

AN EMPIRICAL ANALYSIS OF DETERMINANTS OF DIVIDEND POLICY: EVIDENCE FROM 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. 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 leverage and previous years' reserves 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 revealed that previous reserves per share of deposit money banks have significant positive effect on the dividend pay-out while leverage has no significant effect on the dividend pay-out of deposit money banks in Nigeria. The study concludes that previous reserves per share are a 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 previous reserves per share to boost liquidity and to ensure regular payment of dividend in the future especially in the period of profit adversity.

Key Words: Deposit Money Banks, Dividend Determinants, Dividend Policy, Leverage, Previous Reserves.

INTRODUCTION

In early corporate finance, dividend policy refers to a corporation's choice of whether to pay its shareholders a cash dividend or to retain its earnings. It addressed the frequency of such payments (whether annually, semiannually or quarterly) and how much the company should, if it decides to pay. Theoretically, cash dividend from earnings means giving rewards to shareholders (Walter, 1963, Gordon 1959). That is something they already own in the company. A great deal of theoretical and empirical research on dividend policy determinants have been conducted over the

last decades. Researchers such as Linter (1956); Miller and Modigliani (1961); Fama and Babiak (1968); Uwuigbe (2013) conduct research as regard 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 maximization. This shows that dividend policy decision is strategic to life of the firm. Although there is popular opinion that dividend policy is a puzzle there is also more than equal popular opinion on the positive dividend payment effect on stock prices and its ability to portray the good

image of the company to various stakeholders. Dividend policies of a firm are policy decisions on how much of firm profit would be issued out as dividend and how much could as well be retained. The above decisions are usually influenced by many variables/factors, the company undistributed profit and the company's long – term earning power play a significant role. Specific key factors including profit, solvency; companies with more profit and sound liquidity position tend to pay more dividend while better use of leverage influence dividend but gearing with great interest burden impede pay-out leverage. Researchers have also maintained that dividends are paid for purpose of agency control, organizational reputation, share price marketing, and competition strategy and clientele satisfaction purposes. These factors could also be categorized into external and internal factors. The external factors which influence from outside environment of the firms include; general state of the economy, capital market access, state regulation/ tax; they impede on the ability of firms to pay dividend and it dictates stakeholders' preference for one type of income/dividend. Internal factors influencing dividend include company's investment opportunities and stockholders preference, nature of business and its access to capital market, age and growth rate of company, liquidity position and debt burden. Others are control and ownership structure of the company (Abor, 2005; Edet, Atainet, & Anoka, 2014; Osegbue, Furueze&Furueze, 2014; Alzomania& Al-kadir, 2013).

Shareholders wealth maximization remains the major objective of firms and dividend policies are tailored to reflect this objective. This shareholders' wealth is mainly influenced by growth in sales, improved profit margin, capital investment decision and capital structures; all are related to how and amount paid. It holds therefore that dividend policy affect the value of firm and in turn, the wealth of shareholders.

Despite the great number of studies that have been conducted on dividend policy mostly from developed country and few from emerging economies (Nigeria) and banking sector respectively, no consensus has been reached regarding dividend determinants (Abubakar & Adeyemi, 2014). Therefore, the problem before hand is that, despite the resemblance of banking firms in many respects; structure, operation, customers, facility, commodity, control etc. and the sector remained one of the most regulated and patronized sector but their dividend policy formulation differ from one bank to another due to operational strategy and decisions difference. As a result of specific factors and situational differences of interest groups dividend policy of banks (pay-out) ratios seem to be differed and pay-out ratios of a bank differ from year to another year. Thus, giving rise to the quest, for the predicting factors of banks dividend payment.

This work aimed at exploring other area of dividend determinants to create additional knowledge to studies.

The general objective of this study is to empirically identify the determinants of dividend pay-out of listed Banks in Nigeria. While the specific objectives are to:

- i. Assess the effect of leverage on dividend pay-out of listed Deposit money banks in Nigeria.
- ii. Examine the effect of previous years' reserves on dividend pay-out of listed Deposit money banks in Nigeria.

In order to achieve the stated objectives of the study, the following research hypotheses had been formulated. They are stated in the null form as follow:

H₀: Leverage has no significant effect on dividend pay-out of listed banks in Nigeria.

H₀: Previous year's reserves has no significant effect on dividend paid out of deposit money banks in Nigeria

This study covers Twelve (12) out of the fifteen

(15) banks quoted on the Nigeria Stock as at 2017. The study also covers twelve years period (2006-2017). The study covers the Deposit Money Banks in Nigeria with the following independent variables; Leverage Per Share (TLPS) and Previous Reserves per Share (PRPS) and Dividend per Share (DPS) as dependent variable.

LITERATURE REVIEW

Concept of Dividend

Dividend has been defined as a common practice of distribution of earnings of the firm real assets among ordinary shareholders of the company according to number of shares owned. Therefore, it is a strategic decision made by board of directors as it embrace finance, investment and dividend but it also go out without controversy (Aruwa, 2015; Zubairu, 2015). Oloidi and Adeyeye (2014), opine that dividend entails portion of current earning paid to shareholders. Trang (2012) gave further definition of the dividend as cash payment distribution of net profit after tax to company shareholders after keeping specific amount of earnings to invest in the business. This payment could also include accumulated earnings of the company to shareholders. In nutshell, dividend is appropriation of this year profit or addition of aggregate of past years profit to shareholders of the organisation. This payment could also be paid in form of stocks or asset / property. The dividend of preference shareholders are of fixed rate Therefore, dividend is an income return received by shareholders in respect of their investments.

Concept of Dividend Policy

Dividend policy is viewed holistically by Mainoma and Aruwa (2011) the duos explained that in conceptualizing the subject matter, dividend policy could be seen in three ways: The view that relates dividend pay-out of a company's to financing and investment decision; the view relates dividend policy to level of dividend; and the view that relate dividend policy to dividend stability.

The above view that financing, investment and dividend are strongly related or inter-woven was shared and explained by Pruitt and Gitman (1991) when they asserted that dividend pay-out question was the question for whether the organisation should pay-out cash now or invests the cash and pays it out later because investment, financing and dividend decisions are interrelated. If any firm paid dividend, it reduces the extent of financing and raising equity capital value internally, as a result, the organisation might have to utilise external source of financing therefore dividend decision of the firm and its capital structure are interrelated (Simegn, 2013). Therefore dividend policy is a finance issue that involves choice of paying cash to shareholders.

Managers always strive to fashion their dividend policy to suit the demand of stakeholders (especially shareholders) considering the prevailing operational and economic environment to outline with particular suitable dividend (stability) policy as they are identified by Pandey (2005). They are discussed as follow:

Empirical Studies

Leverage and Dividend Pay-out

Equally empirical works had shown that leverage is a double edge-sword in its influence in dividend payment. It means, it can influence dividend payment positively as well negatively. The question is what are factors benefiting both situations. In the view of Abubakar and Adeyemi (2014) where they examined 44 firms listed on the Nigeria stock out of 180 in 2013 using ordinary least regression to analyse the panel data. The result revealed that corporate tax and financial leverage have positive and significant impact in the dividend pay-out at 5% and 1% respectively. In same standing, Odesa and Ezekiel (2015) carried out a study to investigate dividend determinants by using cross-sectoral data from 131 quoted companies in the Nigeria stock exchange using descriptive correlation and regression model to analyse data. The result shows that interest and opportunity is negatively correlated to dividend

policy while debt (leverage), ROE, shareholder structure has positive significant relationship with the dividend paid. In Nigeria, Uwuigbe (2013) utilised 50 listed firms to examine relationship among firm leverage, firm's size and other factors on dividend payment using judgmental sampling techniques and regression model. Empirical findings from the regression analysis on the relationship between financial leverage (expressed in terms of debt-equity ratio) and the payment of dividend indicated that there was existence of significant inverse relationship between firms' financial leverage and payment of dividend decision of firms.

Anjana and Balasurbranian (2017) in their work carried out to determine some of the features that influence behavioural of firm dividend payment in Nigeria Stock Exchange between 2011 and 2017 using annual reports of the firms and questionnaires based survey of 50 listed firms. The variables of the study were leverage, profit, taxation policy, current earnings and growth. Combined analytical tools of ANOVA, Chi-square and correlation regression were used in analyzing the data. The study found out that financial leverage as determining factors of dividend pay-out of the listed firms among other variables. The study conclude that leverage influence dividend pay-out of listed firms, Dada, Malomo and Ojediran (2015), from their study where they used listed firms data from the Nigeria Stock Exchange (2008-2013) analysing them with the correlation and robustness test. Their findings indicate significant and positive relationship between firm debt position and the payment of dividend. They explained that this was in line or gave a credence to the fact that debt promote the firm profitability due to the tax effect, this is based on the revised study of Modigliani and Miller (1961) and support the Traditionalist view on the use of debt but a study from Saudi-Arabia by Alzomania and Al-Khadiri (2013), resulted a contrary view. They run regression on a panel data of 105 listed firms on the country stock exchange between 2004 and 2010. The variables

in question are DPS, EPS, capital size, growth and debt to equity ratio. From their result, they maintained a position that high debt ratio is negatively related to dividends. They said, this means that firms with low debt ratios are willing to pay more dividends. This result is supported by the agency costs theory of dividend policy. Thus, firms with high leverage ratios have transactions costs and are in a weak position to pay higher dividends to avoid the cost of external financing.

Previous Years Reserve and Dividend Pay-out

Accounting profit of listed banks (firms) could be partly/wholly paid-out as dividend, appropriate to reserve for organizational or legal purpose as well retained. That is to say, the portion of profit that is not paid out as dividend is held back in the firm in the form of retained earnings or reserve. It could also be referred to as unused dividend profit.

Soondur, Maurick and Sewak (2016) analyzed 30 companies selected on the stock exchange of Mauritius using regression analysis between period of 2009 – 2013; both fixed and random effects were employed in order to empirically establish the effects of par value of earnings, net revenue, retained earnings, cash balance and debt to equity on the dividend payment using pay-out ratios and DPS as proxies of the listed companies. The result of the research showed that there was a significant negative relationship between organizational dividend payment guidelines and the income that they retained. Thus, the study position is that retained earnings which represent/related to previous reserve does not influence dividend pay – out of firms. Hellstrom and Inagambaev (2012) examine relationship between dividends paid out ratios of companies selected factors of large and medium companies. The variables of the empirical work include cash flow, growth, leverage, risk and profit. A sample of 87 companies listed on Stockhom exchange between 2006 and 2010, both ordinary least squares and a Tobit regression model were used to examine the data. The result showed profit (previous reserve) has no positive and significant

relationship with dividend paid out in both large and medium companies. But cash flow, growth and risk showed significant relationship in large companies and dividend paid out ratios has positive relationship among the four variables (size) except profit in Sweden. Therefore previous year profit has no effect on dividend pay-out.

On the position that previous reserve as a determinant of dividend pay-out, the CAMA 1990 has made it clear and legally support the position. In section 380 (a,b,c) states that dividend should be paid from profit of using of property and/ or company asset and revenue reserve (sub-section c). By this management has legal backing to make provision for reserve with intention of paying dividend later year. With this legal authority, large position of previous year reserves can influence management declaring of dividend. Therefore, previous reserves determine dividend payment. More so, CAMA 1990, sub-section 2 makes provision for interim payment of dividend, considering the uncertainty of profit and company operation at that middle of business circle, the only thing inform the position of the law and firm paying interim dividend is the previous amount reserve/position already known to management. Consequently, previous reserve influence dividend decision of management.

Ahmed (2015) investigates the determinant of dividend in UAE Banking sector. There are 24 UAE national banks but information from 18 of the banks that covered 2005 to 2012 were used. The correlation and regression analysis were used to establish empirically the impact of liquidity and profitability on dividend payment of UAE. The main finding is that dividend paid-out has negative and insignificant relationship with profitability while liquidity has positive and significant relationship with liquidity. Aruwa (2015) defined dividend as a payment made to shareholders from firms earnings (current earnings and previous reserves) whether they are generated in the current period or in the previous period. This holistic dividend definition asset clearly the certainty of previous reserve as

dividend predictor and definition is informed by legal position on dividend payment.

Theoretical Framework

Dividend Relevancy Theory

The main proposition in this study is that dividend policy does matter therefore factors affecting dividend payment need to be considered seriously by corporate decisions makers for firm wealth maximisation.

Theoretically, there are two major school of thoughts (divergent views); dividend relevance and irrelevancy theories in the important of dividend (Osaze&Anao, 1990). Gordon and Walter both posited that dividend is indeed relevant in company value (Aruwa, 2015, Eriki, 2004; Pandey; 2005). They argued that there was correlation between dividend policy of firms and its market value. They asserted that ordinary shareholders do have a preference for current dividends and in general assertion investors prefer to avoid (tomorrow gain) and attach lower risk to current income as against future dividends/capital gain (Zubairu, 2015). Eriki, (2004) analysing Walter model on the relevance on value of firm explained the balanced dividend guideline depends on the relationship between the firms' internal rate of return (r) and cost of capital (K). Another opinion says that dividends do matter in the determination of share prices (Akintoye, 2007). Supporting the above position of dividend relevancy by Osaze and Anao (1990) "observed that another reason" is to enhance and strengthen the natural interest of conscious investors. Abdul (2014) stated that the assumption of this theory is that the firms financed all investment through retain income that is; debt or new equities were absent or not made by the company.

Conclusively, considering the preceding discussion the main proposition here is that dividends do matter therefore dividend and factors influencing it need to be considered seriously for decision making. Consequently, the study aligns itself with main Theory of the work; "Dividend Relevancy Theory" which states that dividend is important as it affects firm value.

METHODOLOGY

The study employed descriptive research design, given the fact that the research work is quantitative in nature; because the variables are secondary data and the event of study had already taken place. Since the main objective of this study is to identify determinants of dividend pay-out of listed DMBs in Nigeria 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 the study is all the fifteen listed Deposit Money Banks as at 2017 and the study covers 2006 to 2017. A purposeful sampling technique was used in selecting the samples. The criteria for selection were that a bank must have had required dividend pay-out record for at least six (6) years of the study. Twelve banks were selected as the sample size.. The data were extracted from 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 analyzed and ratio into proxy for appropriate variables. This study ensured only banks with complete and continuous data/dividend payment were selected. The various ratios were calculated for each sampled bank and analyzed 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 fit 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.

Variables Measurement and model specification

DPS: Dividend paid for the years divided by number of shares ranked for dividend

LPS: This is total debts divided by number of

ordinary shares. It is Naira worth obligation of every share. It is believed that more debt obligation lesser shareholders will be paid dividend.

PRPS This is the total of previous years' reserves which is related to pervious years profit / retained earnings (part) apart from capital reserves and premium reserves divided by ordinary shares ranked for dividend.

In the view of the above framework, choice of the Model rely heavily, on variable type data, mathematical and statistical techniques. The multiple regression analysis tool was used with application of E-VIEWS 9 Econometrics software on data, to examine effect of the independent variables on amount of dividend paid in a given year taken as the dependent variable and amount of dividend was a continuous function of Leverage and Previous Years Reserves.

The distribution normality of data as well as goodness of fit of the data were resolved through testing position of skewness alongside with the KurtosisTest. Therefore, the exertion Model of Lintner, (1956) was used and equation Model is stated as follow; (Dada, Malomo&Ojediran, 2015).

$$DPS = F(LPS, PRPS)$$

$$DPS_{it} = B_0 + B_1LPS_{it} + B_2PRPS_{it} + e_{it}$$

DPS= is the dividend pay-out (per share) for the current period.

Therefore, dividend per share value was analyzed in line with the predicting variables. This is explained in equation here under.

$$DPS_{it} = B_0 + B_1LPS_{it} + B_2PRPS_{it} + e_{it}$$

Where:

DPS; is dividend pay – out per share

$B_{0;is}$ the constant

B_1 is the regression coefficient of the independent variable that explain effect of their independent variable on the dependent.

it ; is the panel effect / panel data effect function.

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

Data Presentation

The section presents data on Dividend Paid Per Share (DPS), Leverage (LPS) and Previous Years Reserves Per Share (PRPS).

Data Analysis and Results

Post Diagnostic Tests

Table 1

Variance Inflation Factors

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Sample: 1 144

Included observations: 144

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.204981	188.5181	NA
LPS	0.040244	499.3751	3.802670
PRPS	0.000885	4.608883	1.123862

The table 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 2: Breusch-Godfrey Serial Correlation LM Test

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	8.905764	Prob. F(2,112)	0.2202
Obs*R-squared	16.667919	Prob. Chi-Square(2)	0.1202

The Breush-Godfrey serial correlation LM test as shown in the above table result 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 3: Breusch-Pagan Heteroskedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.820659	Prob. F(5,114)	0.5370
Obs*R-squared	4.158454	Prob. Chi-Square(5)	0.5268
Scaled explained SS	5.145644	Prob. Chi-Square(5)	0.6775

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

Descriptive Statistics

Table 4: Descriptive Statistics

	DPS	LPS	CBBPS	PRPS
Mean	1.451374	3.659162	2.780695	2.069300
Median	1.477121	3.693199	2.841359	2.352183
Maximum	2.380211	4.127105	3.828660	3.184691
Minimum	0.301030	2.245513	1.431364	-3.001734
Std. Dev.	0.517526	0.321659	0.505492	1.179237
Skewness	-0.100968	-1.230068	-0.536953	-2.921161
Kurtosis	2.095496	5.170684	2.717038	11.66694
Jarque-Bera	5.117650	64.13629	7.348653	650.9399
Probability	0.077396	0.000000	0.025366	0.000000
Sum	207.5465	523.2602	397.6393	295.9099
Sum Sq. Dev.	38.03231	14.69200	36.28409	197.4652
Observations	144	144	144	144

The table 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 the average value of dividend paid per share (DPS) of listed DMBs in Nigeria is 1.451374 to 2.380211 and the deviation from both sides of the mean is 0.517526. This suggests data for the study are not widely dispersed from the mean, the reason is that the standard deviation is not more than the value of the mean. The table also indicates that the mean of leverage (LPS) is 3.659162 having standard deviating of 0.321659, the minimum and maximum values of 2.245513 and 4.127105 respectively. It implies that the average value of leverage (LPS) of listed DMBs in Nigeria is 3.659162 to 4.127105, and the deviation from both

sides of the mean is 0.321659. This suggests that the data are not widely dispersed from the mean; this adduced to standard deviation was lesser than the value of the mean.

The table also indicates that the mean of previous reserves per share (PRPS) is 2.069300 having standard deviation of 1.179237, the minimum and maximum values of -3.001734 and 3.184691 in that order. It implies that the average value of reserve (PRPS) of listed DMBs in Nigeria is 2.069300 to 3.184691, and it is deviating from both sides of the mean at 1.179237. It thus portrays that the data are not widely dispersed from the mean, for the reason that the standard deviation is also lower value compared to the value of the mean.

The probability value of Jarque-Bera test of leverage (LPS) and reserve (PRPS) are 0.004036 and 0.000 respectively; they are all less than 5%. It indicates that they are not normal, but Jarque-Bera test of dividend paid per share (DPS) is normally distributed as the probability value of Jarque-Bera result is 0.077396 which is 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 previous reserves (PRPS) that is not close to 3.

Correlation Matrix and Multicollinearity Analysis

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

Table 5: Correlation Matrix

variables	DPS	LPS	PRPS
DPS	1.000000	0.457118	0.389130
LPS	0.457118	1.000000	0.272459
PRPS	0.389130	0.272459	1.000000

The table presents the correlation matrix of the independents variables and the dependent

variables. It could be seen that there is fairly correlation among the variables, which is (between 0.70 and 0.23). That no presence of correlation coefficient higher than 0.8, as a result problem of multicollinearity of data does not exist.

Table 6: Result of Fixed Effects

Dependent Variable: DPS

Method: Panel Least Squares

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Sample: 2006 2017

Periods included: 12

Cross-sections included: 12

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.850490	0.572782	1.484840	0.1401
Leverage Per Share (LPS)	0.223277	0.211997	1.053211	0.22943
Previous Reserves Per Share (PRPS)	0.164041	0.043689	3.754732	0.0253
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.620252	Mean dependent var	1.451374	
Adjusted R-squared	0.572030	S.D. dependent var	0.517526	
S.E. of regression	0.338562	Akaike info criterion	1.782983	
Sum squared resid	14.44269	Schwarz criterion	1.135209	
Log likelihood	-38.98329	Hannan-Quinn criter.	0.926111	
F-statistic	12.86244	Durbin-Watson stat	1.814850	
Prob(F-statistic)	0.000000			

Table above also 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. It also indicates that 62 percent of the variation in dividend paid per share (DPS) was responsible for their variability in leverage (LPS) and previous reserves per share. 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 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.

Leverage and Dividend Pay-out

H₀₁: Referred to Table 6

The regression line also reveals $(DPS) = -0.850490 + 0.223277LPS + 0.164041PRPS$, it means that for every N1 increase in leverage (LPS), dividend paid per share (DPS) increases by 22 kobo. The p-value of 0.2943 was higher in figure compared to t-value of 0.05. This simply means that the null hypothesis is accepted that leverage of banks do not have significant impact on dividend pay-out of listed banks in Nigeria.

It is exposed by this study that leverage of banks does not have significant impact on dividend pay-out of listed banks in Nigeria. The finding is in line with the study of Osegbue, Ifurueze and Ifurueze (2014), but contrary to the study of Uwuigbe (2013); Alzomania and Al-Khadiri (2013).

Previous Reserves and Dividend Pay-out

H₀₂: Referred to Table 4.4

The regression line also reveals $(DPS) = -0.850490 + 0.223277LPS + 0.164041PRPS$, it means that for every N1 increase in reserves (PRPS), dividend paid per share (DPS) increases by 16 kobo. The p-value of 0.0253 is less than t-value of 0.05. This simply means that the alternative hypothesis is accepted that previous years reserves of listed banks of have significant

effect on dividend pay-out of DMBs in Nigeria. **The study outcome indicates that** previous reserves have significant effect on the dividend pay-out of DMBs in Nigeria. **This is in line with the study/ legal position of** CAMA 1990; Lintner (1956); Aruwa (2015). The study therefore, share opposite view with study of Soondur, Maurick and Sewak (2016); Hellstrom and Inagambaev (2012); Ahmed (2015).

C O N C L U S I O N A N D RECOMMENDATIONS

Leverage of quoted deposit money banks have no strong effect in determining their dividend pay-out. In other words, the risk per share shareholders bear in leverage does not correspond to the dividend each received. The study concluded that increase in leverage could have a positive influence on dividend pay-out in the future.

Previous years reserves influence dividend pay-out listed banks positively because it is part of profit not used previously. Listed banks make provision for reserves with the intention to use it to pay dividend in the time of necessity. Therefore, the study concluded that size of reserves of listed banks in Nigeria has positive and significant influence on their dividend pay-out.

- i. Management of quoted deposit money banks in Nigeria should ensure optimum combination of debt and owners fund in order to make the banks not to be too levered but liberal to mitigate the possibility of pressure on management when proposing for financing. Borrowing cost should be minimum and plan only for projects with surplus returns.
- ii. Central Bank should make provisions for reserves a statutory concern and listed banks in particular should make more provisions for various reserves /regularly to boost liquidity and to ensure regular payment of dividend in the future especially in the period of profit adversity.

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