratio/dividend ratio. However, such changes are effected only when the rate of return is lower/higher than the discount rate. Equality between the two rates does not cause any change in the value of shares even when there is change in the retention ratio. When $r > k$, an increase in the retention ratio leads to an increase in the share prices. On the contrary, when $r < k$, an increase in the retention ratio lowers the share prices (Gordon, 1962).

The Gordon's model assumed that;

- The only source of financing for the firm is the internal source. Thus, retained earnings are the only source of money to the firm. The firm is an all equity firm with zero external borrowings.

- Rate of return r and cost of capital k are constant for the firm. Both r and k are determinable and are forecasted beforehand.
- For a given firm, the growth factor g is constant, where $g = b \times r$.
- The cost of capital or capitalization rate of the firm k is greater than its growth factor g . Thus, $k > g$ or $k > b \times r$
- The firm has perpetual earnings, which can be predetermined.
- No tax environment exists for the firm (Gordon, 1962).

Here, the author analysed Gordon's model under different relationships of r and k

- **Relationship 1 (where $r > k$):** When $r > k$, the firm is said to be in growth stage. The share price of growth firms increases as the dividends payout $(1 - b)$ decreases. Growth firms are exposed to various profitable investment opportunities. Growth firms invest their earnings in such opportunities to generate high future return that adds value to the firm. The high returns are in the form of free cash flows that increase firm's net present value. Shareholders benefit by capital gain arising due to the appreciation of firm's share price. The shareholders of growth firms are better off if they forego current dividends. The investment opportunities available to them are less profitable as compared to the investment opportunities available to the firm. Shareholders prefer growth firms to retain all or most of the earnings and pay zero or very less dividends. Investment opportunities available to the firm are better rewarding as compared to the investment opportunities available to the investor in the market (Gordon, 1962). When growth firms pay dividend, the investor loses as he/she is unable to get the desired rate of return on his/her investment (of dividend receipt) which the firm is able to generate. The shareholder would get return from the market that is lower than the return he/she would get from the firm. High dividend payout by growth firms would result in lesser money to invest in available profitable investment opportunities. Thus, firm's growth rate is hampered. On the contrary, high retention or low payout increases funds for the firm, which it can invest in profitable investment opportunities and grow (Gordon, 1962).
- **Relationship 2 (where $r < k$):** When $r < k$, the firm is said to be a declining firm. Declining firms do not have any profitable investment opportunities available to them. Thus, they are unable to provide better returns to the shareholders. The shareholders of the declining firms are able to invest their dividend receipts in

profitable investment opportunities available to them in the market. The shareholders prefer not to forego their dividend receipts as they get a higher return on their investment in the market than what is provided by the firm if they forego their current dividends. As investors prefer appreciation of their investment, they desire immediate dividends payout by such firms which when reinvested by them in the market provide a better return than the return provided by the firm as $r < k$. For declining firms, the value of their share increases as payout ratio $(1 - b)$ increases and retention ratio b decreases (Gordon, 1962).

- **Relationship 3 (where $r = k$):** When $r = k$, the firm is said to be a normal firm. In normal firms, the return on the firms' investments is equal to the capitalization rate of the firm. It does not matter to the firm whether all its earnings are retained or paid to the shareholders. The value of such firms remains unaffected because such firms do not have any profitable investment opportunities. Thus, when $r = k$, the market value of the equity of such firms is equal to the total assets of the firms. The market value of the equity of normal firm does not depend on the retained earnings and its investment. So, whatever the amount of retention or pay-out, if $k = r$, the value of the firm is not affected by the dividend policy. The shareholder gets a return on his/her investment that is equal to its opportunity cost of capital, i.e., k . Any change in the dividend payments yields no change in the return to the shareholders. Similarly, any change in the choice of investment by the shareholders has no effect on their return (Gordon, 1962).

2.3. The Miller-Modigliani Model

This model was formulated by Merton H. Miller and Franco Modigliani and is popularly known as MM model. The MM model states that in a perfect capital market, the value of equity is safe and is unaffected by dividend decisions of the firm. The value of equity is thus unaffected by the splitting of profits between retained earnings for investment and dividend pay-out. One dividend policy is as good as another. Whether the firm declares a dividend or not, it bears no impact on the shareholders' wealth. The MM hypothesis, it must be noted, holds good under the assumption of perfect markets, rational behaviour and perfect certainty. Under perfect markets, the assumption is that the investors behave rationally; perfect certainty prevails

leaving no scope for default or bankruptcy, zero tax environments, no transaction costs as well as equal information to all investors at no cost (Modigliani, 1961).

MM model assumed that;

- **Perfect capital market exists:** Modigliani argued that, in a perfect capital market, the investors are rational and information is available to all. There is no cost involved in obtaining any information and, thus, zero transaction costs and floatation cost exists. No investor can outplay the market. Zero tax environments: There is a zero-tax environment meaning that there is no difference in taxation of dividend income or capital gain. An investor does not make a choice simply based on his taxation advantage (Modigliani, 1961).
- **Fixed and deterministic investment policy:** The investment policy of the firm is fixed and deterministic, i.e., predictable in advance. Thus, investment of retained earnings in new investments does not alter the required return of the firm. The investors know beforehand the future earnings of the firm and, hence, they can forecast the future value of the firm. They know with certainty the future dividends and the capital gain that would arise. Thus, there exists no risk for investors regarding their investment in the firm. Thus, $r = k$ always. All earnings are paid out as dividends, only debt and equity are issued, and debt is riskless (Modigliani, 1961).

The author agreed with MM model which stated that the present value of the firm is independent and unaffected by future dividend payments. The firm value is indifferent to the means of additional external financing like debt or equity. Under perfect capital market, the firm easily goes for external financing without incurring transaction costs. This makes the dividend payments independent of firm's financing decision. 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.

The MM model of dividend irrelevance has been criticized on many points:

- 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

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 Tunde G, 2015).

- Market imperfections such as taxes, information asymmetry, transaction cost and signalling effect affect the dividend policy, which in turn affects the value of the firms as well as its share price in the market.
- Perfect markets do not exist in the real world. They are too idealistic as assumptions. Hence, the whole validity of the MM model is debatable as in real world markets; the dividend payments affect not only the value of the firms paying dividends but also of the firms that do not pay dividends. Many researches and management surveys have established the significance of the dividends to the investors (Monogbe Tunde G, 2015).
- It is assumed in MM model that many a time firms raise external equity to finance their dividend payments. In perfect capital market, cost of raising new equity is the same as the cost of raising external debt. However, in imperfect capital market, the cost of raising external equity is more than the cost of raising debt due to transaction cost and floatation cost. This adds to the cost of funds. Thus, debt or equity option can bring about a difference in the value of the firm (Troughton, 2012).
- Certain institutions invest in equity stock of the firms that pay stable high dividends. In such cases, no matter what, the firms adopt and continue with their stable dividend policy to attract such clientele of investors. If dividends fluctuate or are retained by the firms, then such clientele of investors abstain from investing in these firms. So, the firms maximize their value by adopting stable dividend policy (Troughton, 2012).
- Dividend payments are made from cash earnings of the firm. Continuous, stable and high dividends send a positive signal to the shareholders. Continuous dividends even under the conditions of low profits keep the shareholders happy and satisfied. They do not become anxious or worried about the performance of the firm. Hence, the market price of the stock is also appreciated (Corporate Finance, 2008). In real world markets, firms understand that dividend payment on continuous basis helps to sustain the market price of their stock.

- The corporate dividend policy can be used effectively as a means of conveying the message of quality in financial performance and future prospects of the company to the existing and potential shareholders. Dividend policy as an information tool has a lower cost than other alternatives available to the firms. He also suggests that the managers are fully aware of shareholders' preference for current dividends. Hence, they pay or increase dividends to mollify the shareholders. Dividends are partially a tradition and partially a method to allay investors' anxiety (Akerlof, 1970).
- Research also suggests that dividends and capital gain do not have same effect on the shareholder. Sale of shares of a firm may result in investors' feeling of regret and anxiety. However, spending of cash received from dividend payments causes no such regret or anxiety. Hence, shareholders prefer dividend to capital gain. Firms should not assume dividends and capital gain as perfect substitutes (Tversky, 1982).

2.4. Market Imperfections

Contrary to the assumptions and arguments of MM model, in real world the markets are imperfect and the firms do follow specific dividend pay-out policies to enhance their value. The dividend pay-outs may differ across industries and time period ranging from high pay-out policy to low pay-out policy and from regular to variant dividend pay-out policy. However, the selection of dividend policy and its impact on corporate value depends on various market imperfections such as the following:

- **Attitude of Investors towards Risk:** In the imperfect market, the investors have different preference for risk. There may be investors who are risk averse and would not believe in the promised future return by the firm, after investment of retained profits including dividends. They prefer current income to assure liquidity and minimize their investment risk. Some investors are also sceptical regarding the utilization of firm's free cash flows. The financial statements do not provide enough transparency to investors regarding the utilization of the retained profits and estimation of future earnings. Hence, much emphasis is on current dividends, which are preferred by majority of investors. However, the attitude towards risk and return of investors (individual and institutional) differs and so does their dividend expectation. Dividend requirement of different

investors is different. However, stable and continuous dividend policy is popular with investors at large (Akerlof, 1970).

- **Personal Taxes:** The country tax structure affects the personal choice of investors regarding dividend payments in different countries. The shareholders in India face different tax rates on dividend and capital gain due to differential tax rates. Look at the dividend tax that has been done away with, but simultaneously the government has levied dividend distribution tax (15 percent) that is as good as dividend tax. (Troughton, 2012) The capital gain tax has also been increased from 10 percent to 15 percent for the year 2008–2009. Then there is substantial increase in securities transaction tax. These tax differentials determine the choice of dividend receipt and capital gain by investors. In 2003, the U.S. government reduced the dividend tax on individual dividend income from 35 percent to 15 percent. This led to a 20 percent increase in dividend payments by non-financial, non-utility, publicly traded corporations following the tax cut. Before the tax cut, there was a continuous decline in dividend payment for more than two decades. However, post 2003; the number of U.S. firms paying dividends began to increase. Most of these firms initiated regular, recurrent payments rather than one-time special dividends. Several firms that were already paying dividends increased the regular dividend payments significantly after the tax cut. The tax impact basically depends upon the type of investor and the tax rate deferral. Distinct preference of shareholder emerges as dividend and capital gains are taxed at different rates. If the tax rate on dividend income is greater than that of capital gain, then shareholders will generally prefer capital gain (Troughton, 2012).
- **Transaction Costs:** In a perfect market, the investors are able to convert their capital gain into dividends without incurring any cost. Transaction costs are incurred while transacting a share, i.e., selling or purchasing it. In imperfect market, the transaction costs exist and are high. Thus, firms benefit by giving dividends to shareholders rather than capital gain (Corporate Finance, 2008). When firms do not pay dividends, the shareholders create homemade dividends by selling off some or all of their shares, i.e., capital gain. The investors' trading costs are high as compared to floatation cost (for the new equity) of the firm. The transaction cost induces clientele effect.
 - Low-income bracket shareholders rely on regular dividends to meet their cash requirement. For example, senior citizens, pension funds and mutual funds are

in a low (or zero) tax bracket. Such investors satisfy their current cash income requirement. They prefer high dividend pay-out companies.

- High-income bracket shareholders rely on low dividend paying firms as they are interested to reinvest their dividends for future capital gain. Their current cash needs are fulfilled by their own earnings (Arnott, 2003).
- **The Clientele Effect:** All investors are not similar. Their preferences, including their preference for dividends, differ and, hence, they look for different firms having the dividend policy according to their requirement. Some shareholders prefer high current dividend payments and some prefer high capital gain and some prefer both. Some other shareholders prefer regular and constant dividends. Thus, there exists different clientele for different dividend policies (Troughton, 2012). A firm attracts a body of investors who prefer the payment pattern, degree and stability of dividends provided by the different firms. Different investor groups prefer and agree with different individual dividend policies of different firms. For instance, an investor who prefers continuous and stable dividends as a source of income will hold the equity stock of firms paying constant dividends. Investors preferring capital gain would hold stocks of a growing firm ($r > k$) as such firms invest their earnings in profitable investment opportunities. As firms alter their policies, the old clientele is replaced by a new clientele. In the end, there is no effect on the firm's value. One clientele of investor is as good as another; however, investors do not like to constantly switch over their shareholding due to transaction costs. Thus, ultimately all clientele prefers stable dividend policy firms (Biza-Khupe, 2016).
- **Information Content of Dividends:** The shareholders take the alterations in the dividends as a strong signal of the firm's performance and future prospects.
 - Large increase in regular dividends signifies a very bright future ahead for the firm.
 - A less-than-expected dividend increase or decrease signifies not a very bright future but creates a gloomy prospect of the firm.
 - Normal increase in dividends or continuing the regular fixed dividends sustains the perception of the investors.

However, firms that pay low dividends have better profitable investment opportunities that help them grow. So, low paying strong firms like Microsoft contradict the signalling

effect. Much depends on the fact whether the shareholders are able to demarcate and identify poor performance and reinvestment growth prospects (Baker Kent.H, 1999).

- **Information Asymmetry:** Information asymmetries exist in imperfect markets. The managers know more about their firms' prospects than do the shareholders. The managers generally do not alter their fixed or past dividend policies. They tend to stick to their regular policies. The dividends are increased only when the management thinks that it will be able to sustain the earnings as forecasted and pay out future increased dividends without any problem. The management decreases dividends only when it thinks that there is no option out. Thus, alterations in firm's dividend policy indicate a change in the expectation of the managers regarding their future earnings and growth (Williams, 1938).
- **Agency Cost:** The ownership of a firm is separate from the management. When the interest of the manager contradicts the interest of the owners, there exist agency costs. Differences in managerial and shareholders' priorities have existed for long. In order to reduce agency problems, the management must take decisions that are consistent with the interest of the shareholders (Da Silva, 2004). Agency problem is born out of information asymmetries and managerial incompetence. Agency costs are found to be lower in firms that have high managerial ownership stakes, and in firms having large bloc shareholders that are better able to control the managerial activities. One effective way of reducing agency problem is by paying high and regular dividends. A good dividend policy aligns the interests of shareholders and managers. Dividend policy reduces agency cost as it increases the control of firms by the capital market. Large dividend payments result in reduction in cash flow of the firm which is then forced to raise additional funds from capital market (Baker Kent.H, 1999). The efficient monitoring of capital market tends to reduce investment activity and excess perquisite consumption of the firm. This way the agency cost associated with ownership and control separation is reduced. Dividend payments also reduce the conflict of shareholders and debt holders. Large dividend payments reduce their conflict of claim priority (Baker Kent.H, 1999).
- **The Free Cash Flow:** Intelligent managers work in the interest of the shareholders. They tap all investment opportunities that are profitable and would contribute in enhancing the value of the firm. A firm that has free cash flows should make profitable

investment. The free cash flow of the firm should be judiciously used. The utilization of the firm's free cash flows should be aligned with the firm's objective of maximizing the shareholders' wealth. Rather, conflict should not arise between the interest of the management and the shareholders. The best alternative is to distribute the free cash flow to the shareholders as dividends. However, if the management fails to increase pay-outs and rather waste firm's free cash flows on unprofitable investments, there tends to be deterioration in the firm's value. When managers cut dividends and simultaneously do not have profitable investment opportunities, the firm's stock price declines. When a firm distributes its free cash flows as dividends to shareholders, its stock price increases (Arnott, 2003).

- **The Bird-in-Hand Argument:** A bird-in-hand is worth two in a bush. This argument aptly applies to dividend signalling effect. Just as a bird-in-hand is worth more than two in a bush, shareholders weigh current dividends more as compared to future capital gain. The common perception is that current dividend receipts act as interest on debt and once committed by the firms continue to grow steadily over the period of time. A current dividend is a sure shot current source of income. It is better than waiting for the share price to increase in future for capital gain. The future share appreciation may or may not happen, and if it does, the degree and level of appreciation is unpredictable. The bird-in-hand principle states that investors desire that firms pay out cash in the form of current dividends, thereby reducing the uncertainty in future income. Investors are generally risk averse. Dividends received today are less risky than the future value of capital gain (Monogbe Tunde G, 2015). The author agreed with the bird-in-hand argument because it supports the dividend relevance approach.

3. EMPIRICAL RESULTS AND ANALYSIS

3.1. Data collection procedure

The data used in this thesis is collected from the annual report of the selected companies and the Nigeria Stock Exchange. While dividends paid is collected from the annual reports of individual companies, share prices are collected from the Nigeria stock exchange. The actual dividend paid per share during a particular year is used to represent the dividend per share (DPS) while the average of the highest and lowest share price during the course of a particular year is used to represent the market price of shares (MPS).

The dividend payment record of companies firstly obtained and those that have been paying dividend consecutively for five (5) years is selected. The value of the dividend per share (DPS) is obtained from the annual reports of the selected companies. Likewise, the share prices of the selected companies are obtained from the Nigerian Stock Exchange using the highest and lowest prices during the course of the year.

- **Measurement of variables:** Dividend policy is measured using the actual dividend paid per share (DPS) while shareholders wealth is measured by taking the average of the highest and lowest share prices during a particular year.
- **Statement of hypothesis:** H₀ means, there are no significant relationship between dividend policy and shareholders' wealth. While H₁ means, there are significant relationship between dividend policy and shareholders' wealth.
- **Model specification:** The Market Price of Shares (MPS) used in the study as the dependent variable and Dividend per Share (DPS) as the independent variable. The regression equation below therefore, shows the relationship between the dependent and independent variable in a linear form as follows:

$$Y = \alpha + \beta X + \epsilon \quad (3.1)$$

Where:

Y - average Market Price of Shares (dependent variable)

X - dividend Per Share (independent variable)

α - the intercept

β - the coefficient of independent variable

ϵ - the error term

The model for this study is:

$$MPS = f(DPS)$$

The model can be more explicitly stated for analysis and estimation as follows:

$$MPS = \alpha + \beta (DPS) + \epsilon$$

3.2. Analysis for Years (Longitudinal)

In the Table 1. Author shows the regression coefficient of dividends and market prices longitudinal analysis for the year 2011. The year shows a significant relationship between DPS and MPS with regression coefficient (R) of 0.992.

Table 1. Longitudinal Analysis for Year 2011

Model Summary						
Model(M)	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.992 ^a	.984	.982	15.61687		
ANOVA ^b						
Model(M)		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	120480.865	1	120480.865	494.004	.000 ^a
	Residual	1951.093	8	243.887		
	Total	122431.958	9			
Coefficients ^a						
Model(M)		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-5.645	6.113		-.924	.383
	DPS	28.046	1.262	.992	22.226	.000

Source: (Compiled by the author)

The regression coefficient(R) of 0.992 indicates that there is a strong positive relationship between dividend policy and shareholder's wealth in the year 2011. The coefficient of determination (R²) of 0.984 shows that the independent variable explained 98.4% changes

in the dependent variable for the year 2011. Therefore, about 1.6% is accounted for by the factors outside the model. The Adjusted R² shows that in actual sense, 98.2% of changes in the dependent variable are explained by the independent variable.

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In the Table 2. Author shows the regression coefficient of dividends and market prices longitudinal analysis for the year 2012. The year shows a significant relationship between DPS and MPS with regression coefficient (R) of 0.982.

Table 2. Longitudinal Analysis for Year 2012

Model Summary						
Model(M)	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.982 ^a	.965	.960	29.47683		
ANOVA ^b						
Model(M)		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	189242.154	1	189242.154	217.799	.000 ^a
	Residual	6951.069	8	868.884		
	Total	196193.223	9			
Coefficients ^a						
Model(M)		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	-21.070	11.714		-1.799	.110
	DPS	33.234	2.252	.982	14.758	.000

Source: (Compiled by the author)

The regression coefficient(R) of 0.982 indicates that there is a strong positive relationship between dividend policy and shareholders wealth in the year 2011. The coefficient of determination (R^2) of 0.965 shows that the independent variable explained 96.5% changes in the dependent variable for the year 2011. Therefore, about 3.5% is accounted for by the factors outside the model. The Adjusted R^2 shows that in actuality, 96% of changes in the dependent variable are explained by the independent variable.

In the Table 3. Author shows the regression coefficient of dividends and market prices longitudinal analysis for the year 2013. The year shows a significant relationship between DPS and MPS with regression coefficient (R) of 0.997.

Table 3. Longitudinal Analysis for Year 2013

Model Summary						
Model(M)	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.997 ^a	.995	.994	16.91701		
ANOVA^b						
Model(M)		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	432630.321	1	432630.321	1.512E3	.000 ^a
	Residual	2289.481	8	286.185		
	Total	434919.803	9			
Coefficients^a						
Model(M)		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-22.453	6.442		-3.486	.008
	DPS	36.102	.929	.997	38.881	.000

Source: (Compiled by the author)

The regression coefficient(R) of 0.997 indicates that there is a strong positive relationship between dividend policy and shareholders wealth in the year 2011. The coefficient of determination (R^2) of 0.995 shows that the independent variable explained 99.5% changes in the dependent variable for the year 2011. Therefore, about 0.5% is accounted for by the factors outside the model. The Adjusted R^2 shows that in actuality, 99.4% of changes in the dependent variable are explained by the independent variable.

In the Table 4. Author shows the regression coefficient of dividends and market prices longitudinal analysis for the year 2014. The year shows a significant relationship between DPS and MPS with regression coefficient (R) of 0.997.

Table 4. Longitudinal Analysis for Year 2014

Model Summary						
Model(M)	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.997 ^a	.994	.994	29.20557		
ANOVA ^b						
Model(M)		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1208417.943	1	1208417.943	1.417E3	.000 ^a
	Residual	6823.725	8	852.966		
	Total	1215241.667	9			
Coefficients ^a						
Model(M)		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-39.232	10.808		-3.630	.007
	DPS	47.971	1.274	.997	37.639	.000

Source: (Compiled by the author)

The regression coefficient(R) of 0.997 indicates that there is a strong positive relationship between dividend policy and shareholders wealth in the year 2011. The coefficient of determination (R^2) of 0.994 shows that the independent variable explained 99.4% changes in the dependent variable for the year 2011. Therefore, about 0.6% is accounted for by the factors outside the model. The Adjusted R^2 shows that in actuality, 94% of changes in the dependent variable are explained by the independent variable.

In the Table 5. Author shows the regression coefficient of dividends and market prices longitudinal analysis for the year 2015. The year shows a significant relationship between DPS and MPS with regression coefficient (R) of 0.995.

Table 5. Longitudinal Analysis for Year 2015

Model Summary						
Model(M)	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.995 ^a	.989	.988	34.79860		
ANOVA ^b						
Model(M)		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	906811.118	1	906811.118	748.847	.000 ^a
	Residual	9687.541	8	1210.943		
	Total	916498.659	9			
Coefficients ^a						
Model(M)		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-11.501	12.335		-.932	.378
	DPS	38.130	1.393	.995	27.365	.000

Source: (Compiled by the author)

The regression coefficient(R) of 0.995 indicates that there is a strong positive relationship between dividend policy and shareholders wealth in the year 2011. The coefficient of determination (R^2) of 0.989 shows that the independent variable explained 98.9% changes in the dependent variable for the year 2011. Therefore, about 1.1% is accounted for by the factors outside the model. The Adjusted R^2 shows that in actuality, 98.8% of changes in the dependent variable are explained by the independent variable.

3.3. Analysis for Individual Firm (Latitudinal)

In the Table 6. Author shows the regression coefficient of dividends and market prices latitudinal analysis for Berger Paints which shows a significant relationship between DPS and MPS with regression coefficient (R) of 0. 570.

Table 6. Latitudinal Analysis for Berger Paints

Model Summary						
Model(M)	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.570 ^a	.325	.100	.45814		
ANOVA ^b						
Model(M)		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.304	1	.304	1.447	.315 ^a
	Residual	.630	3	.210		
	Total	.933	4			
Coefficients ^a						
Model(M)		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.041	1.216		5.791	.010
	DPS	2.288	1.902	.570	1.203	.315

Source: (Compiled by the author)

The regression coefficient(R) of 0.570 indicates that there is a strong positive relationship between dividend policy and shareholders wealth in for Berger Paints. The coefficient of determination (R^2) of 0.325 shows that the Dividend per Share explained 32.5% changes in the Market Prices of Share. Therefore, about 3.5% is accounted for by the factors outside the model. The Adjusted R^2 shows that in actuality, 10% of changes in the dependent variable are explained by the independent variable.

In the Table 7. Author shows the regression coefficient of dividends and market prices latitudinal analysis for Dangote Sugar which shows a significant relationship between DPS and MPS with regression coefficient (R) of 0. 922.

Table 7. Latitudinal Analysis for Dangote Sugar

Model Summary						
Model(M)	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.922 ^a	.851	.801	2.12096		
ANOVA ^b						
Model(M)		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	76.932	1	76.932	17.102	.026 ^a
	Residual	13.495	3	4.498		
	Total	90.427	4			
Coefficients ^a						
Model(M)		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-3.806	3.220		-1.182	.322
	DPS	28.917	6.993	.922	4.135	.026

Source: (Compiled by the author)

The regression coefficient(R) of 0.922 indicates that there is a strong positive relationship between dividend policy and shareholders wealth in for Dangote Sugar. The coefficient of determination (R^2) of 0.851 shows that the Dividend per Share explained 85.1%

changes in the Market Prices of Share. Therefore, about 14.9% is accounted for by the factors outside the model. The Adjusted R^2 shows that in actuality, 80.1% of changes in the dependent variable are explained by the independent variable.

In the Table 8. Author shows the regression coefficient of dividends and market prices latitudinal analysis for First Bank which shows a significant relationship between DPS and MPS with regression coefficient (R) of 0. 727.

Table 8. Latitudinal Analysis for First Bank

Model Summary						
Model(M)	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.727 ^a	.529	.372	2.86184		
ANOVA ^b						
Model(M)		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.607	1	27.607	3.371	.164 ^a
	Residual	24.570	3	8.190		
	Total	52.177	4			
Coefficients ^a						
Model(M)		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.958	2.898		2.746	.071
	DPS	6.630	3.611	.727	1.836	.164

Source: (Compiled by the author)

The regression coefficient(R) of 0.727 indicates that there is a strong positive relationship between dividend policy and shareholders wealth in for First Bank. The coefficient of determination (R^2) of 0.529 shows that the Dividend per Share explained 52.9% changes in the Market Prices of Share. Therefore, about 47.1% is accounted for by the factors outside the model. The Adjusted R^2 shows that in actuality, 37.2% of changes in the dependent variable are explained by the independent variable.

In the Table 9. Author shows the regression coefficient of dividends and market prices latitudinal analysis for Gtbank which shows a significant relationship between DPS and MPS with regression coefficient (R) of 0.930.

Table 9. Latitudinal Analysis for Gtbank

Model Summary						
Model(M)	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.930 ^a	.864	.819	2.32756		
ANOVA ^b						
Model(M)		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	103.401	1	103.401	19.086	.022 ^a
	Residual	16.253	3	5.418		
	Total	119.653	4			
Coefficients ^a						
Model(M)		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.733	4.868		.151	.890
	DPS	14.631	3.349	.930	4.369	.022

Source: (Compiled by the author)

The regression coefficient(R) of 0.930 indicates that there is a strong positive relationship between dividend policy and shareholders wealth in for Gtbank. The coefficient of determination (R^2) of 0.864 shows that the Dividend per Share explained 86.4% changes in the Market Prices of Share. Therefore, about 13.6% is accounted for by the factors outside the model. The Adjusted R^2 shows that in actuality, 81.9% of changes in the dependent variable are explained by the independent variable.

In the Table 6. Author shows the regression coefficient of dividends and market prices latitudinal analysis for Guinness which shows a significant relationship between DPS and MPS with regression coefficient (R) of 0. 666.

Table 10. Latitudinal Analysis for Guinness

Model Summary						
Model(M)	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.666 ^a	.444	.259	37.10954		
ANOVA ^b						
Model(M)		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3298.988	1	3298.988	2.396	.219 ^a
	Residual	4131.354	3	1377.118		
	Total	7430.342	4			
Coefficients ^a						
Model(M)		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	143.269	56.002		2.558	.083
	DPS	11.356	7.337	.666	1.548	.219

Source: (Compiled by the author)

The regression coefficient(R) of 0.666 indicates that there is a strong positive relationship between dividend policy and shareholders wealth in for Guinness. The coefficient of determination (R^2) of 0.444 shows that the Dividend per Share explained 44.4% changes in the Market Prices of Share. Therefore, about 55.6% is accounted for by the factors outside the model. The Adjusted R^2 shows that in actuality, 25.9% of changes in the dependent variable are explained by the independent variable.

In the Table 11. Author shows the regression coefficient of dividends and market prices latitudinal analysis for Julius Berger which shows a significant relationship between DPS and MPS with regression coefficient (R) of 0. 423.

Table 11. Latitudinal Analysis for Julius Berger

Model Summary						
Model(M)	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.423 ^a	.179	-.094	18.00097		
ANOVA ^b						
Model(M)		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	212.429	1	212.429	.656	.477 ^a
	Residual	972.105	3	324.035		
	Total	1184.534	4			
Coefficients ^a						
Model(M)		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-12.386	77.274		-.160	.883
	DPS	25.295	31.241	.423	.810	.477

Source: (Compiled by the author)

The regression coefficient(R) of 0.423 indicates that there is a strong positive relationship between dividend policy and shareholders wealth in for Julius Berger. The coefficient of determination (R^2) of 0.179 shows that the Dividend per Share explained 17.9% changes in the Market Prices of Share. Therefore, about 82.1% is accounted for by the factors outside the model. However, the Adjusted R^2 shows a negative value of -0.94 which means that there are so many other factors that outside the model that influence MPS in Julius Berger.

In the Table 12. Author shows the regression coefficient of dividends and market prices latitudinal analysis for Nestle which shows a significant relationship between DPS and MPS with regression coefficient (R) of 0. 726.

Table 12. Latitudinal Analysis for Nestle

Model Summary						
Model(M)	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.726 ^a	.526	.369	371.64187		
ANOVA ^b						
Model(M)		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	460557.178	1	460557.178	3.335	.165 ^a
	Residual	414353.043	3	138117.681		
	Total	874910.221	4			
Coefficients ^a						
Model(M)		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-318.659	545.717		-.584	.600
	DPS	48.378	26.493	.726	1.826	.165

Source: (Compiled by the author)

The regression coefficient(R) of 0.726 indicates that there is a strong positive relationship between dividend policy and shareholders wealth in for Nestle. The coefficient of determination (R^2) of 0.526 shows that the Dividend per Share explained 52.6% changes in the Market Prices of Share. Therefore, about 47.4% is accounted for by the factors outside the model. The Adjusted R^2 shows that in actuality, 36.9% of changes in the dependent variable are explained by the independent variable.

In the Table 13. Author shows the regression coefficient of dividends and market prices latitudinal analysis for UACN which shows a significant relationship between DPS and MPS with regression coefficient (R) of 0.380.

Table 13. Latitudinal Analysis for UACN

Model Summary						
Model(M)	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.380 ^a	.144	-.141	15.25849		
ANOVA ^b						
Model(M)		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	117.957	1	117.957	.507	.528 ^a
	Residual	698.465	3	232.822		
	Total	816.422	4			
Coefficients ^a						
Model(M)		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	10.767	44.390		.243	.824
	DPS	20.273	28.482	.380	.712	.528

Source: (Compiled by the author)

The regression coefficient(R) of 0.380 indicates that there is a strong positive relationship between dividend policy and shareholders wealth in for UACN. The coefficient of determination (R²) of 0.144 shows that the Dividend per Share explained 14.4% changes in the Market Prices of Share. Therefore, about 85.6% is accounted for by the factors outside the model. However, the Adjusted R² shows a negative value of -0.141 which means that there are so many other factors that outside the model that influence MPS in UACN.

In the Table 14. Author shows the regression coefficient of dividends and market prices latitudinal analysis for Unilever which shows a significant relationship between DPS and MPS with regression coefficient (R) of 0.164.

Table 14. Latitudinal Analysis for Unilever

Model Summary						
Model(M)	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.164 ^a	.027	-.298	13.82020		
ANOVA ^b						
Model(M)		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.763	1	15.763	.083	.793 ^a
	Residual	572.994	3	190.998		
	Total	588.756	4			
Coefficients ^a						
Model(M)		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	34.471	14.668		2.350	.100
	DPS	3.639	12.669	.164	.287	.793

Source: (Compiled by the author)

The regression coefficient(R) of 0.164 indicates that there is a strong positive relationship between dividend policy and shareholders wealth in for Unilever. The coefficient of determination (R^2) of 0.027 shows that the Dividend per Share explained 2.7% changes in the Market Prices of Share. Therefore, about 97.3% is accounted for by the factors outside the model. However, the Adjusted R^2 shows a negative value of -0.298 which means that there are so many other factors that outside the model that influence MPS in Unilever.

In the Table 15. Author shows the regression coefficient of dividends and market prices latitudinal analysis for Zenith which shows a significant relationship between DPS and MPS with regression coefficient (R) of 0. 808.

Table 15. Latitudinal Analysis for Zenith

Model Summary						
Model(M)	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.808 ^a	.653	.538	3.67485		
ANOVA ^b						
Model(M)		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	76.349	1	76.349	5.654	.098 ^a
	Residual	40.514	3	13.505		
	Total	116.863	4			
Coefficients ^a						
Model(M)		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.536	5.945		.763	.501
	DPS	9.843	4.140	.808	2.378	.098

Source: (Compiled by the author)

The regression coefficient(R) of 0.808 indicates that there is a strong positive relationship between dividend policy and shareholders wealth in for Zenith Bank. The coefficient of determination (R^2) of 0.653 shows that the Dividend per Share explained 65.3% changes in the Market Prices of Share. Therefore, about 34.7% is accounted for by the factors outside the model. The Adjusted R^2 shows that in actuality, 53.8% of changes in the dependent variable are explained by the independent variable.

CONCLUSIONS

In this thesis, the author has been able to examine the impact of dividend policy on shareholders wealth in Nigeria. A sample of 10 companies from Nigeria stock exchange from 2011 to 2015 was taken for this research. The findings of this thesis revealed that;

- Shareholders preferred current dividend to future income for it is unusual for the rejection of dividend declaration in favour of capital gains by shareholders and neither would they advocate a reduction in the level of dividends declared for any other reason. Also, dividend has information content and the payment of dividend indicates that the company has a good earning capacity.
- The results of the statistical analysis suggest that there is a strong positive relationship between dividend policy (pay-out policy) and shareholders wealth (market price of shares) in Nigeria. In fact, the negative value of some constants is a pointer to the fact that MPS might reduce in value if dividend is not paid. This ascertains that the theory of irrelevance of dividend policy as postulated by Modigliani and Miller (1961) is not applicable to Nigeria.
- Dividend Policy does not affect the firms value in Nigeria as share price fixing is regulated by the Nigeria Security and Exchange Commission (NSEC) in respect of the quoted companies.
- On the average, dividend pay-out account for about 63.36% of shareholders wealth across the firms sampled
- On the average, dividend pay-out account for about 99.26% of shareholders wealth across the years under this study
- Throughout the five years of the longitudinal analysis regression coefficient of the dividends and market prices, the Regression Coefficient (R) does not only indicate that there exist a positive relationship between MPS and DPS but also indicate a very strong relationship between them. It also indicates a high dependency of the dependent variable on the independent variable.
- Not all the dividend paying firms has a corresponding increase in the value of shareholders
- Generally, higher dividend increases the market value of the share and vice versa.

The author suggested that, dividend payment should be given priority by Nigeria firms because; it plays a momentous role in shaping the value of shareholders wealth. Nigerian firms should also consider various factors that affect the dividend pay-out such as legal framework, fund requirement of the firm, nature of business, size of firm, business risk, financial risk, and liquidity when formulating one. They should also endeavour to practice a regular dividend policy so that prospective investor could know beforehand whether or not a firm's dividend policy tallies with their own expectation and therefore guide their investment decisions.

The author also suggested that, decision such as investment and leverage should be carefully handled if firms need to increase their shareholders wealth and management must not increase the size of their business with the purpose of increasing their shareholders wealth, because this does not constantly lead to increase in shareholders wealth. There is the requirement for executives and administration of organizations to involve shareholders in discourse on matters of dividend policy. By this, shareholders will get the opportunity to acknowledge administration decisions and be persuaded that the dividend decisions taken are to profit shareholders as far as high profit and increment in their wealth in the future. In addition, management and financial analysts should always find out which of the factors affect dividend pay-out as to work out the best way to have dividend policy. Since this study suggests that the relationship between dividend policy and shareholders wealth are positive, firms also need to pay their shareholders dividend and set a high pay-out ratio to maximize stock price.

This study is suitable and benefits for the policy makers, manager, investor and academician. There are some limitations on this study. This study only focuses on Nigeria and ten (10) sectors only span over a five (5) years period, covering the period 2011 to 2015. In addition, there are other dimensions to measure shareholders' wealth. Therefore, future research should broaden the study area in different countries and different sectors.

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APPENDICES

Table 16. Summary of Regression Coefficient for Years (Longitudinal)

Years	R	R²	Adjusted R²
2011	0.992	0.984	0.982
2012	0.982	0.965	0.960
2013	0.997	0.995	0.994
2014	0.997	0.994	0.994
2015	0.995	0.989	0.988

Source: (Compiled by the author)

Table 17. Summary of Regression Coefficient for Firms (Latitudinal)

Firms	R	R²	Adjusted R²
Berger Paints	0.570	0.325	0.100
Dangote Sugar	0.922	0.851	0.801
First Bank	0.727	0.529	0.372
Gtbank	0.930	0.864	0.819
Guinness	0.666	0.444	0.259
Julius Berger	0.423	0.179	-0.094
Nestle	0.726	0.526	0.369
UACN	0.380	0.144	-0.141
Unilever	0.164	0.027	-0.298
Zenith Bank	0.808	0.653	0.538

Source: (Compiled by the author)

Table 18. Summary of Test of Hypothesis

Firms	F-values	Test of Hypothesis (H_1)
Berger Paints	1.447	Rejected
Dangote Sugar	17.102	Accepted
First Bank	3.371	Accepted
Gtbank	19.086	Accepted
Guinness	2.396	Accepted
Julius Berger	0.656	Rejected
Nestle	3.335	Accepted
UACN	0.507	Rejected
Unilever	0.083	Rejected
Zenith Bank	5.654	Accepted

Source: (Compiled by the author)