EFFECT OF CASH DIVIDEND ON PERFORMANCE OF MANUFACTURING FIRMS IN NIGERIA

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ABSTRACT

This study analyzed the effect of cash dividend on performance of manufacturing firms in Nigeria. The broad objective is to evaluate the effect of cash dividend on performance of manufacturing firms in Nigeria the periods 0f 2012- 2021. Panel Least Squared (PLS) method of data analysis was used. Secondary sources of data were employed; the interested variables were culled from the annual report of the quoted firms. The following variables were used, market price per share as the dependent variables, while dividend per share, retained earnings per share, dividend yield ratio and dividend payout. The findings shows, that retained earnings per share has a positive and statistically insignificant effect on market price per share. Dividend yield was found to be positive and statistically insignificant market price per share. Retained earnings per share were also found to be positive and statistically significant effect on market price per share. Lastly, dividend payout was found to be positive and statistically significant with market price per share, The following recommendations were made: the researcher recommends that the board of directors should try to satisfy the need of share holders as well as the needs of the firm by increasing dividend per share. The board of directors should also ensure that they make provisions for retained earnings before dividend are declared.

KEYWORDS: *Panel Least Squared dividend per share, retained earnings per share, dividend yield ratio and dividend payout*

1.1 Introduction

The subject matter of cash dividend remains one of the most controversial issues incorporate finance. For a very long time now, financial economists have engaged in modeling and examining corporate dividend policy and earnings as they affect banks stock prices in Nigeria (Amidu, 2017). Black (2013) hinted that, "The harder we look at the dividend picture, it seems like a puzzle with pieces that don't fit together". In over thirty years since then a vast amount of literature has been produced examining dividend policy.

Recently, however, Frankfurter and Wood (2012) concluded in the same vein as Black and Scholes (2014) that the dividend "puzzle", both as a share value-enhancing feature and as a matter of policy, is one of the most challenging topics of modern financial economics. Forty years of research have not been able to resolve it. Research on cash dividend policy and earnings have shown not only that a general theory of dividend policy remains elusive, but also that corporate dividend practice varies over time, among firms and across countries. The patterns of cash dividend policies not only vary over time but also across countries, especially between developed and emerging financial institutions. Glen, et al (2015) suggested that cash dividend in emerging markets differed from those in developed markets. They reported that dividend payout ratios in developing countries were only about two thirds of that of developed countries. Different scholars have defined the term cash dividend policy differently. Hamid, et al (2012) defined cash dividend policy as the exchange between retained earnings and paying out cash or issuing new shares to shareholders.

Booth and Cleary (2010) defined dividend policy as an exclusive decision by the management to decide what parentage of profit is distributed among the shareholders or what percentage of it retains to fulfill its internal needs. Nwude (2003) defined the term as the guiding principle for determining the portion of a company's net profit after taxes tobe paid out to the residual shareholders as dividend during a particular financial year. Emekekwue (2015) defined dividend policy as the portion of firm earnings that will be paid out as dividend or held back as retained earnings. Huda and Farah (2012) pointed out that dividend policy has been an issue of interest in financial literature; academics and researchers has developed many theoretical models describing the factors that managers should consider when making dividend policy decisions.

Key factors behind the dividend decision have been studied by numerous researchers. Lintner (1956) suggested that dividend payment pattern of a firm is influenced by the current year earning__ and previous year dividends. In this case, dividend may be seen as the free cash flows which comprises of cash remaining after all business expenses have been met (Damodaran, 2012). The dividend decision in corporate finance is a decision made by the directors of a company. It relates to the amount and timing of any cash payments made to the company's stockholders. The decision as stated by Pandey (2015), is an important one for the firm as it may influence the financial structure and stock price of the firm. In addition, the decision may determine the amount of taxations that stockholders pay.

The dividend payment ratio is a major aspect of the dividend policy of the firm, which affects the value of the firm to the share holders (Litzenberger and Ramaswany, 2012). The classical school of thought holds this view and they believe that dividends are paid to influence their share prices. They also believe that market price of an equity is a representation of the present value of estimated cash dividends that can be generated by the equity (Gordon, 2009). Another classical school of thought, on the other hand, believes that the price of equity is a function of the earnings of the company.

They believe that dividend payout is irrelevant to evaluating the worth of equity. What matters, they say is earnings (Miller and Modigliani, 1961).Mayo (2008:) observed that retained earnings provide funds to finance the firms on long term growth. It is the most significant source of financing a firm's investment. Dividends are paid in cash, thus the distribution of earnings utilizes the available cash of the company. When the firm increases the retained portion on net earnings, shareholders 'current income in the form of dividends decreases, but the use of retained earnings to finance profitable investments is expected to increase future earnings. On the other hand, when dividends increase, shareholders' current income will increase but the firm may be unable to retain earnings and, thus, relinquish possible investment opportunities and future earnings.

The goal of corporate entities is to maximize the value of shareholders' investment in the firm. Managers pursue this goal through their investment, financing and dividend decisions. Investment decisions involve the selection of positive net present value projects. Financing decisions involve the selection of a capital structure that would minimize the cost of capital of the firm while dividend decisions of the firm determine the reward which

investors and potential investors of the firm receive from their investment in the firm. Apart from the investment and financing decisions, managers need to decide, on regular basis, whether to pay out of the earning to shareholders, reducing the agency problem (Jensen and Meckling, 1976). However, the question remains whether paying out of earnings would essentially create value for the shareholders or not. A dividend payment provides cash flow to the shareholders but reduces firm's recourses for investment; this dilemma is a myth in the finance literature. A great deal of theoretical and empirical research on cash dividend effects has been done over the last several decades. Theoretically, cash dividend from earnings means giving reward to the shareholders, that is, something they already own in the company; but this will be offset by the decline in stock value. In an ideal world (without tax and any restrictions) therefore dividend payments would have no impact on the shareholders' value. In the real world, however a change in the dividend policy is often followed by a change in the market value of stocks. The economic argument for investor's preference for dividend income was offered by Graham and Dodd (1934). Subsequently, Walter (1963) and Gordon (1959 and1962) forwarded the dividend relevancy idea, which has been formalized into a theory, postulating that current stock price would reflect the present value of all expected dividend payments in the future.

Another researcher made efforts to further understand the dividend controversy. Average investors, subject to their personal tax rates, would prefer to have less cash dividend if it is taxable: size of optimal dividend inversely related to personal income tax rates (Pye, 1972).The theoretical literature on dividend effects has been well developed. Researchers largely accepted that dividend *per-se* has no impact on the shareholders' value in an ideal economy. However, in a real world, dividend announcement is important to the shareholders because of its tax effect and information content. Given the above problems and the controversies surrounding the impact of dividend policy and earnings on stock prices of Nigeria banks, the lacuna which this study seeks to fill is to provide empirical evidence on the impact of cash dividend and earnings on stock prices of Nigeria banks using investment ratios such as dividend yield, earnings yield, payout ratio with the introduction of some control variables in an emerging market like Nigeria. Hence, the contribution of this study is in terms of geography.

1.2 Objectives of the Study

The main objective of the study is to examine the effect of cash dividend on the performance of manufacturing sector in Nigeria. The specific objectives include:

i. To determine the influence of dividend pay-out ratio on market price per share

ii To examine the effect of dividend per share on market price per share

iii. To evaluate the influence of dividend yield ratio on market price per share

iv. To examine the effect of retained earnings per share on market price per share

1.3 Hypotheses

Ho1: Dividend payout ratio does not have significant effect on market price per share.

Ho2: Dividend per share does not have significant effect on market price per share.

Ho3: Dividend yield ratio does not have significant effect on market price per share.

Ho4: Retained earnings per share do not have significant effect on market price per share
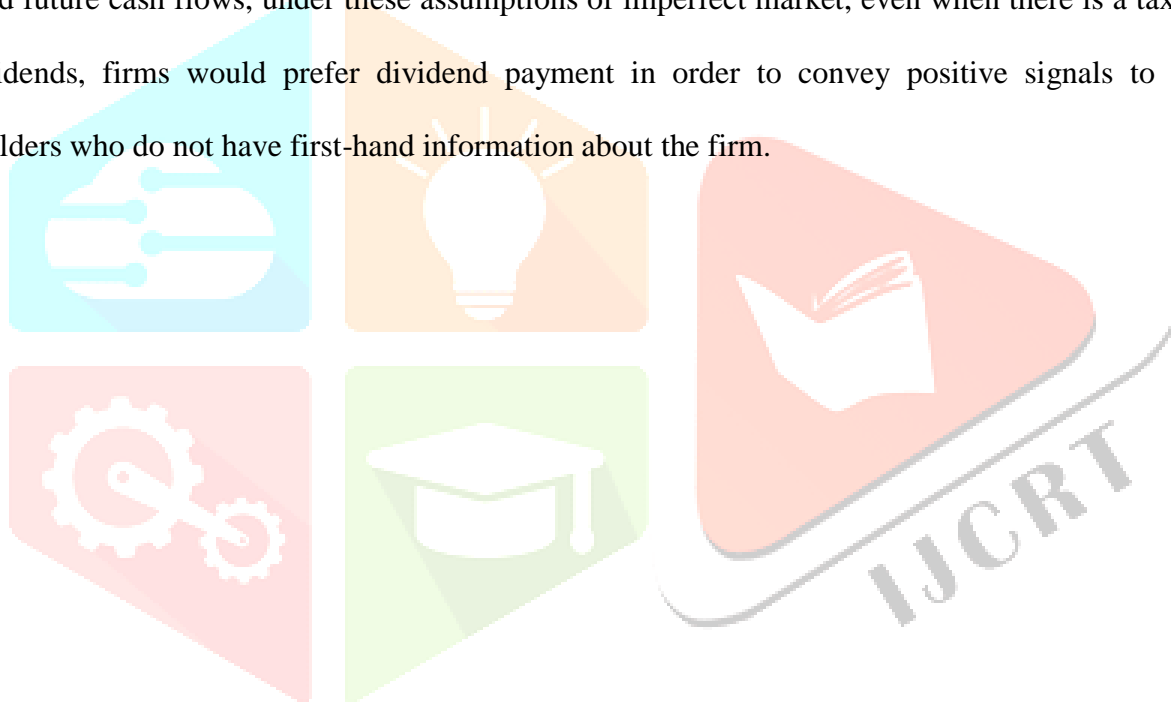
REVIEW OF RELATED LITERATURE

2.1 Theoretical Framework

Signalling Theory

The study is anchored on the ignaling theory propounded by Lintner (1956). The ignaling effect theory also known as information content theory posits that dividend payment carried material information to shareholders and investors in the stock market about the prospects of its performance. The management have the necessary information about the financial position and strategy of the firm and can be used to make forecast about future incomes and earnings of the company, which investors do not have. Thus, the investors and shareholders may rely on the external pieces of information one of which is the one offered by the dividend payment as an outlook to the business prospects of the firm. Hence dividend policy has information content that serves as signals. For

this reason, the capital market responds quickly to the announcements of share buybacks as they offer new information that is often called a signal to the shareholders or investors about a company's future and hence its share price (Panigrahi & Zainuddin, 2015).

The two important assumption of the signaling theory are that (1) outside investors have imperfect information regarding the firm's future cash flows and capital gains, and that (2) dividends are taxed at a higher rate compared to capital gains. Both assumptions are true to real world: the imperfect capital market system. Thus this theory suitable to explain that investors can use the decisions of the management regarding dividend to decipher the financial position of firms. Bhattacharya (1979) argued that dividends might function as a signal of expected future cash flows, under these assumptions of imperfect market, even when there is a tax disadvantage for dividends, firms would prefer dividend payment in order to convey positive signals to investors and shareholders who do not have first-hand information about the firm.

2.2 Empirical Studies

SN	Author (s)	country	TOPIC	Variables	Type of data/scope	Methodology	Major findings
1	Anike (2014)	Nigeria	examined the impact of dividend yield on stock prices of Nigerian banks; the impact of earnings yield on stock prices of Nigeria banks and the impact of payout ratio on stock prices of Nigeria banks	dividend yield, earnings yield, payout ratio and stock prices	2006-2010	OLS	The study thus, revealed that the dividend yield, earnings yield and payout ratio are not factors that influences stock prices rather the bank size was found to have positive and significant impact on stock prices
2	GejaLakshmi & Azhagaiah (2016)	India	analyzed the impact of dividend policy (DP) on shareholders' wealth (SW) of Fast Moving Consumer Goods	bank recapitalization both credit availability and SMEs	2000-2013	OLS	The results of the Chow test prove that the FMCG firms have significant shift-in-structure (positive improvement) in respect of SW after global financial meltdown.

3	Adefila, Oladapo and Adeoti (2013),	Nigeria	Effect of Dividend Policy on the Market Price of Shares in Nigeria: Case Study of Fifteen Quoted Companies	small and medium scale enterprises	1990-1999	OLS	Nigerian firms do have a dividend policy that is dependent on earnings though the trend is not very consistent and proportionate
4	Waswa (2013)	Nairobi	examined determinants of dividend payout by agricultural firms listed on the Nairobi security exchange	growth opportunity, Liquidity, Leverage and Firm Size, Profitability	2005 - 2010	OLS	The results show positive relationships between dividend payout and liquidity and profitability
5	Ordu, Enekwe,& AnyanwOkoro (2014)	Rwanda	effect of dividend payment on the market prices of shares in Nigeria:	dividend per share, dividend yield and dividend payout ratio	2000 - 2011	OLS	external borrowings are considered to be the cheapest source of financing because of the tax benefits
6	Waswa, Ndede, &. Jagongo (2014)	Kenya	analyzed the determinants of dividend payout of Kenya Agricultural sector	dividend payout and liquidity and profitability	2010 2013	OLS	The results show positive relationships between dividend payout and liquidity and profitability.
7	Enekwe, Nweze, & Agu (2015)	Nigeria	studied effect of dividend payout on performance evaluation: evidence of quoted cement companies in Nigeria	Return on Capital Employed; Return on Assets and Return on Equity, dividend payout ratio	descriptive survey	OLS	results suggest that dividend payout ratio (DPR) has positive relationship with all the dependent variables
8	Zafar,	Pakista	examined the	The findings	2006-2011	OLS	The findings of the

	Muhammad, & Muhammad (2014)	n	impact of dividend policy on shareholders' wealth in context of Pakistan	showed that dividend policy of the firm has significant positive impact on shareholders wealth			study form a basis for the formulation of policies relating to bank lending and future funding programs and schemes.
9	Tharshiga (2016)	India	attempted to analysis the impact of dividend payout on share price volatility	dividend payment, net asset per share, and share price volatility	Survey method	OLS	there is positive significant relationship between dividend payout and share price volatility
10	Johannes de Wet, & Mvita Mpinda (2015)	SA	examined Impact of dividend payments on shareholders' wealth	market price per share, while earnings per share, dividend payment	1995-2010	OLS	Results indicate that in the long run, dividend yield is positively related to market price per share,
11	Yusof & Ismail (2014)	Malaysia	assessed the determinants of dividend policy of public listed companies	Earnings, lagged dividend, cash flows free debt, size, firms' growth investment opportunity, firms risk	Time series 2006-2010	OLS	It was discover that Earning, debt. Size, investment and largest shareholders have significance influence on dividend policy.

12	Oyinlola,& Ajeigbe (2014)	Nigeria.	the impact of dividend policy on stock prices of quoted firms in Nigeria.	stock price share, dividend per share and retained earning per share.	Time series 2009-2013	OLS	reveal that both dividend payout and retained earnings are significantly relevant in the market price per share of the companies.
13	Ozuomba, Okaro & Okoye (2013)	Nigeria	examined Shareholders value and firms' dividend policy: evidence from public companies	Earnings per share, market price per share, dividend per share	Time series 2000-2001	OLS	share market price per share both have significant positive impact on shareholders
14	Omoregie & Eromosele (2016)	Nigeria	studied examined the impact of dividend policy on shareholders' wealth	Dividend per Share, Shareholders' wealth Retained Earnings, Earnings Per Share	Time series 2010 -2014	OLS	a positive and robust significant relationship was found to exist between Dividend per Share (DPS) and Shareholders' wealth
15	Munyua (2014)	Nairobi	effect of dividend policy on Stock Prices For Firms Listed At The Nairobi Securities Exchange	dividend per share share, prices earning per share, market price and dividend payment	Time series 2004 -2013.	SPSS	The study found a strong positive relationship between dividend per share and the share prices and that share prices are affected by the dividends per share paid out

16	Thirumagal, & Vasantha, (2016)	Nigeria	Examined The impact of dividend policy on shareholders wealth	Price Earnings Ratio, Dividend Per Share, Earnings Per Share, Total Assets and Cash and Bank Balance	2001 to 2015	SPSS	Regression results show that the dividend, risk and liquidity of the companies impact shareholders wealth. Size and Earnings of the companies were insignificant with the shareholders wealth.
17	Eniola, & Akinselure, (2016)	Nigeria	impact of Dividend policy and Earnings on selected quoted companies in Nigeria	Dividend policy and Earnings	2004 -2013	SPSS	The findings revealed that there was a significant relationship between dividend and market value
18	Irtaza, Arslan, & Syed (2015) examined	Pakistain	the relationship between shareholders wealth and dividend policy	Dividend per share, retained earnings, lagged price and return on equity, market price of shares	2004 -2013	SPSS	The shareholders wealth is increase by dividend policy in case of Pakistan.

2.3 Gap in Literature

Majority of the empirical studies reviewed from most developed countries such as: (Agne et al 2016, Zarfar, Muhammed & Muhammad (2015), Tharshiga 2015, Owyoung (2014, Alim, Ali and Ali (2014) are with the varied conclusion. Furthermore the methods applied in their analyses are also diverse while time frame for most of them does not bear current date. Also, the period used did not include the updated literature. Even the extant studies done in Nigeria like Anike (2014), Oyinlola, Olabisi & kola (2015), Uwuigbe, Jafaru & Adayi (2015), Kajola, Adewumi & Oworu (2016) produced conflicting conclusion. The methodologies adopted were not robust enough to cross-examine research data, and most of the works lacked theoretical frameworks.Hence, this study fills these voids in the literature by examining the effects of dividend policy on shareholders wealth with evidence from oil & gas. This work centers on Signaling Hypothesis, because an increase in the level of dividend payout, according to this hypothesis, sends a positive signal to the investors and the general public that the future earnings of the firm is bright.

METHODOLOGY

3.1 Research Design

The ex-post facto research design was adopted because the variables of the study were collected based on past data events documented in audited financial report of the selected firms.

3.2 Nature and Sources Data

The study employed a panel data set from the annual report and financial statement of firms listed on the Nigerian Stock Exchange. The panel will cover a period of ten (10) years from 2012 to 2021 and a cross section of eight firms. Thus, it is a secondary data set. The data ranges from return on Asset as the dependent variables, while dividend pay-out ratio, dividend per share, dividend yield and retained earnings per share are the independent variables.

3.3 Sample Size

Eight (8) firms were randomly selected. The sample size was 8 firms out of 12 manufacturing firms in Nigeria stock exchange. The following variables were included cutix plc, Cadbury Nigeria, Dangote floor mill, Dangote sugar, Nestle Nigeria, Unilever, UAC Nigeria, Nig.Brew

3.4 Model Specification

This study adapted the model of Nkuah and Yusuf (2016) Mps=f(DPS +REP+FLEV+PER)..(1)

This model is modified below to suit our topic

MPS = f(DPO, DPS, DYR, REPS)..(2)

The above equation can be put in an econometric form as;

$MPS = \beta_0 + \beta_1 DPO + \beta_2 DPS + \beta_3 DYR + \beta_4 REPS + \mu$ ....(3)

Where:

MPS = market price per share: As proxy for firm performance

DPO = Dividend payout ratio: measured by dividend per share dividend by earning per share

DPS = Dividend per share: is measured by the total dividend paid out over a period less any special dividend, divided by share outstanding

DYR = is measured by ratio of annual dividend per share and market price per share

REPS = Retained earnings per share refers to the portion of net income which is retained by the company rather than distributed to its owners as dividends.

μ = Stochastic error term

μ is the error term. b_0 is the constant, b_{1-b4} is the coefficients of dividend policy

3.5 Appriori Expectation

The finance apriori test will be used extensively to determine the meaningfulness of the sign with regards to meeting the apriori expected sign's of the parameters. The theoretical expected sign is that dividend policy should have positive relationship with ROA

3.6 Method of Data Analysis

The methodology adopted in this study is the linear regression employing the techniques of panel least square (PLS). The choice of PLS is guided by the fact that it has optimal properties which include, linearity, neutrality,

sufficient, least variance and mean square .These describe that properties of estimators can be obtain from any techniques but minimum variance property distinguished the Panel Least Square (PLS) estimates as the best when compared with other linear estimates from econometric techniques. This particular, property of small least variance is the reason for the popularity of the PLS method.

RESULT INTERPRETATION AND DISCUSSION OF FINDINGS

4.1   Descriptive Statistics

Table 4.1 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
MPS	80	-.6054	.5724	.148742	.2329574
pDPS	80	.1701	.8987	.590880	.1837482
pREPS	80	.2050	8.8693	2.235702	2.1226125
pDYR	80	.1058	.8241	.455949	.1804173
DPO	80	.1158	.9231	.342959	.1516123
Valid N (listwise)	80				

Source: E-view 9 output 2023

The summary statistics show that on the average mean the market price per share in Nigeria is about .148742. The average dividend per share is .590880, while average mean of retained earnings, dividend payout ratio and dividend yield ratio are 2.235702, .342959 and .455949 respectively. The standard deviations of these variables were .2329574, .1837482, 2.1226125, .1804173 and .1516123 for market price per share, dividend per share, retained earnings, dividend yield ratio and dividend payout ratio. The values of the standard deviations indicate that there is wide spread in the performance of firms in Nigeria. This is more with retained earnings per share followed by market price per share and dividend per share.

This is also evident in the wide gap between the maximum and minimum values. For example, the maximum value of market price per share is .5724 while the minimum is -6054, with difference of 330. Similarly, the maximum of dividend per share is .8987 while the minimum is .1701. These performance variations are rather at the high side. Even in the case of retained earning the maximum is 8.8693 and the minimum is .2050. For dividend yield is .8241 while its minimum value is .1058 with a differences of 0.7183.The wide variation over time indicates high level of fluctuation of the firms which affects the performance of firm activities.

4.2 Testing for unit Root

Unit roots test (Augmented Dickey-Fuller test); Time series data are assumed to be non-stationary and this implies that the results obtained from the OLS method may be misleading. In this vein, it is imperative that stationarity test should be conducted. The stationarity test is carried out using the Augmented Dickey-Fuller (ADF) unit root test. The result is presented below on table 4.1

Table 4.1   Unit Root Result

Variable	ADF	Integration	Significance
MPS	-6.811983	1 (1)	1 %
DPS	-9.386077	1 (1)	1 %
REPS	-11.87617	1 (1)	1 %
DYR	-15.45560	1 (2)	1 %
DPO	-4.070286	1 (2)	1 %

Source: Source: E-view 9 output 2019

Using the augmented Dickey-Fuller tests, the results as presented in Table 4.1 has shown that all the variables like Market Price Per Share (MPS), dividend per share, and retained earnings per share are stationary at the first difference while variables like dividend yield ratio and dividend payout ratio were stationary at second difference. That is, the result indicates that the variables, are integrated of order one I(1,2).Therefore, a co-integration test shall carried out to confirm and determine the existence of a long-run relationship among the variables as specified in the model equation.

4. 3 Testing for Co-Integration

The aim of Co-integration analysis is to determine the long-run equilibrium relationship between the variables. In the study, we used the Johansen co-integration approach to examine the existence of long-run relationship between the variables of interest.

Table 4.2 Co-integration Result

Unrestricted Co-integration Rank Test (TRACE)

Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.824771	108.0828	60.06141	0.0000
At most 1	0.734276	62.79959	40.17493	0.0001
At most 2	0.543998	28.34185	24.27596	0.0145
At most 3	0.209807	7.925167	12.32090	0.2425
At most 4	0.066986	1.802721	4.129906	0.2110

Source: E-view output 2019

Trace test and Max- eigenvalue indicates 3 co-integration equation (s) at the 0.05 level it denotes rejection of the hypothesis at the 0.05 level, MacKinnon- Haug – michelis (1999) p- value . The Johansen co integration test reveals that there is a long-run relationship dependent and independent variables.. The conclusion drawn from the result is that there exists a unique long-run relationship between the variables.

Hypothesized		Max-Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.824771	45.28318	30.43961	0.0004
At most 1	0.734276	34.45773	24.15921	0.0014
At most 2	0.543998	20.41669	17.79730	0.0197
At most 3	0.209807	6.122446	11.22480	0.3360
At most 4	0.066986	1.802721	4.129906	0.2110

Source: E-view output 2023

Max – Eigen value test indicates 3 co-integrating Equation (s) at the 0.05 level. It denotes rejection of the hypothesis at the 0.05 level, Mackimon –Haug-Michelis (1999) P-values. From the table, using the trace statistics, it indicates 3 co integrating equation at the 0.05 level. This shows that there exists a long run equilibrium relationship between the dependent variable and the independent variables of the model at 5% level of significance. This therefore led to the rejection of no co-integration.

Table 4.3: Presentation of Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	19.95094	20.62788	0.967183	0.3366
DPS	0.011680	0.084681	0.137927	0.8907
REPS	1.657191	0.702558	2.358798	0.0209
DYR	0.000212	0.000130	1.626129	0.1081
DPO	10.22334	3.907851	2.616102	0.0107

R-squared	0.647552			
Adjusted R-squared	0.602088			
F-statistic	33.45481	Durbin-Watson stat		1.759108
Prob(F-statistic)	0.000012			

Source: E-view output 2023

The result of the pooled OLS regression is shown on Table 4. The coefficient of determination (R^2) is 0.647552, which is about 64%. This indicates that about 64% of changes in shareholders wealth (MPS) can be explained by the variables in the model of dividend policy. The overall significance of the model is tested with the F-statistics. The f-value is 33.45481 with P.value of 0.0000. This indicates that all the explanatory variables (DPS, REPS, DYR and DPO) collectively have significant effect on shareholders wealth. The Durbin Watson statistics (1.7) is approximately 2 indicating that the model does not have autocorrelation. This implies that the model is suitable for the analyses.

The specific objectives are addressed using the coefficient of regression and its corresponding t-statistics. The result is as shown on the equation below:

MPS = +19.95094+0.011680DPS+1.657191REPS+0.000212DYR+10.22334DPO

Effect of dividend Per Share on Market Price Per Share

The coefficient of regression (0.011680DPS) indicates that Dividend Per Share (DPS) has positive effect on shareholders wealth. This indicates that a unit increase in dividend per share will lead to about 1kobo rise in the market prices of shares. The t-statistics 0.137927 with P.value of 0.8907. Since the P.value is greater than 0.05 levels, we reject the alternative hypothesis that "Dividend Per Share has significant effect on market price per share". Therefore the study posits that Dividend Per Share have no significant effect on market price per share.

This findings is in line with Ezejiofor, Echekoba, Nwaolisa, Adigwe and Onyali (2014) who employ ordinary least square method to found that dividend per share had insignificant positive effect on earnings per in Nigeria

Effect of Retained Earnings Per Share on Market Price Per Share

The coefficient of regression (1.657191 REPS) indicates that retained earnings per share (REPS) have positive effect on shareholders wealth. This indicates that a unit increase in dividend pay share will lead to about 1.6kobo raise in the market prices of shares. The t-statistics value is 2.358798 with P.value of 0.0209. Since the P.value is less than 0.05 levels, we accept the alternative hypothesis which says that "retained earnings per share have significant effect on market price per share". Therefore the study posits that retained earnings per share have significant effect on market price per share. This finding confirm with the work of Omoregie & Eromosele (2016) who utilize Fixed Effect model to find that retained earning has a positive and robust significant effect on shareholders wealth.

Effect of Dividend yield Ratio on Market Price Per Share

The coefficient of regression for dividend yield ratio (DYR) is 0.000212. This indicates that DYR has positive effect on MPS. This implies that an increase in DYR will lead to about a kobo increase in market price per share. However, the t-statistics (1.626129) has a P.value of 0.1081. Since the p.value is greater than 0.05, the study accept null hypothesis that "dividend yield ratio has no significant effect on market price per share" This finding is not in conformity with work of Duke, Nneji and Nkamare (2015) who utilized error correction model to find that dividend yield had a significant positive effect.

Effect of Dividend Pay-out on Market Price Per Share

Lastly, the coefficient of regression for dividend pat-out (DPO) is 10.22334. This indicates that there is a positive relationship between DPO and MPS. A unit increase in dividend pay out will lead to about 10k rise in the price of share. This suggests that little profits motivate shareholders wealth. The t-statistics is 2.616102 with P.value of 0.0107,thus we accept the alternative hypothesis "dividend pat-out has significant effect on

market price per share". This finding is consistent with Alim, Ali and Ali (2014) which demonstrates a positive and significant effect between dividend payout and market price per share in Pakistan

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

The results from pooled OLS regression analyses showed that dividend policy explained 64% changes in shareholders wealth among the manufacturing firms in Nigeria. Specifically, the study found that:

1. Dividend per share has an insignificant positive effect on market price per share.

2. Retained Earnings have a significant positive effect on market price per share.

3. Dividend yield ratio has an insignificant positive effect on market price per share

4. Dividend pay-out has a significant positive effect on market price per share.

5.2 Conclusion

Cash Dividend is one of the factors that affects shareholders wealth in the stock market. The study showed that dividend payout ratio has significant positive effect while dividend per share has insignificant positive effects. The implication is that firms in the manufacturing firms sector will attract rising market prices when they pay a reasonably high proportion of its profit to shareholders through dividend policy.. In other words, higher proportion dividend payout (that is profit payout) signal good prospects and investors reacts positively to this leading to increase Shareholders wealth.

5.3 Recommendations

This study therefore recommends that

The board of directors should tend to satisfy the need of shareholders as well as the investment need of the firm by increasing the cash dividend. Firms should use dividend policy as corporate strategy for corporate competitiveness

Retained earnings have a positive impact on shareholders wealth. Shareholders always consider the dividends as a source of income as the board should ensure a stable price ratio

Thus, a portion of the earnings per share of a firm should be paid as dividend while a portion is also retained for further investments.

Strategies to improve firm dividends should, therefore, be the focus of firms if they need to maintain a stable and a higher market prices

Dividend payout has positive value on firm growth, the board of directors should ensure that they make provision for retained earnings before cash dividend is declared

By providing arguments from the Nigeria oil and gas point of view using the above-mentioned variables and proxies.

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