International Journal of Economics, Commerce and Management
United Kingdom ISSN 2348 0386 Vol. VIII, Issue 9, Sep 2020

http://ijecm.co.uk/

IMPACT OF DIVIDEND POLICY ON SHAREHOLDER'S WEALTH OF SELECTED QUOTED FIRMS IN NIGERIA

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Abstract

The purpose of this study is to examine the relationship between dividend policy and shareholders wealth of selected listed firms in Nigeria. In this regard three specific objectives were developed, which are; to determine the impact of retained earnings on the wealth of the shareholders; to determine the effect of dividend per share on market price per share and; to examine the effect of return on equity on shareholders wealth. For this, longitudinal research design was adopted where time series data from 2015 to 2019 were collated from report of quoted companies from Nigeria Stock Exchange. A sample of 20 companies from Nigeria stock exchange was purposively selected. The study carried out descriptive and inferential analysis including Hausman test, fixed effect regression model to access the effect of dividend policy on the shareholders wealth of listed firm in Nigeria. The regression results showed that dividend share per share (DPS) and retained earnings (RE), independently has a negative but insignificant relationship with market price per share which is used as a proxy to measure the shareholders wealth while return on equity (ROE) has a positive but insignificant relationship with market price per share which is used as a proxy to measure the shareholders wealth. Therefore, this study concludes that there is negative but insignificant relationship between dividend policy and the shareholders wealth of Nigerian firms listed on Nigeria Stock Exchange.

Keywords: Market Price per Share(MPS), Dividend Per Share(DPS), Return on Equity(ROE), Pay out Dividend, Dividend Policy

INTRODUCTION

By dividend policy we mean the policy put in place that determines the amount of earnings distributed to the shareholders as payout dividend and the amount of retained for future growth. Dividend policy refers to management's long-term decision on how to deploy cash flows from business activities-that is, how much to invest in the business, and how much to return to shareholders. The determination of the amount of dividends payable is an important decision that companies undertake since the objective of the firm is to maximize the shareholders' wealth as measured by the price of the company's common stock.

So, in this policy the amount of earnings of the firm are divided into two parts, dividend paid and the amount kept for future projects or investment. Dividend policy is considered an important tool for investors to assess the company's financial position as they require return on their investment and dividend paying company will certainly attract them. In the world of corporate finance, the question that whether the earnings of the firm should be distributed to shareholders or it must be reinvested in future profitable projects has great importance. To answer this question finance managers must consider which dividend policy will increase the shareholders wealth. Shareholders like the cash dividends but on the other hand they also want the growth of the company by reinvesting the funds.

In ever increasing economies every company is in stress. Finance manager's prime objective is to maximize the shareholder's wealth as they are principal agents of them. Shareholders wealth is represented in the market price of the share which is the result of company's financing, investment and dividend policy decisions. The optimal dividend policy is that which increases the share prices of the company which in return increase the shareholder's wealth. Researchers had tried to explain why firms pay dividends (Green 1983). Although Miller and Modigliani (1961) argued that the dividend policy has no effect on the shareholder's wealth. Dividend irrelevancy is also supported by the work of (Scholes, 1974). Many researches had shown that there is dependency of dividend policy on the shareholders wealth. Linter (1956), Gordon (1963) and Richardson (1986) had stated that there is a relevancy between the dividend policy and the firm's value and the dividend policy has the positive relationship with the firm's value. Researchers also found the positive impact of dividend policy on shareholders wealth. (Fama, 1969; Petit, 1972 &Travlos, 2001). In this study the relationship between dividend policy and the share holder's wealth has been discussed in the reference of Nigeria companies that whether the dividend payouts have the impact on the shareholder's wealth, as market price of shares is used a proxy to determine the shareholders wealth.

Objectives of the study

The broad objective of this study is to determine the relationship between dividend policy and shareholders wealth of selected listed firms in Nigeria.

The specific objectives are to:

i. determine the impact of retained earnings on the wealth of the shareholders.
ii. determine the effect of dividend per share on market price per share.
iii. examine the effect of return on equity on shareholders wealth.

Hypotheses

H_{01}: There is no significant relationship between retained earnings and wealth of shareholders.

H_{01}: There is no significant relationship between dividend per share and market price per share.

H_{01}: There is no significant relationship between return on equity and shareholders wealth.

Statement of the problem

Corporate organizations, companies inclusive are faced with problem of whether to pay large, small or zero percentage of their earning as dividend vis a vis financing future investment project. This problem is borne out of the desire to satisfy the various needs of shareholders, some shareholder have the need for income now and as such will prefer capital gain, due to the fact or having to deal with competing interest of various shareholders the kind of dividend policy the firm adopt could either lead to positive or negative effect on the share prices of the company. The managers are therefore unable to forecast with certainty to what extent the policy will affect the share price of the firms. This is the reason this study deal with the impact of dividend policy on shareholders wealth in quoted firms in Nigeria.

LITERATURE REVIEW

Dividend Policy

Dividend is firm's common/ordinary dividend over the years paid to the shareholders based on the share the hold in such company. The pay-out ratio is computed as dividend declared divided by total after-tax earnings.Numerous factors affect the firm's dividend policy, among them are legal constraints, contractual constraints, the firm's growth prospects, owner considerations, and market considerations (Gitman and Zutter, 2012). On the other hand, dividend policy affects firm's ability to raise money and its value. Several theories have highlighted the role of dividend policy. According to the dividend irrelevance theory (Miller &Modigliani, 1961), in perfect capital markets (no taxes, no transactions costs, and no other market imperfections), dividend policy does not affect firm value. The role of dividend policy has been reconsidered in imperfect capital

markets. According to the residual theory, dividends are paid by a firm only after all acceptable investment opportunities have been undertaken. Gordon (1963) and Lintner (1962), in the dividend relevance theory, suggest a direct relationship between a firm's dividend policy and its market value. Their "bird-in-the-hand" argument states that existing and potential investors consider current dividends less risky than future dividends or capital gains. Baker and Wurgler (2004) argue for a "catering theory of dividends" in which firms cater to the preferences of investors, initiating or increasing dividend payment in periods when the exogenous demand for dividends is high.

Shareholders Wealth

Shareholder wealth is defined as the present value of the expected future returns to the owners (that is, shareholders) of the firm. These returns can take the form of periodic dividend payments and/or proceeds from the sale of the stock. Shareholder wealth is measured by the market value (that is, the price that the stock trades in the marketplace) of the firm's common stock. The goal of shareholder wealth maximization is a long-term goal. Shareholder wealth is a function of all the future returns to the shareholders. Hence, in making decisions that maximize shareholder wealth, management must consider the long-run impact on the firm and not just focus on short-run (i.e., current period) effects. For example, a firm could increase short-run earnings and dividends by eliminating all research and development expenditures. However, this decision would reduce long-run earnings and dividends, and hence shareholder wealth, because the firm would be unable to develop new products to produce and sell. Shareholders wealth creation has become the new corporate paradigm in recent years (Burlacu, 2018).Shareholders expect management to generate value over and above the costs of resources consumed, including the cost of using capital.

The theory presented by Miller and Modigliani suggested that the shareholders wealth is not increased by the dividend policy of the firm. Shareholders wealth depends upon solely on the earning capacity of the firm. By giving dividends to shareholders the company is adding more risk as they increase the amounts of debt so the gain for shareholders is offset by the added amount of risk. (Miller & Modigliani 1961).The research indicated that the subsequent increase in the dividend payments to the shareholders has a positive effect on the shareholders wealth. This study does not include other earnings announcements. The Cyprus market reveals the results which are consistent with the theories of relevance of the dividend policy with the value of firms (Travlos &Vafeas 2001). They studied the relationship between share prices and the dividend announcements by considering a sample of 137 companies from Dhaka stock exchange. The results revealed that the dividend does not provide gain for the shareholder's

wealth and they found a 20% loss in the value of the first 30 days before the announcements to the 30 days after the announcements.

Empirical Review

Nissim and Ziv (2001) analyzed the association between changes in a dividend policy and changes in firm's performance in terms of profitability. Their study gives the strong indication that both variables are positively related with each other. Ozuomba, Anichebe, and Okoye (2016) explored the effect of dividend policies on wealth maximization and found significant relationship among variables. Shah and Mehta (2016) tested a relationship between dividend payments and share prices and found positive relationship between both variables. Widyastuti (2016) conducted a study to investigate the influence of dividend policy on firm's value and showed positive relationship between both variables. Chaabouni (2017) researched the impact of dividend announcement on stock return and found a positive relationship among variables. Swarnalatha and Babu (2017) also found the positive association between dividend policy and share prices.

Uddin and Chowdhury (2003) results remain consistent with the theory of relevance of the dividend policy. They Sampled companies from Ghana stock exchange has been taken for consideration. Results suggested that there is an impact of dividend policy on firm's value. Dividend policy has positive effect on ROA and growth in sales. A negative relationship exists between ROA, leverage and dividend policy. Likewise, Amidu, (2007), selecting a sample of 73 firms from Karachi stock exchange (Nazir, 2010) tried to find the determinants of dividend policy in Nigeria for the firms. Results suggested that market prices of shares are greatly influenced by the dividend announcements and dividend payouts. Dividend policy has a strong positive impact on the share prices of the firms. The study suggested that there is a positive relationship between dividend yield and stock prices volatility and there is a negative relationship between share price volatility and growth of the firm. The result was based on the sample data extracted from Karachi stock exchange.

Asghare (2011) study revealed that there is a negative relationship between stock prices volatility and dividend yield and also with dividend payout. Results suggested that there exists a strong positive relationship between these variables. The sampled data was used from London stock exchange. To find out the determinants of stock prices volatility (Mehr-un-Nisa, 2011) selected the Karachi stock exchange. By including both micro and macro factors she concluded that earning per share, previous stock prices are most important factors to change the market prices of the shares. Results also described some macro factors which are responsible for the change in the prices of shares.

Pani (2011) tried to find the relationship between stock price movements and the dividend policy of the firm. By taking the sample of 500 firm s from Bombay stock exchange he found that their debt-to-equity, size of the firm and dividend retentions has significant impact on the stock prices movements. The study tried to examine the different factors (determinants) of dividend policy by taking the sample of engineering sector from Karachi for the time period of 1996 to 2008. Results suggested that earning per share, dividend per share, firm's growth are the main indicators of the dividend policy for the coming period (Imran, 2011).

Okafor, (2011) examined the relationship between dividend policy and share prices volatility by taking samples from Nigerian firms. He found that dividend payouts and dividend yield both have significant impact on share price movements. Results also suggested that dividend yield has a negative relationship with share prices. On the other hand, dividend payout ratio has positive and also has negative relationship with share prices in some years. (Akbar, M, 2010) conducted a research in which he instituted the relationship among dividends and stock prices. He concluded that there is a strong positive relationship between dividends and stock prices of the firms.

Kioko (2006) identified the relation between dividend policy and performance of the firm. He found that there is a positive linkage between changes in dividend and future profitability. Kioko (2011) further studied these variables and found positive impact of both on each other. Ouma (2012) also found the same results. Adediran and Alade (2013) conducted another study and explored the associations between the dividend policy and return on equity and return on asset of the firms listed on NYSE. According to their study, both are positively related to each other. Mokaya, Nyangara, and James (2013) found positive association of dividend policy and shareholders wealth. Anandasayanan and Thirunavukkarasu (2016) conducted a research on dividend policy and corporate profitability. They found positive association of both variables.

Theoretical Framework

The following relevant theories shall be reviewed in the course of this study; The dividend valuation model; The Gordon growth model; Modigliani and Miller's dividend irrelevancy theory; and Walter's model.

The dividend valuation model

This states that the value of a company's shares is sustained by the expectation of future dividends. Shareholders acquire shares by paying the current share price and they would not pay that amount if they did not think that the present value of future inflows (i.e dividends)

matched the current share price. The formula for the dividend valuation model provided in the formula sheet is:

P0 = D0 (1+ g)/(re – g)

Where:

P0 = the ex-div share price at time 0 (ie the current ex div share price)

D0 = the time 0 dividend (ie the dividend that has either just been paid or which is about to be paid)

re = the rate of return of equity (ie the cost of equity)

g = the future annual dividend growth rate.

The Gordon growth model

This model examines the cause of dividend growth. Assuming that a company makes neither a dramatic trading breakthrough (which would unexpectedly boost growth) nor suffers from a dreadful error or misfortune (which would unexpectedly harm growth), then growth arises from doing more of the same, such as expanding from four factories to five by investing in more non-current assets. Apart from raising more outside capital, expansion can only happen if some earnings are retained. If all earnings were distributed as dividend the company has no additional capital to invest, can acquire no more assets and cannot make higher profits. It can be relatively easily shown that both earnings growth and dividend growth is given by:

g = bR

where, b is the proportion of earnings retained and R is the rate that profits are earned on new investment. Therefore, (1 – b) will be the proportion of earnings paid as a dividend. Note that the higher b is, the higher is the growth rate: more earnings retained allows more investment to that will then produce higher profits and allow higher dividends. So, if earnings at time 1 are E1, the dividend will be E1(1 – b) so the dividend growth formula can become:

P0 = D1 /(re – g) = E1 (1 – b)/(re – bR)

If b = 0, meaning that no earnings are retained then P0 = E1/re, which is just the present value of a perpetuity: if earnings are constant, so are dividends and so is the share price.

Modigliani and Miller's dividend irrelevancy theory

This theory states that dividend patterns have no effect on share values. Broadly it suggests that if a dividend is cut now then the extra retained earnings reinvested will allow futures earnings and hence future dividends to grow. Dividend receipts by investors are lower now but this is precisely offset by the increased present value of future dividends. However, this equilibrium is reached only if the amounts retained are reinvested at the cost of equity.

Walter's model

Professor James E. Walter argues that the choice of dividend policies almost always affects the value of the enterprise. His model shows clearly the importance of the relationship between the firm's internal rate of return (r) and its cost of capital (k) in determining the dividend policy that will maximize the wealth of shareholders. Walter's model is based on the following assumptions:

i. The firm finances all investment through retained earnings; that is debt or new equity is not issued;
ii. The firm's internal rate of return (r), and its cost of capital (k) are constant;
iii. All earnings are either distributed as dividend or reinvested internally immediately.
iv. Beginning earnings and dividends never change. The values of the earnings per share (E), and the divided per share (D) may be changed in the model to determine results, but any given values of E and D are assumed to remain constant forever in determining a given value.
v. The firm has a very long or infinite life.

Walter's formula to determine the market price per share (P) is as follows:

P = D/K +r (E-D)/K/K

The above equation clearly reveals that the market price per share is the sum of the present value of two sources of income:

i) The present value of an infinite stream of constant dividends, (D/K) and

ii) The present value of the infinite stream of stream gains.

METHODOLOGY

Research Design and Data

This study examined the 'Impact of Dividend Policy on Shareholder's Wealth of some selected quoted firms in Nigeria'. Longitudinal research design was adopted and time series data from 2015 to 2019 were collated from report of quoted companies from Nigeria Stock Exchange. The population of this study comprise of all the companies listed at Nigeria stock exchange of Nigeria as at 31st of December, 2019. The study was structured to source for data from secondary sources. In order to have a sizeable number for this study, purposive sampling design was used to sample twenty firms (20) based on the basis of availability of the data. The sampling was carried out in a way that each sector from all the sectors on NSE was represented in the sample. The data was collected from annual reports of those firms ranging from year 2015 to 2019. The period of five years was adopted and considered as cute and too bogus for data extraction for the purpose of this article that is time bound.

Method of data Analysis

In order to achieve the set objectives of this study, both descriptive and inferential statistics was used for the presentation and the analysis of data and test of research question using E-view statistical package. Descriptive statistics such as mean distribution, standard deviation, and Inferential statistics such as correlation and regression analysis were used for the test research hypothesis.

Regression Model

To measure the Impact of dividend policy on shareholders wealth following regression model has been used:

SHW = f (DIVP)……(i)

SHW – (MPS) = f (DIVP – DPS, RE and ROE) ……(ii)

Introduced the measured / observed variables

MPSit = a + b DPSit + c REit + d ROEit + eit.. …… (iii)

Where, SHW = shareholders wealth; DIVP = Dividend Policy; MPS= Market price per share; DPS=Dividend per share; RE=Retained Earnings; ROE=return on equity; a is the constant or intercept; b to dis the coefficients of the variables; e is the error term.

Measurement of variables

Table 1: Operational measurement of variables

VARIABLE	PROXY	Category
Market per share (MPS).	Firm list market price on NSE	Dependent variable
Dividend per share (DPS).	Dividend paid divided by outstanding shares	Independent variable
Retain Earnings (RE)	Disclosed firm retain earnings in their financial statement	Independent variable
Return on Equity (ROE	Profit after tax divided by shareholders fund.	Independent variable

ANALYSIS AND FINDINGS

The selected data series consisting of one hundred data points which were pooled in the analyses of the measures of central tendency, variability and normality.

The table 2 revealed the descriptive result of the observed firms. The market price per share (MPS) has mean value of 104.95 naira per share with the minimum and maximum value

almost N21 and N1181 respectively. This indicates that on average, MPS of listed firm on the Nigeria Stock Exchange (NSE) is N114. MPS further revealed a standard deviation of 257 indicating that there is wide dispersion in the distribution as majority of the firm MPS is very far from the mean value. For dividend per share (DPS), the maximum is 38.5 whereas the minimum value of 0.1 implying a considerable level of spread in the pattern of the selected firms. Among the observed firm, the result above showed that DPS has an average of N4.5 meaning that listed firm tends to pay 4.50 naira every year for their shareholders, nevertheless this result is not in agreement with what is obtainable for most of the selected firms in the panel given that the standard deviation is 6.58 implying that most of the observations on DPS are very far from the mean score. Likewise retain earning (RE) has an average of almost N24m every year. This means that firms tend to plough back their profit rather than going for debt in financing their business. However, the Std. Dev. value of 30971189 showed that there is high dispersion in the distribution as all the scores are relatively far from the mean. Also, return on equity (ROE) revealed a maximum and minimum value of 1.230256 and -0.111526 respectively. The negative symbolizes firms that failed to meet the performance expectation of their stakeholders. On average, ROE show a value of 0.258 which is a good signal for firms. ROE with 14% is consider to be acceptable by investor on average which value less than 10% is consider poor. Therefore, 25% as shown from the table below means that firm management effectively utilize the company's asset efficiently. In addition, the Std. Dev. value of 0.2308 showed that there is very dispersion in the distribution as all the scores are relatively close from the mean. However, the Jacque-Berra statistics being lower than 1% fails to accept the normality test for all series. The normality tests were further strengthened by the results of kurtosis and skewness. Nevertheless, the result shows that all the variables selected for the study after being logged are normally distributed. Therefore, a parametric analysis is clearly justified.

Table 2: Descriptive Analysis (E-view output)

	MPS	DPS	ROE	RE
Mean	104.9461	4.522700	0.258302	23890564
Median	20.52500	1.500000	0.215808	14201277
Maximum	1181.300	38.50000	1.230256	1.23E+08
Minimum	2.500000	0.100000	-0.111526	36086.00
Std. Dev.	257.4809	6.583864	0.230866	30971189
Skewness	3.659106	2.276502	2.057890	1.697915
Kurtosis	15.32287	9.303973	8.067493	4.950014

Jarque-Bera	855.8721	251.9580	177.5797	63.89256
Probability	0.000000	0.000000	0.000000	0.000000
Sum	10494.61	452.2700	25.83020	2.39E+09
Sum Sq. Dev.	6563344.	4291.379	5.276610	9.50E+16
Observations	100	100	100	100

Table 3: Correlation Matrix

	MPS	**DPS**	**ROE**	**RE**
MPS	1.000000	0.789784	0.376958	0.074891
DPS		1.000000	0.248346	0.011931
ROE			1.000000	0.035446
RE				1.000000

Table 3 reveals that DPS, ROE, RE of the selected firms are positively correlated with market price per share. With the coefficient value of 0.789784, 0.376958, and 0.074891 respectively, DPS has the highest value of relationship with shareholders wealth. The relationship of the independent variables among themselves indicates that DPS and ROE are positively correlated among themselves. Likewise, on the other hand, the relationship between DPS and RE are positively related among themselves and lastly, the relationship between ROE and RE are positively related among themselves. Nevertheless, none of the variables exhibited strong association, the overall relationship for the independent variables among themselves is insignificant. Therefore, there is the absence of multicollinearity among these variables as revealed by the correlation table obtained for this study, therefore this study has scientific measure of reliability. This indicates the adequacy of fitting the model of the study with three independent variables.

Table 4: The Hausmann Test Result

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	44.516361	3	0.0000

The results in Table above indicated that the p-value is less than 1% level of significance in the probability value of the Chi-square statistics, suggesting that the null hypothesis should be rejected, accept the alternative hypothesis. This means that fixed model method is more appropriate to estimate the panel regression instead of random effect model method.

Table 5: Random Panel Effect Multiple Regression

Dependent Variable: MPS
Method: Panel Least Squares
Date: 08/11/20 Time: 09:27
Sample: 2015 2019
Periods included: 5
Cross-sections included: 24
Total panel (unbalanced) observations: 100

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	106.5046	6.396789	16.64969	0.0000
DPS	-0.559041	0.829474	-0.673970	0.5025
ROE	3.923592	12.16397	0.322558	0.7480
RE	-1.82E-09	1.98E-07	-0.009218	0.9927
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.997074	Mean dependent var		104.9461
Adjusted R-squared	0.996032	S.D. dependent var		257.4809
S.E. of regression	16.21917	Akaike info criterion		8.635554
Sum squared resid	19203.49	Schwarz criterion		9.338950
Log likelihood	-404.7777	Hannan-Quinn criter.		8.920231
F-statistic	956.8018	Durbin-Watson stat		3.225650
Prob(F-statistic)	0.000000			

The table above presents the regression result in determine the relationship between dividend policy and shareholders wealth of the firms. From the table, the model summary reveals that the R-squared statistics is 0.997074 of the estimated model, and it showed that the independent variables explains the 99% variation in the dependent variable, that is, the estimated model shows about 99% percent of the variation in market per share is accounted for by the combined effects of DPS, ROE, and RE, the remaining 1 percent is attributed to the unexplained variation that is the variables not captured in this model. In addition, the Adjusted R-squared of 0.996032 indicated the model for this study is of good fit. The F-statistic of 956.8018 is significant at 1

percent level as the probability value estimate of 0.000000 has indicated. The F-statistics shows that the explanatory variables are jointly significant in explaining shareholder's wealth using market price per share (dependent variable). Furthermore, the regression result shows the coefficients of the independents variables, from the result, DPS and RE with the coefficient value of -0.559041 and -1.82E-09 have a negative relationship with MPS. This implies that 1% increase in DPS or RE will bring about a decrease in the MPS of listed firm in Nigeria. In contrast, return on equity (ROE) exerts a positive relationship with the shareholder's wealth measured by MPS. This implies that an increase in ROE will bring about a corresponding increase in the MPS of listed firm in Nigeria.

DISCUSSION

Results indicated that dividend policy has a significant effect on the shareholders wealth as statistically proven by the F-statistics in the above result. Nevertheless, dividend share per share and retained earnings independently has a negative but insignificant relationship with market price per share which is used as a proxy to measure the shareholders wealth while return on equity has a positive but insignificant relationship with market price per share which is used as a proxy to measure the shareholders wealth. Therefore, the null hypotheses will not be rejected. This finding is in tandem with the study of Uddin & Chowdhury (2003), Hussainey (2011) and Amidu (2007) but is not in agreement with the findings of Azhagaiah (2008), Muhammad Akbar (2010), Raballe & Hedensted (2008) and Liu & Hu (2005) who found that retained earnings have a positive impact on shareholders wealth. Shareholders always consider the dividends as a source of income but they consider the growth options or growth projects beneficial for themselves.

CONCLUSION

The aim of this study is to determine if dividend policy increases the shareholders wealth. In this regard three specific objectives were developed, which are; to determine the impact of retained earnings on the wealth of the shareholders; to determine the effect of dividend per share on market price per share and; to examine the effect of return on equity on shareholders wealth. In course of the methodology, longitudinal research design was adopted where time series data from 2015 to 2019 were collated from report of quoted companies from Nigeria Stock Exchange. A sample of 20 companies from Nigeria stock exchange from 2015 to 2019 was purposively taken for study. The study carried out both inferential and descriptive analysis including Hausman test, fixed effect regression model to access the effect of dividend policy on the shareholders wealth of listed firm in Nigeria. The regression results of model showed that

dividend share per share (DPS) and retained earnings (RE), independently has a negative but insignificant relationship with market price per share which is used as a proxy to measure the shareholders wealth while return on equity (ROE) has a positive but insignificant relationship with market price per share which is used as a proxy to measure the shareholders wealth. Therefore, based on the findings of the result above, this study concludes that there is negative but insignificant relationship between dividend policy and the shareholders wealth of Nigerian firms listed on Nigeria Stock Exchange. Moreover, the theories of irrelevancy of dividends do not hold in the case of Nigeria.

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APPENDIX

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	44.516361	3	0.0000

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
DPS	-0.559041	0.272965	0.018334	0.0000
ROE	3.923592	4.468624	0.744758	0.5277
RE	-0.000000	0.000000	0.000000	0.8327

Cross-section random effects test equation:
Dependent Variable: MPS
Method: Panel Least Squares
Date: 08/11/20 Time: 09:21
Sample: 2015 2019
Periods included: 5
Cross-sections included: 24
Total panel (unbalanced) observations: 100

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	106.5046	6.396789	16.64969	0.0000
DPS	-0.559041	0.829474	-0.673970	0.5025
ROE	3.923592	12.16397	0.322558	0.7480
RE	-1.82E-09	1.98E-07	-0.009218	0.9927

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.997074	Mean dependent var	104.9461
Adjusted R-squared	0.996032	S.D. dependent var	257.4809
S.E. of regression	16.21917	Akaike info criterion	8.635554
Sum squared resid	19203.49	Schwarz criterion	9.338950
Log likelihood	-404.7777	Hannan-Quinn criter.	8.920231
F-statistic	956.8018	Durbin-Watson stat	3.225650
Prob(F-statistic)	0.000000		