RELEVANCE OF DIVIDENDS (THE BIRD IN HAND THEORY) ANALYSIS OF NIGERIA BANKING SECTOR (2000 -2014)

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Abstract

The study examines the relevancy of dividends on the banking industry as it relates to shareholders' wealth based on data from the Nigerian stock Exchange (2000-2014). The pooled Fixed as well as random Effect Estimators have been applied on a panel sample of 76 firms quoted on the Nigerian Stock Exchange drawn from 18 industries using availability (Purposive) sampling method from where the Banking industry has been isolated for this paper. The major findings of the study revealed that earnings per share as well as lagged Dividend Payment (DVPMT-1) have positive as well as significant impact on shareholders' wealth. The study therefore alluded to the theory which affirmed relevance of dividend theory and disagreed with Modigliani and Miller Hypothesis. It is therefore recommended that fast track recovery efforts by policy makers are require in order to generate high growth rates capable of resuscitating world economies such as Nigeria that witnessed sluggish growth rates due to global financial meltdown.

Keywords: Dividend, Banking Industry, Shareholders wealth, MPS

INTRODUCTION

Corporate managers usually take a number of crucial decisions regarding finances of a company. Among all such decisions, dividend payout policy is one of the most important financial decisions that have been come across (Baker and Powell, 1999) as it is perceived to be a symbol of good financial health of a company. There is no painstaking to say that there is actually controversy over dividend and this is why literature works as to whether firms should pay or not to pay dividends to shareholders have been on for decades. Few among them are the works of Lintner (1956, 1959, 1962), Gordon (1959, 1962), Walter (1963), Brittain (1964) Soyode (1975),and Uwuigbe, (2013)

Dividend Policy of quoted firms has long occupied the minds of financial economists, as far back to the irrelevance theorem of Modigliani and Miller (1961), where it was stated that there are no illusions in a coherent and perfect economic environment (Gupta, et.al (2008) Since then, this rather controversial findings have been challenged and tested by slacking and diluting the assumptions as well as introducing imperfections into the analysis.

The rather on-going debate as far back as 1960 and the fact that there are no convincing explanations even by the academicians as to whether firms should pay or not to pay dividends has today generated into what Black (1976) called the dividend puzzle. Fisher & Black (1976) wrote and finally concluded that "…….the harder we look at the dividend picture, the more it seems like a puzzle, with pieces that just don't fit together". They opined that in spite of the number of researches providing theoretical as well as empirical evidence on different aspects of dividend policy yet a lot of issues are yet to be resolved.

As related in Frankfurter and Wood, (2003), corporate dividend policy theorists over the years are divided as to their predictions of the dividend payment's effect on share price. Managements' primary objective is the maximisation of shareholders' wealth, which results into maximizing the value of the firm as measured by the price of the firm's common stock. This objective can only be achieved by giving the shareholders a "fair" payment on their investments. However, the impact of company's dividend policy on Shareholders' wealth is yet to be unresolved

There is no painstaking to say that there is controversy over dividend and this is why literature works as to whether firms should pay dividend or not to shareholders have been on for decades and few among them are the works of Lintner (1956), Gordon (1959), Modigliani and Miller (1961, Walter (1963), and Brittain (1964). One of the most influential and celebrated works was the Seminal work by Modigliani and Miller (1961) popularly known as MM hypothesis which states that in a perfect capital market, the pay-out decision is irrelevant because it does not create nor destroy value for shareholders. To Modigliani and Miller (1961), as long as the

investment decision is held constant, shareholder's wealth remains unchanged since higher dividends result in a lower capital gain. Contrary to Modigliani and Miller hypothesis (1961), firms have been paying dividend. This because in a real world full of market imperfections such as taxes, transaction costs as well as other factors such as asymmetric information and agency cost, dividend policy becomes very relevant for managers of companies, existing shareholders, potential investors as well as market analysts. While it is a fact that managers of firms show great concern on the dividend pay-out policy of their firms, the markets equally reacts to dividend changes, dividend omissions and initiations as provided in the work of Michaely, Thaler and Womack (1995).

The pertinent question in this paper to be addressed here is whether dividend per share and Gross retained earnings are positive determinant of share holders' wealth. This paper therefore examines the relevancy of dividend popularly known as the Bird in the hand fallacy" with special reference to the Banking Sector from 200-2014

CONCEPTUAL AND THEORETICAL FRAMEWORK

Concept of dividend

Literarily, dividend refers to that portion of a firm's earnings that is paid to stock holders who have provided capital funds for the business. It is the amount of a company's profit which the Board of Directors recommends for distribution to the stock holders. The new Encyclopedia Britannica Vol. four pg 132 defines it 'as an individual share of earning distributed among shareholders of corporation or company in proportion to their holdings".

According to Ozuomba et al (2012), Dividends can be defined as the distribution of earnings, past or present, in real assets among the shareholders of a firm in proportion to their ownership. Dividend can either be managed or seen as a passive residual. According to them, in a managed dividend policy, managers tend to smoothen dividend by fixing dividend payment at a certain level of earnings and investment while in the residual, dividend are paid only after possible investment portfolios are made. In this case, dividend will tend to be highly variable and often zero.

Dividend is also defined as "A taxable payment declared by a company's board of directors and given to its shareholders out of the company's current or Retained Earnings, usually quarterly. Dividends are usually given as cash (cash dividend), but they can also take the form of stock (stock dividend) or other property. Dividends provide an incentive to own stock in stable companies even if they are not experiencing much growth. Companies are not required to pay dividends. The companies that offer dividends are most often companies that have

progressed beyond the growth phase, and no longer benefit sufficiently by reinvesting their profits, so they usually choose to pay them out to their shareholders also called payout.

Concept of Dividend Policy

Campbell, (2004) defines Dividend policy as 'the standard by which a firm determines the amount of money to be pad as dividends. By dividend policy, it means the pay-out policy that managers pursue in deciding the size and pattern of cash distributions to shareholders over time. Dividends are payments made by a company to its shareholders. It is the portion of corporate profits paid out to shareholders". When a corporation earns a profit, the money can either be re-invested in the business in the form of Retained Earnings, or it can be paid to the shareholders in the form of dividend.

Relevancy of Dividends (Bird-in-the-Hand Theory)

The bird-in-the-hand theory, however simply states that dividends are relevant. Total return (k) is equal to dividend yield plus capital gains. Gordon and Lintner (1959) took this equation and assumed that 'k' would decrease as a company's payout increases. As such, as a company increases its payout ratio, investors become concerned that the company's future capital gains will dissipate since the Retained Earnings that the company reinvests into the business will have reduced. (Chariton, & Falas,1996)

With reference to Gordon's model, dividend policy will only be irrelevant when r = k provided that all other assumptions are held valid and where all the simplifying assumptions are modified to conform more closely to reality, Gordon concludes that dividend policy will not affect the value of shares even when r = k. This view is based on the assumption that under conditions of uncertainty, investors tend to discount distant dividends at a higher rate than discounting near dividends. Investors, behaving rationally, are risk averse and therefore, have preference for near dividends. The logic underlying the effect of dividends on share value can be described as "a bird- in – the – hand argument". The bird in the hand argument was put forward first by Kirshman (1976) in the following words:

"*Of the stocks with identical earnings, records, and prospects, but one paying a larger dividend than the other, the former will undoubtedly command a higher price merely because stockholders prefer present to future values. Myopic vision plays a part in the price making process. Stock holders often act upon the principle that "**A Bird In The Hand Is Worth Two In The Bush** and for this reason are willing to pay a premium for the stock with higher dividend rate, just as they discount the one with lower rate".*

Graham and Dodd (1962) also held a similar view when they stated thus: "The typical investor would certainly prefer to have his dividend today and let tomorrow take care of its self. No instances are on record in which, the with-holding of dividends for the sake of future profits has been hailed with much enthusiasm as to advance the price of the stock. The direct opposite has invariably been true".

Given two companies in the same general position and with the same earning power, the one paying the larger dividend will always sell at the higher prices. The bird –in- hand-argument has been expressed more convincingly and in formal terms by Gordon. According to him, "uncertainty with futurity", meaning that the further we look into the future, the more uncertain dividends become. Also, when dividend policy is considered in the context of uncertainty, the appropriate discount rate.' k', cannot be assumed to be constant. In fact, it increases with uncertainty.

Walter's Model

Walter (1956) argues that the choice of dividend policies almost always affects the value of the enterprise. His Model, one of the earliest theoretical works, 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 distribution policy that will maximise the wealth of shareholders. Walter's model is based on the following assumptions.

i) The firm finances all investments through Retained Earnings, meaning that neither debt nor new equity is issued.

ii) The firm's Internal Rate of Return (I.R.R.) designated by 'r' and its cost of capital designated by 'k' are constant.

iii) All earnings are immediately either distributed as dividends or reinvested internally.

iv) Beginning earnings and dividends do not change. This is to say that the values of Earnings per share (EPS) designated by 'E' and the Dividend per share (DPS) designated by '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 and infinite life.

Walter's formula in determining the Market Price per Share is as follows:

$$P = \frac{D}{k} + \frac{r(E - {}^{D}/_{K})}{k} \text{ ----------------------------equation (I)}$$

Where:

P = Market Price of Share, D = Dividend per share, E = Earnings per share

r = Internal Rate of Return (Average), k = Cost of Capital

Equation (1) clearly shows 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 dividend $^D/_K$.

ii)   The present value of infinite stream of capital gains. $r \left(\dfrac{E - ^D/_K}{K} \right)$.

When the firm retains a perpetual sum of (E-D) at r rate of return, its present value will be r (E-D) /k. This quantity can be shown as capital gain which occurs when earnings are retained within the firm.. If these Retained Earnings occur every year, the present value of an infinite number of capital gains, r (E-D)/ K will be equal to r (E-D) k/k. Thus, the value of shares is the value of all dividends, plus the present value of all capital gains as shown in equation (1).and the following equation:

$$P \quad = \quad D_{+(1/K)} / \left(\dfrac{E - D}{k} \right) \text{----------------------------------equation (II)}$$

Equation (2) and equation (1) are equivalent. However, to show the effect of dividend or retention policy on the market value of share, we shall apply the equation (2). And also in order to give an illustration to the effect of different dividend policies on the value of share respectively for the growth firm, normal firm and the declining firm. By clearly analysing Walter's Model, the optimum dividend policy depends on the relationship between the firm's internal rate of return, r and cost of capital, k. Walter's view of optimum dividend payout ratio can be summarised as follows:

Growth Firms, r > k means that firms having r > k may be referred to as growth firms. The growth firms are assumed to have ample profitable investment opportunities. These firms would reinvest Retained Earnings at a rate which is higher than the rate expected by the shareholders. These firms will maximise the value per share if they follow a policy of retaining all earnings for internal investment.

Normal Firms r = k: To Walter, most of the firms do not have unlimited investment opportunities with r = k and having exhausted much investment opportunities, these firms would earn on their investments rate of return equal to the cost of capital, r=k and for the normal firms with r = k, the dividend policy has no effect on the market value of shares. In Walter's Model, it can be noticed that the market value per share for normal firms is the same for dividend payout ratios when r =k.

Declining Firms r < k. Some of the firms do not have profitable investment opportunities to invest the earnings and such firms would earn on their investments, rates of return less than the minimum rate of required by investors. Investors of such firms would either spend it or alternatively invest elsewhere to get a rate higher than earned by the declining firms. The

Market Value per Share of declining firms with r < k will be maximum when it does not retain earnings at all. It can be observed that, when the declining firms' payout ratio is 100 percent, (i.e., retained earnings), the Market Value per Share P, increases as payout ratio increases when r < k. Thus, in Walter's Model, the dividend policy of the firm depends on the availability of investment opportunities and the relationship between the firm's internal rate of return 'r' and its cost of capital, 'k'. The firm is expected to use earnings to finance investment if r > k; distribute all earnings when r < k and be indifferent when r = k. Thus, dividend policy is a financing decision. When dividend policy is treated as a financing decision, the payment of cash dividends becomes a passive residual (Walter, 1963).

Walter's Model, though useful, can lead to erroneous decision where his assumptions do not hold. The model is quite useful in showing the effects of dividend policy on all equity under different assumptions regarding returns. However, the simplified nature of the model can lead to distortion of fact.

Some critical evaluations of some of the assumptions that are underlying the model are as follows:

a) **No external financing**. Walter's model can be said to have confused dividend policy with investment policy firms. The model in the strongly assumed that investment opportunities are only financed by Retained Earnings. Any decision based on this assumption is sub-optimal. The model excludes external financing completely.

b) **Constant r:** Walter's model is based on the assumption that r is constant. In fact, r decreases as more investments occur. This reflects the assumptions that the more profitable investments are financed first followed by the second more profitable investments while the poorest investments are made last. The firm would stop the investment where r =k. This is clearly an erroneous policy and will fail to optimise the wealth of the owner.

c) **Constant k:** A firm's cost of capital or discount rate k does not remain constant because it changes directly with the firm's risk, thus, the present value of the firm's income moves inversely with the cost of capital by assuming that the discount rate k is constant. Walter's model abstracts from the effect of risks on the value of the firm.

In conclusion and viewing Walter's model from an optimal point, the optimum dividend policy depends on the relationship between the firm's internal rate of return on investment **(r)** and its cost of capital **(k).** Walter's view of the optimum dividend payout ratio can be summarised as follows:

Growth Firm r>k: Firm having r>k may be referred as growth firm. The optimum payout ratio for a growth firm is 0. The market price per share increases as payout ratio decreases.

Normal Firm r=*k* - Firm having r=k may be referred as normal firm. There is no unique optimum payout ratio for a normal firm. One dividend policy is a good as the other. The market price per share is not affected by the payout ratio when r=k. The payout ratio for a normal firm is irrelevant.

Declining Firm r<k - Firm having r<k may be referred as declining firm. The optimum payout ratio for a declining firm is 100%. The market price per share increases as payout ratio increases.

Thus, in Walter's Model the dividend policy of the firm depends on the availability of investment opportunities and the relationship between the firm's internal rate of return (r) and its cost of capital (k). The firm should use earning to finance investment if r>k and should distribute all earnings when r<k and would remain indifferent when r=k.

Gordon's Model

Another popular model explicitly relating the market value of firm to dividend policy is developed by Gordon M, (1962). Who conducted a study on the dividend policy and market price of the stock and concluded that the dividend policy of a firm influences the market value of stock. According to him, investor's preferred present dividend rather that future capital gains. He further explained that the dividend policy has direct relation with the value of stock even if the internal rate of return is equal to the required rate of return. Gordon's model is based on the following eight assumptions:

The firm is an all-equity firm

i) No external financing is available. Consequently retained earnings would be used to finance any expansion thus Gordon's model confined dividend and investment policy just as in Walter's model

ii) The internal rate of return, r of the firm is constant. This ignores the Diminishing Marginal Efficiency of Investment (DMEI).

iii) The appropriate discount rate k for the firm remains constant. Thus, Gordon's model also ignores the effect of a change in the firm's risk-class and its effect on k.

iv) The firm and the stream of earnings are perpetual.

v) The corporate taxes do not exist.

vi) The retention ratio b. one decides upon, is constant. Thus, the growth rate g−br is constant forever.

viii) Kbr =g if this condition is not fulfilled. We can now get a meaningful value for the share.

According to Gordon's Dividend Capitalisation Model, the market value of an infinite stream of dividends is to be received by the shareholder; thus:

$P0 = \dfrac{D_1 + D_2}{(1+k)}$ +----------------------------$\dfrac{D0}{(1+k)}$

$\sum\limits_{t=1}^{00} \dfrac{Dtt}{1+k}$ --equation (III)

However, the dividend per share is expected to grow when earnings are retained; the dividend per share is equal to payout ratio (1−b), times earnings, i.e. $D_t = (1-b) E_t$.

The Retained Earnings of DE Naira are assumed to be reinvested within the all equity firm at a rate of return of r, this allows earnings to grow at the rate of g−br per period.

When we incorporate growth in earnings and dividend, resulting from the Retained Earnings in the Dividend-Capitalisation Model, the present value of shares is determined by the following formula:

$P0 = \dfrac{D0 (1+g}{(1+k)} + \dfrac{D0 (1+g)^2}{(1+k)^{2`}} + \dfrac{D0 (1+g)^3}{(1+k)^3} + \dfrac{D0 (1+g)^{00}}{(1+k)^{00}}$

$= \sum\limits_{t=1}^{00} D0 \dfrac{(1+g)}{(1+k)^t}$ --equation (IV)

When equation (4) is solved, it becomes

$P0 = \dfrac{D_1}{K-g}$ --equation (V)

Substituting E_1 (1-b) for d1 and br for g

Equation (5) can be re- written as:

$\dfrac{E_1(1-b)}{k-br}$ ---equation (VI).

Where:

P_0= Market price per share at time 0

D_0 = Dividend per share of time 0

D_1 =Dividend per share at time

K = All equity firms cost of capital.

b = The fraction of Retained Earnings

r = Internal rate of return

q = Rate of growth per period

E_1 = current earnings

Equation (6) explicitly shows the relationship of earnings, E_1; dividend policy; internal profitability; and the all-equity firms cost of capital, K in the determination of the value of the share.

Equation (6) is particularly useful for studying the effect of dividend policy (as represented by 2) on the value of the share.

In the case of normal firms, where the internal rate of return of the firm equals its cost of capital, i.e. r=k, then equation (6) may be expressed as follows:

$$P_0 = E\frac{(1-b)}{k-br} = rA\frac{(1-b)}{r-br} \text{---equation (VII)}$$

Since   E = rA   A = Total Assets

$$P0 = \frac{E(1-b)}{K(1-b)} = \frac{E}{k} = \frac{rA}{k} \text{--equation (IX)}$$

Equation (8) shows that regardless of the firm's earning E1, or riskiness (which determines k), the firm's value is not affected by the dividend policy and is equal to the book value of assets. That is, when r = k, dividend policy is irrelevant since b, which represents the firm's dividend policy, is completely out of equation (8).

Interpreted in economic sense, this finding implies that, under competitive conditions, k must be equal to the rate of return, r, generally available to investors in comparable shares meaning that any fund distributed as dividends may be invested in the market in the rate equal to the firm's internal rate of return thus consequently, shareholders can neither lose nor gain by any change in the company's dividend distribution policy and the market value of their shares must remain unchanged.

Considering the case of the declining firm where r<k, equation (8) indicates that, if the retention ratio b is zero or payout ratio is (1-b) is 100 percent, the value of the shares is equal to:

$$Po = \frac{rA}{k} \text{-------------- (if b =0) ------------------------------------equation (IX)}$$

If r < k, then r/k <1, and from equation (9), it follows that Po is smaller than the firm's investment per share in assets. It can be shown that the value of b increases while the value of the share continuously falls. These results may be interpreted as follows: "If the internal rate of return is smaller than k, which is equal to the rate available in the market, profit retention clearly becomes undesirable from the shareholders' stand-point.   This is because each additional naira retained, reduces the amount of funds that shareholders could invest at a higher rate elsewhere and thus further depresses the   value of the company's share. Under this condition, the

company needs adopt a policy of contraction and disinvestment which would allow the owner to transfer not only for net profit but also be paid in capital (or part of it) to some other more remunerative enterprise.

Lastly, we consider the case of a growth firm where r > k. The value of a share will increase as the retention ratio 'b' increases under the condition of r >k. However, it is not clear what should be the value of 'b' to maximise the value of the share Po. For instance, if b = r/k equation 6 reveals that infinitely large and if b =1, then k –br becomes negative, thus making p_o negative. Thus, absurd results are obtained because of the assumption such as – that r and k are constant, which underlie the model. Thus, to get the meaningful value of the share according to equation (6), the value of 'b' should be less than r/k.-

It could be noticed that, under Gordon's model

a) The market value of the share, Po, increases with retention ratio for the firms with growth opportunities, at r >k

b) The market value of the share, Po, increases with payout ratio, (1 – b) for declining firms where ; r < k

c) The market value of the share is not affected by dividend policy when r = k

The Gordon model's conclusions about dividend policy are similar to the conclusions of Walter's model. The similarity is due to the similarities of assumptions which underlie both models.

Gordon's Valuation Model (1956) can be stated under nonlinear as shown as follows:

Log Pt = a + b1 Log DPSt + b2 Log (k-g)t g)t + et   (8)

According to Gordon's Dividend Capitalisation Model the market value of a share is equal to the present value of an infinite stream of dividend to be received by the share. Thus:

$$Po = \frac{D_1}{(1+k)_1} + \frac{D_2}{(1+k)_2} + \text{---------} + \frac{D_n}{(1+k)}$$

Gordon has further developed the following equation for the computation of the market value of stock.

$$P = \frac{EPS (1-b)}{(Ke - br)}$$

Where

P = market price per share

EPS = earnings per share

b = retention ratio

ke = cost of capital

1-b = payout ratio

br = growth rate

Gordon's relevant theory is a popular theory of dividend as investors prefer current dividends earnings rather than expected higher future income so as to eliminate the risk associated with future capital gain. Gordon stressed that the higher payout increases the dividend yield and hence increases the value of stock but the assumption of this model is also far from the reality (Pandey, 2002).

Friend and Puckett (1964) conducted a study on the relationship between dividend policy and price of stock by running regression analysis on the data taken from 110 firms from five industries in the year 1956 to 1958. Industries taken as samples were chemicals, electric utilities, food, steels, and electronics. These industries were selected to permit a' distinction made between the results for growth and non growth industries and to provide a basis for comparison with the results by other authors for earlier years. They also considered cyclical and non-cyclical industries in their study. The study period covered a boom year for the economy when stock prices leveled off after rise (1956) and a depressed for the economy when stock prices, however rose strongly (1958). They used dividends, Retained Earnings and price earnings ratio as independent variable in their regression model of price function and dividends as supply function. Earnings, previous year's dividend and price earnings ratio are independent variable in the dividend function. Symbolically, their price function and dividend supply function

Their study was based on the following assumptions:

• Dividends react with year-to-year fluctuation in earnings.

• Price doesn't contain speculative components.

• Earnings fluctuation may not sum zero over the sample.

The regression result is based on the equation following the inclusion of a lagged variable.

$P_t = a + b\,D_t + CR_t + d(E/P)_{t-1}$ shows the customary strong dividend and relatively weak retained earnings in three of the five industries, i.e. chemicals, foods and steels.

Where,

Pt= per share price at time t

Dt= Dividends at time t

Rt= Retain earning at time t

(E/P)t-1= Legged earning price ratio

Dividend supply function $D_t = e + fE_t + gD_{t-1} + d(E/P)_{t-1}$

Where,

Et= Earnings per share at time t

Dt-1= Last year dividend

They found that more than 80% of the variation in the stock price could be explained by three independent variables. Dividends have predominant influence on stock price in the same three out of five industries but they found the difference between the dividend and Retained Earnings coefficient are not quite so marked as in the first set of regression. They also found that the dividend and retained earning coefficient are closer to each other for all industries in both the years except for steels in 1956 and the correlations are higher again except for steels.

They also calculated the dividend supply equation (Dt= e + fEt +gDt-1 +d(E/P)tp) t-1) and derived price equation for four-industry group in 1958. The derived price equation showed that there were no significant changes' from those obtained in the single equation approach as explained above. They argued that the stock price or more accurately the price-earnings ratio does not seem to have a significant effect on dividend payout. On the other hand, they noted that the retained earnings effect increased relatively in the three of the four cases tested. Further their result suggested, price effects on dividend supply are probably not a serious source of bias on the customary deviation of dividend and Retained Earnings effects of short-term income movement are sufficiently great. Further they used lagged price as a variable instead of lagged earning price ratio and showed that more than 90 percent of variation in stock prices can be explained by three independent variables and Retained Earnings received greater relative weight than dividends in most of the cases. The only exception was steels and food in 1958. They considered chemicals, electronics, and utilities as growth industries in these groups and the Retained Earnings effect was larger than the dividends effect for both the years covered. For the other two industries, namely food and steels, there was no significant systematic difference between the Retained Earnings and dividends coefficient.

Theoretical Framework of the study

Literature works by some scholars in the areas of Finance and Economics have suggested that Dividend Payment should have no impact on shareholders' value in the absence of taxes and market imperfections. Hence, companies should invest excess funds in the positive net present value projects instead of paying them out to the shareholders. Literature also suggests that market valuation of stocks depends on the expected future dividends. If company pays out all of the earnings, funds for future investment will decrease and dividend may not increase in the future. Moreover, when dividend is taxable, paying out more cash would increase the shareholders tax liability.

METHODOLOGY

The study adopted a causal research design.

Types and Sources of Data

The data used for this study came from secondary sources. The data set took into cognisance of the Panel data from the Publication of the Nigerian Stock Exchange (NSE) covering a period of 2000-2014. This period of study is underscored by the fact that the period marks era of various reforms introduced by the Central Bank of Nigeria (CBN). Most importantly, the bank consolidation policy was introduced during this era.

The Market price of shares, values of dividend per share Price earnings ratio were taken from the Securities and Exchange Commission (SEC) Annual Reports for most of the years 2000-2014 and for some firms, moving averages were used in arriving at the values. Other independent variables were gotten from the Nigerian Stock Exchange Fact books for the year 2000 - 2014. Where information regarding Market price of shares, Dividends per share and other independent variables were not gotten from the Nigerian Security and Exchange Commission Annual report and Accounts for some specific years, the researcher made use of Financial / Business times /Business day Newspapers taking the year end closing values traded on the floor of the Nigerian Stock Exchange more especially for years ending 31st December, 2011 to 2014. Moving averages were adopted in few cases.

Techniques of Data Analysis

In analysing the relevancy of dividend with reference to the banking sector, the study relied solely on both qualitative and quantitative techniques of data analysis for establishing the needed relationships between the different variables involved in this study for the purpose of answering research. The quantitative technique of data analysis makes use of inferential statistics in the result. Descriptive statistics such as percentages and averages are analysed for results followed by regression analysis.

FINDINGS

The descriptive results present the outcome of statistical distribution by determining the result of each of the explanatory variables in the regression models as it relates to the banking industry selected from the 13 industries used for the study. The descriptive statistics in the models employed the use of mean, standard deviation, skewness, and kurtosis as well as probability values.

Table 1: Results of the regression in respect of Banking Industry

Variables (independent)	Fixed Effects model			Random Effects Model		
	Coeff	T-Stat	Prob	Coeff	T-Stat	Prob
C	6.0785	0.0101	0.0000*	-	-	-
MPS $_{t-1}$	0.4664	10.9818	0.0000*	-	-	-
RE	-3.4255	-1.8432	0.0659	-	-	-
EPS	0.4392	3.3529	0.0009*	-	-	-
PER	-0.0106	-0.7403	0.4596	-	-	-
DPSt$_{-1}$	0.9353	1.0721	0.2842	-	-	-
DVPMT$_{t-3}$	2.0155	3.6439	0.0003*	-	-	-
R^2	0.5009			-	-	-
ADJ R^2	0.4897			-	-	-
D.W	2.14			-	-	-
F-STATISTIC	44.8849					
PROB (F-STATISTIC)			0.0000*			
X^2 (WALD)	186.34		0.0000*			
X^2 (REDUNDANT TEST)	24.4883		0.0002*			

Note: *, **, and *** indicate significant level of 1%, 5% and 10% respectively

The Banking industry is considered to be one of the most vibrant industries on the Stock Exchange comprising of six (6) firms in the book of record from Year 2000 to Year 2014. The result for the industry shows that jointly all the variables have positive and significant impact on Shareholders' wealth proxy by MPS. It is equally shown to be significant at 1 percent. Individual independent variables shows that Retained Earnings (RE$_1$Gross) has negative but with significant impact on the wealth of the shareholders of quoted firms in Nigeria. It is significant at 10 percent. Earnings per share as well as Lagged Dividend Payment (Gross DVPMT$_{-1}$) have positive as well as significant impact on shareholders' wealth. Both EPS and Gross DVPMT$_{-1}$ are both significant at 1 percent. Only Price earnings ratio (PER) has both negative and insignificance impact on Market Price of Shares (MPS). Lagged Dividend per share (DPS$_{-1}$) has positive but insignificant impact on MPS. Again, the intercept term also shows that the industry has positive and significant impact on MPS. showing that holding all the variables in the model constant, MPS will rise by N6.08.

Furthermore, looking at the result of our model from the perspective of the coefficient of correlation (R^2), it reveals that about 50.09 percent of all the factors affecting the level of shareholders' wealth in this industry are explained by the model. The adjusted R^2 also shows that 48.97 percent of variations in factors affecting Shareholders' wealth is also explained by the

model depicting that that there is no much difference in the R^2 value and the adjusted R^2 value. Durbin Watson statistical value of 2.14 implies that the model is free from problem of autocorrelation. The WALD test has been used to test the significance of the fixed model. Specifically the Chi-Square value of 186.34 with a probability value of 0.0000 approximately 1 percent level of significance shows that jointly all the variables are significant factors in determining the Market Price of Shares (MPS) hence; we do not accept the null hypothesis in all cases.

The Redundant Fixed Effects Test (RFF) has been carried out on the model and from the cross-section/period chi-square value of 24.49 and probability value of 0.0002 approximately 1 percent indicating that all variables that are presently included in the pooled data proved that they are all jointly significant strongly reject the null hypotheses that the cross section effects are redundant.

CONCLUSIONS

The following conclusions are drawn from the banking Industry analysis:

It is true that researches in the area of dividend policy have agreed that the general theory of dividend policy remains puzzling and this is because corporate dividend practice changes from one period to the other, among firms and across nations. Hence, this study on the impact of dividend policy on Shareholders' wealth with special reference to selected public liability companies in Nigeria from the period 2000-2014 becomes significant. Several theories have been adduced to tackling the controversial theories of dividend policy among which are the relevance and the irrelevance theories of dividend. The relevance theory seems to be more preferred among managers of companies, existing shareholders, potential investors as well as market analysts (Pandey, 2000).

From the analysis of the banking industry from among the 13 industries in the industry to industry analysis, dividend per share, gross retained earnings as well as earnings per share have been found to be the major variables in determining the wealth of shareholders regarding their positive significant levels. Most of the variables showed significant level of 1 percent signifying that the variables are strong factors in determining the maximization of shareholders wealth.

This study has alluded to the theory which affirmed relevance of dividend theory and disagreed with Modigliani and Miller Hypothesis. This is because in a real world full of market imperfections such as taxes, transaction costs as well as other factors such as asymmetric information and agency cost, dividend policy becomes very relevant for managers of companies, existing shareholders, potential investors as well as market analysts. While it is a

fact that managers of firms show great concern on the dividend pay-out policy of their firms, the markets equally reacts to dividend changes, dividend omissions and initiations.

RECOMMENDATIONS

Based on the conclusions of the study, the study recommended that there is need for fast track recovery efforts by policy makers in order to generate high growth rates capable of resuscitating world economies such as Nigeria that witnessed sluggish growth rates due to global financial meltdown. Secondly, the Federal Government through the monetary policy of the Central bank as well as government fiscal policy can help immensely in achieving this objective of high growth rate. In the early 2008, following the Financial and Economic downturn in the U.S.A, recovery efforts were used in revamping the economy through income generation. Income policy should be used in revamping the Nigerian economy in order to maximize the wealth of shareholders. In this case, the use of taxation, government spending and controls can be used in changing the distribution of real incomes.

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