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Impact of Dividend Policy and Earnings on Selected Quoted Companies in Nigeria

Eniola, Omoniyi Jacob
Lecturer, Department of Accounting, Joseph Ayo Babalola University, Ikeji-Arakeji, Osun State, Nigeria
Akinselure, Oluwafemi, Philip
Research Analyst, Department of Accounting, Joseph Ayo Babalola University, Ikeji-Arakeji, Osun State, Nigeria

Abstract:
This study considers the impact of Dividend policy and Earnings on selected quoted companies in Nigeria and it covers the period from 2004 -2013 also the study majorly employed secondary data for the statistical analysis. The secondary data were obtained through the internet from stock broking firm's online database. Furthermore, the study made use of stratified sampling technique in selecting the twenty-five (25) companies considered in this research work which cut across seven (7) sectors of the companies listed on the Nigeria Stock Exchange. The study used multiple regression and Durbin Watson in testing the hypothesis considered in this study, and the statistical analysis was done using Statistical Package for Social Sciences (SPSS version 20). The findings revealed that there was a significant relationship between dividend and market value but, this relationship can only be established between earning per share and dividend yield, because, it is the only proxies of dividend polices that had a P-value (0.020) which is less than the alpha value of (0.05) which implies that there is relationship with market value proxy (i.e. earnings per share) while the other proxies of dividend policy did not show any relationship. Therefore, the study recommends that investors, shareholder and stockbrokers should pay more attention to dividend yield of quoted companies in Nigeria because it can easily be used to determine the extent to which the earnings of the quoted companies are either increasing or decreasing since, it is the only proxies of dividend policy that show relationship with the chosen proxies of earnings considered in this study.

1. Introduction

1.1. Background to the Study

Over the years, researches relating to dividend policy have been filled with a lot of controversies, which include: disagreements about relationship between firm's value and dividend policy, disagreements on whether to pay high or low dividend, disagreements on the portion of profit that should be invested and what portion should be retained in the company, to mention a few. Infact, in an attempt to explain the depth of controversies and disagreement on the issue, Suh and Chay (2008) established that different countries have different regulatory environment, tax regime and guidelines for dividend policy.

According to a study conducted by Davis (1917), the shares, of the first company called British East India Company, were issued in the year 1613 while, the first dividend on their share was declared in the year 1661 Furthermore, Olowe, Uwuigbe & Godswill (2012), confirmed that the frequent controversies surrounding dividend payment has given rise to the different interpretation among the academia and practitioners. Also, supporting this proposition was Frankfurter and Wood (1997), who suggested that persistent controversies in the issue concerning dividend policy had given rise to different theories, explanation and hypotheses which has attracted many researcher and academician.

Dividends are usually distributed either in form of cash (cash dividend) or share (share/stock dividends). According to Gill, Biger & Tibrewala (2010), dividend payout can be measured by the proportion of the total residual profit distributed as dividend to shareholder.

Dividend policy has also been defined by Lease, John, Kalay, Lowenstein and Saring (2000) as the approaches adopted by management to ensure appropriate dividend payout/retention decision is taken at every available opportunity.

Dividend policy has significant effect on the value of firm and in extension the wealth of the shareholder (Baker, Veit and Powell, (2001). Increasing the wealth of shareholder is usually the main aim of quoted company (Pandey, 2005). According to Azhagaiah and Priya (2008), maximising the wealth of shareholder can be achieved by rapid growth in sale, improvement in profit margin, capital investment decision and capital structure decision.

The earliest research on dividend policy in Nigeria focuses attention on the dividend behaviour of Nigeria companies since the period of indigenisation. The research was conducted by Uzoaga and Alozieuwa (1974), and it involved investigation of the form of dividend policy adopted by a sample of 13 companies within a period of four years (1969-1972) which also cover the indigenisation period. The main conclusion of the study was, that the level of dividend paid by companies was mainly influenced by fear and resentment instead of conventional factor such as: the change in earning, target dividend policy as emphasised by Lintner (1956). This made the result of their study to be significantly controversial, inconclusive, and criticized by other studies such as: (Inanga, (1975), (1978); Soyode, (1975); their criticism was based on the fact that the study by Uzoaga and Alozieuwa (1974) failed to empirically test the conventional factors. However, the work of Soyode (1975) and Inanga (1975) also failed to establish the extent to which the Lintner Model could be used to interpret the dividend policy in Nigeria but emphasised only the conventional and non-conventional factors (i.e. excess liquidity resulting from the infusion of new capital and the unrealistic pricing policy of the capital issues commission) as explanation for the change in the dividend behaviour of their sampled companies, which also made their study incomplete.

1.2. Statement of the Problem

Shareholders of quoted companies are usually being deceived that companies with strong financial base will always pay dividend but this is not the case. In fact, according to Juma'h and Pacheco (2008), financially strong company do not pay dividend but only the weak one does. This is an interesting problem considered in this research work, because many investors have lost confidence, and lost huge amount in the stock market as a result of these problems.

The problems stated above has shown that existing researchers such as Glen, Karmokolias, Miller, & Shah (1995), Pandey (2001) and Adaoglu (2000) to mention a few, have continued to mislead investors and shareholders of various quoted companies that the financial strength, usually measured by the amount of profit generated by the quoted companies, is the only reason why dividend is paid but this study has identified this gap by establishing that it is the weak companies (i.e. companies with little or no profit) that pays dividend and this was supported by Juma'h and Pacheco (2008) in the statement of problem section of this study, who emphasised that only the weak companies pays dividend.

1.3. Research Questions

This study considers the following research questions:

- → Is there any relationship between Earnings per share and Dividend yield of selected quoted companies in Nigeria?
- → Do Earning per share and Dividend payout ratio of the selected quoted companies in Nigeria show any relationship with each other?

1.4. Objectives of the Study

The main objective of this study is to examine the impact of dividend policy and market value of selected quoted companies in Nigeria while the specific objectives are:

i. to determine the relationship that exist between Earning per share and Dividend yield of the selected quoted companies in Nigeria.

ii. to ascertain if there is any relationship between Earning per share and Dividend payout ratio of the selected quoted companies in Nigeria.

1.5. Research Hypotheses

- Ho_1 There is no relationship between Earning per share and Dividend yield of the selected quoted companies in Nigeria.
- Ho_2 There is no relationship between earnings per share and dividend payout ratio of the selected quoted companies in Nigeria.

2. Literature Review

2.1. Conceptual Review

2.1.1. Conceptual Review Diagram

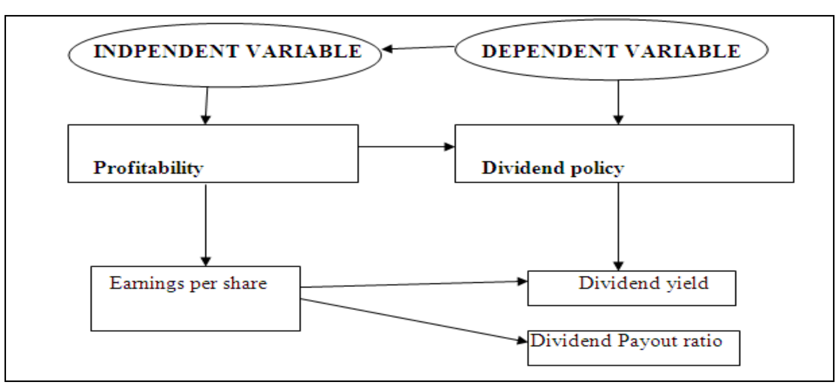

Figure 1: Relationship between Dependent and Independent Variable
Source: Diagram Conceptualised from the Literature review. (2015).

2.1.2. The Nature of Dividend

The word dividend was derived from the Latin word “Dividendum” which means “that which is to be divided” Dividend can be described as a unit share of the profit in a company and they are usually paid to the shareholders (Shukla, 2011). Shareholders, usually do not have the right to receive this dividend until the management of the company passes a resolution declaring the dividend. Dividend can be broadly classified into two parameters; (i) The source of dividend and (ii) The medium of payment.

Dividends are mainly declared out of capital or profit. Payments of capital dividend are only applicable in special circumstances and are often subjected to strict legal requirement. The medium of payment of dividend is usually in cash or by means of capitalisation of shares (Bonus Share). When cash is used in paying dividend, such dividends are said to have benefited from the limited fund available to the firm and therefore, such funds however, must be compared with the possible alternative needs of the firm, which could be more beneficial, before implementing the decision to pay the dividend (Shukla,2011). He also stated that the following are the type of Dividend.

2.1.3. Types of Dividend

a. Cash Dividend: This is the dividend paid in cash, it is subject to the availability of cash flow, and often result in outflow of fund from the organisation, thus, must be adequately planned to avoid liquidity problem
b. Scrip Dividend: It is the dividend in form of Promissory Note and which often stipulates a specific amount to be paid in future date. It could also be called Scrip or Certificate Dividend and it is often preferred by companies when there is an expectation that dividend payment could be delayed. The Scrip Dividend could be in shares and could be issued with or without interest.
c. Bond Dividend: This is dividend issued in situation where the company does not have sufficient fund to pay dividend in cash. It involves issuing bond to cover the outstanding balance of cash dividend expected to be paid.
d. Property Dividend: This is a kind of dividend, that involves the company paying dividend in form of asset rather than cash. It often involves use of company product.

2.1.4. Concept of Profitability

According to Barasara)2014 Profitability is a relative)measure, which indicates the most profitable alternative, whereas Profit is an absolute measure, which indicates the overall amount of profit that can be generated from a transaction. In business organisations, it is important to note that very high profit does not always indicate a sound organisational efficiency and low profitability should not be considered as organisation sickness.

Profit making is the main motive of most organisations, Infact, it is the primary motivating force for most economic activities. Most organisation, usually develop a concrete strategy to ensure profit is earned on a continuous basis. Business concerns that are not able to produce sufficient profit usually have disagreement with the providers of capital and this makes their continual existence a big challenge. Profit is needed not only to re-pay providers of capital but also to finance growth and expansion of an organisation. Organisations that find it difficult to make profit often end – up eroding the initial capital invested and which consequently, leads to the closure of such businesses. It is also a measure of the surplus wealth generated by the business concerns from its general activities usually on periodic basis. Most times, it involves comparing the result of the business between two specific dates, usually separated by a period of one year (Barasara, 2014).

2.1.5. Concept of Dividend Policy

Booth and Cleary (2000) define Dividend Policy as a well-planned decision by the management which involves deciding the percentages of profit to be distributed and the part to be retained to fulfil its internal needs.

Pandey (2000), defines dividend as the part of the company’s net earnings that the directors recommend to be distributed to shareholders which is usually in proportion to their existing shareholding in the company.

Brierman (2001) and Baker, Powell and Veit (2001) asserts that dividend can be described as an appropriation of profits distributable to shareholders after making appropriate deduction of tax and fixed interest obligation related to debt capital, while According to the study of Jo and Pan (2009), dividend disbursement is one of the key factors that establish that a company is practising the required corporate governance. Dividend policy decisions have also been identified as one of the primary element of corporate finance policy (Uwuigbe et al., 2012) which is also in agreement with the study of Jo and Pan (2009) above.

Nissim & Ziv’s (2001) study suggest that dividend policy refers to guideline, regulation and policies that a company make use of, in deciding how to embark on dividend payment.

In Dividend Policy researches, the most popular parameter chosen, as proxies for dividend policy are dividend payout and dividend yield (Ramadan, 2013; Asghar, Sheh, Hamid and Suleman, 2011). Dividend payout has been described by Ramadan (2013) as the ratio of total cash dividend distributable to common shareholders over the available net income for the shareholders whereas, the Dividend yield, can be described as profitability indicator shown as a cash dividend per share for common stocks divided by the per share market value. It can also be simply determined as dividend per share divided by the market value per share.

2.2. Theoretical Review

2.2.1. Bird in Hand Theory

According to a study conducted by Amidu (2007), most investor will prefer dividend to capital gain because it is less risky than capital gain which is receivable in the future. This theory also establishes the fact, that firm value is affected by dividend payout, and that firm should set their dividend to be high, so as to be able to maximize the stock prices.

Shareholders have come to accept the fact that dividend payments are more certain than capital gain. This is also referred to as the Bird in Hand Theory which was introduced by Lintner (1956), According to him, this theory can also be simplified to mean this expression “a bird in hand (i.e. dividend) is preferable than two birds (i.e. future capital gain) in the bush”. He further suggested that firm paying high dividend to its shareholder will have higher market value because its shareholder will only require a minimal discounting rate. However, Miller and Modigliani (1961), argue against this theory because according to them, the required rate of return is independent of whatever dividend policy adopted by the firm because investors are rational, and will determine by themselves if they prefer dividend or capital gain.

2.2.2. Agency Theory

This theory suggests that Dividend Policy has huge influence on agency cost. Agency cost usually arises as a result of distinction between owners and those involved in the day today control of the organisation. According to a study conducted by DeAngelo et al., (2006) reducing free cash flow in an organisation will go a long way to reduce the agency problem in quoted companies. He further emphasised that, this agency problem is common in some companies because manager will not always want to adopt the dividend policy that will ensure the wealth of the shareholder is maximised but will rather choose dividend policy that will increase their own control in the organisation.

Excess cash flow is the main cause of agency problem. This was established in a study conducted by DeAngelo et al., (2006) according to them ensuring manager payout high dividend will increase the shareholder value and prevent managers from involving in suboptimal investment. Similarly, according to study conducted by La Porta et al., (2000) Agency cost includes cost involved in monitoring management to reduce possible inappropriate behaviour.

2.2.3. Information Signalling Effect Theory

Another study that emphasises the Information Signalling theory can be found in the work of Al- Kuwari, (2009) according to him, Dividend Policy helps to bridge the gap between information available to investor and the once known to only the management. He further said that Dividend Policy can be seen as a device to communicate information about the firm’s future performance to investors and this knowledge can then be used to forecast the firm’s future share price.

Dividend payment has been seen by many researchers as a means of communicating future prospect of the company to shareholder. Therefore, dividend payment serves as a means of reducing information asymmetry between management and shareholder and also assists them to be able to forecast the profitability and firm’s share price (Al-kuwari, 2009).

2.2.4. Dividend Irrelevance Theory

In this market condition investors will not pay high prices for the dividend irrespective of how high the amount might be (Brealey et al., 2001). Another study conducted by Ceylan and Korkmaz, (2011) indicated that MM were also of the view that market price of stocks is usually not affected by investment on dividend payment but a generally decrease in stock price is usually the case after dividend payment which frequently leads to borrowing with higher interest or issuing of new stock.

Another study that lends support to the irrelevance school of taught is by Stulz, (2000) who establishes that in a capital market where there is market imperfection such as transaction cost, taxes, asymmetric information between manager and investor/shareholder and agency cost any dividend policy plan will be irrelevant. Infact, he concluded that financial manager will be wasting their time if they introduce attractive dividend policy because it will not alter the share price in any way, he also suggested that an investor will frequently not have preference for dividend or capital gain under these market condition.

2.2.5. Conclusion of Theoretical Framework

This research work centres on two theories out of all the theories mentioned and these theories are irrelevance theory and bird in hand theory. The reasons why these theories are the main theories of this research work is because the two major schools of thought on Dividend Policy emphasises that dividend is irrelevant which is in agreement with Irrelevance theory, while the other school of thought on Dividend Policy emphasises that dividend is relevant which is in agreement with the Bird in Hand theory.

2.3. Empirical Review

2.3.1. School of Thought on Dividend Policy

According to a study conducted by Buker et al (2011) the school of thought on dividend policy are majorly divided into two. The first among them is the Irrelevance school of taught. Researches in this school of taught was pioneered by Miller and Modigliani (1961) who emphasised the opinion that dividend policy does not have any effect on the share price of the company in an ideal market situation or perfect capital market.

While the second school of thought is called the ‘Relevance School of Thought’. Researches in this school of thought was popularised by Myron Gordon (1962) and John Lintner (1956). According to them, Dividend Policy has significant relationship on the share price of a firmand this was also described by the statement “a bird in hand worth two in the bush”.

2.3.2. Evidences Supporting the Irrelevance of Dividend Policy

According to a study conducted by Aydin et al., (2010) he emphasised that most investor prefer to receive dividend today because it is risk-free than, wait for capital gain which carries a lot of uncertainties, in the future.

Uddin and Chowdhury (2005) confirm also that there was no relationship between dividend payment and firm value when they analysed one thirty-seven (137) companies in the Dhaka Stock Exchange (DSE). Their result indicated that information about dividend did not add any value to investors. Infact, according to them, there was an approximately 20% loss of value during the thirty days before the announcement of dividend which was also the case thirty days after the announcement. They concluded that current dividend yield could only compensate for the diminished value of the firm to some extent which is also in line with the Irrelevance theory.

2.3.3. Empirical Evidence Supporting the Relevance Theory

According to Gordon, (1963) Dividend Policy has significant relationship with the market price of shares because most investors prefer regular current income in form of dividend than capital gain which is unpredictable. This assertion was also supported by the other researchers among whom are Travlos, Trigeorgis & Vafea 2001, Baker, Powell & Veit 2001, Myers & Frank (2004), Dong, Robinson & Veld (2005).

2.3.4. Impact of Dividend Policy on Earnings

According to Farsio et al. (2004), there is no significant relationship between dividends and earnings in the long run and studies that support this relationship are based on short periods of time, hence could be misleading to investors. They proposed three scenarios that would render the long-term relationship of dividends and future earnings insignificant. First, they point out that an increase in dividends may lead to a decline in funds that are to be reinvested by the firm. Firms that pay high dividends without considering investment needs may therefore experience lower future earnings (Farsio et al., 2004). There is thus a negative relationship between dividend payout and future earnings.

The second case suggests that, in certain situation where there is sudden increase in dividend at the Quarter of the financial year, these are usually forms of tricks by management policy to ensure investors are satisfied so as to tactfully prevent them from disposing their stocks because they are aware that, the future earning is expected to fall. In this situation the relationship between dividend and earnings will also be negative in the long run.

The last case describes the situation in which there were increase in the dividend as a result of previous good performance of the company which may continue in the future. All these three (3) cases established that the relationship between dividend policy and earning is quite insignificant because in some period the relationship between dividend and earning is clearly negative while in some others it is positive.

Amidu (2007) found that dividend policy affects firm performance especially the profitability measured by the return on assets. The results showed a positive and significant relationship between return on assets, return on equity, growth in sales and dividend policy. This showed that when a firm has a policy to pay dividends, its profitability is influenced. The results also showed a statistically significant relationship between profitability and dividend payout ratio. Another study also conducted by Howatt et al. (2009) concluded that positive changes in dividends are associated with positive future changes in mean real earnings per share.

Similarly, Foong, Zakaria and Tan (2007) also stressed the fact that investments made by firms’ influences the future earnings and future dividends potential.

Velnampy & Nimalathasan, (2008) investigated the association between organizational growth and profitability of Commercial bank limited in Sri Lanka over the period of 10 years from 1997 to 2006. They found that, sales are positively associated with profitability ratios except operating profit, return on equity and number of depositors are negatively correlated to the profitability ratios except operating profit and return on equity. Likewise, number of advances is also negatively correlated to the return on average shareholders’ funds.

Kania and Bacon (2005) examined the impact of profitability, growth, risk, liquidity and expansion on the dividend decision/policy of a corporation by analyzing the financial data of over 10,000 publicly traded firms. The study concluded that the dividend payout ratio is significantly affected by the profitability, growth, risk and liquidity. In Iran, Etemadi and Chalalki (2005) examined the association between management performance and the cash dividend of listed firms in Tehran Stock Exchange. The results show that there is a significant positive relationship between management performances and cash dividends. Similarly, Jahankhahi and Ghorbani (2005) attempted to find out the determining factors of dividend policy in Tehran Stock Exchange market. Findings from their study show that firm’s dividend
policy follows the random talk model.

Another study conducted by Raballe & Hedensted (2008) in Denmark during 1988-2004 identified the positive relationship between cash dividends and net earnings of the company, return on equity, retained earnings, size and last year profit but fail to find out any relation between debt equity ratio and dividend decision in Denmark. Denis & Osobov (2008) empirically tested the trends of companies for designing their dividend policy. Results of their study show that general trend in US, Canada, UK, Germany, France, and Japan is that the companies having higher profitability ratio and higher fraction of retained earnings to total equity pay dividends to their investors. On the other hand, the companies that have lower profitability ratio and lower fraction of retained earnings to total equity do not either pay dividend or pay at a low rate but often time, this depends on the managerial and behavioral environment of the countries to decide whether they want to pay dividends or not

The size of a firm's profit has been a long standing determinant of dividend policy. Directors normally recommend the payment of dividend when the firm has made sufficient profit to warrant such payments. Profitability is among the main characteristics that strongly and directly influences dividend policy, (Al-Kuwari (2009). Consequently, it is expected that

profitable firms are likely to pay dividend as compared to non-profitable firms (Eriostis and Vasiliou, 2003; and Ahmed and Javid, 2009). Abor and Amidu (2006), Yiadom and Agyei (2011), and Naceur et al (2006) find a positive relationship between dividend payout and profitability. Gill et al (2010) posit that there is the Possibility of a non-linear relationship between dividends and profitability. Thus, the impact of profitability on dividends changes sign after a certain level of profitability.

Zakaria and Tan (2007) also stressed the fact that investments made by firms' influences the future earnings and future dividends potential. In their research on 50 listed firms operating in

2.4. Methodology

This study is an ex-post-facto research based on secondary data obtained from past annual report of twenty-five quoted companies which comprise seven sectors of companies quoted on the Nigeria Stock Exchange from 2004 -2013 and these sectors include: Financial services, Consumer goods, Conglomerate, Construction/Real Estate, Healthcare, Industrial goods and Oil and Gas sectors. The names of these companies are; A. G Leventis Plc, SCOA Plc, UACN Plc, Challarms Plc, Transcorp Plc, Lafarage-Wapco Plc, Beta glass Plc, Berger Paint Plc, Dangote cement Plc, Guinness Nig. Plc, International Breweries Plc, Oando Nig. Plc, Total Nig.Plc, Mobil Oil, MRS Oil Plc, Conoil Plc, May& Baker Plc, Evans Medical Plc, Fidson Healthcare Plc, Glaxo Smithkline Plc, Access Bank Plc, Diamond Bank Plc, Fidelity Bank Plc, First Bank Plc, FCMB Plc. These companies were chosen using Stratified sampling technique and the data obtained were analysed using regression analysis and Durbin Watson in SPSS (Statistical Package for Social Sciences)

2.5. Model Specification

<u>2.5.1. Model Specification for Regression Analysis</u>

The model specification used in this study is based on the description of the relationship between the dependent and independent variables of this research work.

$Y = f(X)$

Where Y = Dividend policy

X = Market value

$Y = f(y_1, y_2, y_3)$

Where y_1 = Dividend yield ratio

y_2 = Dividend payout ratio

$X = f(x_1)$

Where, x_1 = Earnings per share

The multiple linear regression model for this study is defined as:

$Y = \beta_0 + \beta_1 x_1 + e$ -- (1)

Here, Y = the dependent variable. That is, dividend policy of the selected quoted companies.

Also, β_0 is the intercept or constant while β_1, is the regression parameters.

X_1= independent variable. That is, Earnings per share of the selected quoted companies (Eps)

e = error term.

By substituting the above into the multiple linear regression models above, we have:

$Y = \beta_0 + \beta_1 EPS + e$ -- (2)

<u>2.5.2. A' Priori Expectation from the Study</u>

From the model developed above, it can be seen that the dividend policy is a function of market value in the selected quoted companies. Therefore, the independent variables are positive determinants of the dependent variable. Hence, it is expected that a positive relationship should be established between the independent and the dependent variables, and also a positive influence in the result of the Durbin Watson Test. This implies that, the a'prior expectation is that they should be a positive relationship between the variable/proxies used to measure the dividend policy and market value of the selected quoted companies, While the a'priori expectation for the Durbin Watson is that the explanatory variable must have a positive influence on the dependent variable. This is in agreement with the study of Gordon (1963), Baker &Powell (1999), Travols, Trigeorgis & Vafea (2001)Travlos, Myers & Frank (2004), Dong, Robinson & Veld (2005) in the literature review section of this study, who emphasised that there is significant positive relationship between dividend policy and market value.

Thus, the A' priori expectation becomes as stated below, meaning the variables must be positive.

$\beta_1 > 0, \beta_2 > 0$

2.6. Data Analysis and Interpretation

2.6.1. Test of Hypotheses

Decision Rule: Accept Null hypothesis if the P-Value obtained using SPSS is greater than 0.05 which is the alpha level of significance specified for SPSS. But, if, otherwise, reject it and accept the Alternate Hypothesis. The rule of Durbin Watson is that its result must not exceed 2 by a significant amount to avoid problem of auto correlation.

2.6.2. Testing and Interpretation of Hypothesis 1
There is no relationship between Earning per share and Dividend yield of quoted companies in Nigeria.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.725[a]	.526	.181	126.47033	1.954

Table 1: Model Summary
Source: Authors Computation (Appendix B and C)

2.6.2.1. Model Testing and Interpretation
The model summary above shows the value of R Square also called coefficient of determination. This value shows the fitness of the model and the extent to which dependent variable was determined by the independent variable. This R square value implies that the dependent variables (i.e. dividend yield) accounts for only 52.6% of the independent variable. While the remaining 47.4% can be determined by other factors not captured by this model.

This also shows that the earning per share of the selected quoted company will change if the dividend yields of the companies change since they are both strongly related with each other. Furthermore, a Durbin Watson test was conducted on the variables and the result was 1.954 Which implies the explanatory variable have positive influence on the dependent variables.

Model		Sum of Squares	Df	Mean Square	F	P-value
1	Regression	100788.254	1	100788.254	6.301	.020[a]
	Residual	367879.097	23	15994.743		
	Total	468667.351	24			

Table 2: ANOVA
Source: Authors Computation (Appendix B and C)

The study also conducted ANOVA (Analysis of variance) to determine whether the above Durbin Watson result can be relied upon. The result shows that the P-value of 0.020 (i.e. 2%) was lower than the alpha value of 0.05(i.e. 5%). This means that an increase in the earning per share will also lead to an increase in the dividend yield which was also in agreement with the result of the Durbin Watson of this hypothesis and this also means that there was a proportional relationship between earning per share and dividend yield. Thus, according to the decision rule, the null hypothesis will be rejected, while the alternate hypothesis will be accepted.

Model		Unstandardized Coefficients		Standardized Coefficients	T	P-Value.
		B	Std. Error	Beta		
1	(Constant)	60.733	27.129		2.239	.035
	EPS	246.228	98.089	.464	-2.510	.020

Table 3: Regression Analysis
Source: Authors Computation (Appendix B and C)

Also Regression analysis was conducted to determine if the result of the analysis of variance (i.e. ANOVA) and Durbin Watson can be relied upon. The result establishes that the independent variable (earning per share) have significant effects on dependent variable (dividend yield), This was because the P- value of 2% (i.e. 0.020) was lower than the benchmark of 0.005(i.e.5%) which is in agreement with the interpretation of the Model Summary and Analysis of variance (ANOVA) of this hypothesis , which implies that a proportional relationship exists between the dependent variable(dividend yield) and the independent variable (earning per share).
This result also shows that there was relationship between dividend policy and market value because both proxies show a strong relationship with each other, hence, according to the decision rule, the Null hypothesis will be rejected, while the alternate hypothesis will be accepted. This interpretation is in agreement with the work of Nissim& Ziv (2001) who stated that dividend increases were directly related to future increases in earnings in each of the two years after the dividend change.
It can therefore be inferred from this that Earnings have significant effects on dividend yield of the selected quoted company, which also means that there is relationship between dividend policy and market value since their proxies(i.e. Earnings per share and dividend yield) show significant relationship with each other, and this also corresponds with the a'priori expectation of this research work, which emphasised that there must be a positive relationship between dividend and market value of the selected quoted companies.

2.6.3. Testing and Interpretation of Hypothesis 2
- There is no relationship between earnings per share and dividend payout ratio.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.521[a]	.271	-.043	142.71156	2.851

Table 4: Model Summary
Source: Authors Computation (Appendix B and C)

2.6.3.1. Model Testing and Interpretation
The model summary above establishes that R-square or Coefficient of Determination value is 0.271 (i.e. 27.1%). This value implies that the dependent variable (i.e. dividend payout ratio) accounts for only 27.1% of the independent variable(earning per share) while the remaining 72.9% can be determined by other factors not captured by the model. This also shows that there was weak relationship between earning per share and dividend yield which implies that the relationship between dividend policy and market value was significantly weak, since the R square value was just 27.1%. Furthermore, a Durbin Watson test was conducted on the variables, and the result was 2.851, which implies the explanatory variables have negative influence on the dependent variables.

Model		Sum of Squares	Df	Mean Square	F	P-Value
1	Regression	235.802	1	235.802	.012	.915[a]
	Residual	468431.549	23	20366.589		
	Total	468667.351	24			

Table 5: ANOVA
Source: Authors Computation (Appendix B and C)

The study also conducted ANOVA (Analysis of variance) to confirm if the result of the Durbin Watson was correct and the result shows that the P-value of 0.915 (i.e. 91.5%) was higher than the alpha value of 0.05(i.e. 5%), This shows that the independent variable (earning per share) has no significant relationship with dependent variable (dividend payoutratio), which also was in agreement with the Result of the Durbin Watson Statistic of this Hypothesis. Thus, according to the decision rule, the null hypothesis was accepted, while the alternate hypothesis was rejected, which also implies that change in earning per share will not lead to proportionate change in the dividend payout ratio since, they do not have relationship with each other, this also means that value of the shareholders and other types of investors will not be affected by the movement of these two proxies(i.e. earnings per share and dividend yield) because both of them do not show any relationship with each other.

Model		Unstandardized Coefficients		Standardized Coefficients	T	P-Value
		B	Std. Error	Beta		
1	(Constant)	37.474	31.227		1.200	.242
	EPS	-2.220	20.633	-.022	-.108	.915

Table 6 : Regression Analysis
Source: Authors Computation (Appendix B and C)

Also Regression analysis was conducted to determine if the result of the Durbin Watson and Analysis of Variance was correct. The result of the regression analysis shows a P-value of 0.915 that was greater than the alpha value of 0.05. This result shows that the Earnings per share do not have significant relationship on Dividend payout ratio**.** Which was in agreement with the Model Summary and ANOVA (Analysis of Variance) of this hypothesis. Thus, according to the decision rule, the null hypothesis is accepted, while the alternate hypothesis was rejected. This implies that dividend policy and market value of the selected companies do not have relationship with each other, because the selected proxies have shown a weak statistical relationship.
These findings are in agreement with the study of Okpara, Godwin Chigozie (2009) who used multiple regression to determine the determinant of dividend policy. The result of their study show that dividend payout have negative relationship with Earning in Nigeria. Thus, it can be inferred that dividend payout does not have relationship with earning per share and that dividend payout and earnings per share will not contribute to the wealth of the shareholders.
This also means that there was no relationship between dividend policy and market value since these proxies (i.e. Earnings per share and dividend payout) do not show significant relationship with each other. However, this is not in agreement with the A'priori expectation of this research work, which emphasised that they must be a positive relationship between dividend and market value of the selected quoted companies.

3. Discussion of Findings
The analyses above reveal that dividend policy has significant relationship with the market value, but this relationship was only found with earning per share and dividend yield, which are proxies of dividend policy and market value and which is in agreement with the study of Gordon, (1956) which emphasised that the dividend payments have significant values on the firm, thus any changes in earnings per share will also lead to significant changes in dividend yield. Furthermore, the findings also establish that some other

proxies of dividend policy and market value (e.g. combination of earning per share and dividend payout)considered by this study does not show any relationship with each other which implies that in some cases dividend policy does not show relationship with market value, this is also in agreement with the study of Modigilani (1961) which emphasises that dividend policy does not have significant relationship with the market value of the firm.

3.1. Conclusion

The study provides an understanding that dividend policy, specifically, its proxies, dividend yield contributes significantly to the market value of quoted companies (i.e. its proxies, earning per share) therefore, managers of quoted companies should design their dividend policy with the best strategy possible, so as, to be able to maximise the wealth of the shareholder, which is a very important objective of the quoted company. It also provides an answer to the problem statement, and concludes that in Nigeria the main factors that affect dividend policy are the earning per share and the dividend yield because these are the two major proxies that affect market value of the selected quoted companies. Additionally, the study also concludes that dividend per share does not have significant effect on earnings per share of the company. Therefore, the relationship between these two variables, earnings per share and dividend per share cannot serve as an accurate determinant of the future dividend payment of the selected quoted Nigerian companies.

Furthermore, the research work concluded that Dividend policy and market value show some relationships but not in all cases, therefore, investors and stakeholders should make sure that, their investment decisions are not based on the dividend per share information alone, but should consider other information especially those relating to dividend yield and earnings per share of the companies so as not to waste their scarce resources on poor investment. This conclusion further provides an explanation to the problem statement in this research work, by emphasising the fact that, profitability/ financial strength alone, does not determine the amount of dividend that will be paid by quoted companies in the future, but relationship between some other variables must be considered.

3.2. Recommendations

i. Dividend policy have relationship with market value of selected quoted companies but this relationship is majorly exhibited by dividend yield which is the only proxies of dividend policy that exhibited significant relationship with the selected proxies of Market value (i.e. Earnings per share). Therefore, investors and shareholders interested should pay more attention to analysis and explanation involving dividend yield, since it's the only proxy of dividend policy that has significant effect on market value.
ii. Investors should not be disturbed by changes in dividend per share and dividend payout since these proxies do not have effect on the proxies of market value (i.e. earnings per share) selected for this research work.
iii. Investors can easily use Multiple regression and Durbin Watson to understand the relationship between the proxies of dividend policy and market value.

3.3. Contribution to Knowledge

The study contributes to knowledge by establishing that:

- Market value and dividend policy have relationship with each other but these relationships can only be established with earning per share and dividend yield, which are both proxies of dividend policy and market value, while the other proxies (i.e. Dividend payout and dividend per share) related to dividend policy did not show any relationship with the proxy selected for market value (i.e. earnings per share).

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