

## THE EFFECT OF DIVIDEND PAYMENT ON SHARE PRICE OF SELECTED FIRMS LISTED ON THE NIGERIAN STOCK EXCHANGE

Wahab, Azeez Adebajo and Adelowotan, Michael Olajide

### ABSTRACT

*The subject matter of dividend policy remains one of the most controversial issue in corporate finance because the critical issue remains whether paying out of dividends would essentially create value for shareholders or not. In the real world, a change in the dividend payment or dividend announcement is often followed by a change in the market value of stocks, given the controversies surrounding the impact of dividend payment on stock price this study addresses the impact of dividend payment on stock prices of selected firms listed in the Nigerian Stock Exchange (NSE). The key objective of the study is to find out the impact of dividend per share on share price of selected firms in the Nigerian Stock Exchange. Our findings show that Dividend Per Share (DPS) shows a positive relation with Share Price (SP) of 26.75235. This means that a percentage increase in DPS will lead to a corresponding increase in SP and the t-calculated value for DPS is 1.100013 which is compared with 0.05 i.e.  $1.100013 > 0.05$  we reject the null hypothesis and accept the alternative hypothesis that dividend per share (DPS) affect share prices (SP) of firms listed on the floor of the Nigerian Stock Exchange. From our analysis and the test of hypotheses, we found out that dividend per share (DPS) of firms listed on the Nigerian Stock Exchange. The study therefore recommends that listed firms should continually pay dividend as long they make profit and for a developing nation like Nigeria, earning per share should be shown on the financial statement so as to give investors assurance as the share price moves on the stock market.*

*Key Words: Dividend per share, dividend policy, dividend yield, earnings per share, share price.*

### 1. INTRODUCTION

Dividend payment has been an issue of interest in financial literature since joint stock companies came into existence. For a long time now, financial economists have engaged in modelling and examining corporate dividend payment and earnings as they affect firm's stock prices in Nigeria (Amindu, 2007). Dividend is commonly defined as the distribution of earnings (past or present) in real assets among the shareholders of the firm in proportion to their ownership. Dividend payment remains one of the most consequential financial policies not only from the perspective of the company, but also from that of the shareholders, the consumers, employees, regulatory bodies and the government (Uwuigbe, et al., 2012). It is usually expressed as a percentage of nominal value of the company's ordinary share capital or as a fixed amount per share.

The global financial market crash deeply affected the Nigerian economy, which on the other hand affected the Nigerian capital market. This constrained some investors in Nigeria to move out their funds from the Nigeria capital market to solve the negative impact that the financial crisis had caused. Also, most firms could not pay dividend due to decline in earnings. Thus, there was high level of foreign direct investment (FDI) withdrawal from the economy. In Nigeria, the oil and gas sector industry and banking sectors is one of the most heavily regulated sectors that get a great deal of attention having noted that Nigeria is a mono economy, that is, depending majorly on crude oil.

(Pandey, 2005) stated that for shareholders' wealth to increase up to a particular level, profit of the firm must increase and that stand as a core objective of the firm. This therefore corroborate with the idea of (Baker & Powell, 1999) that an important management decision is dividend policy because of its effect on share price. Empirical literatures such as the work of Gordon, Walter, Modigliani and Miller etc. has

shown that a quantum of the movement of share prices are attributed to some factors such as earnings, dividend and general economic conditions.

(Sharma, 2011) stated that earnings per share and dividend per share are vital variables that gives information on value of share price. Therefore, the impact of announced earnings per Share (EPS) on stock prices is something that has been at the core of interest to investors and shareholders. And this owes to the fact that EPS is a crucial instrument that evaluates a company's performance in the long run. As (Cootner, 1964), claims that "security prices are normally sensitive and responsive to all real and imagined events" made out of the firm's profits/revenues and the decision to pay out dividends is rooted on the dividend policy of the company.

### **Statement of the Problem**

In corporate finance, one of the most important decisions is to determine whether the profit of the firm be distributed to the shareholders as dividend or reinvested in new opportunities. If it must be distributed, what proportion of profit must be paid to shareholders and what proportion must be returned to the business. The goal of business organization is to maximize the value of shareholders' investment in the firm. Managers pursue this goal through their investment, financing and dividend decisions. However, the question remains whether paying out of dividends would essentially create value for shareholders or not.

In the real world, a change in the dividend payment is often followed by a change in the market value of stocks. Given the above problems and the controversies surrounding the impact of dividend payment on firm's performance, the gap which the study seeks to fill is to provide empirical evidence on the impact of dividend payment on share price of selected firms using ratios such as dividend yield, dividend per share, earnings per share and inflation. Based on this, the study is carried out to proffer solutions to the problems.

### **Research Questions**

1. What is the impact of dividend per share on share price of selected firms in Nigeria?
2. Does earnings per share affect share price of selected firms in Nigeria?
3. What is the influence of dividend yield on share price of selected firms in Nigeria?

### **Objectives of the Study**

The specific objectives are to:

1. Find out the impact of dividend per share on share price of selected firms in Nigeria.
2. Find out the impact of earnings per share on share price of selected firms in Nigeria.
3. Find out the impact of dividend yield on share price of selected firms in Nigeria.

### **Research Hypotheses**

For the accuracy of the study, the researcher hypotheses are stated thus:

#### **Hypothesis I**

**H<sub>0.1</sub>:** Dividend per share does not significantly affect share price of listed firms in Nigeria

**H<sub>1.1</sub>:** Dividend per share significantly affect share price of listed firms in Nigeria

#### **Hypothesis II**

**H<sub>0.2</sub>:** Earnings per share does not significantly affect share price of listed firms in Nigeria

**H<sub>2.1</sub>:** Earnings per share significantly affect share price of listed firms in Nigeria

#### **Hypothesis III**

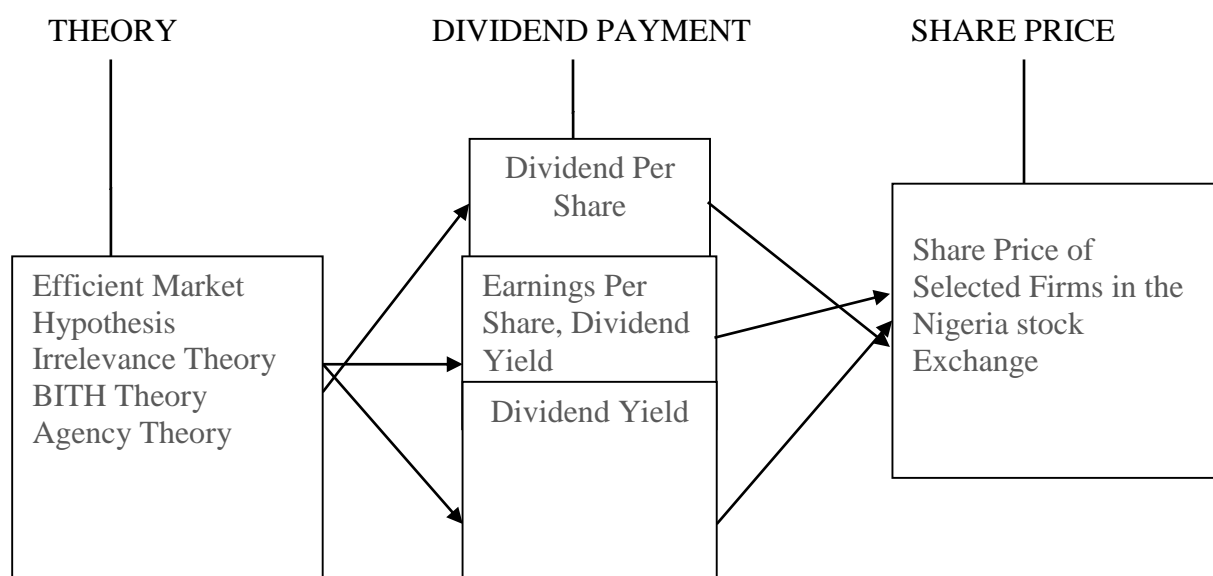
**H<sub>0.3</sub>:** Dividend yield does not significantly influence share price of listed firms in Nigeria

**H<sub>3.1</sub>:** Dividend yield significantly influence share price of listed firms in Nigeria

## 2. REVIEW OF RELATED LITERATURE

The figure below presents the theoretical model for the study.

**Figure 1: Theoretical model of the study**



**Source: Researchers idea, 2019.**

The figure above illustrates the causal relationship between dividend policy and share prices of firms in Nigeria. The model is to test the irrelevance theory by establishing whether dividend policy significantly determine share price (as a measure of value of the firm) as proposed by the MM irrelevance theory of dividend. The model is also to test for the BITH theory by stating whether retained earnings significantly affect share price. In addition, agency theory and signaling theory are to test whether CAMEL and taxes significantly affect share prices of some selected firms in Nigeria.

The principal aim of the study was to review theories on dividend policy and its practical applications. Many theories such as the Modigliani and Millier theory, the bird in hands theory and the agency cost theory among others play significant roles in this study. From the study of (Priya & Mohanasundari, 2016), we can deduce that there is a divergent view between the management and shareholders due to personal opposing interest. As a result this divergent interest, one will ask what is the objective of the management and the shareholders in a business platform? Therefore, it is obvious that the aim of the management is growth oriented for the firm while shareholders aim is wealth oriented in terms of share price. Since the aim of the firm and the aim of the shareholders are two parallel lines, it became obvious for (Priya & Mohanasundari, 2016) to conclude that the more they try to understand dividend decision of firms the more it looks like a game (puzzle).

(Harley & Ayodele, 2017) investigated the impact of dividend policy on firm performance of quoted firms. While they proxy performance with return on asset and return equity. The methodology used by these authors was a simple regression and hypothesis was tested based on the research questions formulated. Their findings show that there is a positive relationship between firm's performance and dividend per share.

A number of empirical studies have been conducted to examine the relationship between dividend policy and share price (Hussainey, et al., 2011) (Asghar, et al., 2011). However, the findings by these researchers are not consistent. (Uddin, 2009) opined that dividend, earning per share, net asset value per share are factors that affect share prices through dividend decision in a firm. (Duke, et al., 2015) carried out their study of dividend policy on commercial banks in Nigeria and concluded that there is a positive significant relationship between dividend yield and share price. While (Mukora, 2014) stated that there is a significant positive relationship between dividend announcement and shares yield in the stock

market of some selected firms. (Baskin, 1989) found a negative association between stock prices and dividend yield. His findings, however, was at variance with (Hussainey, et al., 2011) who failed to established a negative association between the two variables. In the United Kingdom, (Goddard, et al., 2008) examined the long-run relationship between stock dividends and stock prices, using panel data. Using panel unit root and panel co-integration techniques, the authors found evidence of long-run association between stock prices and dividends. In other words, the study found that share prices and dividend move together in the long run.

(Baker, et al., 2002) conducted a survey among 603 American firms listed on the New York Stock Exchange (NYSE). Survey was done among the chief financial officers of the selected firms. Their results indicated that majority of the respondents strongly agreed that stock prices will be affected by dividend policy.

### **Gaps in the literature**

The review of the literature reveals the existence of many gaps of knowledge in respect of dividend policy. Majority of the empirical studies that have been conducted with the aim of identifying dividend policy theory on performance, such as the work of (Priya & Mohanasundari, 2016) in the India, and some emerging markets. Moreover, the literature review also reveals the existence of controversial conclusions that results from different studies made so far. Furthermore, so far as the review of the literature discloses, very scanty work has been done with the objective of identifying the effect of dividend policy on share price in Nigeria using selected firms from the oil and gas and banking sector in Nigeria. The findings of prior empirical studies have provided varying evidence related to dividend policy and its impacts. For instance, (Harley & Ayodele, 2017) studied dividend policy on performance of quoted firms in Nigeria using simple linear regression method. They found out that there is a positive relationship between dividends per share firm performance where the firm performance is proxy as return on equity. However, some studies have proved that dividend is relevant to organization while others concluded that it is irrelevant. (Harley & Ayodele, 2017) concluded that there is a positive relationship between dividend per share and return on equity while (Priya & Mohanasundari, 2016) opined that the more studies on dividend policy, the harder the conclusion reached.

In general, the lack of sufficient research on dividend policy impacts on firm's performance in the context of Nigeria and the existence of knowledge gap in this area initiate this study. Therefore, the objective of this research study is to examine to what extent will dividend policy affects share price of oil and gas firms in Nigeria and to fill the knowledge gap that exists in the area by adopting a panel data quantitative method and the use of financial ratios.

### **3. METHODOLOGY**

This section describe the methods applied in this research study

**Population and Sample size:** The major component of the target population is firms listed on the floor of the Nigeria stock exchange. To reduce the laborious process of using a large data, a structured selection of variables was applied. The sample size determined for this study was from 2013 to 2017 on a panel data analysis using twenty listed firms in the Nigeria stock exchange (20\*5yrs= 100 observations). Majority of the variables used in this study are computed from the financial statement of 2013 to 2017. Knowing that the population is very small, the researcher uses the twenty firms listed on the floor of the Nigeria stock exchange as the sample size.

Having noted empirically that twenty firms will be selected from the Nigeria Stock Exchange trading oil and gas and banking firms' shares, the researcher is therefore obliged to sample all the oil and gas firms and some banking firms listed on the floor of the Nigeria Stock Exchange.

#### **Methodology of Analysis**

The research methodology to be employed in this study will be ordinary least square (OLS) analysis and a descriptive analysis. The OLS which is also a form of multiple regression analysis shows the impact of one variable on another i.e. the dependent and independent variables while the descriptive

analysis shows simple analysis like the mean and standard deviation of each variables applied in the study. Given the nature of the topic of this study and the variables to be applied in achieving the set objectives as well as answering the research questions, the OLS method is seen fit for a study of this nature. To justify this methodology, similar study such as the work of (Zhou & Roland, 2006) used a multiple regression technique to a linear relationship between the dividend payout and future earnings growth of some selected firms. Due to the strength of regression model, (Amindu, 2007) uses regression equation to answer his research questions. His method was a little different due to the application of the panel regression equation. The study was about how dividend policy affects firm’s performance. The reason for the adaptation of the OLS methodology is that the impact of one variable can be clearly seen and understand compare to other form of statistics or econometrics analysis that need rigorous explanation to be understood. However from the data output, the OLS regression result will show the coefficient of determination, which is an indicator of the strength of the model formulated. Also, since regression techniques has been applied by previous for prediction by researchers such as the work listed above.

**Model Specification**

SP =f (DPS, EPS, DY).....Eq

$$SP = B_0 + B_1DPS + B_2EPS + B_3DY + U$$

Where:

- SP = Share Price
- DPS = Dividend Per Share
- EPS = Earnings Per Share
- DY = Dividend Yield
- U = Error term

The E-view was used in analysing the data collected in this research as the researcher deemed it the most appropriate statistical package given its versatility and considering the nature of the data collected.

**4. DATA PRESENTATION AND ANALYSIS**

**Table 1: Descriptive Statistics**

	SP	EPS	DPS	DY
Mean	32.62000	6.344000	1.828000	0.056500
Median	32.40000	6.510000	1.780000	0.058500
Maximum	37.10000	8.300000	2.360000	0.072800
Minimum	28.10000	4.700000	1.440000	0.041500
Std. Dev.	3.080189	1.236621	1.335965	0.011428
Skewness	-0.000333	0.260043	0.406144	0.033999
Kurtosis	1.924252	1.994761	1.797557	1.618112
Jarque-Bera	3.134176	3.469360	5.702883	5.184398
Probability	0.208652	0.176457	0.057761	0.074855
Sum	2120.300	412.3600	118.8200	3.672500
Sum Sq. Dev.	607.2040	97.87076	7.223840	0.008358
Observations	100	100	1000	100

**Source: Researcher computation using Eview7 2019.**

According to table 1, all variables comprised 100 observations which are twenty (20) listed on the floor of the Nigeria stock exchange. The dependent variable is SP with mean of 32.62. The maximum and the minimum of the SP is 37.1 and 32.4 respectively. The results exhibit in table 1 shows that the share price of firms listed on the floor of the Nigeria stock exchange increase to 37.1 and declines to 32.4 on the average.

The descriptive independent variables are used in this study as proxy for variables affecting share price of firms listed on the exchange. The variables are EPS, DPS and DY. The mean value of EPS is 6.344. This means that the average earnings per share (EPS) earned by investors in the bank and oil and gas sector is 6.344. The minimum and the maximum values of EPS are 4.70 and 8.30 respectively. This means that in the bank and oil and gas sector of the Nigeria economy, investor’s earnings per share ranges between 4.70 and 8.30 respectively within 2013 and 2017. The DPS which is the dividend per share as an average or mean of 1.828. This means that investors in the bank and oil and gas sector in Nigeria receive 1.828 on the average between 2013 and 2017 as dividend per share.

Using Standard Deviation to Measure Risk of the Variables used in the Model

From finance perspective, a firm can be faced with systematic and unsystematic risk. A systematic risk affects the market and invariably affects the firms in all sector. A good example of a variable that can affect the market is the share price. The share price of firms listed on floor of the exchange moves up and down base on the forces of demand and supply. These fluctuations in the share price pose risk in the market. However, different studies have shown that it is difficult for share price to remain constant over an accounting year. The study of (Harley & Ayodele, 2017) explain briefly on literatures that share price and dividend move in opposite direction due to the high volatility movement of share price listed on the floor of a volatile market. As a result of the daily movement of share price in the floor of the exchange of a competitive market, this study apply the average of share price of the listed firms used in this study. From finance and economics literatures, portfolio theory has shown that standard deviation measures market risk (Olowe, 2011). It is noted in finance that standard deviation is used to measure risk.

Therefore, in this study where the market price per share shows that the risk is high when compared with the standard deviation. The unsystematic risk comes from firms listed on the floor of the Nigeria stock exchange. Variables that may experience unsystematic risk are the risk of earnings per share (EPS), the risk of dividend per share (DPS) and the risk of dividend yield (DY).

**Correlation analysis of the variables**

To measure the quality of the relationship between the variables used in the study, the Pearson correlation analysis from the eview software was applied. It is noted that correlation coefficient ranges from -1 to +1 and a correlation of zero (0) indicate no correlation. The objective of this analysis is identify the trend and effect of the independent variables on the dependent variable.

Table 2

	SP	EPS	DPS	DY
SP	1.000000	-0.581289	-0.039414	-0.469725
EPS	-0.581289	1.000000	0.573516	0.742847
DPS	-0.039414	0.573516	1.000000	0.897704
DY	-0.469725	0.742847	0.897704	1.000000

Source: Researcher computation 2019 using Eview7

From the above correlation table, the relationship between the independent and the dependent variable shows a negative correlation. There is a negative correlation between SP and EPS of (r=-0.581289). This means that EPS has a negative impact on SP. The study of Lev (1989) cited by (Robbetze, et al., 2017) shows that the correlation between earnings per share and share prices were low. If EPS and SP were positively or negatively correlated. However, this study shows that there is a negative correlation between EPS and SP. There is a negative correlation between SP and DPS of (r=-0.039414). This means that DPS has a negative impact on SP. There is a negative correlation between SP and DY of (r=-0.469725). This means that DY has a negative impact on SP. Alternatively, variables such as earnings per share (EPS), dividend per share (DPS) and dividend yield (DY) are considered internal variables or unsystematic risk and their negative impact can be curtain.

**Econometrics Analysis**

**Model Specification**

In order to account for the effect of dividend policy on share price of firms listed on the floor of the exchange in Nigeria, the model for the study is hereby specified as follows:

$$SP = B_0 + B_1DPS + B_2EPS + B_3DY + U$$

**Table 3: Panel Least Square for Variables**

Dependent Variable: SP  
Method: Panel Least Squares  
Date: 22/01/19 Time: 12:52  
Sample: 2013 2017  
Periods included: 5  
Cross-sections included: 20  
Total panel (balanced) observations: 100

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	28.77220	1.560012	1.840013	0.0000
EPS	-0.788895	1.860013	-4.250012	0.0000
DPS	26.75235	2.420012	1.100013	0.0000
DY	-873.4974	8.170011	-1.070013	0.0000
R-squared	0.820000	Mean dependent var	32.62000	
Adjusted R-squared	0.817000	S.D. dependent var	3.080189	
S.E. of regression	1.820013	Akaike info criterion	-52.60069	
Sum squared resid	0.670023	Schwarz criterion	-52.43343	
Log likelihood	07.14523	Hannan-Quinn criter.	-52.53470	
F-statistic	1.950026	Durbin-Watson stat	2.269967	
Prob(F-statistic)	0.000000			

**Source: Researcher computation using Eview7 2019**

### Discussions and Interpretation of Statistical Significance of the Variables in the Model

Table 3 shows the probability of each of the variables used in the model. The probability value shows if the variables are statistically significant or not. It is noted in statistics that a probability value of 0.0000 are statistically significant. The earnings per share (EPS) shows a probability of 0.0000 indicating that there is a statistical significant probability relationship between the dependent variable SP and the independent variable EPS. This means that the statistical relationship is not subject to chance hence the relationship can be positive or negative. Having noted this, the relationship also exists for other variables and thus indicates that there is a statistical relationship between the dependent variable SP and all the independent variables in the model.

### Testing for Autocorrelation Using Durbin Watson Statistics

However, the Durbin Watson value shows 2.655770. Therefore, our DW= 2.269967

DL= 1.464, DU= 1.768, N=65, K=5

Note that K include numbers of explanatory variables and the constant.

4 – DL < DW < 4

4 – 1.464 < 2.269967 < 4

2.536 < 2.269967 < 4

This justify that null hypothesis should be rejected and that there is a serial correlation in the data.

### Test of Hypothesis using T-Test Derived from the Panel Data Functional Relationship Model Result

The t-test value is assuming to be the average weighted and can be used to test hypothesis.

We accept  $H_0$  if the  $P > 0.05$

We accept  $H_1$  if the  $P < 0.05$

### Hypothesis I

**H<sub>0.1</sub>:** Dividend per share does not significantly affect share price of listed firms in Nigeria

**H<sub>1.1</sub>:** Dividend per share significantly affect share price of listed firms in Nigeria

The use of T-test to test hypothesis in panel data functional relationship result model if the independent variable is statistical significant to the dependent variable. The variable to be tested here is DPS against SP. The reason for the test is to validate the research question and the objective that the researcher had in mind before stating the hypothesis and to find out how statistically significant the variables are and if they corroborate with other empirical literatures. The P-value or Sig value is compared with that of 5% confidence interval. From the panel data result, therefore, one of the findings of this study is that dividend per share (DPS) affect SP. These findings corroborate with the theory and model of dividend relevance stated James Walter. the t-calculated for DPS is 1.100013 which is the same as the P-value, and is therefore compared with 0.05 i.e.  $1.100013 > 0.05$  we reject the null hypothesis and accept the alternative hypothesis that dividend per share (DPS) affect share prices (SP) of firms listed on the floor of the Nigeria stock exchange.

### Hypothesis II

**H<sub>0.2</sub>:** Earnings per share does not significantly affect share price of listed firms in Nigeria

**H<sub>2.1</sub>:** Earnings per share significantly affect share price of listed firms in Nigeria

The use of T-test to test hypothesis in panel data functional relationship result model if the independent variable is statistical significant to the dependent variable. The variable to be tested here is EPS and SP. The reason for the test is to validate the research question and the objective and to find out how statistically significant the variables are. The P-value or Sig value is compared with that of 5% confidence interval. Since the Sig value above is -4.250012 which is compared to 0.05 i.e.  $-4.250012 < 0.05$  we reject the alternative hypothesis and accept the null hypothesis that earnings per share does not significantly affect share price of firms listed in the Nigeria stock exchange. Therefore, one of the findings of this study is that EPS does not affect SP.

### Hypothesis III

**H<sub>0.3</sub>:** Dividend yield does not significantly influence share price of listed firms in Nigeria

**H<sub>3.1</sub>:** Dividend yield significantly influence share price of listed firms in Nigeria

The use of T-test to test hypothesis in panel data functional relationship result model if the independent variable is statistical significant to the dependent variable. The variable to be tested here is DY against SP. The reason for the test is to validate the research question and the stated objective and to find out how statistically significant the variables are taking inferences from previous studies. The P-value or Sig value is compared with that of 5% confidence interval. Since the Sig value above is -1.070013 which is compared to 0.05 i.e.  $-1.070013 < 0.05$  we reject the alternative hypothesis and accept the null hypothesis that dividend yield (DY) does not significantly affect share price of firms listed on the floor of the Nigeria stock exchange. Therefore, one of the findings of this study is that DY does not affect SP. The result of this study partially corroborate with the findings of (Rashid & Rahman, 2008) that found out that there is positive relationship between share price volatility and dividend yield but the relationship tends to be statistically insignificant. The reason for this partial contradiction may as a result of the fact that (Rashid & Rahman, 2008) uses 104 firms in Dhaka Stock exchange during the period of 1999 – 2006 and this study uses data 100 data listed on the floor of the Nigeria stock exchange from 2013 to 2017.

### Discussion of Results

Table 4 shows the relationship between share price (SP) and all variables mentioned in the panel data functional relationship model. The SP represent the dependent variable and the independence variables are EPS, DPS and DY.



The panel data functional relationship result shows the relationship between Dividend Yield (DY) and SP is a negative relationship of 873.4974. This means that one percent increase in dividend yield (DY) will lead to a corresponding fall in share price (SP) of firms listed on the floor of the stock exchange in Nigeria stock exchange. The negative outcome in this study corroborates and negates the study of other previous scholars. The work of (Rashid & Rahman, 2008) shows that there is positive relationship between share price and dividend yield but not statistically significant. The work of (Nazir, et al., 2010) shows that dividend yield affect stock price volatility. (Nazir, et al., 2010) uses 73 firms listed in Karachi Stock Exchange (KSE-100) to empirically investigate their analysis. The work of (Nazir, et al., 2010) corroborate with this study but negate the findings of the work of (Rashid & Rahman, 2008). Therefore, it would not be an overstatement to generalize from this empirical analysis that dividend yield affect share price. (Hussainey, et al., 2011), stated that firms with higher dividend yield will have minimum share price volatile when compared with firms with low dividend yield having noted that dividend yield is one of the core determinants of the volatility of share price.

Earnings per share (EPS) from the above regression result show a negative relationship with share price (SP) of -0.788895. This means that one percent increase in EPS will lead to a fall in SP. (Robbetze, et al., 2017) on their study titled ‘the effect on earnings per share on share price, the south Africa evidence’ stated that EPS is a strong accounting indicator of risk because any up and down movement of EPS reflect on share price. Their study shows that the impact of EPS on share price is dependent on the degree of EPS as (Robbetze, et al., 2017) splinted EPS into three degrees. (Vaidya, 2014) stated that the purpose for calculating EPS is for profit distributing hence EPS represent a quantum of share price. Having noted the significance of EPS on SP, some studies such as (Almumani, 2014), (Haque & Faruquee, 2013) (Menaje, 2012), (Menike & Prabath, 2014) and (Sharma, 2011) justify that there is a EPS as a significant relationship with SP. To generalize this relationship, this study therefore shows empirically that the relationship between EPS and SP is negative in the listed firms in the Nigeria stock exchange.

Dividend Per Share (DPS) shows a positive relation with SP of 26.75235. This means that one percent increase in DPS will lead to a corresponding increase in SP. We can deduce that Share Price belong to an investment class called asset. Bond belongs to that class of asset. (Harley & Ayodele, 2017) and other researchers noted that the bond prices increase as bond approaches maturity. In this context where there is a positive relationship between DPS and SP, there is certainty that as firms listed in the Nigeria stock exchange regularly pays dividend the dividend per share will positively affect share price of these firms listed on the exchange in the long run. This however, justify the theory of dividend relevance policy summarized in chapter two of this empirical work that investors are interested in the future benefit if they purchase stock today. The panel functional relationship between DPS and SP is 26.75235. This indicates a positive relationship. From the economic criterion stated in chapter three, it is expected that DPS should be positive and thus bring about a positive effect on SP. Therefore, the result of DPS corroborate with the apriori expectation. In this study, dividend per share (DPS) is computed by dividing earns by number of shares. Since the shares of firms used in this study are from a promising sector in the Nigeria stock exchange, Nigeria are highly sorted for having noted that the Nigeria economy is a mono economy, this make the dividend per share to move in an opposite direction with the share price as most investors are interested in dividend but on the movement of share price for profit making. This decision corroborates with the dividend relevance theory and the efficient market hypothesis.

### **Coefficient of Determination, Adjusted R Square and F-Statistics**

In the result, the coefficient of determination is very high. It shows that about 82 percent of the total variations in SP are explained by all the independent variables in the panel data functional relationship. The adjusted R<sup>2</sup> also indicates that about 81.7 percent of the total variations in SP are explained by the functional relationship. This however, indicates that the dependent variable and the independent variables are good fit. The F-statistic is significant at 5 percent critical level. It indicates that the joint variations of the model are significant. The F-statistics calculated in the model shows that 1.95002. The

F-statistics tabulated is noted to be 1.96. From this statistical analysis, it is noted that the model should be accepted because it is statistical significant to the study.

## 5. SUMMARY, CONCLUSION AND RECOMMENDATIONS.

### Summary of Findings

Since the objective of the study is to find out the effect of dividend policy on share price of firms listed on the floor of the stock exchange in Nigeria, the summary of the findings is hereby stated below:

The first objective of the study was to find out the impact of dividend per share on share price of the selected firms listed on the floor of the stock exchange. Dividend Per Share (DPS) shows a positive relation with SP of 26.75235 in the regression result. This means that one percent increase in DPS will lead to a corresponding increase in SP. The test of hypothesis shows the t-calculated for DPS is 1.100013 which is compared with 0.05 i.e.  $1.100013 > 0.05$  we reject the null hypothesis and accept the alternative hypothesis that dividend per share (DPS) affect share prices (SP) of firms listed on the floor of the Nigeria stock exchange. These findings corroborate with the theory and model of dividend relevance stated by James Walter.

The second objective of the study shows that there is a negative relationship with share price (SP) of -0.788895. The hypothesis result shows that we reject the alternative hypothesis and accept the null hypothesis that earnings per share does not significantly affect share price of firms listed in the Nigeria stock exchange. Therefore, one of the findings of this study is that EPS does not affect SP. Dividend Yield (DY) and share price (SP) shows a negative of 873.4974. The hypothesis result shows  $-1.070013 < 0.05$ , we accept the null hypothesis that dividend yield (DY) does not significantly affect share price of firms listed on the floor of the Nigeria stock exchange. The result of this study partially corroborate with the findings of (Rashid & Rahman, 2008).

The coefficient of determination is very high. It shows that about 82 percent of the total variations in SP are explained by all the independent variables in the panel data functional relationship. The adjusted  $R^2$  also indicates that about 81.7 percent of the total variations in SP are explained by the functional relationship. This however, indicates that the dependent variable and the independent variables are good fit.

### Conclusion and Contribution to Knowledge

From the result of this study, it can be concluded that all the variable used in the model are statistical significant. This however, led the study to conclude that the findings answer the research questions and hypothesis stated. From the study, we can conclude that there is a negative relationship between Dividend Yield (DY) and SP as one percent increase in dividend yield (DY) will lead to a corresponding fall in share price (SP). This however corroborate with the work of (Nazir, et al., 2010). The findings of (Nazir, et al., 2010) shows that there is an effect of DY on SP. Such effect could be positive or negative base on the data applied. In this study, the effect is negative. There is a negative relationship between earnings per share (EPS) and share price (SP) but the study found out those earnings per share does not significantly affect share price of firms listed in the Nigeria capital market. As stated by (Robbetze, et al., 2017) that the impact of EPS on SP is dependent on the degree of EPS while (Vaidya, 2014) stated that the purpose for calculating EPS is for profit distributing hence the conclusion of EPS on SP is that it does not significantly affect SP.

Dividend per Share (DPS) was considered by previous study as a variable that affect SP. However, this study shows that there are positive relations between DPS and SP and that one percent increase in DPS will lead to a corresponding increase in SP. Some scholars had noted that information of DPS directly affect SP based on the principles of efficient market hypothesis. If the market has a strong form, then there is high tendency that DPS affect SP.

Having noted the gap of the findings of (Harley & Ayodele, 2017) and (Priya & Mohanasundari, 2016) on dividend payment, it therefore explores data from financial statement of listed firms on the Nigeria capital market from 2013 to 2017 on a panel data analysis to find out the impact of dividend policy on share price of listed firms in the stock exchange market. (Priya & Mohanasundari, 2016) use India data and ROA as dependent variable while in this study SP was used as dependent variable. Benjamin (2015) uses return on asset, return on equity, firm size and dividend policy with data ranges from 2001 to 2010.

The idea of Benjamin (2015) was on dividend on listed companies and it synonymous to many other studies. Therefore, the knowledge introduced in this work is that dividend policy was streamline to some selected firms in the Nigeria stock exchange from 2013 to 2017. 2018 was left because of paucity of data of the selected firms. Some variables used in this study has never been tested by previous studies hence there is a quantum of knowledge to be ascertained in this study. Most study must have used time series data in finding the impact of dividend policy and payment on share price but this study adopt the panel data analysis using only listed firms from both the banking and oil and gas firms.

### **Recommendations**

The use of advance statistical analysis method, help one to draw genuine inference and good economic policies when panel data are used in empirical studies. The findings from this empirical study help to formulate some policy issues which will aid policy makers in planning strategies for firms listed on the capital market in Nigeria stock exchange. Also knowledge of the underlying determinants of share price is important if rational policy is to be implemented. Firstly, since dividend payment affect share price, it is therefore recommended that listed firms continually pay dividend as long they make profit. Secondly, for a developing nation like Nigeria that is encouraging investment in Nigeria, it is recommended that firms' shows earning per share on their financial statement so that investors can be assured investment earnings not the movement of share price. Thirdly, dividend yield may have a linear relationship with inflation rate and interest rate which affect the activities of business in Nigeria, therefore the stability of interest rate and inflation rate is recommended.

In addition, a high level of dividend paid per share has been found to raise the interest of both local and foreign investors in Nigeria. Low amount or non-payment of dividend dampens the interest of investors investing on firms not paying dividend. Therefore, it is important that a low dividend will positively affect the interest of both local and foreign investors and thus attract them to capital market for investment on listed firms.

Finally, military regime has been found to undermine investment in Nigeria or Africa in general. Nigeria had suffered a high level military dictatorship and thus a continuous maintenance of democratic rule in Nigeria will on the long run create a stable capital market that will attract foreign investors.

### **References**

- Almumani, M. A., 2014. Determinants of equity share prices of the listed banks in Amman stock exchange: Quantitative approach. *International Journal of Business and Social Science*, V(1), pp. 91-104.
- Amindu, M., 2007. How does dividend policy affect performance of the firm on Ghana Stock Exchange. *Investment Management and Financial Innovations*, IV(2), pp. 104-112.
- Asghar, M., Shah, S. Z. A., Hamid, K. & Suleman, M., 2011. Impact of dividend policy on stock price risk: Empirical evidence from equity market of Pakistan. *Far East Journal of Psychology and Business*, IV(1), pp. 45-52.
- Baker, H. K. & Powell, G. E., 1999. How corporate managers view dividend policy?. *Quarterly Journal of Business and Economics*, XXXII(2), pp. 17-27.
- Baker, H. K., Powell, G. E. & Veit, E. T., 2002. Revisiting managerial perspectives on dividend policy. *Journal of economics and finance*, XXVI(3), pp. 267-283.
- Baskin, J., 1989. Dividend policy and the volatility of common stock. *Journal of Portfolio Management*, Volume XV, pp. 19-25.
- Cootner, P. H., 1964. *The Random Character of Stock Market Prices*. 1st ed. Cambridge, MA: MIT Press.
- Duke, S. B., Ikenna, N. D. & Nkamare, S. E., 2015. Impact of Dividend Policy on Share Price Valuation in Nigerian Banks. *Archive of Business Research*, III(1), pp. 156-170.

- Goddard, J., McMillan, D. G. & Wilson, J. O., 2008. Dividends, prices and the present value model: firm-level evidence. *European Journal of Finance*, XIV(3), pp. 195-210.
- Haque, S. & Faruquee, M., 2013. Impact of fundamental factors on stock price: A case based approach on pharmaceutical companies listed with Dhaka stock exchange 2005-2011. *International Journal of Business and Management Invention*, II(9), pp. 34-41.
- Harley, T. W. & Ayodele, D. T., 2017. An Empirical Investigation of the Impact of Dividend Policy on Performance of Quoted Companies in a Developing Economy. *Singaporean Journal of Business, Economics and Management*, V(12), pp. 1-7.
- Hussainey, K., Mgbame, C. O. & Chijoke-Mgbame, A. M., 2011. Dividend policy and share price volatility: UK evidence. *Journal of Risk Finance*, XII(1), pp. 57-68.
- Menaje, P. M., 2012. Impact of selected financial variables on share price of publicly listed firms in the Philippines. *American International Journal of Contemporary Research*, II(9), pp. 98-104.
- Menike, M. G. P. D. & Prabath, U. S., 2014. The impact of accounting variables on stock price: evidence from the Colombo Stock Exchange, Sri Lanka. *International Journal of Business and Management*, IX(5), p. 125.
- Mukora, W. Y. M., 2014. *The effects of dividend announcement on stock returns of firms listed at Nairobi Securities Exchange*, Nairobi: University of Nairobi.
- Nazir, M. S., Nawaz, M. M., Anwar, W. & Ahmed, F., 2010. Determinants of stock price volatility in karachi stock exchange: The mediating role of corporate dividend policy. *International Research Journal of Finance and Economics*, Volume LV, pp. 34-38.
- Olowe, A. R., 2011. The impact of the 2004 bank capital announcement on the Nigerian stock market. *African Journal of Economic and Management Studies*, II(2), pp. 180-201.
- Pandey, I. M., 2005. *Financial Management*. 9th ed. New Delhi: Vikas Publishing House PVT.
- Priya, P. V. & Mohanasundari, M., 2016. Dividend policy and its impact on firm value: A review of theories and empirical evidence. *Journal of Management Sciences and Technology*, III(3), pp. 59-69.
- Rashid, A. & Rahman, A. A., 2008. Dividend policy and stock price volatility: evidence from Bangladesh. *The Journal of Applied Business and Economics*, VIII(4), p. 71.
- Robbetze, N., de Villiers, R. & Harmse, L., 2017. The Effect Of Earnings Per Share Categories On Share Price Behavior: Some South African Evidence. *Journal of Applied Business Research (JABR)*, XXXIII(1), pp. 141-152.
- Sharma, S., 2011. Determinants of Equity Share Price in India. *Journal of Arts, Science and Commerce*, II(4), pp. 51-60.
- Uddin, M. B., 2009. Determinants of market price of stock: A study on bank leasing and insurance companies of Bangladesh. *Journal of Modern Accounting and Auditing*, V(7), pp. 1-7.
- Uwuigbe, Jafaru, A. & Uddin, M. B., 2012. Determinants of market price of stock: A study on bank leasing and insurance companies of Bangladesh. *Journal of Modern Accounting and Auditing*, V(7), pp. 1-7.

Vaidya, D., 2014. *Dummies guide to earnings per share*. [Online]  
Available at: <http://www.wallstreetmojo.com/earnings-per-sharebasic-basic-eps-diluted-eps.html>  
[Accessed 2017].

Zhou, P. & Roland, W., 2006. Dividend payout and future earnings growth. *Financial Analysts Journal*, LXII(3), p. 58 – 69.

## Appendix Presentation of Data

FIRM	YEAR	EPS(N:K)	DPS(N:K)	DY(%)	SP(N:K) As at 31 <sup>st</sup> Dec. 2014-2018
ACCESS BANK	2013	1.51	0.79	0.07	11.54
	2014	1.76	0.48	0.04	11.00
	2015	2.3	0.33	0.03	10.55
	2016	1.7	0.34	0.03	11.47
	2017	1.45	0.52	0.05	11.49
DIAMOND BANK	2013	1.43	0.18	0.06	3.11
	2014	0.83	0.2	0.06	3.23
	2015	0.99	0.26	0.08	3.10
	2016	0.52	0.25	0.08	3.10
	2017	0.51	0.12	0.04	3.12
FIRST BANK	2013	1.73	0.57	0.05	12.50
	2014	1.27	0.83	0.07	12.51
	2015	1.74	0.27	0.02	12.74
	2016	2.03	0.15	0.01	12.76
	2017	1.94	0.41	0.03	13.12
GT BANK	2013	2.93	0.26	0.01	42.10
	2014	1.55	0.49	0.01	42.78
	2015	2.75	0.19	0.00	44.44
	2016	1.13	0.14	0.00	45.12
	2017	1.6	0.85	0.02	46.19
UBA	2013	1.59	0.45	0.04	12.20
	2014	2.02	0.19	0.02	12.23
	2015	1.97	0.71	0.06	12.55
	2016	1.97	0.15	0.01	12.34
	2017	2.04	0.87	0.07	12.35
UNION	2013	1.98	0.36	0.05	6.78
	2014	1.88	0.58	0.09	6.79
	2015	1.68	0.22	0.03	6.45
	2016	2.55	0.81	0.12	6.86
	2017	1.66	0.41	0.06	6.93
WEMA BANK	2013	1.86	0.75	0.60	1.25
	2014	2.64	0.48	0.38	1.25
	2015	1.97	0.62	0.52	1.19
	2016	1.72	0.59	0.44	1.33
	2017	1.91	0.62	0.45	1.39
ZENITH	2013	2.75	0.93	0.03	28.00
	2014	1.92	0.91	0.03	28.20

	2015	1.76	0.73	0.02	30.00
	2016	1.89	0.63	0.02	30.30
	2017	1.55	0.78	0.03	29.80
CAPITAL OIL	2013	6.51	1.78	0.0633	28.1
	2014	6.76	1.44	0.0465	31
	2015	8.3	2.36	0.0728	32.4
	2016	4.7	1.54	0.0415	37.1
	2017	5.45	2.02	0.0586	34.5
B.O.C GASES	2013	10.14	1.91	0.0910	21
	2014	9.41	3.07	0.1421	21.6
	2015	10.43	2.18	0.0982	22.2
	2016	8.83	2.2	0.0917	24
	2017	6.99	1.26	0.0514	24.5
CONOIL PLC	2013	6.39	1.64	0.0269	61
	2014	10.47	1.93	0.0297	65
	2015	9.73	2.57	0.0372	69
	2016	7.27	1.83	0.0251	73
	2017	6.74	2.27	0.0293	77.6
ETERNAL PLC	2013	7.74	3.42	0.1727	19.8
	2014	8.1	3.15	0.1500	21
	2015	8.93	5.26	0.2307	22.8
	2016	8.55	4.49	0.1944	23.1
	2017	7.75	4.19	0.1637	25.6
FORTE OIL PLC	2013	4.97	0.15	0.0069	21.7
	2014	4.47	0.99	0.0334	29.6
	2015	4.59	2.45	0.0860	28.5
	2016	4.02	2.1	0.0454	46.3
	2017	3.97	1.71	0.0365	46.9
JAPAU OIL & MARITIME SERVICE PLC					
	2013	7.3	0	0.0000	22.1
	2014	7.52	0.01	0.0003	28.8
	2015	10.18	0.36	0.0119	30.2
	2016	9.01	0.58	0.0164	35.4
	2017	8.05	2.22	0.0602	36.9
MRS OIL NIGERIA PLC					
	2013	6.44	13.97	0.5588	25
	2014	7.52	0.01	0.0004	23.3
	2015	10.18	0.36	0.0109	33
	2016	9.01	0.58	0.0149	39
	2017	8.05	2.22	0.0653	34
OANDO PLC	2013	5.73	7.99	0.1537	52
	2014	6.74	2.27	0.0463	49
	2015	7.03	0	0.0000	63
	2016	7.94	1.41	0.0276	51
	2017	7.74	3.42	0.0585	58.5
RAK UNITY PET. COM. PL					

	2013	4.97	0.15	0.0071	21
	2014	4.47	0.99	0.0429	23.1
	2015	4.59	2.45	0.0907	27
	2016	4.02	2.1	0.0955	22
	2017	3.97	1.71	0.0658	26
<b>TOTAL NIGERIA PLC</b>					
	2013	7.3	2.15	0.0973	22.1
	2014	7.52	0.01	0.0003	28.8
	2015	10.18	0.36	0.0119	30.2
	2016	4.97	2.15	0.0364	59
	2017	5.04	1.87	0.0295	63.4
<b>SEPLATE PETR. COM. PLC</b>					
	2013	8.05	1.8	0.0475	37.9
	2014	8.66	1.41	0.0319	44.2
	2015	8.1	3.15	0.0721	43.7
	2016	8.93	5.26	0.1342	39.2
	2017	8.55	4.49	0.1106	40.6
<b>ANINO INTERN PLC</b>					
	2013	7.75	4.19	0.1637	25.6
	2014	8.13	4.14	0.1389	29.8
	2015	8.6	4.85	0.1575	30.8
	2016	5.3	1.15	0.0295	39
	2017	7.32	0.01	0.0003	35

Source: Nigerian Stock Exchange 2018