



DETERMINANTS OF DIVIDEND POLICY OF QUOTED DEPOSIT MONEY BANKS IN NIGERIA

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Abstract

Dividend policy has attracted the attention of researchers since 1950s as regard to proportion of earnings of a company to be paid out as a dividend, factors influencing such payment decision and the impact of the payment on the firm value. This study examined the determinants of dividend pay-out of quoted deposit money banks in Nigeria. The study covered a period of Twelve (12) years ranging from 2006 to 2017. Ex-post facto research design and secondary data were adopted. The study population is the fifteen (15) quoted deposit money banks on the Nigeria Stock Exchange. Twelve (12) of them were selected using purposeful sampling technique. The Ordinary Least Square Regression was employed with the aid of E-view 9 to estimate the effect of earnings per share and size on dividend pay-out of quoted deposit money banks in Nigeria. The study used Panel data and based on the Hausman result, Fixed Effect model was adopted. The study reveals that earnings per share of deposit money banks has significant positive effect on the dividend pay- out while size has no significant effect on the dividend pay-out of deposit money banks in Nigeria. The study concludes that accounting profit is the major and most significant of dividend determinants of listed banks. The study recommends that quoted deposit money banks in Nigeria should continue to improve on their earnings quality, Central Bank of Nigeria (CBN) should ensure listed banks management maintain high assets quality.

Keywords: Dividend Policy, Earnings Per Share, Hausman Test, Panel Data, Size

1. Introduction

Dividend policy has attracted the curious attention of researchers such as Linter (1956); Miller and Modigliani (1961); Fama and Babiak (1968); Uwuigbe (2013) since the 1950s in relation to amount of proportion of earnings of a company to be paid out as a dividend, factors influencing such payment/decision and the impact of the payment on the firm value; that is wealth maximisation. This shows that dividend policy decision is strategic to life of the firm.

The issue of dividend policy is important for several reasons for deposit money banks in Nigeria. Firstly, banks can use dividends as an instrument for financial signaling to the outsider vis-a-vis the stability and growth prospects of the bank. Secondly, dividend plays a significant



role in a bank's capital structure. According to the "residual dividend" theory, a firm pays dividend only if it does not have any opportunity of profitable investment. However, many researchers have established a relationship between firm dividend and investment decisions. Firms normally do not like to reduce the dividend payments; firm's stock price also affected by dividend patterns, more dividends can also increase the stock price of the firm.

Abdul (2014) describes dividend policy as the financial policies of a firm regarding paying cash dividend in the present or paying increased dividend at a later date. Dividend policy of a company determines the proportion of profit it would pay out to shareholders by way of dividend and what part that it would plough back in the company for investment purpose. Developing such policy would be greatly influenced by investment opportunities of the company and the value of today dividends income instead of future of capital gain to ordinary shareholders. This could be in three scenarios: distributing all earning as dividend will bring rewards to shareholder but it will lead to dividend cut. Zero dividend payment will make shareholders who prefer dividend to sell their shares and buy from the companies that pay dividend. This usually sends a bad signal about the company's poor performance to the society. Thirdly, paying dividend and retaining earning at same time, management will also be faced with what amount to be paid and what to retain but the benefit outweighs its complexities as it serves both situations/parties of the divides. Such firms make meaningful efforts to develop dividend policy that will serve all interested groups: shareholders, customers, the public and so on, at the same time considering sound liquidity position and investment opportunities of the firm. Such policies include, paying constant minimum dividend ratio for regular income to shareholders, paying constant dividend per share to communicate good information about shares of the companies and stable income. The company can as well pay constant dividend plus extra bonus dividend. This is to create stability of dividend by paying the constant minimum when financial situation is at average and paying bonus in a boom business period (Eriki, 2004; Pandey, 2005; Aruwa, 2015). This is important for DMBs in Nigeria because of the competitive nature of the industry.

A firm's leverage has been analysed in the literature as an important determining factor for dividend policy decisions. Rozeff (1982) argues that high leverage increase the transaction costs and the risk of the firm. Firms with high leverage ratio have high fixed payments for using external financing. Therefore the higher the leverage ratio, the lower the chance for dividend as a consequence leverage is negatively related to dividends. Liquidity condition of a firm is also one of the determinants which affect dividend decisions. Firms with higher cash availability are more likely to pay dividends than firms with insufficient level of cash. Therefore, the likelihood a firm will pay cash dividend is positively related to liquidity. Profitability has been found as one of the most important determinants of dividend policy. Pecking order theory states that companies prioritise their financing sources, by preferring to use internal funds. Myers (1984) states that when internal funds are insufficient to meet financial needs, firms turn to debt (first to risk free, then risky debt), and finally equity. Myers (1984) suggests that this behaviour may be due the cost of issuing new equity. Rajan and Zingales (1995) state that larger firms tend to be more diversified than smaller firms, therefore less prone to the risk of bankruptcy. According to the trade off theory, the relationship between firm size and dividend policy should be positive. They explain it on the basis of the pecking order theory. Large firms have easier access to



capital markets and are more likely to pay dividends (Ho, 2003; Aivazian, Booth & Cleary, 2003). Dewasiri, Koralalage, Athambawa, Jayarathne, Kurupparachchi and Weerasinghe (2019) examine the determinants of dividend policy in an emerging and developing market. The study employs a quantitative approach using 191 Sri Lankan firms and 1,337 firm-year observations as the sample. The authors apply a Binary Logistic Regression model to uncover the determinants of the propensity to pay dividends, and a Fixed Effect Panel Regression to investigate the determinants of dividend payout. The study revealed that past dividend decision, earnings, investment opportunities, profitability, free cash flow (FCF), corporate governance, state ownership, firm size and industry influence the propensity to pay dividends in Sri Lanka.

Despite the financial crisis experienced by the banking industry which caused the decline in commercial banks number from 89 to 15 listed banks more than a decade ago, the banking sector still paid largest amount of dividends among the sectors of the Nigeria economy (Zubairu, 2014). This therefore attracted the interest of the researchers to examine the post-consolidation period of the banking sector dividends determinants to complement existing works for more economic and corporate financial policies.

Abubakar and Adeyemi (2014) state that a great number of studies have been conducted on dividend policy, mostly from developed country and few from emerging economies (Nigeria) and banking sector respectively, but no consensus has been reached regarding dividend determinants. This work aimed at exploring other area of dividend determinants to contribute to existing body of knowledge.

The aim of this study is to empirically identify the determinants of dividend pay-out of listed DMBs in Nigeria, while the specific objectives are to examine the effect of banks earnings on dividend pay-out of listed DMBs in Nigeria, and to determine the effect of banks size on the dividend pay-out of listed DMBs Nigeria.

In order to achieve the stated objectives, the following research hypotheses were formulated and stated in the null form:

H₀₁: Earnings per share have no significant effect on the dividend pay- out of deposit money banks in Nigeria.

H₀₂: Size has no significant effect on dividend pay-out in deposit money banks in Nigeria.

The study examined twelve (12) out of the fifteen (15) banks quoted on the Nigeria Stock Exchange as at 2017. The study covered twelve years period (2006-2017). In order to achieve the stated objectives, the study uses the following independent variables; Earnings per Share (EPS) and Total asset Per Share (TAPS) and Dividend per Share (DPS) as dependent variable.

2. Literature Review

Concept of Dividend

The word 'dividend' was originally derived from Latin word '*dividendum*' meaning "which is to be divided". By implication dividend means something that is divided among recognised group of people. This distribution is appropriated out of profits remaining having deducted all expenses and making provision for tax expenses. Simegn (2013) opines that dividend is a



portion of corporate profit that is paid out by the corporation to their shareholders as rewards of income for investing in the corporation. Dividend could also be seen as the sharing of recognised asset among shareholders that could either be paid regularly by the company or called out by shareholders at any time. Though, dividend is a payment made from the organisation to stakeholders for their interest in the organisation, it is not considered as a business expenses for the organisation (Santhi& Lee, 2011; Oloidi & Adeyeye, 2014).

Aruwa (2015) had a deeper definition that a dividend is payment given to shareholders from firm earnings whether they are earned in the current financial year or in the previous period. Ashamu, Abiola and Bhadmus (2012) in their concept, see dividend as another form of interest and returns paid to shareholders for the risk they bear in putting their money in the business. There are two major types of dividend, namely: Cash dividend and Stock dividend. The cash dividend is cash payment made to stockholders from the firm earnings. Whereas, stock dividend is payment made by firms that is in the form of stocks which involves the distribution of additional shares to the firm's stockholders, it could be referred to as re-purchase of own shares using the company reserve. Payment of stock dividend is an advantage to company for the fact that it allows a company to keep its own cash that would have been paid out in cash dividend.

Concept of Dividend Policy

Lee (2009) defines Dividend policy as the pay-out policy that managers follow in deciding the size and pattern of cash distribution to shareholders over time. Abdul (2014) describes dividend policy as the financial policies of a firm regarding paying cash dividend in the present or paying increased dividend at a later date. Baah, Tawiah and Eric (2004) conclude that dividend policy is the trade-off between retaining earnings on one hand; and redistributing cash or issuing new shares to owners of the company on the other hand. Consequently, it is important to understand how the firms profit are divided between dividends and retain earning. Corporate managers in their daily routine of life or operation are exposed to number of crucial decisions; these are financing decision, investment decision and dividend decision. Thus, dividend policy of a company sets the guidelines to be followed while deciding the amount of dividend to be paid out to shareholders. It explains the strategy in the organisation about the payment amount which announce to investors as a profit on share and its payment modalities.

Review of Empirical Studies

The determinants of dividend policy have received a lot of empirical work mostly in developed countries. The pioneer work of Linter (1956) followed by Fama and Babiak (1968) opened the door for other studies on the issue of dividend determinants. They found out that companies adjust their dividend according to their previous earning, that is smoothing dividend according to their profit to avoid dividend cut as a result of a suddenly drop in profit. These earliest works suggested that profit affect dividend pay-out.

Uwuigbe (2013) examines the effect of profit, firm size, board independence and financial leverage on dividend payment. Using 50 selected firms from the NSE through judgmental sampling techniques, from 2006- 2011 time period. The study concludes that asignificant positive relationship exist between firm's financial performance and dividend payment. Supporting the empirical opinion that profit influence dividend pay-out, Edet, Atainet and Anoka (2014) examine the various determinants of dividend pay-out of selected commercial



banks in Nigeria, using secondary data covering 1989-2010 and using the ordinary least square (OLS) regression analysis, the finding also revealed that earning of the present year, accrued dividend and borrowing rate were the major predictors of cash pay-out in the banks.

In the opposite findings, the study of Maladjian and Khoury (2014) investigated the factors determining dividend pay-out in the Lebanese bank listed on the Bureau stock exchange using unbalanced panel data on set of listed banks. The period of the work was five years; ranging from 2006 to 2011. The ordinary least squares and the dynamic panel regression were used to test the two models of the study. The analytical result showed that dividend policy is negatively affected by profitability and opportunity growth while size has positive effect. Abubakar and Adeyemi (2014), using time series data from the companies in Nigeria stock exchange, found positive relationship between dividends paid and profit.

A study carried by Dada, Malomo and Ojediran (2015) to evaluate factors affecting dividend in the banking sector used panel data of selected quoted banks from 2003 to 2012 time period and deployed diagnostic tools of kurtosis test, robustness and OLS regression analysis of data with the following variables: leverage, profit, corporate governance, last year dividend and liquidity. The study showed that dividend payment is positively correlated with profit. The study of Ahmed and Mugaddas (2017) support the position of profit as dividend determinant. The study used listed banks in the Pakistanian Stock Exchange (PSX) between 2006 and 2014 with profit, efficiency, and risk as variables. Multiple linear regression tools were employed to determine significant relationship between dependent and independent variables. Profit was found to be having positive significant relationship with dividend pay-out of the listed banks. That means profitability of a firm influence the dividend pay- out of a firm.

Researchers with backing of their empirical works argue from two polar positions, one position is that size of firm affects dividend payout positively and the other position is that size of firm does not affect dividend payout positively. Olowe and Moyosore (2010) in their study which examined the factors influencing dividend payout policy in Nigeria banking sector over the period 2001-2006, made use of pool regression techniques to analyse the data of the listed banks which profitability size, liquidity, firm size among the few variables that statistical significant factors which have positive influence on dividend payout. Mehta (2012) investigates payout of dividend in all companies quoted in the stock exchange of Abu Dhabi in all the sectors such telecommunications, health care, construction, areas of real estate, energy sector, and other industries (except banks and investment concerns) for period of five years. The study analysed range of dividend determinants - risk, size, earnings, leverage etc. The result provides evidence from the multiple regression techniques that performance and size are the only variables that showed major influence as predictors and significant factors in dividends payout decisions of UAE listed companies. Alzomania and AlKhadiri (2013) examine the determinants of dividend pay-out of 105 non finance related companies listed on the Saudi – Arabia stock exchange using panel data covering 2004-2010. Ordinary Least Square Regression was used in the variables including size, debt and so on. The result showed positive effect of size on dividend payout. Explaining in their conclusion; firm size is expected to influence dividend payment. They explained that bigger organisations are more likely to be mature with enough capital, operation and assets and thus have access to capital markets, as a result should be able to pay more dividends. This indicates that large firms can afford to pay higher dividend than the



smaller ones. This relationship is supported by the transactions cost explanation of dividend policy.

Adeyemi and Abubakar (2014) investigate the correlation between dividend payout ratios with the following variables: profitability, Tax, leverage and size as predicting factors influencing dividend payment using 44 firms from 180 firms that announced dividend in 2013, listed on the Nigeria stock exchange as at 2013. The ordinary least squares (OLS) multiple regression was applied; the result showed that firm size was found to be insignificant in the context of determining the dividend payout ratio of the firms in the study while tax had positive influence. Reasoning from these findings, it implies that bigger firms do not just translate to more or bigger dividend. Farman and Nawaz (2017) analyse the relationship between dividend payment and profitability, size of the firm, liquidity, growth opportunity, taxation and risk in Pharmaceutical companies for a study period that run from 2001 to 2014. Multiple correlation linear analysis was used to determine the significant relationship of the variables. The study result showed that there was no strong or significant relationship between firm size and dividend pay-out in Pharmaceutical companies. The study concludes that big size of a firm does not correspond to big size of dividend payment.

Kannadhasan and Thakur (2018) examine the influence of firm characteristics such as profitability, growth opportunities, size, leverage and maturity on dividend policy of Indian firms. The study analyses the determinants of dividend policy of manufacturing firms in India using panel data. The study used quantile regression method to examine whether the determinants of dividends vary depending on the company's level of dividends. The results show important difference between ordinary least square and quantile regression estimates and depict differential effect on dividend at different levels. The notable difference occurs because either the significance changes (e.g. for profitability and growth opportunities) or because the magnitude of coefficients changes (e.g. for size, profitability and growth opportunities). Dewasiri, Koralalage, Athambawa, Jayarathne, Kuruppuarachchi and Weerasinghe (2019) examine the determinants of dividend policy in an emerging and developing market. The study employs a quantitative approach using 191 Sri Lankan firms and 1,337 firm-year observations as the sample. The authors apply a Binary Logistic Regression model to uncover the determinants of the propensity to pay dividends, and a Fixed Effect Panel Regression to investigate the determinants of dividend payout. The study revealed that past dividend decision, earnings, investment opportunities, profitability, free cash flow (FCF), corporate governance, state ownership, firm size and industry influence the propensity to pay dividends in Sri Lanka. In addition past dividends, investment opportunities, profitability and dividend premium are identified as the determinants of dividend payout.

Theoretical Framework

It is opposed the irrelevancy theory that due to the uncertainty of future cash flow, entrepreneurs would prefer cash dividend to related earning. As a result, higher dividend pay-out ratio would lead to decline in the required rate of return leading to increase in the firm value (Gordon, 1963; Linter 1956; Eriki, 2004, Eng, Yahaya & Hadi, 2013). Zubairu (2015) stated that because investors will be inclined to produce their home-made dividends by selling stock to reduce the uncertainty if dividend is not paid by management; therefore, it is important to pay dividend. Apart from the fact that the bird-in-hand posit that nothing more futuristic than the future to



shows the importance of dividend; also, the price of common stock has been influenced more by the dividend rate than by reported earnings since market values in most cases depend primarily on the dividends rate (Akintoye, 2007). No doubt, dividends are more certain compared to capital gain because managers can stabilise dividends disbursement/ payment situation but they will not able to guarantee the value of capital gain. So it is clear that dividend is important and indispensable to managers. If there is such hold spread agreement that dividend policy does not matter, why do managers believes it to be important by still paying some dividend or if generous dividend lead to generous tax, why do companies continue to pay dividend, it is because it is indispensable. Joel and Donald (1998), supporting dividend pay-out information power and its relevant to stock price as well as firm value, stated that “even casual observers of stock market will agree that large dividends increases are good news and strong positive relationship exist between dividend announcement and security. This is really caused by the information about the future earnings that management conveys to the market through announced changes in dividend policy (Akintoye, 2007).

3. Methodology

Research Design

The study employed descriptive as well as Ex-post Facto research design. This is for the fact that the research work is quantitative in nature and because the variables are secondary data and the event of study had already taken place. Since the main objective of this study was to identify determinants of dividend pay-out of Nigerian listed banks, quantitative research design/ex-post factor was used. Also, the descriptive design would allow the researcher to also describe the behaviour of various variables through the use of mean, minimum, maximum and standard deviation. The population of this study is all the fifteen listed Deposit Money Banks in Nigeria Stock as at 2017. The period of the study is from 2006 to 2017. However, in order to have required data for all the years of the study, a sample of twelve banks was chosen. A purposeful sampling technique was used in selecting the twelve banks. The criteria for selection were that a bank must have required dividend pay-out record for at least six (6) years of the study. The rationale behind choosing twelve years period is that it is a post consolidation period. The justification for the population and sampling technique was that publicly quoted banks data would be more reliable, objective and have available documented record due to their advanced technological business operation. Thus, an empirical result from data that were sourced from banking sector would result in findings that are more reliable and effective. Data for the empirical work were obtained from the Annual Financial Statements of Deposit Money Banks for the period of the study; covering 2006 to 2017. As a result, the study relied completely on the secondary source of data collection. Data collected were further analysed and ratio into proxy for appropriate variables. The various ratios were calculated for each sampled bank and analysed into proxy of various variables as follow: Panel data were analysed using Ordinary Least Multiple Regression (OLS) with the aid of E-View. The variables of the study are many; therefore it fits into this model or analytical tool with its BLUE character for efficient result. The OLS is used to examine the linear relationship between dependent variable and independent variables.



Model Specification and Variables Measurement

DPS: Dividend paid for the years divided by number of shares ranked for dividend TAPS: Total Naira value of assets of the bank divided by number of shares. It is used here interchangeable with net asset. It is believed that the larger the Naira worth per share value of asset of company the more dividend paid as a result of more return on capital employed. EPS: This refers to earnings available for ordinary share holder divided by the number of ordinary shares ranked for dividend or outstanding. It is given in Naira ratio. It is believed that higher earnings per share high dividend pay-out. The distribution normality of data as well as goodness of fit of the data was resolved through testing position of skewness alongside with the Kurtosis Test. Therefore, the exertion Model of Lintner, (1956) was used and equation Model is stated as follow; (Dada, Malomo & Ojdiran, 2015).

$$DPS = F(EPS, TAP) \dots\dots\dots 1$$

$$DPS_{it} = B_0 + B_1, EPS_{it} + B_2 TAPS_{it} + e_{it} \dots\dots\dots 2$$

DPS= is the dividend pay-out (per share) for the current period. Therefore, dividend per share value was analysed in line with the predicting variables. This is explained in equation here under.

$$DPS_{it} = B_0 + B_1, EPS_{it} + B_2 TAPS_{it} + e_{it} \dots\dots\dots 3$$

Where:

DPS = is dividend pay – out per share

B₀= is the constant

B₁= is the regression coefficient of the independent variable that explains effect of their independent variable on the dependent.

e_{it}= is the panel effect / panel data effect function.

Table 1 here under shows the variables specification, their proxy and how they are calculated in the work.

Table 1: Measurement of variables

| Variable | Proxy | Measurement | Sources |
|--------------------|-------|------------------------------------|---------------------------------|
| Dividend per share | DPS | Dividend payout/number of shares | Income statement |
| Profitability | EPS | Profit after tax/number of shares | Income statement |
| Size | TAPS | Total asset value/number of shares | Statement of financial position |

Source: Authors' compilation

4. Results

Data Analysis and Results

This section presents results on Dividend Paid per Share (DPS), Earnings per Share (EPS), Total Assets (TAPS).



Post Diagnostic Tests

Table 2: variance Inflation Factor

| Variable | Coefficient Variance | Uncentered VIF | Centered VIF |
|----------|----------------------|----------------|--------------|
| C | 0.2049 | 188.5181 | NA |
| EPS | 0.0013 | 4.8230 | 1.2517 |
| TAPS | 0.0224 | 300.3730 | 2.7271 |

Source: Authors' compilation

Table 2 presents the variance factor (VIF) and tolerance coefficients of each of the explanatory variables. The collinearity revealed a variance inflation factor (VIF) fairly lower than 10, a tolerance higher than 0.2. This shows absence of threat of multicollinearity or independent errors. Researchers suggested that multicollinearity will not automatically cause a problem when the VIF is not higher than 10 and when the tolerance for each of the variable is above 0.2 (Wasserman & Kutner, 1990).

Table 3: Breusch-Godfrey Serial Correlation LM Test

| | | | |
|--------------|---------|------------------|--------|
| F- statistic | 8.9057 | Prob. F | 0.2202 |
| R-squared | 16.6679 | Prob. chi-square | 0.1202 |

Source: Authors' compilation

The Breush-Godfrey serial correlation LM test as shown in table 3 was performed on the residuals and the results revealed observed R-squared of 0.1202 which is in excess of 0.05, which lead us to reject the presence of serial correlation in the residual.

Table 4: Breusch-Pagan Heteroskedasticity Test

| | | | |
|---------------------|----------|------------------|--------|
| F- statistic | 0.820659 | Prob. F | 0.5370 |
| R-squared | 4.158454 | Prob. Chi-Square | 0.5268 |
| Scaled explained SS | 5.145644 | Prob. Chi-Square | 0.6775 |

Source: Authors' compilation

The Breush-Pagan-Godfrey test for Heteroskedasticity as shown in table 4 was performed on the residuals and the results showed observed R-squared of 0.5268 which is in excess of 0.05, which leads us to reject the presence of heteroskedasticity in the residual.

Table 5 shows that the mean of dividend paid per share (DPS) of 1.451374 as well as standard deviation of 0.517526, the minimum and maximum values of 0.301030 and 2.380211 respectively. It implied that the average value of dividend paid per share (DPS) of listed deposit money banks in Nigeria is 1.451374 to 2.380211 and the deviation from both sides of the mean is 0.517526.

The table also reveals a minimum value of earnings per share (EPS) of -2.096910, and maximum value of 2.919078. The mean value is 1.701152 with standard deviation of 1.010660. It implies that the average value of earnings per share (EPS) of listed deposit money banks in Nigeria is 1.701152 to 2.919078, and the deviation from both sides of the mean is 1.010660. This implies that the data are not widely dispersed in a far position to the mean, this for fact that the standard deviation is less than the value of the mean. The table also indicates that the mean of bank size (TAPS) is 3.796101 having standard deviation standing at 0.364640, the minimum



and maximum values of 2.778151 as well as 4.877688 respectively. It implies that the average value of bank size (TAPS) of listed deposit money banks in Nigeria is 3.796103 to 4.877688, and the deviating from both sides of the mean is 0.364640. This portrays that the data are not widely dispersed from the mean; the reason is that the standard deviation is less than the value of the mean.

Table 5: Descriptive Statistics

| Statistics | DPS | EPS | TAPS |
|--------------|----------|----------|----------|
| Mean | 1.4513 | 1.7011 | 3.7961 |
| Median | 1.4771 | 1.9493 | 3.7926 |
| Maximum | 2.3802 | 2.9190 | 4.8776 |
| Minimum | 0.3010 | -2.0969 | 2.7781 |
| Std.Dev | 0.5175 | 1.0106 | 0.3664 |
| Skewness | -0.1009 | -2.3268 | 0.2593 |
| Kurtosis | 2.0954 | 8.1707 | 4.25749 |
| Jarque-Bera | 5.1176 | 288.3491 | 11.0250 |
| Probability | 0.0773 | 0.0000 | 0.0040 |
| Sum | 207.5465 | 243.2647 | 542.8427 |
| Sum.sq.Dev | 38.0323 | 145.0436 | 18.8806 |
| Observations | 144 | 144 | 144 |

Source: Authors' compilation

The probability value of Jarque-Bera test of profit per share (EPS) and total assets (TAPS), are 0.0000, 0.004036, respectively, they are all less than 5%. It indicates that they are not normally distributed. But Jarque-Bera test of dividend paid per share (DPS) is normally distributed as the probability value of Jarque-Bera test of 0.077396 more than 0.05. Also, the skewness value of all the variables is close to zero, it means that the distribution of the variables is symmetric in nature. The Kurtosis values of all the variables are also close to 3, it indicates that the shape is a normal distribution, except earnings per share (EPS) that is not close to 3. The above event notwithstanding, the Gaussian theorem (1929) and Shao (2003) position that normality of data actually do not in any way impede the inferential statistics estimate of the BLUE.

Correlation Matrix and Multicollinearity Analysis

The correlation matrix was carried out in determining the correlation between the independent variables of the work. Table 6 here under represents the correlation matrix for the sample observations.

Table 6: Correlation Matrix

| | DPS | EPS | TAPS |
|------|--------|--------|--------|
| DPS | 1.0000 | 0.5370 | 0.3808 |
| EPS | 0.5370 | 1.0000 | 0.3197 |
| TAPS | 0.3808 | 0.3197 | 1.0000 |

Source: Authors' compilation

The table shows the correlation matrix of the dependent variable and independent variables. It could be seen that there is fairly correlation among the variables, which is (between 0.570 and



0.31), since no presence of correlation coefficient is higher than 0.8, as a result problem of multicollinearity of data does not exist.

Regression Results

Earnings and Dividend Pay-out

Ho₁: Earnings per share have no significant effect on the dividend pay- out of deposit money banks in Nigeria.

H₀: Random effect is appropriate

H₁: Fixed effect is appropriate

Based on the result of the Hausman test, this study accepts alternative hypotheses which states that Fixed effect is appropriate

Table 7: Result of Fixed Effects

| Variables | Coefficients | Std.Errors | t-statistic | Prob. |
|--------------------|--------------|------------|-------------|---------|
| C | -0.8504 | 0.5727 | 1.4848 | 0.1401 |
| EPS | 0.1947 | 0.0341 | 3.6517 | 0.0004 |
| TAPS | -0.1140 | 0.1140 | -0.5990 | 0.5502 |
| R-squared | | | | 0.6202 |
| Adjusted R-squared | | | | 0.5720 |
| Durbin-Watson stat | | | | 1.8148 |
| F- statistic | | | | 12.8624 |
| Prob.(F-statistic) | | | | 0.0000 |

Source: Authors' compilation

The table presents the results of Fixed Effects model. The result shows that the P-value of F-statistics is 0.000 which is less than 5%, this shows that the model is fit and that the model is statistically significant as it implies that all the independent variables are statistically significant. The R square value of 0.62 means that independent variables contribute 62% to the dependent variable. The adjusted R square of 0.57 /57% indicates that any variations that can occur as a result of the introduction of additional independent variable are taken care of and can only influence the R square to the point of .57%. Durbin-Watson value of 1.814850 shows that there is no serial or auto correlation. Durbin (1970) asserted that if the Durbin Watson statistic value is above 0.5 or 50 percent, independent of predicting variables exist. In other words, there was no auto correlation among the residuals of the study. The Durbin Watson statistic value of 1.8148 therefore indicates that there is no autocorrelation among the residuals of this study.

Earnings per share and Dividend Pay-out

The regression line shows that dividend paid per share (DPS) = -0.850490 + 0.194770EPS – 0.114090TAPS. It shows that for every N1 increase in profit per share (EPS), dividend paid per share (DPS) increases by 19 kobo approximately. The p-value of 0.0004 was lower than t-value of 0.05; that is, it is significant at zero percent. This simply means that alternative hypothesis is accepted that earnings per share of deposit money banks are having significant positive influence on the dividend pay- out of deposit money banks in the country. This is in line with Uwuigbe (2013); Zaman (2014); Abubakar and Adeyemi (2014); Dada, Malomo and Ojediran (2015), but contradicts that Osegbue, Furueze and Furueze (2014).



Size of Firm and Dividend Pay-out

The Fixed Effect panel regression shows that $(DPS) = -0.850490 + 0.194770EPS - 0.114090TAPS$. This indicates that for every N1 increase in firm size (TAPS), dividend paid per share (DPS) reduces by 11 kobo. The p-value of 0.5502 was higher than t-value of 0.05. This simply means that the null hypothesis is accepted, meaning that size of quoted deposit money banks has no significant effect on dividend pay-out per share of deposit money banks in Nigeria. This position is in line with the study of Adeyemi and Abubakar (2014) and contradicts the study of Olowe and Moyosore (2010); Mehta (2012); and Aruwa (2015).

5. Conclusion and Recommendations

Dividend policy of a firm which determines how much of profit is paid as dividend as well retained has attracted interest of various scholars over the world because of the importance of its determinants and its implication to stakeholders. Though, various factors influence dividend pay-out, the study focused on per share value of two independent variables (EPS, TAPS and DPS as dependent) of listed banks among other criteria for a period of twelve years. This period covered banks re-organisations/capitalisation and post capitalisation period of the listed banks in Nigeria, with major objective of examining the significant effects of these variables on dividend pay-out of quoted banks in the country.

The study adopted descriptive/expo facto research design and purposeful sampling technique was used for selection of the sample of the listed banks. Multiple regressions were used to analyse the data of the five variables to ascertain their effects on dividend pay-out. The justifications for the above choices were that; the data were secondary data of past event, sampled listed banks were by criteria, the data were large and the variables for the study were more than two variables.

Fixed Effect was adopted as determined by the Hausman Test Result and the regression result showed that; ordinary shareholders profit is significant with positive effects while total assets (size) are not significant. Accounting profit is the major and most significant of dividend determinants of listed banks in Nigeria. The more earnings quoted deposit money banks in Nigeria make, the more they pay dividend. The study, therefore, concluded that as earnings per share increases dividend pay-out per share of quoted deposit money banks in Nigeria also increases in a significant proportion.

Bank size does not serve as a strong influence on dividend pay-out. A proportionate growth of total assets per share (size) does not attract a corresponding proportionate increase in dividend per share to shareholders of listed banks. The swell up of size of asset could also be as a result of non-performing loans and advances. The study concluded that the more opportunity the banks have to increase their size through earnings, the more they are likely/hope to pay dividend in the future.

Listed deposit money banks in Nigeria should continue to improve on their earnings quality, operational prudence, revenue drive and block all revenue leakages from fraud in order to earn more profit to pay more regular dividends to shareholders. Listed banks should ensure high asset quality, improvement on non-performing loans; cost and benefits analysis of assets should be maintained by quoted deposit money banks in Nigeria to discourage acquisitions of assets with no net plus effect and Central Bank of Nigeria should ensure strict adherence to asset



quality. Listed banks in Nigeria should ensure earnings quality and prudent operations to promote increase in profit for consistent dividend pay-out.

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