

## **EFFECT OF DIVIDEND POLICY ON SHAREHOLDERS WEALTH IN NIGERIA (1987 - 2016)**

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**ABSTRACTS:** *The study investigated the effect of dividend policy on shareholders wealth in Nigeria between 1987 and 2016. The study adopted market price per share as proxy for shareholders' wealth and the dependent variable; while dividend per share, earnings per share and net assets per share were used as proxies for dividend policy and the explanatory variables. Secondary time series data was collected from the annual reports of sampled 25 quoted companies for the period. The study employed descriptive statistics, the Augmented Dickey Fuller unit root test, the Johansen co-integration procedure and ordinary least squares technique based on the E-views software to examine the link between the variables. The results revealed that earnings per share and net assets per share had positive influence on market price per share, but dividend per share had negative effect on market price per share. The study also found that the predictor variables had combined effect on market price of shares, but none of them had direct independent influence in determining the price of the stock in the market. The study therefore concludes that dividend pay-out policy does not have effect on shareholders' wealth and shareholders do not react to dividend information. Based on this finding, the study recommends that firms operating within this environment should place down on the distribution of earnings as dividend but rather focus more on the investment of retained earnings for the expansion of the business to boost growth in earnings and net assets.*

**KEYWORDS:** Dividend Policy, Shareholders' Wealth, Earnings, Market price, Net assets

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### **INTRODUCTION**

Shareholders' wealth maximization is considered the main objective of any business organization. Therefore any study looking at the link between dividend policy and shareholders' wealth should be able to address the question whether the dividend policy implemented by a company would have positive effect on shareholders' wealth. Numerous literatures abound on the relevance of dividend policy on financial decisions of firms. This value-relevance proposition of dividend policy has been in the forefront of financial research since the pioneering work of Miller-Modigliani (Travlos, Trigerorgis & Vafeas, 2001). The Miller and Modigliani (1961) work argue that, in a perfect world, the value of the firm is unaffected by its dividend decisions, so there should not be any wealth effect upon the announcement of a change in dividend pay-out policy.

But it is well known that stock prices generally move in the direction of the dividend change. To many scholars, explaining dividend policy has been one of the most difficult controversies of the three issues of long term financial decisions making (Kouki & Guizani, 2009). But

despite the numerous published theoretical and empirical studies, we are yet to understand completely the factors that explain a firm's dividend pay-out policy. The usefulness and justification of the dividend policy therefore constitutes one of the most debated topics in financial theory (Black & Scholes, 1974). To many, it is a fact that the more one looks at the dividend picture, the more it seems like a puzzles that don't fit altogether (Black, 1976).

A number of researches provide theoretical as well as empirical evidence on different aspects of dividend policy but a lot of issues are still unresolved. Among these are issues related to wealth effect of dividend pay-out policy and the explanations on them. Most of these empirical works have therefore tried to explain this value-relevance nexus for the dividend policy. Studies conducted by Bhattacharya (1979), and Miller and Rock (1985) have posited the presence of the signalling-effect hypothesis; that is, there exists asymmetric information between managers and shareholders as the factor that brought about the effect of dividend policy on financial decisions. Jensen (1986) in his agency theory, also known as overinvestment hypothesis, provided an alternative explanation for this positive relationship between the direction of the dividend change and the stock price reactions. Other hypotheses include the dividend clientele hypothesis which explains the effect of ownership concentration and tax pay-out ratio on dividend policy.

There have been mixed results from previous researches conducted on the effect of dividend policy on shareholders wealth. These mixed findings in past empirical studies on the topic indicate the existence of a research gap. Therefore, this study was aimed at investigating the effect of dividend policy on shareholders' wealth in Nigeria as a contribution to fill this gap. The study adopted market price per share (MPS) as proxy for shareholders' wealth and the dependent variable, while dividend per share (DPS), earnings per share (EPS), and net assets per share (APS) are the explanatory variables and proxies for dividend policy. The study was designed in more specific terms to: examine the effect of DPS on MPS; investigate the effect of EPS on MPS; and determine the effect of APS on MPS. These objectives formed the basis of the research questions addressed and hypotheses tested in this study.

This paper is divided into five parts. The background introduction is dealt with in part one, which is followed by the review of past empirical literature in part two. Part three deals with the methodology of the study, while the results of analysis and discussions are presented in part four. Finally, the conclusion and recommendations are covered in part five.

## **REVIEW OF PAST EMPIRICAL LITERATURE**

This section presents the review of previous studies carried out linking shareholders' to dividend policy in some developed and developing countries, to provide the foundation for this study to examine the effect of dividend policy on shareholders' wealth in Nigeria.

Chenchehene and Mensah (2015) investigated the effect of dividend policy on shareholders' wealth in the UK for the period from 2004 to 2008. Secondary data was collected for the study variables such as earnings, share price, firm size, and dividend pay-out ratio among others from the sampled 25 retail companies. The study employed the pooled ordinary least squares and random effect estimation techniques as the methods of data analysis. The results indicated that dividend policy had positive effect on shareholders' wealth. Based on their findings the study recommended among others that managers of firms and shareholders should have consensus

on matters regarding dividend policy. In a similar study, Sijol and Basit (2016) examined the impact of dividend policy on shareholders' wealth covering the period 2011 to 2015 in the US. The study adopted dividend pay-out ratio and dividend yield ratio as proxies for dividend policy, while proxies for shareholders' wealth included earnings per share, market price per share and return on equity. Data was collected from a sample of 300 manufacturing companies listed on the NASDAQ Stock Exchange for the period. The study employed descriptive statistics and regression techniques based on the E-views software as methods of data analysis. The findings of the study revealed mixed results.

Khan and Khan (2011) conducted research on the link between dividend policy and shareholders' wealth. The purpose of the study was to determine the effect of dividend policy on shareholders wealth. The sample in their study was 131 companies listed at Karachi Stock Exchange for a period of 10 years from 2001 to 2010. Panel data approach was used to measure the relation between dividend policy and shareholders wealth. In the study stock price volatility was adopted as the dependent variable which was calculated by using Parkinson method of extreme values. Retention ratio, stock dividend per share, earning per share, net profit after tax and return on equity were used as the independent variables. The results of this study showed that the stock dividend, earnings per share, profit after tax, retention ratio and return on equity had negative effect on stock prices. The overall conclusion of the study was that dividend policy has insignificant negative effect on stock prices. Also, Salman (2013) examined the effect of dividend policy on shareholders' wealth in the sugar industry of Pakistan based on a sample of 33 firms listed on Karachi Stock Exchange. Data was collected for a period of six years ranging from 2006 to 2011. Descriptive statistics and regression techniques were employed for analysing the study variables: dividend per share, earnings per share, lagged market price per share, price earnings ratio, and retained earnings as predictor variables; and market price per share (MPS) as response variable. The study showed that DPS, EPS, Lagged MPS, and Lagged PER had significant positive relationship with shareholders'.

Similarly, Alim et al (2014) examined the impact of dividend policy on shareholders' wealth in Pakistan for the period 2001 to 2010. The study variables include market price per share (the dependent variable and proxy for shareholders' wealth), dividend per share and earnings per share among others as determinants of dividend policy and the independent variables. Secondary data obtained from a sample of 50 textile companies listed on the Karachi Stock Exchange were analysed using descriptive statistics and multiple regression technique. Based on the results of their analysis, the study concluded that dividend policy had positive impact on shareholders' wealth. Also, Tahir and Raja (2014), in their study linking dividend policy and shareholders' wealth in the oil and gas sector of Pakistan during the years 1999 to 2006, used regression and correlation techniques to ascertain the best fitted model between the variables. They adopted dividend pay-out ratio, price earnings ratio and book value to market value of equity ratio as the predictor variables, while holding period yield was used as the response variable. The result showed a correlation between the predictor variables and response variable for all the firms. The oil and gas industry of Pakistan paid dividend on regular basis, but there was uncertainty in the stock market leading to inefficient and unstable holding period returns due to share price fluctuations. However, the study proved that dividend pay-out ratio had insignificant relationship with holding period yield.

In another study Ansar, Butt and Shah (2015) examined the relationship between dividend policy and shareholders' wealth in Pakistan using market price per share as proxy for shareholders' wealth (the dependent variable), while dividend per share, retained earnings and

return on equity the independent variables and proxies for dividend policy. They employed descriptive statistics and multiple regression techniques for the analysis of 2007 to 2011 time series data compiled from the annual reports of sampled Karachi Stock Exchange listed companies. The results indicated strong positive relation between shareholders' wealth and dividend policy. Also, Farrukh et al (2017) investigated the impact of dividend policy on shareholders' wealth and firm performance in Pakistan. The study adopted dividend per share and dividend yield as proxies for dividend policy; earnings per share and share price as proxies for shareholders' wealth; and return on equity as proxy for firm performance. Data from a sample of 51 listed companies covering a period of 10 years (2006 to 2015) were analysed using descriptive statistics and simple regression techniques. The findings of the study revealed that dividend policy had significant positive impact on firm performance and shareholders' wealth. Based on their finding the study recommended that the authorities put in place regulatory framework to compel firms to set and implement effective dividend policies to ensure stable growth in shareholders' wealth and firm performance in Pakistan.

Azhagaiah & Sabaripriya (2008) conducted a study on the impact of dividend policy on shareholder wealth in South India. Secondary data used for their study was collected from a sample of 28 chemical companies out of the 114 listed on the Bombay Stock Exchange for the period from 1997 to 2006. using multi stage random sampling techniques for period of 1997 to 2006. Multiple and stepwise regression techniques were used for data analysis. Dividend per share, retained earnings per share, lagged price earnings ratio and lagged market price were adopted as the independent variables, while market price per share the dependent variable. There was a significant impact of dividend policy on shareholders' wealth in organic chemical companies, but shareholders' wealth was not influenced by dividend pay-out as for the inorganic chemical companies. In another study, Bawa and Kaur (2013), examined the impact of dividend policy on shareholders' wealth in the Information Technology sector in India. Using a sample of 308 firms listed on the National Stock Exchange and the Bombay Stock Exchange. The predictive variables include dividend per share, retained earnings per share, lagged price earnings ratio and lagged market price per share, while market price per share was used as response variable. Panel data analysis methods were applied to study the impact of DP on market value of equity. The results showed that in the long run, shareholders' wealth of dividend-paying IT firms increased significantly when compared to the non-dividend-paying IT firms.

Similarly, GejaLakshmi and Azhagaiah (2015) examined the impact of dividend policy on shareholders' wealth in India using a sample of 13 listed firms in the consumer goods sector. The study adopted earnings per share as the dependent variable representing shareholders' wealth, while some of the explanatory variables included dividend per share and lagged market value. Secondary data from the sampled firms for the period 2003 to 2013 were analysed using descriptive statistics, ordinary least squares technique, Augmented Dickey Fuller test and Breuch-Godfrey LM correlation test. The findings showed that dividend policy had significant positive effect on shareholders' wealth before and after the global financial melt-down. Also, Khan and Qureshi (2018) investigated the impact of dividend policy on shareholders' wealth based on a case study of 2 automobile companies in India. These two companies selected for the case study represented the biggest and smallest of the top 10 automobile manufacturers in India. The variables they examined include dividend pay-out ratio, long term debt ratio, profitability, liquidity and earnings per share (proxy for shareholders' wealth). Secondary data compiled from the annual financial statements of the selected companies covering the period 2011 to 2017 were analysed using multiple regression techniques. The found mixed and

inconsistent results: dividend policy had significant impact on shareholders' wealth for Tata Motors; but for Force Motors dividend policy had insignificant impact on shareholders' wealth.

In Sri Lanka, Kumaresan (2014) studied the impact of dividend policy on shareholders' wealth using top 10 listed hotels and travels firms during the period from 2008 to 2012. Shareholders' wealth represented by earnings per share was used as the response variable, while predictor variables include return on equity, dividend pay-out ratio, dividend per share and retention ratio. The study used correlation and regression techniques to analyse the data collected from the sampled firms. The study found that there was a positive relationship between return on equity, dividend per share, dividend pay-out ratio and shareholders' wealth, but retention ratio was a negatively related to shareholders' wealth in Sri Lanka. Mokaya, Nyang'ara and James (2013) examined the effect of dividend policy on shareholders' wealth in the banking industry of Kenya. Dividend policy was represented by dividend pay-out ratio while market price per share proxy for shareholders' wealth. Data was collected through the administration of a structured questionnaire on a sample of 100 respondents from a population of 47000 shareholders. Market price per share was the dependent variable and dividend pay-out ratio the independent variable. Descriptive and inferential statistics were used to determine and explain the relationship between the variables. They found that the National Bank of Kenya's dividend policy was the major factor driving NBK share value in the market, as the study showed that an increase in dividend pay-out ratio resulted to an increase in the share price.

In Nigeria, Ayunku and Etale (2016) examined the relationship between dividend pay-out policy and firm performance for the period from 2002 to 2012. The study adopted dividend per share as the dependent variable and proxy for dividend policy pay-out policy, while earnings per share and profit after tax the independent variables proxy for firm performance. Secondary data for the variables were collected from the Nigerian Stock Exchange fact book for the study period. Methods of data analysis included descriptive statistics, ordinary least squares, generalized least squares and Hausman random specification tests. The results showed positive association between profit after tax and dividend per share, but earnings per share had a negative link with dividend per share. Also, Etale and Bingilar (2016) investigated the impact of cash flow on stock (share) prices in the banking sector of Nigeria for the period from 2005 to 2014. The study adopted market price per share as the dependent variable and proxy for stock price, while the independent variables included cash flow per share ratio, cash flow to total assets ratio and dividend to operating cash flow ratio. Secondary data collected from the annual reports of 10 banks listed on the Nigerian Stock Exchange were analysed using multiple regression technique based on windows SPSS 20 version. The results revealed that cash flow had significant impact on stock price. The study therefore recommended that cash flow should be viewed as an important factor to consider in making investment decisions.

## **METHODOLOGY**

This part of the paper presents the methodology adopted for this this study, covering the research design, source of data and data analysis techniques. The study adopted an ex-post facto research design as it depended on already existing data which the researchers lack the power to manipulate. The study adopted market price per share (MPS) as proxy for shareholders' wealth and the dependent variable, and dividend per share (DPS), earnings per share (EPS) and net assets per share (APS) as proxies for dividend policy and independent



variables. The study therefore examined the effect of DPS, EPS and APS on MPS using time series data covering a period of 30 years from 1987 to 2016.

The study used secondary data obtained from the annual reports of a sample of twenty five companies quoted on the Nigerian Stock Exchange for the period 1987 to 2016. The twenty five companies were randomly selected based on the availability data relevant for the study variables.

### Techniques for data analysis

The study employed descriptive statistics, Augmented Dicker Fuller unit root test, Johansen co-integration test and the ordinary least squares regression technique based on the E-views software as methods of data analysis for predicting the dividend policy effect on shareholder's wealth. The significance of various explanatory variables has been tested by computing t-values. To determine the proportion of explained variation in the dependent variable, the coefficient of determination  $R^2$  has been worked out. The significance of  $R^2$  has also been tested with the help of f-value.

### Model Specification

To facilitate the analysis of data for the study, a regression model of the following order which has been widely used by several researchers such as (Azhagaiah & Sabaripriya, 2008) and (Etale & Bingilar, 2016) was adapted and modified for use. Azhagaiah and Sabaripriya, for instance had used this model to study the impact of dividend policy on shareholders' wealth in India.

The model is stated thus:

$$MPS = f(DPS, EPS, APS)$$

The above model was translated into an econometric equation as stated below:

$$MPS = \beta_0 + \beta_1 DPS + \beta_2 EPS + \beta_3 APS + \mu \quad (1)$$

Where,

$MPS$  = Market price per share

$DPS$  = Dividend per share

$EPS$  = Earnings per Share

$APS$  = Net Asset per Share

$\beta_0$  and  $\mu$  are the constant and error term respectively, while  $\beta_1$  and  $\beta_2$  and  $\beta_3$  are the coefficients of independent variables to be determined.

**RESULTS OF DATA ANALYSIS AND DISCUSSIONS****Descriptive Statistics****Table 4.1: The Descriptive Statistics**

	MPS	DPS	EPS	APS
Mean	5.138190	75.68479	6.587155	13.18276
Median	4.887400	78.48770	4.076800	13.70000
Maximum	33.73580	228.6423	20.85860	14.20000
Minimum	10.75170	2.062700	1.076600	8.600000
Std. Dev.	7.704120	64.03453	6.478485	1.345381
Skewness	1.442398	0.505305	0.679157	-2.375729
Kurtosis	8.342689	2.614791	2.137857	7.447787
Jarque-Bera	44.54687	1.413411	3.127540	51.18399
Probability	0.000000	0.493267	0.209345	0.000000
Observations	30	30	30	30

Source: E-views output

The descriptive statistics variables of the study shown on Table 4.1 above indicates that market price per share (MPS) has mean of 5.13 with minimum and maximum values of 10.75 and 33.73 respectively. However, the standard deviation is 7.70 indicating high variation in the market price per share (MPS) in Nigerian economy. This means that the Nigerian financial market is relatively unpredictable and risky. This is capable of discouraging investment in the financial market. Dividend per share (DPS) has mean of 75.68 with minimum and maximum values of 2.06 and 228.64 respectively. However, the standard deviation is 64.03. Earnings per share (EPS) has mean of 6.58 with minimum and maximum values of 1.07 and 20.85 respectively. However, the standard deviation is 6.47. But net assets per share (APS) has mean of 13.18 with minimum and maximum values of 8.60 and 14.20 respectively. However, the standard deviation is 64.03.

**Unit Root Tests Results**

It is almost a convention in time series analysis, to verify the order of integration for each series to avoid the problem of spurious regression. The enquiry into stationarity property of each variable is conducted using Augmented Dickey-Fuller (ADF) unit root test. The decision rule is that Augmented Dickey Fuller (ADF) test statistics must be greater than Mackinnon Critical Value at 5% and in absolute term, that is, ignoring the negative value of both the ADF test statistics and Mackinnon critical values, before the variable is adjudged to be stationary. Otherwise we accept the null hypothesis (Ho) that data is non-stationary and reject the alternate hypothesis (H1) that data is stationary.

**Table 4.2 Result of ADF Unit Root Test**

Variables	ADF Test Statistics Value	5% McKinnon Critical Value	Decision Rule HI	Remarks
<b>MPS</b>	-2.675452	-3.0114	Reject	Non-stationary
<b>DPS</b>	-2.245702	-3.0113	Reject	Non-stationary
<b>EPS</b>	-2.322456	-3.0113	Reject	Non-stationary
<b>APS</b>	-2.735910	-3.1310	Reject	Non-stationary

Source: Author's computation based on E-views output

From the result in table 4.2 it is clear that all the variables have ADF test statistics value less than the Mackinnon critical value both in absolute terms and at 5% level before differencing. Therefore, to ensure the stationarity of data for these variables, there is need to further test for stationarity at first difference. The result of first difference ADF unit root test is presented in table 4.3 below:

**Table 4.3**

<b>Variables</b>	<b>ADF Test Statistics</b>	<b>5% McKinnon</b>	<b>Decision Rule</b>	<b>Remarks</b>
	<b>Value</b>	<b>Critical Value</b>	<b>HI</b>	
<b>MPS</b>	-3.345776	-3.0199	Accept	Stationary
<b>DPS</b>	-4.33217	-3.0199	Accept	Stationary
<b>EPS</b>	-4.65789	-3.0199	Accept	Stationary
<b>APS</b>	-4.23054	-3.0199	Accept	Stationary

Source: Author's computation based on E-views output

From the result in table 4.3, it could be seen that all the variables were stationary at first difference. We therefore reject the null hypothesis because their respective ADF test statistics values are greater than MacKinnon critical values at both in absolute terms and at 5% level. The order of integration for all the variables were therefore is 1(1).

### Summary of Order of Integration

<b>Variable</b>	<b>Order of Integration</b>
MPS	1(1)
DPS	1(1)
EPS	1(1)
APS	1(1)

### Testing for Co-Integration

With the results of the above unit-root tests suggesting that all the variables are stationary of the order 1(1), we move a step further to employ the Johansen co-integration procedures to test for co-integration among the variables. The Johansen methodology is a generalization of the Dickey-Fuller unit root test. Two likelihood ratio tests (trace and maximum eigenvalue) were used to test the hypotheses regarding the number of co-integrating vectors.

**Table 4.4 Result of Johansen Co-integration**

<b>Eigen Value</b>	<b>Likelihood ratio</b>	<b>5% Critical value</b>	<b>1% Critical value</b>	<b>Hypothesized No. of CE(s)</b>
0.925435	124.3875	92.18	101.09	None**
0.502314	18.57445	27.34	34.02	At most 2*
0.233457	6.543293	16.90	20.87	At most 3*
0.012341	0.387546	3.55	6.89	At most 4*

\*(\*\*) denotes rejection of the hypothesis at 5% (1%) significance level

L.R test indicates 2 co-integrating equation(s) at 5% significance level

Source: Author's computation based on E-views output



The result of the Johansen co-integration test shows that co-integration (long run relationship) exist among the dependent variable (MPS) and the independent variables (DPS, EPS and APS). This can be inferred from the fact that the critical value at 5% level is less than the likelihood ratio. We therefore, reject the hypothesis of no co-integration at 5% significance level.

### The Ordinary Least Square Regressions

In this section, we will test the significance of the independent variables in explaining the effect of dividend policy on shareholders wealth in Nigeria

**Table 4.5 Ordinary Least Square Regressions (Dependent variable: MPS)**

Variable	Coefficient	Std. Error	t-Statistic	Prob
Constant	15.73210	5.435635	1.543973	0.0003
MPS	-0.145270	-0.695746	0.208798	0.8381
EPS	1.342700	-0.099069	1.339468	0.2052
APS	1.668951	0.991508	-1.683245	0.1181
R-squared	0.909033	Mean dependent var		6.897917
Adjusted R-squared	0.898550	S.D. dependent var		1.094669
S.E. of regression	0.601022	Akaike info criterion		2.096940
Sum squared resid	4.334733	Schwarz criterion		2.444891
Log likelihood	-12.92093	F-statistic		7.951898
Durbin-Watson stat	1.068708	Prob(F-statistic)		0.001265

Source: Authors' computation with E-View Software

From the above regression coefficients, we can express the model (short-run) as follows:

$$\text{MPS} = 15.7321 + 1.6689\text{APS} + 1.3427\text{EPS} - 0.1453\text{DPS} + 0.601$$

From the results of the OLS, it is obvious that the constant parameter (Bo) is positive at +15.7321. This means that if all the independent variables are held constant, MPS as a dependent variable will grow by 15.7321 units in annual-wide basis.

For net assets per share, the coefficient of APS is +1.668951. This means that there is positive relationship between net asset per share and MPS. In the short run, a unit increase in net asset per share (APS) will cause MPS to increase by 1.668951 units. The coefficient of earnings per share (EPS) is positive at +1.3427. This means that there is a positive relationship between earnings per share (EPS) and MPS. A unit increase in earnings per share will lead to 1.3427 units increase in MPS. This result is in line with a priori expectation. Therefore, earnings per share and net assets per share has positive influence on market price per share; meaning that growth in earnings and net assets would have positive effect on shareholders' wealth in Nigeria.

But, the coefficient of dividend per share (DPS) is negative at -0.14527. This means that in the short run, dividend per share (DPS) is inversely related to MPS. A unit increase in dividend per share (DPS) will lead to a decrease in MPS by 0.14527 units. The negative effect of dividend per share on market price per share as shown in the results of the analysis means that the payment or announcement of has no influence on shareholders' wealth. This finding aligns with Modigliani-Muller argument and is consistent with the findings of Adesola and Okwong (2009) that share market price is a representation of market valuation of dividend.

This result is contrary to the priori expectation. Above all, the coefficient of multiple determinations, denoted as ( $R^2$ ) is 0.909033 or approximately 91%. This means that 91% of total variation in MPS can be explained by the exogenous variables namely DPS, EPS and APS while the remaining 9% is due to other stochastic variables. The Durbin-Watson statistics at 1.068708 is below the critical threshold; this means the model is free from autocorrelation.

## CONCLUSION AND RECOMMENDATIONS

### Conclusion

The study investigated the effect of dividend policy on shareholders wealth in Nigeria between 1987 and 2016. The study adopted market price per share as proxy for shareholders' wealth and the dependent variable; while dividend per share, earnings per share and net assets per share were used as proxies for dividend policy and the explanatory variables. Secondary time series data was collected from the annual reports of sampled 25 quoted companies for the period covered by the study based on availability of data. The study employed descriptive statistics, the Augmented Dickey Fuller unit root test, the Johansen co-integration procedure and ordinary least squares technique based the E-views software to examine the link between the variables.

The result of the study indicates that there is a dynamic long-run association between the variables. The result of the ordinary least square indicates that most of the variable except dividend per share had significant positive relationship with market price per share. The result also indicates that net asset per share, earnings per share and dividend per share has combined effect on market price of shares but none of these variables has direct independent influence in determining the price of the stock in the market.

The coefficient of determination ( $R^2$ ) is 0.912439, which is approximately 91%, means that 91% of total variations in the value of market price per share can be explained by changes in the values of the independent variables, while the remaining 9% is due to other stochastic variables that were not captured in the model. Also, the adjusted  $R^2$  value of 0.89855 (or approximately 89%) indicates that the model was a proper and good fit in explaining the link between the variables. The study therefore concludes that dividend pay-out policy does not have effect on shareholders' wealth and shareholders do not react to dividend information.

### Recommendations

Based on these findings, the study therefore recommends that firms operating under this environment should place down on the distribution of earnings as dividend but rather focus more on retaining earnings for future investments and expansion of the business to boost growth in earnings and net assets. The firms operating under this environment should ensure the application of "shareholders value approach" to estimate the economic value of an investment by discounting forecasted cash flows by the cost of capital. This is to ensure that the level of dividend payments should be determined by shareholders preference and implemented by the representative of management. Organizations should ensure that they have a good and robust dividend policy in place and there should be compliance. Finally, a more stringent level condition should be established to compel directors to invest only in profitable ventures, and report the utilization of retention earnings through notes to the accounts.

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