

**EVALUATION OF FINANCIAL PERFORMANCE MEASURES AS DETERMINANTS OF
DIVIDEND POLICIES IN NIGERIA BANKING INDUSTRY**

EKECHUKWU CHIJOKE

Banking and Finance Department, Faculty of Management Sciences
Enugu State University of Science and Technology
Enugu, Nigeria.

ONU, DOMINIC CHIKWELU

Banking and Finance Department, Faculty of Management Sciences
Enugu State University of Science and Technology
Enugu, Nigeria.

MBAH PAULINUS CHIGOZIE

Business Administration Department, Faculty of Management Sciences
Enugu State University of Science and Technology,
Enugu, Nigeria.

Abstract

In this research work titled “Evaluation of financial performance measures as determinants of dividend policies in Nigeria Banking industry”. The researcher examined the relationship between Net profit margin and dividend per share of selected Nigerian banks. Evaluates the relationship between profit after tax and dividend per share of Nigerian banks. Examined the relationship between retained earnings and dividend per share of Nigerian banks. The researcher made use of only secondary data from six years annual report and accounts of the two quoted bank (Access bank Plc and Guaranty Trust Bank Plc) listed on the Nigeria stock exchange were collected and regression analysis was utilized in the data analysis. The researcher found out that The researcher found out that there is significant relationship between net profit margin and dividend per share of selected Nigerian banks. It was also discovered that there is significant relationship between profit after tax and dividend per share of Nigerian banks. The researcher equally found out that there is relationship between retained earnings and dividend per share of Nigerian banks. Based on the findings the researcher recommends that Organizations should ensure that they have good and robust policies in place. This will enhance their profitability and attract investments to the organizations. Directors of corporate organizations should be made to update the records of shareholders including their next-of-kin to avoid a deliberate diversion or undue retention of unclaimed dividend warrants. Due procedures for the recognition and utilization of profit arising from investment of unclaimed dividend should be effected and properly accounted for.

Keywords: Evaluation, Financial Performance Measures, Determinants, Dividend Policies, Nigeria Banking Industry

1.1 Introduction

So many factors affect the performance of corporate organizations and one of those factors is dividend policy. Dividend policy serves as a mechanism for control of a managerial opportunism. Empirical studies show that firms in developing Countries (e.g. Nigeria) smooth on their income and therefore, their dividends. The pattern of corporate dividend policies not only varies over time but also across countries, especially between developed, developing and emerging Capital markets. If the value of a company is the function of its dividend payments, dividend policy will affect directly the firm's cost of capital (Aggarwal, 2016).

In evaluating Corporate Performance, the emphasis is on assessing the current behavior of the organization in respect to its efficiency and effectiveness. To measure overall corporate performance goals are set for each of these perspectives and specific measure for achieving such goals are determined. Each of these perspectives is critical and must be considered simultaneously, to achieve overall efficiency and effectiveness, and to succeed in the long-run. If any area is either over-emphasized or underemphasized, performance evaluation will become 'unbalanced'. In this way, the aim of the concept is to establish a set of measures both financial and non-financial, through which, a company can control its activities and balance various measures to effectively track performance (Arriff, & Johnson, 2017).

1.2 Statement of the problem

The existence of some share price reactions on dividend announcement prompts an analysis of the evidence for both shareholder clienteles and possible interaction of firms' dividend policies with key activities such as internal investments. An aspect of the theory of dividend policy is part of a continuum of control allocations between managers and investors, and hence cross-sectional variations in dividend policy are driven by an underlying factor.

The allocation of controls between the manager and investors is important not because of agency or private information problems, but because of its potentially divergent beliefs that can lead to a disagreement about the value of project available to the firm. This underlying factor is "Corporate Performance". 'Corporate performance is at the heart of the managerial function of an organization'. Analysis of corporate performance is mainly concerned with the development of a modeling methodology to help in the diagnosis of past performance and thus provide a framework for evaluating the effect of changes in operating parameters as a guide for future planning. The performance of an Organization is measured by the choice of the management form of wealth to be held. If the performance of an organization is good there will be little or no disagreement between the management and the shareholders.

The major factor that necessitated this research work is that previous studies has shown that the financial performance of Nigerian banks are very poor when compared with their counterpart in other developed countries, as a result of this the researcher tends to examine the relationship between financial performance measures and determinants of dividend policies in Nigeria Banking industry.

1.3 Objective of the study

The aim of this research work is to evaluate the financial performance that measures and determine dividend policies in Nigeria Banking industry with particular reference to two selected banks in Enugu metropolis. The specific objectives of this research work include the following;

1. To examine the relationship between net profit margin and dividend per share of selected Nigerian banks.
2. To evaluate the relationship between profit after tax and dividend per share of Nigerian banks.
3. To examine the relationship between retained earnings and dividend per share of Nigerian banks.

1.4 Research Questions

The researcher developed the following research questions;

1. What is the relationship between Net profit margin and dividend per share of selected Nigerian banks?
2. Is there any relationship between profit after tax and dividend per share of Nigerian banks?
3. What is the relationship between retained earnings and dividend per share of Nigerian banks?

1.5 Research Hypotheses

1. There is no relationship between net profit margin and dividend per share of selected banks in Nigeria.
2. There is no relationship between profit after tax and dividend per share of Nigerian banks.
3. There is no relationship between retained earnings and dividend per share of Nigerian banks.

1.6 Significance of the study

This research work will be of immense help to the researcher as it will help him to know more on the financial performance measures and determinants of dividend policies in Nigerian banking industry. It will also be of great importance to Nigerian banks as it will enrich their knowledge on the benefits and usefulness of dividend policies and other financial variables on their performance.

This study will be of great importance to the students and other researchers since it will serve as a reference point for the upcoming researchers. Finally, this study will be of great importance to the general public as it will help the policy makers to enact laws that will guide dividend policies in the country, Nigeria.

2.0 Review of Related Literature

2.1 Conceptual frame work

2.1.1 Net profit Margin

In the view of Arriff, & Johnson (2017) net profit margin is the percentage of revenue left after all expenses have been deducted from sales. The measurement reveals the amount of profit that a business

can extract from its total sales. The net sales part of the equation is gross sales minus all sales deductions, such as sales allowances. The formula is:

$$(\text{Net profits} \div \text{Net sales}) \times 100 = \text{Net profit margin}$$

Arriff, & Johnson (2017) further states that net profit margin is the ratio of net profits to revenues for a company or business segment. Typically expressed as a percentage, net profit margins show how much of each dollar collected by a company as revenue translates into profit. The equation to calculate net profit margin is: net margin = net profit / revenue.

Net margins vary from company to company, and certain ranges can be expected in certain industries, as similar business constraints exist in each distinct industry. Low profit margins don't necessarily equate to low profits.

2.1.2 Profit after Tax

Bebczuk, (2014) opined that profit after tax is the net amount earned by a business after all taxation related expenses have been deducted. The profit after tax is often a better assessment of what a business is really earning and hence can use in its operations than its total revenues.

Profit after tax (PAT) is the net profit earned by the company after deducting all expenses like interest, depreciation and tax. PAT can be fully retained by a company to be used in the business. Dividends, if declared, are paid to the shareholders from this residue. It Net profit after tax (NPAT) is a company's potential cash earnings if its capitalization were unleveraged – that is, if it had no debt. NPAT is frequently used in economic value added (EVA) calculations. NPAT is a more accurate look at operating efficiency for leveraged companies, and it does not include the tax savings many companies get because of existing debt (Bebczuk, 2014).

Analysts look at many different measures of performance when assessing a company as an investment. The most commonly used measures of performance are sales and net income growth. Sales provide a top-line measure of performance, but they do not speak to operating efficiency. Net income includes operating expenses, but also includes tax savings from debt. Net operating profit after tax is a hybrid calculation that allows analysts to compare company performance without the influence of leverage. In this way, it is a more accurate measure of pure operating efficiency (Bhojraj&Sengupta2014).

2.1.3 Earnings per Share

In the view of Arriff & Johnson, (2017) earnings per share "represent the amount of profit the company has earned during the year for each ordinary share.

Aggarwal, (2016) explained earnings per share mathematically as net profit after tax divided by number of common shares outstanding (Net profit after tax / No of ord. shares outstanding).

He noted that the value of a firm depends to a large extent on its earnings and also dividend paid. So we can understand earnings per share as net profit available after paying related taxes by the business

and which are then shared (divided) to the number of common shares owned by shares holders. It is what each common or ordinary share holder receives out of the total net earnings (less tax) of the business within the specified year.

2.1.4 Retained Earnings

Chirinko & Philips (2018) are of the view that retained earnings refer to the percentage of net earnings not paid out as dividends, but retained by the company to be reinvested in its core business, or to pay debt. It is recorded under shareholders' equity on the balance sheet. The formula calculates retained earnings by adding net income to, or subtracting any net losses from, beginning retained earnings, and subtracting any dividends paid to shareholders.

Retained Earnings (RE) = Beginning RE + Net Income - Dividends, also known as the "retention ratio" or "retained surplus." In most cases, companies retain earnings in order to invest them into areas where the company can create growth opportunities, such as buying new machinery or spending the money on more research and development. Should a net loss be greater than beginning retained earnings, the retained earnings can become negative, creating a deficit. The retained earnings general ledger account is adjusted every time a journal entry is made to a revenue or expense account (Miller & Modigliani, 2016).

Miller & Modigliani (2016) states that retained earnings are reported at the end of an accounting period as the accumulated amount of a company's prior earnings, net of dividends. They can show positive earnings accumulation or can turn negative and have a deficit if a current period's net loss exceeds the period's beginning retained earnings. Even though changes in retained earnings during each accounting period are not explicitly reported, they can be inferred by comparing the amounts of beginning and ending retained earnings of the period. An increase or decrease in accumulated retained earnings during an accounting period is the direct result of the amounts of net income or loss and dividend payouts for that period.

The retained earnings of a corporation is the accumulated net income of the corporation that is retained by the corporation at a particular point of time, such as at the end of the reporting period. At the end of that period, the net income (or net loss) at that point is transferred from the Profit and Loss Account to the retained earnings account. If the balance of the retained earnings account is negative it may be called accumulated losses, retained losses or accumulated deficit, or similar terminology (Miller & Modigliani 2016).

2.1.5 Dividend per share

Aggarwal, (2016) opined that dividend per share (DPS) is the sum of declared dividends issued by a company for every ordinary share outstanding. Dividend per share (DPS) is the total dividends paid out by a business, including interim dividends, divided by the number of outstanding ordinary shares issued. A company's DPS is usually derived using the dividend paid in the most recent quarter, which is also used to calculate the dividend yield. DPS can be calculated by using the following formula:

$$DPS = \frac{D - SD}{S}$$

D - Sum of dividends over a period (usually 1 year)

SD - Special, one time dividends

S - Shares outstanding for the period

Bebczuk, (2014) said that DPS is important because the number one goal of a company is to return value to its shareholders. Investors receive value through dividend payments and the price of the stock itself, which is equal to a company's total expected future dividend payments. Therefore, a company's profits and the amount it pays out in dividends, drives shareholder value.

Bebczuk, (2014) further states that DPS, in its simplest form, can be calculated by the following. First, a company's net income per share is derived as (net income) / (outstanding shares). Once that number is found, its DPS is derived as (net income per share) x (payout ratio). The payout ratio is equal to the amount of income paid in dividends divided by the total net income.

2.2 Theoretical Framework

The theories used in this seminar paper are pecking Theory and agency theory as the two theories has direct link to the financial performance that measures and determine dividend policies.

2.2.1 Pecking Order Theory

The pecking order theory by posits that firms prefer internal finance. They adapt their dividend payout ratios to their investment opportunities, while trying to avoid sudden changes in dividends. Where there is fluctuation in profitability and investment opportunities, the internally generated cash flows could be greater than or less than capital expenditure. If it is more, the firm will pay off its debt or invest in short-term marketable securities. If it is less, the firm draws down its cash balance or sells off its short-term marketable securities.

However, if the firm must resort to external financing it starts with debt, then possibly hybrid securities such as convertible bonds, and then equity as a last resort. The pecking order theory assumes that debt ratios change when there is an imbalance of internal cash flow, net of dividends and real investment opportunities. Thus highly profitable firms with limited investment opportunities try to maintain a low debt ratio while firms whose investment opportunities outrun internally generated funds are driven to maintain a high debt ratio.

2.2.2 Agency Theory

Existing empirical evidence shows that many firms paid dividends despite their agency cost while other firms increasingly use share repurchases to distribute cash to shareholders. (Bebczuk, 2014; Baker, Kent & Gary Powell, 2012; etc). Attempts have also been made to examine the role of

corporate governance on payout policy design from the perspective of pre-commitment. It was proposed that a pre- commitment interpretation of the role of governance in the design of payout policy and the dividends repurchases trade off can be used to test the effect of external and internal corporate governance on the incidence and level of overall cash distributions. These also include dividends, repurchases, composition of payout and payout policy type.

Baker, Kent, Gary Powell & Theodore Veit, (2012) proposes that dividends reduce the agency costs of free cash flow and minimize suboptimal managerial behaviour. The free cash flow theory can be extended to form predictions about dividends and governance. Since good governance limits the potential for suboptimal managerial behaviour, the agency costs and the cash distribution required to mitigate them are lower. Optimal payout policy design aimed at maximizing firm value would therefore predict a negative relation between governance quality and the lever of payout.

Baker, Kent & Smith, David, (2013) and Baker, Farrelly & Edelman, (2015) observed that a positive relationship exist between governance and the level of cash holdings driven by quicker dissipation of excess cash reserves in the presence of entrenchment. Although dividend is a re-shown to respond to low investment opportunities, ownership structure, and CEO compensation, there is a lack of empirical evidence on the role of governance in the determination of the type and structure of corporate payout. Examining difference in shareholder rights protection around the world, Black, (2016) find that dividends are lower in countries with weaker investor protection. Consistent with it, cash holdings of firms are decreasing in the level of the investor protection (Chirinko & Philips, (2018) provide detailed surveys of existing work on payout policy.

Fama & Babiak, (2018) used agency predictions of the free flow theory to justify the presence of dividends and, more generally, corporate payout. However, the free cash flow theory does not explain the use of different forms of corporate payout and the choice of repurchases over dividends since any form of distribution of excess cash to shareholders would address the agency problem.

At the same time, Flexibility and irregular nature of repurchases makes them less effective at resolving the manager-shareholder agency conflict. Therefore, absence of a strong monitoring structure exacerbates the agency conflict and increase demand for dividend pre-commitment. Dividends are used as a part or as sole component of the payout policy instead of a standalone repurchase policy.

2.3 Empirical Review

In the view of Gordon, (2017), are of the view that dividend payout rates are approximately two thirds of those in developed countries than the developing countries. While developing markets corporations do not follow a stable dividend policy, its dividend payment for a given year is a based on firm's profitability for the same year. It was found on Hwang, Park & Park (2013) who compared the dividend policy of Chinese and UK listed companies, that UK companies had a clear dividend than Chinese companies, which had unstable dividend payment and their dividend ratios were heavily based on the firm's earning for the same year not on any other factor.

Karak, (2015) concluded that shareholders would take whatever cash dividend they can get from firms

profits where a dividend is perceived as unstable. They studied on countries that had strong legal protection for shareholders with those that had poor shareholders legal protection, which they relate it to countries with interior quality shareholder legal protection.

Miller, & Modigliani (2016) reported the profitability ratio as the key determinant of the corporate dividend policy in listed firms on Gulf Co-operation Council (GCC) countries while Litner, (2017) identified it on Malaysian firms and Hwang, Park & Park (2013) on Jordan. Fama & Babiak, (2018) supported that dividend ratio appearance of profitability as an important influencing factor. Many existing research has focus on the relationship between dividend policy, agency costs, taxation and capital gain.

Chirinko & Philips, (2018) examined the increase in the dividend income taxes relative to capital taxes, dividends is used as incentives to repurchases as a cheaper substitute by stockholders, it makes the dividend payout sensitive to changes in the relative taxation of dividend and capital gains.

Arsiraphongphisit, George &Skully, (2015) analyze the Norwegian 2006 tax reform, the result indicate that the number of holding companies increases around which dividend payout increase prior to the reform and drops just after the reform.

Brav, Graham, Harvey &Michaely (2013) reported a higher and more stable dividend from operating companies than from holding companies when the operating companies face more severe agency conflicts. It is consistent that stockholder choose organizational firms that separate tax effects from agency effects in dividend policy.

Modigliani and Miller (2016) observed that ‘The theoretical principles underlying the dividend policy and its impact on firms can be described either in terms of dividend irrelevance or dividend relevance theory’. Therefore, dividend policy is irrelevant for the cost of capital and the value of the firms in a world without taxes or transaction cost. This shows that when investors can create any income pattern by selling and buying shares, the expected return required to induce them to hold firm’s shares will be invariant to the way the firm packages its dividend payments and new issues of shares. It is to be observed that a firm’s assets, investments opportunities, expected future net cash flows and cost of capital are not affected by the choices of dividend policy.

Baker, Farrelly& Edelman, (2015) observed that Dividend payments and leverage policy are substitute mechanism for controlling the agency cost of free cash flow hence, improves performance. If a firm’s policy is to pay dividend each year end to shareholders, the level of activity in the organization will increase to obtain more income and have excess retained earnings to meet the standard set.

Black, (2016) observed that ‘Dividend policy has the effect of destabilizing dividend as only a prolonged increase or decrease in profits will affect the average sufficiency to have any appreciable effect on the size of the distribution’. Since it is a conservative dividend policy-in the long run, only one half of all profits will be distributed and there will be substantial buildup of retained earnings. This will certainly reinforce further, the consistency of dividends, which could for a while, be maintained even in the face of actual losses. It may also relieve the company of having recourse to external

sources of finance. The retention under this policy bears no relationship to the availability of profitable investment opportunities. The risk is that projects yielding less than the true cost of capital will be undertaken in order to absorb funds which would otherwise lie idle. Baker, Farrelly& Edelman, (2015) stated that the shareholders are entitled to a revenue stream of dividends. The value of the share corresponds to the present value of this stream of dividend payments.

3.0 Methodology

3.1 Research Design

The research design employed in this research is the *ex-post facto* research design. This is because, the researcher does not aim to control any of the variables under investigation and our pre-disposition is to observe occurrence over a period of time Aggarwal, (2016). Another justification for the research design is the desire of the researcher to use secondary data to test the hypothesis formulated. These are already existing data, thus, cannot be manipulated by the researcher.

3.2 Area of Study

The research is conducted in Nigeria with specific reference to Nigerian banking sector.

3.3 Population of Study

The population of this study will be the twenty-two (22) banks in Nigeria.

3.4 Sample Size

The sample size of two selected banks in Nigeria as at December, 2017 will be used. The sample will include the following banks Access bank Plc. and Guarantee Trust Bank Plc.

3.5 Sources of Data Collection

This study made extensive use of secondary sources of data. The secondary sources used in this study includes: journals, annual reports of the three selected banks and CBN statistical bulletin.

3.6 Model specification

The model specification for this study will be as follows;

$$DPS = \beta_0 + \beta_1NPM_{t-1} + \beta_2PAT_{t-1} + \beta_3RE_{t-1} + ut \dots$$

Where: FINPEF = financial performance
DPS = Dividend per share
NPM = Net Profit Margin
PAT = Profit After tax
RE = Retained Earnings
 β_0 = Constant (Coefficient) to be estimated

t = Current Period/Time

ut = Error term

$\beta_1-\beta_4$ = Parameter of the independent variables to be estimated.

3.7 Analytical Method/Technique

Multiple regressions involved three or more variable the study will use a linear multiple regression analysis to test the association between the dependent and independent variables used in this research work.

4.0 Data Presentation and Analysis

This section employed the used of descriptive statistics, correlation and linear multiple regression made to analyze and interpret the data collected in the study. The data collect were presented in a tabular form. The analysis followed the model specification in chapter three of this study. The chapter is organized into five sections: section two presents the data collected, section three deals with descriptive statistic explains the regression results. The computational device used in the Eviews output.

4.1 Data Presentation

This section provides the data used in the study. These data are in relation to the variables used in the study. The variables are, return on equity, asset value per share, earnings per share, firm size, return on assets and net assets value per share per share. The data is presented in table 4.1 below.

Table 4.1: Data presentation of the two (2) Sample from 2007 to 2017

FIRMS	YEARS	DPS	NPM	PAT	RE
Access bank	2007	0.20	0.10	501515	7494855
	2008	0.20	0.08	737149	13360358
	2009	0.40	0.29	6083439	27881451
	2010	0.40	0.41	16056464	57627098
	2011	0.7	0.53	22885794	104494981
	2012	0.2	0.22	12931441	79065123
	2013	0.1	0.20	13660448	96234017
	2014	0.6	0.99	35815611	180725850
	2015	0.35	0.84	26211844	180230976
	2016	0.35	0.51	39941126	159578184
2017	0.25	0.77	582924745	184047834	
GTB	2007	0.25	0.45	7004243	1535795
	2008	0.71	0.39	8677506	4121718
	2009	0.75	0.39	13013146	5429847
	2010	0.70	0.47	34609117	17785901
	2011	1.00	0.24	26959809	14361924
	2012	1.00	0.42	45475040	22643491
	2013	1.45	0.44	62079003	35686861

2014	1.55	0.69	85263826	45944146
2015	1.70	0.67	85545510	55079117
2016	1.45	0.73	93431604	58442378
2017	1.52	0.65	94308123	46048031

Sources: Author's Compilation

4.2 Data Analysis

Regression analysis is a statistical process for estimating the relationships among variables it also includes many techniques for modeling and analyzing several variables when the focus is on the relationship between a dependent variable and one or more independent variable and one or more independent variable (or predictors). However, the analysis of research presented in this paper, examines financial performance, measures as determinants of dividend policies in Nigeria banking industry

This section discusses the regression results in relation to dividend per share volatility and other analysis for the period under review.

The results are presented below.

Table 4.2: Regression results of the analysis

Dependent Variable: DPS

Method: Panel Least Squares

Date: 06/07/17 Time: 14:57

Sample: 2007 2017

Periods included: 11

Cross-sections included: 2

Total panel (balanced) observations: 22

Variable	Coefficient	Std. Error	t-Statistic	Prob.
NPM	1.947560	0.438337	4.443065	0.0003
PAT	9.99E-11	7.61E-10	0.131256	0.8970
RTENS	-6.99E-09	1.75E-09	-3.996624	0.0008
C	0.229931	0.180738	1.272175	0.2195
R-squared	0.564254	Mean dependent var		0.719545
Adjusted R-squared	0.491630	S.D. dependent var		0.518427
S.E. of regression	0.369639	Akaike info criterion		1.010385
Sum squared resid	2.459391	Schwarz criterion		1.208756
Log likelihood	-7.114231	Hannan-Quinn criter.		1.057115
F-statistic	7.769496	Durbin-Watson stat		1.026191
Prob(F-statistic)	0.001555			

Source: Eviews 9.0 Software

Interpretation of Regression Coefficient Result

Table 4.2, indicates that an increase in Net profit margin, profit after tax and retained earnings of Nigerian banks will decrease dividend per share by 0.369639. This implies that dividend per Share is affected negatively by Net profit margin, profit after tax and retained earnings of Nigerian banks.

Interpretation of Durbin Watson- Statistic

The Durbin-Watson statistic is 1.026191 which is not up to 2. In this case, the Durbin Watson statistic is closer to 2 than 0 which indicates the absence of autocorrelation in the series. The result indicates the absence of positive serial correlation in the time series data extracted from the annual report and accounts of selected banks in Nigeria.

Coefficient of Determination (R²)

The Adjusted R-squared is 0.491630. The adjusted R² reveals that only about 49% of the variations in Dividend per Share could be explained by Net profit margin, profit after tax and retained earnings of Nigerian banks while about 51% could be explained by other factors capable of influencing dividend per Share of Nigerian banks as well as the error term and the unexplained variables.

Table 4.3: Correlation of dependent and independent variables

	DPS	NPM	PAT	RTENS
DPS	1.000000	0.393701	0.026343	-0.249784
NPM	0.393701	1.000000	0.414279	0.628620
PAT	0.026343	0.414279	1.000000	0.448560
RTENS	-0.249784	0.628620	0.448560	1.000000

Source: Eviews 9.0 Software

The table above represents that correlation analysis of the variables which reveals the strength of the relationship that exist among the variables.

From the table above, it was discovered that all the independent variables (Net profit margin, Profit After Tax and Retained Earnings) have fairly relationship with the dependent variable (Dividend Per Share).

4.3 TEST OF HYPOTHESES

Test of Hypothesis One

Hypothesis one seeks to determine the relationship between net profit margin and dividend per share of selected banks in Nigeria using data from Appendix 1 at 95% confidence level.

Statement of Hypothesis

Ho: There is no relationship between net profit margin and dividend per share of selected banks in Nigeria.

H1: There is a significant relationship between net profit margin and dividend per share of selected banks in Nigeria.

Statement of Decision criteria

Accept H₀ if the probability of the t-Statistics > 0.05 otherwise reject H₀ and accept H₁ accordingly.

Decision

The decision criterion is to accept H_0 if the probability of the t-Statistics > 0.05 , otherwise reject H_0 and accept H_1 accordingly. The probability of the t-Statistics of $0.0003 < 0.05$, therefore, we reject the null hypothesis while accepting the alternate to conclude that there is a significant relationship between net profit margin and dividend per share of selected banks in Nigeria.

Test of Hypothesis Two

Hypothesis two seeks to examine the relationship between profit after tax and dividend per share of Nigerian banks using data from Appendix 1 at 95% confidence level.

Statement of Hypothesis

Ho: There is no relationship between profit after tax and dividend per share of Nigerian banks.

H1: There is significant relationship between profit after tax and dividend per share of Nigerian banks.

Decision

The decision criterion is to accept H_0 if the probability of the t-Statistics > 0.05 , otherwise reject H_0 and accept H_1 accordingly. The probability of the t-Statistics of $0.8970 > 0.05$, therefore, we accept the null hypothesis while rejecting the alternative to conclude that there is no significant relationship between profit after tax and dividend per share of Nigerian banks.

Test of Hypothesis Three

Hypothesis three seeks to examine the relationship between retained earnings and dividend per share of Nigerian banks using data from Appendix 1 at 95% confidence level.

Statement of Hypothesis

Ho: There is no relationship between retained earnings and dividend per share of Nigerian banks.

H1: There is significant relationship between retained earnings and dividend per share of Nigerian banks.

Decision

The decision criterion is to accept H_0 if the probability of the t-Statistics > 0.05 , otherwise reject H_0 and accept H_1 accordingly. The probability of the t-Statistics of $0.0008 > 0.05$, therefore, we accept the alternative hypothesis while accepting the alternative to conclude that there is significant relationship between retained earnings and dividend per share of Nigerian banks.

4.3 Discussion of Findings

This hypothesis states that there is no relationship between net profit margin and dividend per share of selected banks in Nigeria. From the result of the regression analysis in Table 4.2, it reveals that there is a significant relationship between net profit margin and dividend per share of selected banks in Nigeria in the tune of 0.0003.

Hypothesis two states that there is significant relationship between profit after tax and dividend per share of Nigerian banks. The regression analysis result of Table 4.2 reveals that dividend per share is influenced negatively by profit after tax in an insignificant amount of 0.8970.

The last hypothesis states that there is no relationship between retained earnings and dividend per share of Nigerian banks. There is great relationship between retained earnings and dividend per share of Nigerian banks in the tune of 0.0008.

5.1 Summary of Findings

Based on the analysis on the research work on evaluation of financial performance measures as determinants dividend policy in Nigeria Banking industry. The researcher found out that: 1.

1. There is significant relationship between net profit margin and dividend per share of selected Nigerian banks.
2. It was also discovered that there is significant relationship between profit after tax and dividend per share of Nigerian banks.
3. The researcher equally found out that there is relationship between retained earnings and dividend per share of Nigerian banks.

5.2 Conclusion

It was indicated that all the explanatory variables does not have significant relationship with the dependent variable in the model, that only 9% was accounted for by the explanatory variables in the model. The result indicated that when there is an increase in free cash flow in Nigeria banks, it raises the agency conflict between the interest of managerial and outside shareholders leading to a decrease in dividend payout. That increase in current profitability in Nigeria banks, leads to decrease in dividend payout, which means that Nigeria banks does not pay dividend often. That increase in banks tax paid tends to increase dividend payout to maintain a stable dividend payment. That increase in business risk in banks drives them to reduce the dividend payout to avoid external financing. It is recommended that Nigeria banks could be free and willing to payout dividend when experience surplus earnings in a more stable economy where polices are consistent. In addition, the common transaction cost variables leverage ratio and business risk appeared as insignificant variables. This suggests that transaction cost do not have a direct influence on the dividend payout policy; that banks look into account agency conflict and firm's reputation, more than transaction costs, when they were making the decision to pay dividends.

5.3 Recommendations

Based on the findings of this research study, the following recommendations are made;

1. Organizations should ensure that they have good and robust policies in place. This will enhance their profitability and attract investments to the organizations.
2. Directors of corporate organizations should be made to update the records of shareholders including their next-of-kin to avoid a deliberate diversion or undue retention of unclaimed dividend warrants. Due procedures for the recognition and utilization of profit arising from investment of unclaimed dividend should be effected and properly accounted for.
3. A more stringent level condition should be established to compel directors to only invest in profitable ventures, report the utilization of retention earnings through notes to the accounts.

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