

## The Determinants of Dividend Payout among Listed Banks in Nigeria

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### ABSTRACT

*This study examines the determinants of dividend payout among Nigerian listed companies in the banking sector. The problem statement was to find out whether the predictor variables (EPS, ROI, NAT, GIT and TAX) have any significant influence on the dependent variable (Dividend Payout). The data used in this research work were sourced from the annual report and financial statements of the five selected quoted banks examined in this study, ranging from year 2001-2010. The data analysis was based on the multiple regression analyses, which measures the correlation and coefficient of determination between the dependent variable (Dividend payout) and the predictor variables. The results revealed that the correlation between the dividend payout and the independent variables (combined) did not have significant influence in determining dividend payout among the selected quoted banks, as the P – VALUE (0.228) of F-test was greater than 5% significance level, and the coefficient of determination ( $R^2$ ) only accounted for 0.14% of the independent variables which was not statistically significant. From the model specified in this study, it was obvious that only Earnings Per Share and Corporate Tax show a positive value, which therefore means that an increase in either of this two variables holding other independent variables constant would increase dividend payout ratio by the same value. Since EPS measures the profitability and growth of an organization, it was however recommended that this should be given topmost attention by ensuring that the wealth of shareholders are maximized, because Nigerian firms not only use dividend payout policy to signal their quality, but also to signal their future prospects.*

**Keywords:** Dividend Payout, Determinants, Bank, Listed companies.

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### INTRODUCTION

Corporate dividend policy has been a thing of concern to the financial managers and the firm at large. Firms are faced with dilemma of sharing dividend to stock-holders and retaining their earning with the view to plough into the business so as to foster further growth of the business (Okpara, 2010). The decision of the firm regarding how much earnings could be paid out as dividend and how much could be retained is the concern of dividend policy decision. Researchers like James Walter and Gordon (1959) have asserted that firms use dividends as mechanism for financial signaling to the outsiders regarding the stability and growth prospects of the firm. On the other hand, sources of financing the growth of the firm. These two objectives are at conflict; A higher retained earnings means less dividend and higher dividend rate means less retained earnings. A firm's stock price is affected among other things by the dividend pattern. Paying out more cash dividends will tend to increase the price of the stock. However, increasing

cash dividends means that less money is available for reinvestment and plough back fewer earnings into the business will lower the expected growth rate and invariably depress the price of the stock. The firm must therefore be very careful in deciding the allocation of earnings to these two objectives. The optimal policy is the one that strikes a balance between current dividends and future growth thereby maximizing the price of the firm's stock. In practice every firm follows some kind of dividend policy which retains a portion of the net earning in such a manner that will not constitute a threat to dividend payment. This research work attempts to investigate the factors that affect the dividend payout policy in banking sector of Nigeria. As far as the previous researchers are concerned, most of the time the dividend have been studied for cash pay outs. In this research, I have tried to extend my study by including the dividend payout ratio as dependent factor. In the detailed study, five (5) commercial banks have been selected in performing the analysis. Theoretically, corporate dividend policies are known to be a function of many factors. Van Horne (1977) and Weston and Brigham (1981) asset that these relevant factors include: - legal consideration, liquidity position, repayment of debt contracts, re-investment opportunities, profitability of operation and stability of earnings. Other factors include access to the capital market, cost of rising new funds, need for ownership control, national income policies as well as the tax position of the stockholders. The interplay of these factors remains a critical issue in distribution of corporate after tax earnings between retained earnings and dividends. Uzoaga and Alozienwa (1974) in their study highlighted the pattern of dividend policy pursued by Nigerian firms and found little evidence to support the classical determinants of dividend policies in Nigeria. Inanga (1978) and Soyede (1975) insisted that the problem arising from the change in dividend policy could be attributable to the share pricing policy of the Capital Issue Commission (CIC) which seem to have ignored the classical factors that should govern the pricing of equity share issues, an action which has led companies to abandon all classical forces that determine dividend policy. Public companies used to allocate the earnings of a fiscal year among the investors in terms of dividend. The policy of dividend distribution determines the proportion of funds to be used for general invertors benefit and the portion to be retained for future investment by increasing the firm capital.

However, Dividend also provides a glimpse of company's performance for the stockholders as well as for the capital market as demand of the firm's share is usually dependent on the firm's dividend payment pattern. Dividend policy has been an issue of interest in financial literature; academicians and researchers have developed many theoretical models describing the factors that managers should consider when making dividend policy decisions. Key factors behind the dividend decision have been studied by numerous researchers. According to Linter (1956) the dividend payment pattern of a firm is influenced by the current year earnings and previous year dividends. Baker, Farrelly and Edelman (1986) concluded that the major determinants of dividend payments are anticipated level of future earnings and pattern of past dividends. Pruitt and Gitman (1991) reported that current and past year profits are important factors influencing dividend payments. Baker and Powell (2000) concluded that dividend determinants are industry specific and anticipated level of future earnings is the major determinant. Jensen, Solberg and Zorn (1992) showed higher profit contributed by lesser director ownership, provides lower growth rate and lower level of investment, resulting higher level of dividend payout ratio. Eventually, the number of factors

identified in the literature as being important to be considered in making dividend decisions increased substantially.

### **STATEMENT OF THE PROBLEM**

Dividend policy is concerned with the problem, which is better “the payment of dividends now or the retention of earnings for capital gain”? Or is there an optimum dividend payout ratio that maximizes the combined value of dividends paid plus capital gain? Therefore, it is quite possible that some investors would prefer high payout companies while others may prefer low pay-out policy and the maximization of shareholder wealth inducing the value of share is not clear-cut. The financial dilemma an organization faces with respect to corporate finance is the dividend policy to adopt. But despite many researches conducted by financial economists, the issue of dividend payout policy determinants still remains unresolved. Berkley and Myers (2005) listed dividend is issue as one of the top ten important unresolved issues in the field of advanced corporate finance. Nonetheless, an organization is hooked or concerned as to whether to pay dividends or not, since payment of dividend pose a financial signaling of the health and wealth of a company, which may buttress payment of dividend on one hand, while a justification for not paying dividend is that it is a source of internal re-investment. Ahmed and Javid (2009) in their study on the determinants of dividend policy show that listed firms rely more on the current earning and the prior dividends, though this research work is yet to identify the determinants which is the analysis of the statement for the proposed research work.

### **OBJECTIVES OF THE STUDY**

In view of the identified problems, there is a need to research into the various factors that determine the payout of dividends to various levels of shareholders in the Nigeria banking sector. The general objective is to Investigate the factors determining dividend pay-out policy in Nigerian Banking Sector while the specific objectives include:-

- To find out the key financial factors affecting dividend payout in the Nigerian banking industry.
- To blemish out the empirical dividend payout ratio of Nigeria banking industry.
- To evaluate the key dividend payout indicator ratios for the banking sector and identify the most influential variables in this connection.
- To identify most commonly practiced dividend policy in Nigeria banking sector.

### **STATEMENT OF THE HYPOTHESES**

In an attempt to consolidate the research objective stated above, the following hypotheses have been developed based on the theoretical evaluation of the subject matter of the topic under study. The statement of hypotheses are based on each independent variable

#### **Corporate Tax**

**Ho:** There is no significant relationship between dividend payout and corporate tax of listed banks.

**Hi:** There is a significant relationship between dividend payout and corporate tax of listed banks.

### **Growth in Turnover (Sales)**

**Ho:** There is no significant relationship between dividend payout and growth in turnover of listed banks.

**Hi:** There is a significant relationship between dividend payout and growth in turnover of listed banks.

### **SCOPE/DELIMITATION OF THE STUDY**

This study is mainly based on the secondary data received from annual report of the concerned banks. Information from books, journals and online publications produced by academic were profusely used. The purposive sampling method has been used in this study. The banks were selected from the "A category share" (superior performance with sound dividend payout) of banks listed on the Nigerian stock exchange (NSE). To conduct the study, five(5) commercial banks dividend pattern and annual reports from year 2001 to 2010 have been selected which include five(5) years financial summary of the selected banks. Major limitation of this study is lack of available data, the main sources of which are the annual reports of the sample banks. In annual reports of companies, banks inclusive usually give emphasis on the information that create positive impression about the company and present the information in their own way, which may become a major constraint in drawing the exact scenario of reality.

### **LITERATURE REVIEW**

According to Osuala (2005), the earliest major attempt to explain dividend behavior of companies has been credited to Graham and Dodd (1934) who were the major proponents and founders of the school of thought referred to as the traditionalist or rightists who offered the first explanation for the relevancy of dividend payment. Later supported the literature of determinants of dividend policy and dynamics was given by Linter (1956), who conducted his study on American company and thereafter, the work was refined by Fama and Blahnik (1968). Modigliani and Miller (1961), insisted that for Firms in the same risk class, provided that the investment programme of the firm is clear, the dividend policy is irrelevant or independent of the value of the firm. In M&Ms view, it is the firm's earnings (the independent variables) that influence the value of the firm. Having viewed dividend payment as irrelevant, they contended that, "if the investment decision of a firm is given, dividend payout ratio does not affect shareholders' wealth". They argued that the value of the firm depends on the firm's earnings or its investment policy. The split of earnings between dividend and retained earnings has no effect on the firm's value. The Bird in the Hand theory which was given by Gordon (1963), concluded that investors future promise of capital gain due to minimizing risk or lowering risk. Linter (1966) concluded that past dividend appeared as benchmarks for current dividends, and asserted that evidences indicate that current dividend payout of united states firms always serve as a reference point, a bearing with past dividends in other to reflect basic corporate interests as well as those of the stock holders. Black (1976) posed the question "if dividends are irrelevant, why do corporations pay dividends"? Jensen and Meckling (1976) argued that dividend policy is not irrelevant because of the important role it plays in determining a firm's capital structure, miller and schools (1978) gave detailed explanation based on the facts on United State economy regarding the effect of the preferences, on clientele and concluded that different tax rate on dividends and capital gain lead emphasized the information content effect of dividend in their work. They developed a model in which

dividend announcement effects emerged from the asymmetry of information between owners and managers. The dividend announcement provided shareholder and market place the missing place of information about current of the firm's future (expected) earnings is based. Jensen (1986) Opined that a firm is better off, sharing it's free cash flows (if it has it) with stockholders as dividend payment co retiring the firm's debt) in order to reduce the possibility of the funds being wasted on unprofitable (negative net present value) projects. Crutehley and Hansen (1989) examined relationship between ownership, dividend policy and leverage and concluded the managers make financial policy tradeoffs to control agency cost in an efficient manner. Most recently, researchers have attempted to establish the link between firm's dividend policy and investment decisions. Smith and Watts (1992) investigated the relations among executive compensation corporate financing and dividend policy. They concluded that a form's dividend policy is affected by its other corporate policy choices.

In addition, Jensen, Solberg and Zom (1992) linked the interaction between financial policies (dividend payout and leverage) and insider's ownership and external investors. They found that corporate financial decisions and insider ownership are interdependent. Wang, Erickson and Gau (1993) evaluate the dividend policies and dividend announcement effects using a sample of 102 real estate investment trusts in the United States. Applying the agency cost hypothesis to predict the dividend policies and the determinants of the dividend payouts, they found significant evidence to support the agency cost hypothesis. Saxena (1999), on the other hand identified firms past revenue growth rate, forecasted growth rate of earnings, number of common stockholders of the firm and systematic risk as the major determinants of dividend payout policy. Lee and Yan (2000) argued the observed weak between dividend changes and stock prices in several previous studies might have resulted from inadequate methodologies adopted in such studies. According to them, while some dividend decisions are backward looking in that they simply reflect current and past earnings, some other decisions are forward looking because they reveal managers' superior information about future earnings.

According to Fama and French (2001), the firms should follow a life cycle and reflect management's assessment of the importance of market imperfection and factors including taxes to equity holders agency cost asymmetric information, floating cost and transaction cost. Travlos(2001), asserted the need for empirical evaluation of the effect of dividend policy changes in the stock market of developing and emerging economies where low level of technology, different tax structure and regimes as well as control environment may differ from those of developed economies. Concentrating on Cyprus stock market for their study as an emerging market, however, they found that those assumed special characteristics for emerging markets in the case of Cyprus do not contradict the results obtained in developing economies. In another development, Gurgul (2003) studied the Austrian stock market support when earnings and dividend are considered. They found strong support for the hypothesis that the market emphasizes more on statements about dividends compared to earnings. Angelo (2004) conducted a study on dividend policy, agency cost and earned equity. The study consists on why Firms pay dividend? If they didn't have their asset and capital structure, would eventually become unsustainable as the earnings of successful films exceed their investment opportunities. They found dividend payments prevented significant agency

problems. Since the retention of the earning would have been given the managers command over an additional 81.6 Trillion without access to better investment opportunities and without any monitoring. This sense suggests that firms with high retained earnings are especially likely to pay dividend. In this view, firms pay high dividend when earned equity is high and decline when this ratio declines and when the ratio is zero or near to zero, meaning that firm don't have the earned equity. They finally found that the highly significant association between the decision to pay dividends and the ratio of earned equity to total equity controlling for size of the firm, profitability, growth, leverage, cash balance, and history for dividends. Eliotis (2005) examined the effect of distributed earnings and size of the firms to its dividend policy of Greek firms and found that Greek firms let their dividend, the change from last year earnings and size of the firm. The empirical findings of the study suggested that distributed earnings and size of firms are included as a signal about the firm dividend. The Greek firms also having a long term dividend payment ratio was studied by the author using two variables to determine the corporate dividend payout decision, distributed earnings and size of the firm. The panel regression (Gross section weight) was done and the results of the model gave significant estimation with the model gave significant estimation with the explanatory power (R<sup>2</sup>) 95.4%. The evidence of the model suggested the dividend at the time (t) can be expressed as the long run target dividend payout represented by both changes in dividend and in distributed earnings and the last year of the firm at (t) , So the conclusion of the study is that Greek firms have a general dividend policy to distribute each year dividend according to their target payout ratio, which is distributed earnings and size of the firm.

### **RESEARCH METHODOLOGY**

Descriptive research method was adopted by the researcher for the study; it describes and interprets the true nature and current status of the problem of study. It also seeks to find out the conditions or relationship that currently exist, opinions that are held, attitude underlying processes of observable event that are evident or trends that are developing. The sample size was chosen from the entire population of some selected banks (financial institution) quoted on the floor of the Nigerian Stock Exchange Market and it is averagely five commercial banks for a period of ten (10) years ranging from 2001 – 2010. The banks comprise of First Bank plc, United Bank for African (UBA), Wema Bank Plc., and Union Bank Plc. representing the first generation banks while Access Bank represents second generation banks.

### **DATA ANALYSIS**

Hence, analysis of the data was carried out by employing Multiple Regression Analysis, while conclusion was reached by testing the hypothesis using F – test and comparing the outcome of the results with already stated hypotheses with the aid of SPSS in drawing conclusion of the study. To incorporate dynamism in the model, the researcher introduced the one – period lagged error correction term to accommodate effect of changes in variables values over time, and capture the adjustment from short – term to long – term equilibrium situation in the capital market. Data for analysis are those considered relevant indicators of the determinants of dividend payout among quoted companies in the Nigerian banking sector. Such are, Earnings per share (EPS), Growth in turnover (GIS), Return on investment (ROI), Net Asset Turnover (NAT), and corporate tax (TAX) extracted from publications of the Securities and Exchange Commission, the

Nigerian stock exchange, and annual reports and financial statement of some selected quoted banks.

### CONCEPTUAL MODEL OF THE STUDY

Theoretically, the model says that dividend payout among listed banks in Nigeria depends on earnings per share, Return on investment, growth in turnover (sales), Net asset turnover, and corporate tax etc. Thus, the functional relationship is: -

$$\text{DPO} = f(\text{EPS, NAT, ROI, TAX, GIS})$$

Where: -

DPO = Dividend payout (Dependent variable)

EPS = Earnings per share

NAT = Net asset Turnover

ROI = Return on Investment

TAX = Corporate tax

GIS = Growth in Sales

$$\text{Model: - DPO} = \beta_0 + \beta_1 \cdot \text{EPS}_{it} + \beta_2 \cdot \text{GIS}_{it} + \beta_3 \cdot \text{TAX}_{it} + \beta_4 \cdot \text{NAT}_{it} + \beta_5 \cdot \text{ROI}_{it} + \text{ECM}_{t-1} + \mu$$

Where:  $\text{ECM}_{t-1}$  is one period lagged error correction term.

U = Error term

I = Sample Size (5 quoted Banks)

T = Time (2001 – 2010)

$\beta_0$  denotes intercept of the regression equation

$\beta_1, \beta_2, \beta_3, \beta_4$  and  $\beta_5$  are the regression co – efficient.

### A Priori Theoretical Expectation

From economic theoretical exposition and convention, I expect each model parameter estimate to have a positive sign. Thus,  $\beta_i$  ( $i = 0, 1, 2, 3, 4$ )  $> 0$ .

### Data Presentation, Analysis and Interpretation

All data employed in this research work were extracted from the annual reports and financial statement of the selected five banks listed on the floor of the Nigerian stock exchange market. The data collected were basically on Return on Investment (ROI), Net Assets Turnover (NAT), Growth in Turnover (GIS), Corporate Tax (TAX), and Earnings Per Share (EPS) ranging from year 2001 – 2010.

**Table 1 Correlation Matrix**

		DIVIDEND PAYOUT (%)	EARNING PER SHARE (K)	RETURN ON INVESTMEN T (%)	NET ASSET TURNOVER (times)	CORPORAT E TAX (%)	GROWT H IN TURNO VER (%)
DIVIDEND PAYOUT (%)	Pearson Correlation	1	.016	.073	-.141	.031	.031
	Sig. (2-tailed)		.915	.614	.328	.829	.829
	N	50	50	50	50	50	50
EARNING PER SHARE (K)	Pearson Correlation	.016	1	-.150	.841**	-.327*	-.045
	Sig. (2-tailed)	.915		.299	.000	.020	.754
	N	50	50	50	50	50	50
RETURN ON INVESTMENT (%)	Pearson Correlation	.073	-.150	1	-.366**	.057	.131
	Sig. (2-tailed)	.614	.299		.009	.693	.365
	N	50	50	50	50	50	50
NET ASSET TURNOVER (times)	Pearson Correlation	-.141	.841**	-.366**	1	-.021	-.092
	Sig. (2-tailed)	.328	.000	.009		.884	.527
	N	50	50	50	50	50	50
CORPORATE TAX (%)	Pearson Correlation	.031	-.327*	.057	-.021	1	.096
	Sig. (2-tailed)	.829	.020	.693	.884		.506
	N	50	50	50	50	50	50
GROWTH IN TURNOVER (%)	Pearson Correlation	.031	-.045	.131	-.092	.096	1
	Sig. (2-tailed)	.829	.754	.365	.527	.506	
	N	50	50	50	50	50	50

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

**Source: Research result compiled from the secondary data.**



**Table 2 Regression Results  
Model Summary<sup>b</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	4844.604	5	968.921	1.442	.228 <sup>a</sup>
Residual	29560.284	44	671.825		
Total	34404.888	49			

a. Predictors: (Constant), GROWTH IN TURNOVER (%), EARNING PER SHARE (K), RETURN ON INVESTMENT (%), CORPORATE TAX (%), NET ASSET TURNOVER (times)

b. Dependent Variable: DIVIDEND PAYOUT (%)

Source: Research result compiled from the secondary data.

**Table 3: ANNOVA**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	4844.604	5	968.921	1.442	.228 <sup>a</sup>
Residual	29560.284	44	671.825		
Total	34404.888	49			

a. Predictors: (Constant), GROWTH IN TURNOVER (%), EARNING PER SHARE (K), RETURN ON INVESTMENT (%), CORPORATE TAX (%), NET ASSET TURNOVER (times)

b. Dependent Variable: DIVIDEND PAYOUT (%)

Source: Research result compiled from the secondary data.

**Table 4 Coefficient**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	30.905	5.242		5.895	.000
EARNING PER SHARE (K)	.068	.027	.862	2.473	.017
RETURN ON INVESTMENT (%)	-.300	.337	-.148	-.891	.378
NET ASSET TURNOVER (times)	-16.431	6.298	-.916	-2.609	.012
CORPORATE TAX (%)	.090	.053	.305	1.692	.098
GROWTH IN TURNOVER (%)	-.014	.088	-.023	-.164	.870

a. Dependent Variable: DIVIDEND PAYOUT (%)

Source: Research result compiled from the secondary data.

### Interpretation of Tables

The first step is the construction of correlation matrix. The correlation matrix (as given by Table 1) clearly indicates that the dividend payout ratio (DPR) has the highest correlation with a slight positive correlation with return on investment (ROI) at 0.073 (2 tailed). The correlation result shows that a slight positive relationship exist between return on investment (ROI) and dividend payout ratio and the result is statistically insignificant. The other variables EPS, NAT, TAX, and GIT ratio are not having any significant correlation with dividend payout ratio because they are weak, and this can be clearly seen in Table 1 with EPS having a correlation of (0.016), NAT (- 0.141), TAX (0.031), and GIT (0.031) which are all less than 0.05% level 2 tailed.

### Regression result

Regression analysis has been further applied to test the significance of the model and the explanatory power of the independent variables (Predictor variable). From the analysis in Table 2, it thus shows that the coefficient of determination  $R^2$  is 0.141, which implies that the amount of dividend payout ratio is accounted for by only 14% of the predictor variables i.e. independent variables (EPS, ROI, NAT, TAX and GIT), an is not statistically significant that is P – value (0.228) is greater than 0.05 at two tail test.

### Anova Analysis

Table 3 shows that the regression model is not significant, that is not a good predictor of dividend payout, since P-value (0.228) is greater than 0.05 two taile test. It thus shows that there are other factors that determine dividend payout in the Nigerian banking sector, other than what is been considered in the model.

### Coefficient of Determination

This show the percentage of the total variation of dependent variable that is explained by the independent variable. It is a statistical that of significance used for judging the explanatory power of the linear regression.

### Specification of Models

From table 4, the model can be seen as follows: -

$$DPO = 30.905 + 0.068EPS - 0.300ROI - 16.431NAT + 0.9TAX - 0.014GIT$$

Where D = Dividend Payout (Dependent variable)

EPS = Earnings Per share (independent variable) or predictor variables

ROI = Return on investment

NAT = Net Asset Turnover

CT = Corporate Tax

GIT = Growth in Turnover (sales)

### Presentation of Results

With the above model, it has been evaluated whether the predictor variables (i.e. the independent variables) have considerable impact on dividend payout ratio of the chosen banks, with the use of "SPSS 12.0" the tests have been carried out and the relationship between the predictor variable and dividend payout (Dependent Variable) has been defined.

### Test of Hypothesis

In response to the statement of hypothesis formulated in chapter three of this research studies, it is imperative for the researcher to test the stated statement of tentative guesses (Hypothesis). The test to be used is the probability - value (The conditions of accepting or rejecting null hypothesis is when P - value is  $> 0.05$ . The decision is to ACCEPT  $H_0$ , null hypothesis and vice - versa), student t - t value (the condition for accepting or rejecting is when t - value is  $> 1.96$ , (reject  $H_0$ ) and F - value provides a test of null hypothesis, that the true slope co efficient are simultaneously zero. If the P - value is sufficiently low, we can reject the null hypothesis, and vice - versa.

The hypothesis is thus formulated below:

- **EPS:** Based on the P - value and t - test at 95% confidence, i.e. 5% significant level, 0.017 is  $< 0.05$  and 2.473  $> 1.96$ , here  $H_0$  is rejected, and invariably alternate hypothesis is accepted. That states that, there is a significant relationship between dividend payout and earnings per share (EPS) of the selected quoted banks.
- **Return on investment:** Based on the P - value and t - test at 95% confidence, i.e. 5% significant level, 0.378 is  $> 0.05$  and  $- 0.891 < 1.96$ , here  $H_1$  is rejected, invariably null hypothesis is accepted. That states that, there is no significant relationship between dividend payout and return on investment (ROI) of the selected quoted banks.
- **NAT:** Based on the P - Value and t - test at the 95% confidence, i.e. 5% significant level, 0.012, is  $< 0.05$  and  $- 2.609 < 1.96$ ,  $H_1$  is rejected invariably null hypothesis is accepted. That stated that, there is no significant relationship between dividend payout and net asset turnover of the selected quoted banks.
- **Corp. Tax:** Based on the P - value and t - test at the 95% confidence, i.e. 5% significant level, 0.098 is  $> 0.05$  and 1.692 is  $< 1.96$ ,  $H_1$  is rejected, invariably null hypothesis is accepted. That states that, there is no significant relationship between dividend payout and corporate tax of the selected quoted banks.

- **GIT:** Based on the P – value and t – test at the 95% confidence, i.e. 5% significant level 0.870 is  $> 0.05$  and  $- 0.164$  is  $< 1.96$ ,  $H_1$  is rejected, invariably null hypothesis is accepted. That states that there is no significant relationship between dividend payout and Growth in turnover of the selected quoted banks.

### **DISCUSSIONS AND INTERPRETATION**

From the value of  $r^2$  it is clear that all these 5 predictors variables combined explain 0.141% of the variance in dividend payout ratio. The P – value (0.228) of F – test states that the regression is not significant at 77.2% confidence level. As a whole, the regression is not suitable and appropriate. So, it can be seen that, the selected dividend payout indicating variables have no significant impact on dividend payout ratio in the banks which are included in the sample.

### **SUMMARY OF FINDINGS**

From the analysis of the determinants of divided payout among Nigeria listed companies in the banking Sector, five (5) quoted banks were selected from the entire banks listed on the Nigerian stock exchange market and data sourced for the purpose of this study were analyzed through the use of statistical package for social sciences (SPSS) in order to discover the correlation and significance of the predictor variables (Independent Variables) On the dependent variable (Dividend payout). The major objective of the study which is to evaluate key dividend payout indicator ratio for the banking sector and identify the most influential variables in this connection, have been adequately analyzed in this study. Due to the complexity of dividend payout policy in Nigeria firms, particularly the banking sector, corporate entities are always in dilemma how much to payout as dividend to fulfill market expectations and how much to retain in the business to mitigate the future needs to growth and expansions. These two motives are always in conflict and go in reverse directions. This study employs investigative and empirical analysis approach. Panel secondary data based on the measures of the independent variable from the annual reports and financial statements of the selected banks for a period of ten (10) years ranging from (2001 – 2010) were used for the purpose of this study. Extensive analysis of these previous literatures, practices and theories give the main basis of this study, from the literature review, it can be seen that dividend decision of the company is influenced by numerous financial and non-financial parameters. Some key factors are common for all over the world and across all the industries.

This present study investigates possible factors that could influence the dividend payout of Nigerian banks. In conclusion, from the value of  $r^2$  in chapter four of this study which entails the analysis and presentation of data, it can be seen that all the 5 predictor variable combined explain 14% of the variance in dividend payout ratio, though P – value (0.228) of F – test states that the regression is significant only at 77.2% confidence level. As a whole, the regression is not much reliable and less valid. So it is deduced that the selected dividend payout indicating variables alone do not have much impact on dividend payout ratio of commercial banks in Nigeria which the researcher included in the sample. These findings lead credence from Farzana and Tazrine (2011), who reported that there are other financial and non – financial indicators that determine dividend payout ratio other than the variable considered in this study.

## CONCLUSION

From the analysis it is clear that the selected dividend payout indicator variable does not exert great influence over dividend payout ratio of the banking industry in Nigeria. The result of the analysis of the first main hypothesis of the study indicates significant interrelationship between dividend payout ratio and earnings per share of Nigeria listed banks. For instance, EPS of (0.068), holding all other variable constant will increase the dividend payout also by (0.068). This study contradicts sharply with the findings of Farzana and Tazrina (2011), who reported no significant relationship between dividend payout and earnings per share of banks. The result of the analysis of the second major hypothesis of the study revealed that there is no significant relationship between dividend payout and return on investment of banks in Nigeria. That is at (-0.300), holding all other variable constant, will decrease dividend payout also by (-0.300). this finding is opposed by the findings of Edward and Samuel (2011), who reported a significant relationship between dividend payout return on investment. The result of the analysis of the third major hypothesis of the study revealed that there is no significant relationship between dividend payout and not asset turnover of banks in Nigeria. That is at -16.431), holding all other variable constant will decrease dividend payout by some value.

The result of the analysis of the fourth hypothesis of the study revealed that there is no significant relationship between dividend payout and corporate tax because 0.090 is > than 0.05% significance levels. This finding is supported by the findings of Salaudeen (2011), that there is no significant relationship between corporate tax and dividend payout. The result of the analysis of the fifth hypothesis of the study revealed that there is no significant relationship between dividend payout and Growth in turnover. That is at (-0.14), holding all other variable constant, will decrease dividend payout by the same value this findings is in support with the findings of Edward and Samuel (2011).

## RECOMMENDATIONS

Since earning per share (EPS) and corporate tax (TAX) appeared to be the major determinants affecting dividend payout, measures should be adopted in improving the basis of measuring these variables. For instance, Earning Per Share which measures the profitability and growth of an organization should be given topmost attention by ensuring that wealth of shareholders are maximized, because Nigerian firms not only use dividend payout policy to signal their quality, but also to signal their future prospects.

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## APPENDIX I

Table A: Empirical Analysis Data

YEAR	BANK	DPO (%)	EPS (K)	ROI (%)	NAT (TIME)	TAX (%)	GIT (%)
2001	ACCESS	0	-2	0.968	0.198	0.033	32.95
2002	ACCESS	0	-1	0.487	0.230	208	63.84
2003	ACCESS	35.71	14	2.465	0.19	31.34	67.7
2004	ACCESS	62.5	16	2.034	0.176	33.02	26.26
2005	ACCESS	0	12	0.75	0.112	33.2	35.9
2006	ACCESS	0	7	0.42	0.077	34.2	78.26
2007	ACCESS	45.98	87	1.85	0.085	24.37	108.69
2008	ACCESS	65.66	99	1.56	0.056	15.68	106.69
2009	ACCESS	-14	-5	-0.14	0.117	-2,211	31.62
2010	ACCESS	27.8	72	1.78	0.109	26.81	4.24
2001	FIRST BANK PLC	36.1	288	2.20	0.137	24.59	8.35
2002	FIRST BANK PLC	53.1	196	1.49	0.157	21.78	43.37
2003	FIRST BANK PLC	36.95	406	3.22	0.141	22.9	8.00
2004	FIRST BANK PLC	40.68	381	3.551	0.1445	21.34	0.15
2005	FIRST BANK PLC	51.93	233	3.23	0.1311	19.6	9.65
2006	FIRST BANK PLC	32.68	306	2.98	0.114	19.1	23.79
2007	FIRST BANK PLC	64.1	156	2.41	0.104	16.9	29.5
2008	FIRST BANK PLC	53.8	223	2.61	0.112	19.9	64.7
2009	FIRST BANK PLC	12.27	11	0.072	0.099	88.42	34.30
2010	FIRST BANK PLC	12.05	83	1.272	0.106	20.96	18.32
2001	WEMA BANK PLC	54.35	46	1.60	0.120	22.6	14.6
2002	WEMA BANK PLC	47.37	95	3.36	0.180	35.4	70.1
2003	WEMA BANK PLC	32.05	78	2.41	0.158	35.36	22.69
2004	WEMA BANK PLC	30.4	23	1.35	0.180	31.9	32.3
2005	WEMA BANK PLC	36.74	9.5	0.86	0.156	15.71	18.92
2006	WEMA BANK PLC	0	-66	-5.5	0.124	-8.31	-2.95
2007	WEMA BANK PLC	0	25	1.55	0.160	35.95	78.15
2008	WEMA BANK PLC	0	-573	-44.8	0.168	-1.09	-18.2
2009	WEMA BANK PLC	0	-21	-1.47	0.114	-36.7	-24.8
2010	WEMA BANK PLC	0	155	7.99	0.098	25.26	22.48
2001	UBA PLC	36.96	46	0.632	0.102	25.4	2.39
2002	UBA PLC	37.74	53	0.69	0.111	39.19	15.48
2003	UBA PLC	38.5	117	1.49	0.118	37.94	7.3
2004	UBA PLC	36.5	137	2	0.115	25.4	0.88
2005	UBA PLC	39.5	152	1.87	0.102	25.4	6.59
2006	UBA PLC	53.8	186	1.35	0.101	8.36	237.1
2007	UBA PLC	49.8	241	2.15	0.092	10.15	21.08
2008	UBA PLC	32.79	305	3.21	0.102	10.71	52.6
2009	UBA PLC	100	60	1.422	0.1574	13.38	42.9
2010	UBA PLC	100	8	1.04	0.110	9.33	-28.5
2001	UNION PLC	37.17	113	2.3	0.165	28.7	93.94
2002	UNION PLC	66.04	106	1.72	0.116	37	-10.02

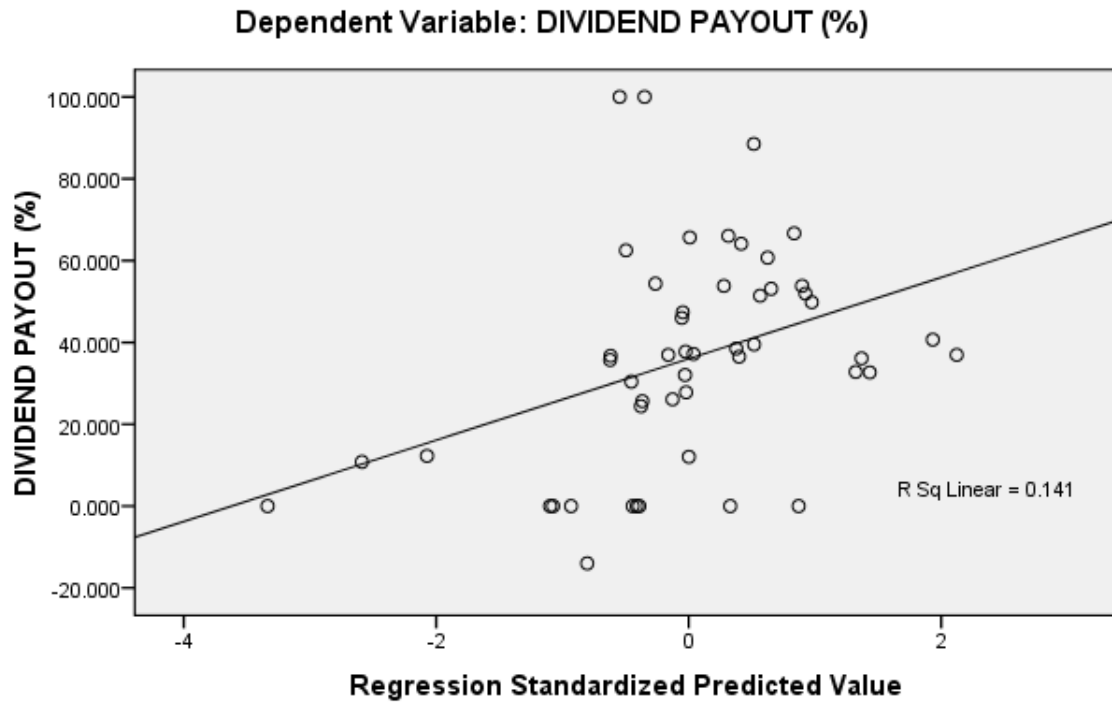
2003	UNION PLC	51.4	148	2	0.105	35	9
2004	UNION PLC	60.7	173	2.11	0.107	24.1	12.89
2005	UNION PLC	66.67	210	2.4	0.1125	21.57	14.31
2006	UNION PLC	88.50	113	1.94	0.098	55.17	13.30
2007	UNION PLC	25.64	39	1.96	0.115	20.185	40.12
2008	UNION PLC	24.4	41	2.73	0.102	16.84	30.73
2009	UNION PLC	10.8	2118	-31.1	10.57	-0.28	4.81
2010	UNION PLC	26.09	874	6.9	0.135	-569.3	17

**Source: Annual report and financial statement of the five selected quoted Banks  
Cowry Asset Management Limited  
Personal computation**

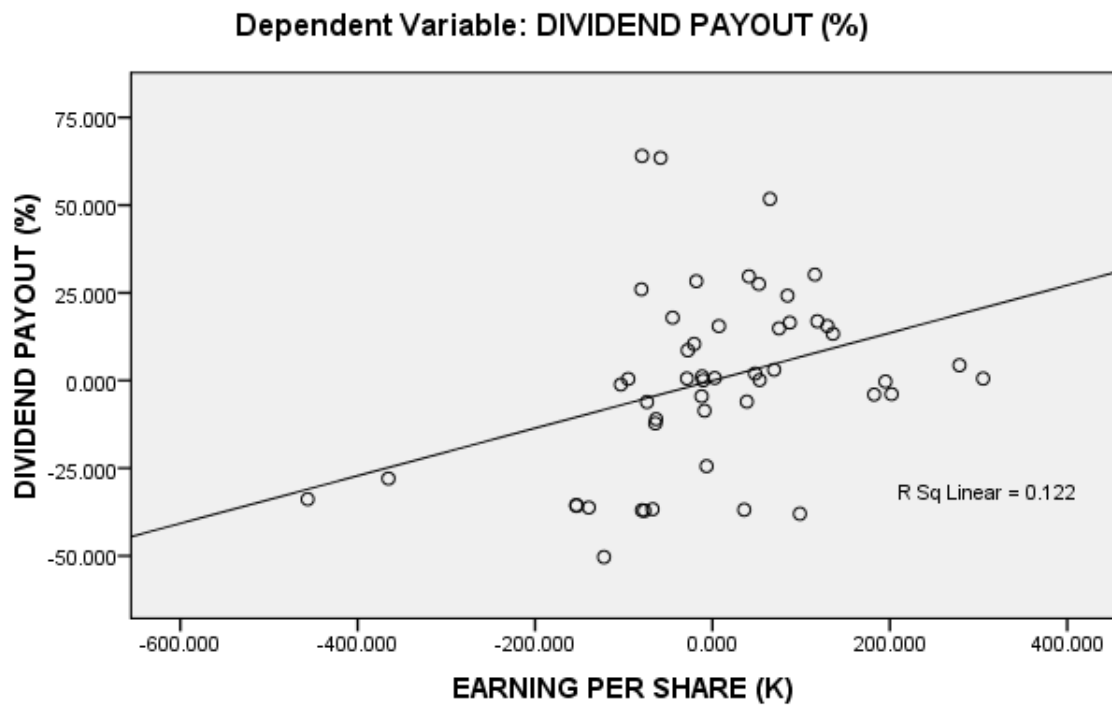
## APPENDIX II

### CHARTS

#### Scatterplot

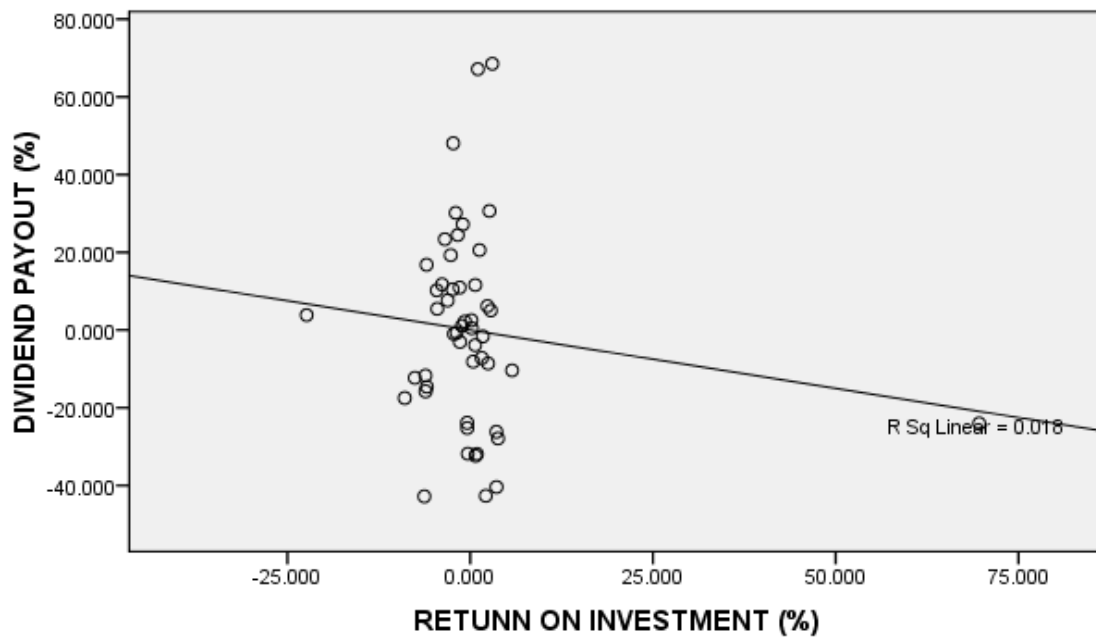


### Partial Regression Plot

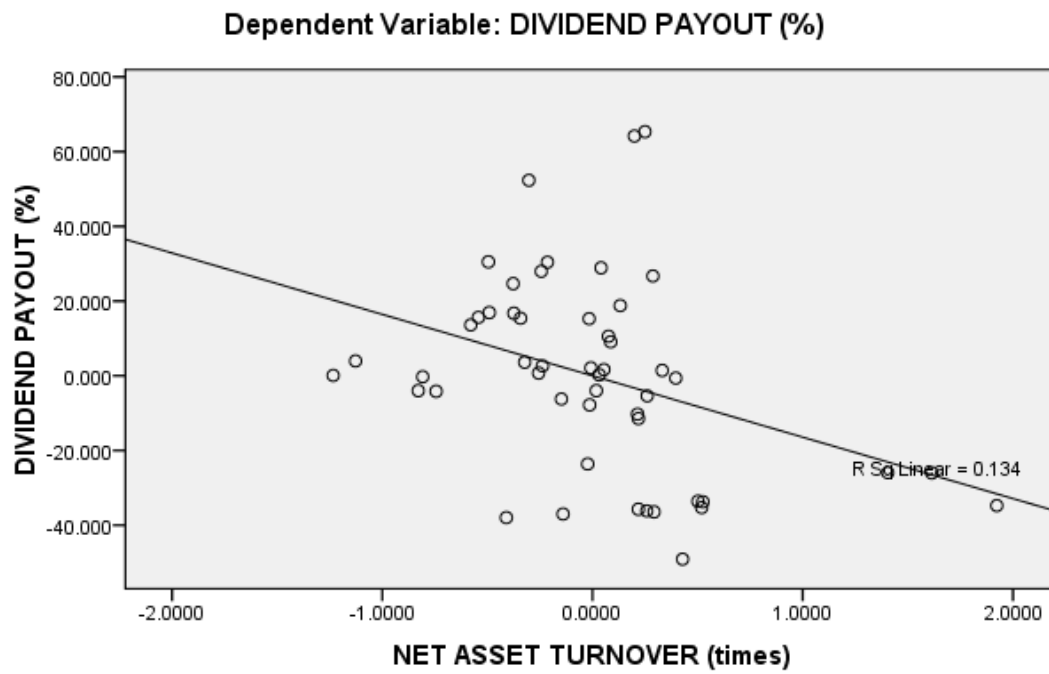


### Partial Regression Plot

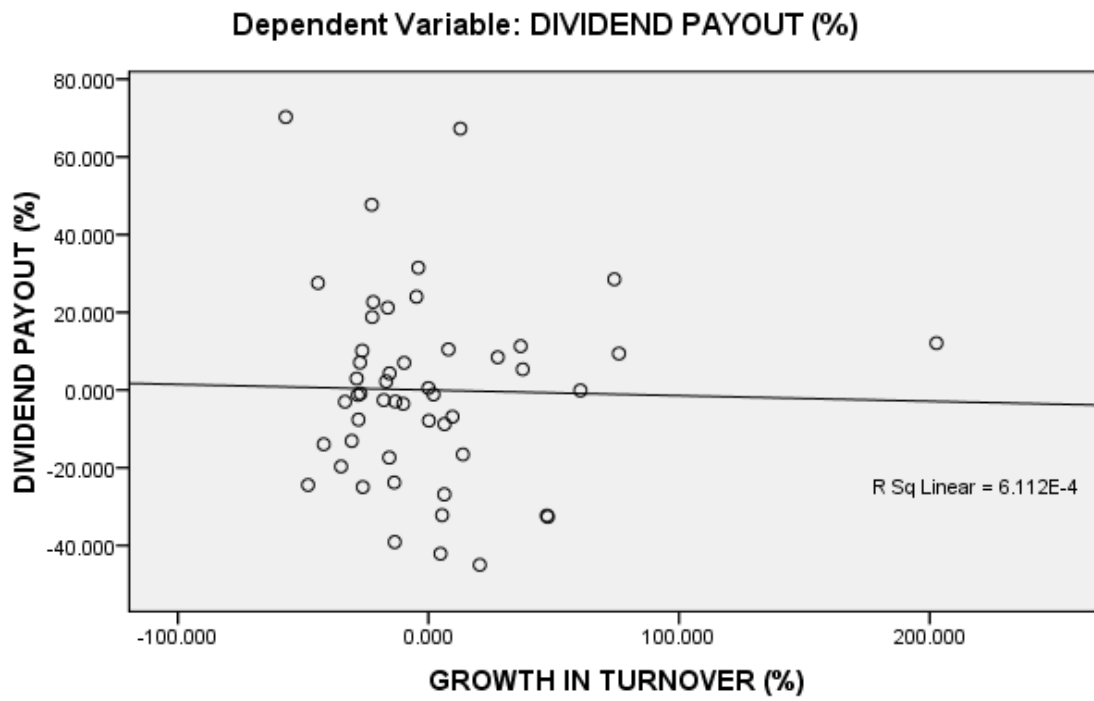
Dependent Variable: DIVIDEND PAYOUT (%)



Partial Regression Plot



### Partial Regression Plot



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**Reference** to this paper should be made as follows: Ademola, E. Akinyele, *et al* (2015), The Determinants of Dividend Payout among Listed Banks in Nigeria. *J. of Management and Corporate Governance*, Vol. 7, No. 1, Pp. 52 – 74.

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