



Dividend Policy and Banks' Profitability in Nigeria**Funmilola, Y. Omilabu^a, Adeniyi, A. Alao^b, & Abiodun, O. Situ^c**^a *Department of Accounting, Crescent University, P.M.B 2104, Sapon, Abeokuta, Ogun State, Nigeria.*^b *Department of Accounting, Olabisi Onabanjo University, P.M.B 2002, Ago-Iwoye, Ogun State, Nigeria. Email: alaoadeniyi07@yahoo.com*^c *Bursary Department, Federal University of Agriculture, P.M.B. 2240, Abeokuta*

The study examined the effect of dividend policy on the profitability of selected banks in Nigeria using a time frame of 2011 to 2015. The study adopted *ex post facto* research design while the data used were extracted from the annual reports and accounts of the sampled banks. The data obtained were analysed via descriptive analysis of variables while multiple regression analysis was employed for the estimation of the model for testing the hypothesis. The result revealed that banks' dividend payout ratio and total assets have significant effect on the profit after tax of banks in Nigeria while it was reported that banks' dividend per share has no significant effect on their profit after tax. The study recommended that it is imperative for Nigerian banks to always find ways of increasing the percentage of distributable earnings being paid to the ordinary shareholders in the form of dividends as well as finding means of boosting their capital base in order to enhance and improve the profit after tax of the banks while the banks should be strategic in the determination of the amount of gross dividend being declared on every issued ordinary share ranking for dividend.

Key words: Dividend, Profit after tax, Dividend per Share, Dividend payout Ratio, Banks, Dividend Policy

INTRODUCTION

Every decision that a business makes has financial implications and any decision which affects the finances of a business is a corporate finance decision. The financial manager should make three types of financial decisions - Investment decisions (where do they invest the scarce resources of their business and what makes a good investment); Finance decisions (where do they raise funds for these investments, what mix of owner's money or borrowed money do they use) and Profit distribution decisions (how much funds should be reinvested in the business and how much should be returned to the owners). Hence, while making these decisions, corporate finance is single-minded about the ultimate objective, which is assumed to be maximising the value of the business (Giang and Tuan, 2016). The decision about paying dividends starts with firm's profits; therefore, it seems logical to treat profitability as threshold factor and a significant

variable in explaining dividend payout decision (Abdul and Muhibudeen, 2015). Thus, the payment of dividend is usually met by the company from its earnings and cash flow (Ahmed and Javid, 2009).

Marfo-Yiadom and Agyei (2011) as cited in Situ (2016), observed that deposit money banks, as public companies, also have shareholders who are rational investors and thus expect to receive some form of dividend on their investments in the various banks and the banks' ability to pay dividend to these shareholders would depend on their performance (Profit after Tax). Furthermore, the choice of the appropriate dividend policy depends on the preferences of investors and potential investors as well as the firm's capital structure and its future plan. The board of directors holds a fiduciary position both with regard to the company and the shareholders. Hence, the board of directors must combine three decisions pertaining to investment, financing and dividends simultaneously as these three decisions are interrelated. Dividend policy decision, therefore, influences the financing decision of the firm through retained earnings (Abiola, 2014).

The relationship between profitability and dividend payout has for a long time been a subject of discourse among researchers over the past couple of decades. Most of these studies however, recognised the dynamic nature of the developing economies such as ours in Nigeria and the need for further research in order to validate the conclusion that emanated from their studies. Research works of Marfo-Yiadom and Agyei (2011), Adelegan (2003), Ajanthan (2013), Abiola (2014) among others, examined the relationship between dividend payout and the performance of firms but have not been successful in their attempts to put the debate to rest. To this end, some authors in the past have also looked at the effect of dividend payout ratio and dividend per share on firms' performance. This includes the works of Akinleye and Ademiloye (2018), Williams and Duro (2017), M'rabet and Boujjat (2016), Enekwe, Nweze and Agu (2015), Uwuigbe, Jafaru and Ajayi (2012), Murekefu and Ouma (2012). However, in almost each of these works firms' performance was proxy with either Return on Capital Employed (ROCE) or Return on Asset (ROE) or Return on Equity (ROE).

From another perspective, Adetoso and Akinselure (2016), Nkuah and Yusif (2016), Omoregie and Eromosele (2016) in their works examined the relationship between dividend policy and market value / shareholders wealth. Therefore, this study examined the effect of dividend policy on banks' profitability (Profit after Tax). This represents the gap which this research work attempts to fill. Hence, in an attempt not to discounting the outcome of previous studies and their mixed feelings, there is the need to provide further evidence on the nature of the relationship between dividend policy and banks' profitability at a period of (i) uniformity in the financial year end of deposit money banks in Nigeria as mandated by the Central Bank of Nigeria, and; (ii) uniformity in the basis for the preparation of financial statements. Therefore, this study hopes to contribute to the body of knowledge by empirically documenting the effect of dividend policy of selected Banks in Nigeria and the implication (of such Dividend Payout Ratio and Dividend per Share) on the Banks' profitability.

The paper is organised as follows: Section one is the Introduction, Section two discusses the review of related literature, Section three presents the study's methodology, Section four

provides the results as well as the interpretation while section five gives the concluding part of the paper.

LITERATURE REVIEW

Firms have been distributing dividends to their shareholders for four centuries (Baskin, 1988), the motivation for this corporate policy is under debate in the academic community. Dividends are payments made by a company to its shareholders from the profits made from operations. It represents the compensation for the shareholder's delayed consumption. It can also be said to be a form of retained earnings kept in the business for self-financing in preference to sourcing fresh equity capital which may cause ownership dilution (ICAN, 2009). In a general context, dividend is considered to be a cash payment to the holders of a company stock (an ownership share in an entity). According to Pandey (1999), dividend does not only involve the payment of cash to shareholders, but can take the form of stock/script dividend, property dividend. However, Lintner (1956) and later Fama and Babiak (1968) find that firms in practice focus on dividend changes than on absolute levels. Dividend stability generally refers to the payment of dividend for a long unbroken period, that is, regularity in dividend payment. Thus, Pandey (1999) identified three forms of dividend stability viz: Constant dividend per share, constant payout, constant dividend per share plus extra dividend. Several studies, starting as early as Lintner (1956), found that management is reluctant to increase dividends unless they feel that they can support the increase indefinitely in the future.

Dividend policy represents established guidelines which regulate management decision in sharing Profit after Tax (PAT) to ordinary shareholders. According to Pandey (1999) cited in Ashamu, *et al* (2009), dividend policy is a decision by the financial manager on whether the firm should distribute all profit or retain them or to distribute a portion and retain the balance. Tutorsonnet (2013) identifies six basic factors that determine the dividend policy of a firm thus; dividend payout ratio; profitability; stability of dividends; legal, contractual and internal constraints in dividends decision; capital market considerations; and inflation. Dividend policy which can either be passive or active is also concerned with taking a decision regarding paying cash dividend in the present or paying an increasing dividend at a later stage.

Theoretical Review

Discussions on dividend policy have been based on various propositions by different scholars in the past. One of the first scholars who contributed to the theoretical foundation of the signalling hypothesis was Sudipto Bhattacharya. In the paper "Imperfect Information, Dividend Policy, and The Bird in the Hand Fallacy" (1979), he developed a theoretical model in which dividends function as a costly signal for expected future cash flows. Hence, it follows that dividend decreases are bad news (lower future cash flow) while dividend increases are good news (higher future cash flow). In the model of Bhattacharya outside investors cannot distinguish the profitability of productive assets held by firms, and existing shareholders care about the market value assigned by outsiders.

Merton, Miller and Kevin (1985) analyzed dividend policy of firms when information is asymmetric. When there exists asymmetric information the state of information with respect to

earnings, investment and net dividends at the time of the dividend announcement is different for firms' insiders and outsiders. For an outsider an important and easily available component of public information is the dividends, hence dividends are critical for the market valuation of the firm. An insider, however, also has information on unannounced earnings; this will naturally lead to a difference in the perceived value of the firm. Therefore, the model proposes dividends as signal to outsiders on how insiders view the economic future of the firm. For the firm, it is a costly way of communication. This is in accordance with Bhattacharya (1979). In 1985, John and Williams proposed another signalling equilibrium model in the article titled "Dividends, Dilution and Taxes: A Signalling Equilibrium". The intuition of their model is that a firm must either retire fewer outstanding shares or issue new shares in order to raise funds for investment. Therefore, the models proposed a positive relationship between an increase in dividends and future cash inflow.

Linter (1962) and Gordon (1963) proposed the dividend relevance theory where they posit that the returns to the shareholders are in the form of dividends and capital gains. Current dividends are relatively certain compared to future capital gains. This certainty will make shareholders to prefer receiving dividends in the present time period to future capital gains. Given that managers naturally believe in dividend relevance, the second question is "What explanations of dividends do managers tend to favour?" To address the issue, researchers have offered four common explanations of dividend relevance thus - the Bird-in-the-Hand, Signalling, Tax preference and Agency explanations.

The Bird-in-the-Hand explanation argued that a relationship exists between firm value and dividend payout. That is, dividend represents a sure thing relative to share price appreciation. Hence, dividends are supposedly less risky than capital gains. Firms should set a high dividend payout ratio and offer a high dividend yield to maximize stock price. However, Modigliani and Miller (1961) described the theory that a high dividend payout ratio will maximize a firm's value the bird-in-the-hand fallacy. Bhattacharya (1979) also argued that the logic underlying the bird-in-the-hand explanation for dividend relevance is fallacious. The Signalling explanation argued that dividend payments involved the use of dividend policy to communicate information about a firm's future prospects to investors. Modigliani and Miller (1961) realised that in the real world, a change in the market price often follows a change in the dividend rate. Also, Easterbrook (1994) posit that increase in dividend may be ambiguous signals unless the market can distinguish between growing firms and disinvesting firms (those with a lack of investment opportunities).

The Tax-Preference explanation explained the rationale behind the involvement of tax effect in dividend policy. According to the theory, investors may favour retention of funds over the payment of dividends because of tax related reasons. The favourable treatment of capital gains over dividends may lead investors to prefer a low dividend payout to a high payout. Therefore, researchers described the scenario as tax clientele effect. The agency explanation was proposed by Jensen and Meckling (1976). Later, the theory was extended by Rozeff (1982) as well as Easterbrook (1984). According to the scholars, the theory is derived from the conflict of interests between corporate managers (agents) and outside shareholders (principals). Agency theory posits that the dividend mechanism provides an incentive for managers to reduce the costs related to the principal/agent relationship.

Another main theory of dividend policy is the Life Cycle theory of the firm proposed by Muller (1972). His main focus is on the agency problem within the firm, namely the question of whether the managers of a firm maximize shareholder value or pursue growth for its own sake at the expense of shareholders' interests. However, he clearly recognizes the implications of the analysis for dividend policy and discusses the empirical evidence on shareholder preference for dividends in this context. Drawing on the work of Knight (1921) and Schumpeter (1934), Muller (1972) posits that a firm originates in an attempt to exploit an innovation involving a new product, process, marketing or organizational technique. Notwithstanding the role of dividend policies discussed above, the dividend irrelevance theory proposition suggests that a firm's dividend policy has no effect on the value of the firm in a perfect and complete market (Stulz, 2000). Hence, financial managers cannot alter the value of their firms by changing their dividend policy (Dhanani, 2005). In 1961, two Nobel laureates, Merton Miller and Franco Modigliani (M&M) showed that under certain simplifying assumptions, a firm's dividend policy does not affect its value. The basic premise of their argument is that firm value is determined by choosing optimal investments. Despite the importance of this theory, the critics of M&M dispute the validity of the dividend irrelevance theorem by challenging the assumptions used by M&M in their propositions.

Empirical Review

There is no dispute that various empirical works had been conducted in the likes of Ashamu, Abiola and Badmus (2009); Adefila, Oladipo and Adeoti (2000) where they posited that dividend policy neither affects firms' performance nor influences their share valuation. Other studies like that of Amidu (2007), affirms that dividend policy affects firms' performance as measured by its profitability.

Recently in the work of Akinleye and Ademiloye (2018), they examined the impact of dividend policy on performance of quoted manufacturing firms in Nigeria. The study used panel data estimation techniques and the findings revealed that dividend per share has an insignificant positive impact on firms' Return on Capital Employed (ROCE) while it was reported that dividend payout ratio has an insignificant negative impact on ROCE. To this end, it was established in the study that dividend policy does not play any significant role in the determination of firms' ROCE. The study recommended among other things that management of manufacturing firms should not be deceived on the contribution of dividend policy to firms' performance.

Fiiwe and Turakpe (2017) in their study, Dividend Policy and Corporate Performance: A Multiple Model Analysis, examined dividend policy and corporate performance. Their study adopted multiple regression models to examine the selected companies namely Nigerian Breweries Plc, Zenith Bank Nigeria Plc and Guaranty Trust Bank Plc from 2011-2015. The result of the analysis showed that for Nigerian Breweries, profit after tax and return on asset are positively related to dividend while earnings per share has negative relationship with dividend. Their result for Zenith Bank showed that earnings per share and return on asset are positively related to dividend while profit after tax has negative relationship with dividend. The result for Guaranty Trust Bank shows that profit after tax has positive relationship with dividend while earnings per share and return on asset are negatively related to dividend. From their findings,

they concluded by agreeing with most of the dividend relevant proponents that dividend matters to corporate performance even though with varying results that tends to support other theories such as dividend residual theory. They therefore recommended that managers must review the opinion of their core investors in deciding dividend policy that meets with their expectations.

Khan and Shamim (2017), in their research work titled “A Sectoral Analysis of Dividend Payment Behaviour: Evidence From Karachi Stock Exchange” analysed the sector-wise dividend payment behaviour of Karachi Stock Exchange (KSE) for the period 2009 to 2013. Firstly, the trend of dividend payment of 5 years with respect to all 32 sectors was assessed through descriptive analysis. Secondly, the unit root test for panel data and pooled ordinary least square (POLS) test were used on 15 non-financial sectors. Results of their study showed that the earnings per share has a positive impact on dividend payment in eight sectors including beverages, travel and leisure, fixed-line telecommunication, food processors, household goods, personal goods, automobiles, and electricity; however, forestry (paper and board) is negatively associated with the dividend payout ratio. In addition, free cash flow has a positive impact on dividend payment in fixed-line telecommunication, and a negative impact on chemical, forestry, construction and material, engineering, beverages, tobacco, travel and leisure, food processor, household goods, pharmaceutical and biotech, and automobiles.

In another work carried out by Kanwal and Hameed (2017) in their study “The Relationship between Dividend Payout and Firm Financial Performance” examined the relationship between the dividend payout ratio and financial performance of the firm. They considered dividend payout as the ratio of dividend payment to shareholder by the organization from its net earning while they viewed the net profit after tax, return on equity and return on asset as measures of financial performance. In order to locate the association between dividend payout and financial performance, the five year data (2008 to 2012) of 20 Pakistani companies listed in Karachi stock exchange were collected. The correlation analysis and liner regression analysis method were used to find out the relationship between them. The result of their study showed that dividend payout has positive influence on financial performance of firms.

In the same vein, Khan, Nadeem, Islam, Salman, Muhammad, and Gill (2016) in their study titled the impact of Dividend Policy on Firm Performance: An empirical evidence from Pakistan Stock Exchange investigated whether the dividend policy makes an influence on the firm performance of companies listed on Pakistan Stock Exchange. They collected data from the reports of firms which are listed from 2010 to 2015. Ordinary Least Square (OLS) technique was used to estimate the regression analysis. Their findings showed that there is a positive relationship between return on assets, dividend policy and growth in sales.

Gwaya and Ishmail (2016) in their work: The Effect of Dividend Payout on Financial Performance among public limited companies in Kenya sought to examine how the dividend policies of selected public limited companies in Kenya affect their financial performance during the period of 2002 to 2011. An attempt was made to examine the nature and history of dividend policies adopted by the selected public limited companies, explain the meaning and types of dividend policies applied and examine the relationship between dividend policy and firms' financial performance. A causal research design was employed in their study and it involved examining the major factors and effects of the various dividend policies and how they affect

performance of public limited companies in Kenya. The findings of their research established that dividend policy of firms has effect on their subsequent financial performance.

In furtherance to the work of Gwaya and Ishmail (2016), Namachanja (2016) in her research work attempted to establish the impact of dividend policy on the financial performance of the ten (10) listed commercial banks in Kenya. The research used secondary data obtained from the banks' audited financial statements. Consequently, the data was analysed for the period of five years (2011 to 2015). The research was a census study and it adopted a descriptive design. The study adopted a research that aimed to determine the association between dividend policy and financial performance variables (Asset quality, capital adequacy, liquidity management and size). In the study, regression was used to show the effect of dividend per share, asset quality, capital adequacy, liquidity management and size on the financial performance and correlation analysis was employed to determine the association of the factors in the model. The research findings showed that total asset and capital adequacy had a weighty affirmative influence on the financial performance of the listed commercial banks while asset quality and dividend per share had no effect the return of assets of listed commercial banks. From the research findings, the study recommended that commercial banks and other sectors should invest in profitable assets that will yield higher returns in the future to enhance their financial performance and attract more profitable investments.

Soondur, Maunick and Sewak (2016) in their paper, Determinants of the Dividend Policy of Companies Listed on the Stock Exchange of Mauritius, explored the determinants of dividend policy of companies listed on the Stock Exchange of Mauritius. In order to attain the objectives of their study, a sample of 30 companies were selected and analysed from the Stock Exchange of Mauritius using the regression analysis. The fixed and the random effect model were conducted to determine the effects of earnings per share, net income, retained earnings, cash and debt to equity on the dividend policy of the listed companies operating in the Mauritian Stock Exchange and for this purpose, companies' annual reports for the period of 2009 to 2013 were used. Moreover, two measures of the dividend policy were considered namely the dividend per share and the dividend payout ratio. Their findings showed that there is a significant negative relationship between companies' dividend policy and their retained earnings. Furthermore, their results indicated that there is no meaningful connection between the dividend policy and a company's cash and debt to equity ratio.

Anton (2016) in his paper, the impact of dividend policy on firm value: a panel data analysis of Romanian Listed firms, aimed to investigate the impact of dividend policy on firm value. Their sample consisted of sixty-three non-financial firms listed on the Bucharest Stock Exchange over the period 2001-2011. Employing a fixed effects model, they found that dividend pay-out ratio positively influenced firm value after controlling for other firm-specific variables. Furthermore, leverage and firm size were found to have a positive effect on firm value.

Biza-Khupe and Themba (2016) in their research titled "The relationship between Dividend Payout and Firm Financial Performance: A study of Botswana Listed Companies" sought to further explore the subject matter of the association between dividend payout and firm performance specifically by testing the relationship between dividend payout and firm financial performance within the context of Botswana listed firms. The model used in their paper

incorporates net profits, systematic risk and total assets as the main variables. The regression analysis results found a positive relationship between dividend payout and firm profitability. The association of the variables of systematic risk and total assets to dividend payout was not supported statistically.

Uwalomwa (2012), in a research study to explore the association between the financial performance and dividend pay-out among listed firms' in Nigeria, used secondary data from annual reports of fifty sampled firms between year 2006 to 2010. He used regression analysis as a statistical technique method for analysing the collected data. The research study identified that there is a weighty affirmative association between the performance of firms and the dividend pay-out of the sampled firms in Nigeria and also established that ownership structure and firm's size has a substantial impact on the dividend pay-out of firms.

Enekwe, Nweze and Agu (2015) investigated the effect of dividend payout ratio on performance evaluation (ROCE, ROA and ROE) of quoted cement companies in Nigeria from 2003 to 2014. The researchers in their study found that independent variable (Dividend Payout Ratio) has positive relationship with as well as statistical effect on all the study's performance evaluation variables, that is, ROCE, ROA and ROE. Above all, it was recommended among other things that management of quoted cement companies in Nigeria need to improve on their various performance evaluation variables in order to enhance shareholder wealth as well as maximizing the value of the firms and more importantly attract more investors into the companies.

Kajola, Adewunmi and Oworu (2015) contributed to the on-going discourse on dividend policy in their work in which they examined the relationship between dividend payout and financial performance of selected non-financial firms listed on the Nigerian Stock Exchange. The study adopted a panel data methodology while a pooled Ordinary Least Squares was used to estimate the coefficients of both independent and control variables. The findings of the study revealed that dividend payout ratio has a positive and significant relationship with firms' performance. Furthermore, it was recommended that the management of various organisations should design a robust dividend policy that could encourage investments in projects that yield positive Net Present Value.

Akhigbe and Madura (2008) in their work - Dividend Policy and Corporate Performance - attempted to extend from previous research by measuring the long-term valuation effects following dividend initiations and omissions. They found that firms initiating dividends experience favourable long-term share price performance. Conversely, firms omitting dividends experience unfavourable long-term share price performance. The long-term valuation effects resulting from dividend initiations are more favourable for firms that are smaller, that overinvest, and that had relatively poor performance prior to the initiations. The long-term effects resulting from dividend omissions are more unfavourable for large firms and for firms experiencing relatively large dividend omissions.

Mehdi and Shahnza (2010) undertook a study with the aim to elaborate a model which would facilitate examination of the effects of dividends in relation to beta rate, size, price to earnings ratio, profitability, debt ratio and the rate of retained earnings. The population consisted of all

listed corporations on the Tehran Stock Exchange and 73 firms were sampled randomly. Secondary data was collected for the period from 2000 to 2008. Data collected was analysed using regression analysis. The study established that there is a linear association between dividend and profitability, that there is an inverse association of these variables with P/E, beta rate and debt ratio, and that there is no meaningful association between the dividend policy and rate of retained earnings and company size.

The relevance of dividend policy was affirmed in the study of Biza-Khupe and Themba (2016) where a statistically significant relationship was found between dividend payout and Net Operating Profit after Tax. Barron (2002) cited in Murekefu and Ouma (2012) posited that healthy dividend payout indicates that firms are generating real incomes rather than cooking book. This statement was further confirmed in the work of Zhou and Ruland (2006) where it was revealed that firms with high dividend payout stand to witness strong future earnings. Arnott and Asness (2003) in their study also maintain the position that the possibility of future earnings growth is associated with high dividend payout. Contrary to the above position, some other studies like Modigliani & Miller (1958) and Fersio, Geary & Moser (2004) are of the view that dividend policy is not relevant in determining the value or measuring performance of firms. They rather believe that substantial reinvestment of retained earnings (as against dividend payout) would enhance faster earnings growth in the future.

DATA AND METHODOLOGY

The Data

The data used in this study was extracted from the annual reports and accounts of ten (10) banks which are characterised by their listing on the floor of the Nigeria Stock Exchange and based on the data availability of the selected banks during the period (2011 – 2015) under study.

The Model

In order to capture the effect of dividend policy on the profitability of Nigerian banks, the model used for the study was adapted from the work of Akinleye and Ademiloye (2018) thus;

$$ROCE_{it} = \alpha_0 + \alpha_2DPS_{it} + \alpha_3DPR_{it} + \alpha_3DER_{it} + \mu_i$$

However, in line with the objective of our study, the estimation model is extended is modified thus;

$$PAT = f(DPR, DPS, TAS)$$

When the above model is specified in econometric format, the model becomes:

$$\text{LogPAT}_{it} = \beta_0 + \beta_1DPS_{it} + \beta_2DPR_{it} + \beta_3\text{LogTAS}_{it} + \mu_i$$

Table 3.1: Definition of variables

Variable Name	Description of Variable Name	Variable Type
LogPAT	Natural Logarithm of Profit After Tax	Dependent Variable
DPS	Dividend Per Share	Independent Variable
DPR	Dividend Payout Ratio	Independent Variable
LogTAS	Natural Logarithm of Total Assets	Control Variable

Where;

$\beta_0, \beta_1, \beta_2$ and β_3 = Constant and Coefficient of independent and control variables respectively

μ = Statistical Error Term

Subscript (i, t) = the value of the panel data variable "i" in year "t"

RESULTS AND DISCUSSION

Descriptive Statistics

As indicated in table 4.1 below, the mean value of profit after tax (PAT) of the 10 selected quoted money banks in Nigeria from 2011 to 2015 was ₦29,836,284.64, while, the median was ₦15,250,013.00. Zenith Bank Nigeria Plc recorded the highest annual profit after tax within the period of this study. The profit after tax of Zenith Bank Nigeria Plc in 2015, which was the highest among the selected banks, was ₦105, 663,000.00 while Unity Bank Plc had the lowest annual profit after tax of (₦22, 582,339.00) which was observed in 2013. Hence, table 4.1 revealed that there was a positive skewness of profit after tax (0.92) indicating that the degree of departure from symmetry of a distribution was positive.

Table 4.1: Descriptive Statistics of Variables

	PAT (₦)	DPS (₦)	DPR (₦)	Total Assets (₦)
Minimum	(22,582,339.00)	-	-	1,920,435.00
Maximum	105,663,000.00	1.75	1.67	4,006,842,000.00
Mean	29,836,284.64	0.42	0.39	1,368,625,097.34
Median	15,250,013.00	0.17	0.35	1,164,449,480.00
Skewness	0.923593226	1.454967	1.277419	0.760020733
Kurtosis	-0.304693487	0.897888	2.293638	-0.107244188
Std Deviation	35493917.49	0.555878	0.399854	991924682.7
Observations	50	50	50	50

Source: Authors' Computation

Correlation Matrix

Table 4.2 shows the level and track of relationship among the variables. No serious problem of multicollinearity exists as the reported correlation (as shown in table 4.2) among the variables does not reflect any evidence for multicollinearity.

Table 4.2: Pearson Correlation Matrix

	PAT	DPS	DPR	TOTAL ASSETS
PAT	1.0000			
DPS	0.7024	1.0000		
DPR	0.3818	0.4386	1.0000	
TOTAL ASSETS	0.8279	0.8030	0.2991	1.0000

Regression Results

From table 4.3, the R-squared, which is a statistical measure of how close the data are to the fitted regression line and also known as the coefficient of determination, stands at 30%. This means that 30% of the variability in the Profit after Tax (PAT), which is a measure of financial performance for the selected banks, is explained by the Dividend Per Share (DPS), Dividend Payout Ratio (DPR) and Total Assets (LogTAS). However, at the other end, it is also an indication that more than 70% of the variables that could influence changes in Profit after Tax are not captured in the model. Also, the probability value (0.0008) for the F-test of overall significance test is less than our significance level as it is significant at 5% ($P < 0.05$). Therefore, we conclude that our model provides a better fit than the intercept only model.

Table 4.3 Pooled Regression Estimate of Multiple Regression Model

Source	SS	Df	MS
Model	88.7312268	3	29.5770756
Residual	203.830247	46	4.43109232
Total	292.561473	49	5.97064232

Number of obs = 50
 F(1, 48) = 6.67
 Prob > F = 0.0008
 R-squared = 0.3033
 Adj R-square = 0.2579
 Root MSE = 2.105

Logpat	Coef.	Std. Err.	t	P > t	[95% Conf. Interval]	
Dps	.2505424	.6745219	0.37	0.712	-1.1072	1.608285
dpr	1.556312	.8364601	1.86	0.069	-.1273952	3.240019
logtas	1.961565	.5933576	3.31	0.002	.7671982	3.155932
_cons	-11.82136	5.286345	-2.24	0.030	-22.46222	-1.180498

Table 4.4 Summary of Coefficient Table for the Unadjusted & Adjusted Slope

Predictors	Unadjusted Slope	P-Value	Adjusted Slope	P-Value
dps	1.595575	0.010*	.2505424	0.712
dpr	.959326	0.276	1.556312	0.069*
logtas	1.854485	<0.001***	1.961565	0.002***

Note: *10% Significant. **5% Significant. ***1% Significant

Based on the results of the Multiple Regression Estimates (as presented in Table 4.3), and Summary of the Coefficient Table for the Unadjusted and Adjusted Slope (as presented in Table 4.4), the sign of the coefficient of dividend payout ratio (DPR) is positive. This means that a reduction in the dividend payout ratio of banks in Nigeria will lead to a corresponding decrease in the banks' profit after tax (LogPat) while an increase in their dividend payout ratio will lead to an increase in the banks' profit after tax. In terms of size, a 1% increase in dividend payout ratio of banks will lead to an increase of 9.59% in the profit after tax of banks. When the level of significance is considered, the probability value of dividend payout ratio stands at 0.276, which is higher than the benchmark of 5% level of significance. However, after adjusting for confounder (as presented in Table 4.3), the probability value of dividend payout ratio stands at 0.069 which is significant at 10% level of significance. Therefore, we failed to reject the alternative hypothesis which stated thus: there is a significant relationship between banks' dividend payout ratio and their profit after tax. This corroborates findings from Kajola et al (2018), Williams and Duro (2017), Enekwe *et al* (2015), Murekefu and Ouma (2012), Uwuigbe *et al* (2012). In these works it was reported that dividend payout ratio has a positive and significant relationship / association with firms' performance. However, in almost all the aforementioned studies, different variables were used to proxy performance. These include ROCE, ROE, ROA.

From the results of the multiple regression estimates (as presented in Table 4.3), and summary of the coefficient table for the unadjusted and adjusted slope (as presented in Table 4.4), the sign of the coefficient of dividend per share (DPS) is positive. This means that an increase in the value of dividend per share will lead to a corresponding increase in profit after tax (PAT) of the banks. However, in terms of the level of significance, whereas the probability value of the unadjusted slope stands at 0.010 which is significant at 5% level of significance, the probability value of the adjusted slope stands at 0.712. Therefore, we failed to reject the null hypothesis which stated thus: there is no significant relationship between banks' dividend per share and their profit after tax. This is in conformity with a priori expectation and also in line with works of Akinleye and Ademuloye (2018) where it was observed that dividend per share has an insignificant positive impact on firms' performance measured via ROCE. However, the findings of Williams and Duro (2017) was in contrary as it was reported in their work that dividend per share has a positive relationship with firms' performance measured with ROE.

As presented in Tables 4.3 and 4.4, which are the results of the multiple regression estimates and summary of the coefficient table for the unadjusted and adjusted slope respectively, the sign of the coefficient of the total assets (LogTAS) is positive. This means that an increase in total assets of the banks will lead to an increase in their profit after tax and a decrease in total assets will lead to a decrease in profit after tax. In terms of size, a 1% increase in total assets will lead to an increase of 1.85% in the profit after tax of banks. When the level of significance is considered the probability value of Total Assets stands at 0.001 and 0.002 respectively, which is less than the benchmark of 5% level of significance. Therefore, we failed to reject the alternative hypothesis which stated thus: there is a significant relationship between total assets and the profit after tax of banks in Nigeria.

CONCLUSION AND RECOMMENDATION

The study examined the effect of dividend policy on banks' profitability in Nigeria with the application of multi regression to data on ten (10) banks in Nigeria from 2011 to 2015. The study's findings revealed that dividend policy significantly affect banks' profitability in Nigeria. Also, it was found that dividend payout ratio, dividend per share and total assets have significant positive effects on Nigerian banks' profitability during the period sampled in this study.

However, when considering the level of significance, banks' dividend payout ratio and total assets have significant effect on the profit after tax of banks in Nigeria while it was reported that banks' dividend per share has no significant effect on their profit after tax.

Hence, owing to the study's findings, it is imperative for Nigerian banks to always find ways of increasing the percentage of distributable earnings being paid to the ordinary shareholders in the form of dividends as well as finding means of boosting their capital base in order to enhance and improve the profit after tax of the banks. On the other hand, the banks should be strategic in the determination of the amount of gross dividend being declared on every issued ordinary share ranking for dividend.

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