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EXAMINATION OF THE RELATIONSHIP BETWEEN DIVIDEND POLICY AND FIRM PERFORMANCE IN NIGERIA

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Abstract
This study examined the relationship between dividend policy and the performance of firms in Nigeria. It employed the ex post facto research design and Ordinary least squares regression technique for analysis. The secondary data used for the period were obtained from the published financial statements of nine Nigerian firms used as case study for the period 2010-2018. The results of the study suggest that there is negative and non-significant relationship between dividends per share on profit after tax of the selected firms, a positive and non-significant relationship between dividends per share and total sales of the selected firms, and a positive and non-significant relationship between dividends per share and total asset of the selected firms. Hence, this study supports the relevant theories of dividend policy.
Keywords: Dividend Policy, Firm Performance, Nigeria.

1. Introduction
Dividend Policy has attracted great interest over the past decade. The widely held view that dividend policy has an impact on the firm performance has led to increasing global attention. Nigeria as a developing economy is not immune to these developments. Investment activity is an activity faced with various risks and uncertainty condition which is mostly difficult to predict by investors. There is much information, not only achieved from the performance of the company, but also other relevant information, such as economic condition and the political situation in a country which are needed by investors to reduce the risks rate and any uncertainty that possibly appear. Information which is achieved from a company is commonly based on the company's performance, reflected from the financial report. Based on the report, investors could understand the company's performance and its capability to raise profits.

According to Nwude (2003), dividend is the share of the company's legally available profits divided among the residual shareholders and received by residual shareholders in cash (where cash

is paid out) or stock (where stock or bonus issue is given) or both or in other forms of paper claims to wealth. The author further asserts that dividend plays an important role in determining the value of shares in the capital market by investors. Consequently, active dividend policy is extremely important for a company in its desire to maximize the wealth of its stockholders. In the light of this fact, Nwude (2003) describes dividend policy as the guiding principle for determining the portion of a company's net profit after taxes to be paid out to residual shareholders as dividend during a particular financial year.

Dividend represents a distribution of earnings to the shareholders of a company. It is usually declared at annual general meetings and paid to shareholders. Dividend or profit allocation decision is one of the four decision areas in finance. The other three are financing, investment, and working capital management decisions. Companies view the dividend decision as quite important because it determines what funds flow to investors and what funds are retained by the firm for future investment. Dividend policy can also signal information to stakeholders concerning the company's performance.

Generally, the main purpose of investors when investing their assets is to search for income or the rate of return (Kiuru, 2014). Dividend is one of the sources of income in such circumstances; each company is forced to operate with high efficiency in order to maintain the quality and capability of competing to raise a net income with the best result. Therefore, a company looks forward earning the profit that will be allocated into two components: dividends and retained earnings.

Several scholars have attempted to solve the many issues relating to dividends and tried to come up with theories and models to explain corporate dividend behavior (Al-Malkawi, Rafferty & Pillai, 2010). This is still a major issue that has remained unresolved. Black (1976) pointed out that the dividend policy is like a puzzle in that "*the harder we look at the dividends picture, the more it seems like a puzzle, with pieces that just do not fit together."*

A lot of empirical research has been done to find the relationship between investment opportunities, corporate financing and dividend payout (Farsio, Geary & Moser, 2004). These studies have failed to establish any clear link concerning this issue. Most of these studies tend to focus on developed markets. However, little is known about how a firm's investment opportunities and corporate finance influence dividend payout policy in the emerging markets. Firms in emerging markets tend to exhibit dividend behavior different from those of developed markets like the US. This may be a result of the differences in levels of efficiency and institutional arrangements between developed markets and emerging markets. It is, therefore, considered useful to improve public understanding of the issue from an emerging market perspective (Abor & Bokpin, 2010). The lack of consensus with regard to dividend policy in general, and dividend determinants in particular, is real. When the analysis of numbers and data does not add much to our understanding in this area, analyzing the decision-makers' perceptions becomes important. Majority of the studies conducted in the past concerned already developed market economies that have mature companies

that pay dividends and have the tax regimes and characteristics different from those in less developed or emerging market economies.

Emerging market firms have high financial constraints and are highly sensitive to some selected determinants of dividend policy that are suggested by research in developed markets. According to Abor and Bokpin (2010) they point out that most of studies that have been done mostly focus on developed markets yet very little is known of the emerging markets. With this it was important to investigate the dividend policy puzzle in emerging markets and to observe if there are any differences between both the developed markets and the emerging markets in the dividend policy context. This study focused on the responsiveness of firm value to dividend policy.

The main objective of this research study is to ascertain the relationship between dividend policy and firm performance in Nigeria. Specifically, this study sought to determine the relationship between the dividend payment and profit after tax, determine the relationship between dividends on total sales and determine the impact of dividends on total assets of some selected firms in Nigeria. The rest of this paper is arranged as follows. Section 2 presents a brief review of the related literature. Section 3 describes the empirical model, while section 4 presents the estimation results and interpretation. Section 5 concludes the paper.

2.Review of the related literature

2.1 Conceptual Framework

2.1.1The Concept of Dividend Policy

Dividend refers to the part of the profits of a company that is distributed among its shareholders. They further explain that when a corporation earns a profit or surplus, the corporation is able to re-invest the profit in the business (called retained earnings) and pay a proportion of the profit as a dividend to shareholders. Distribution to shareholders may be in cash (usually a deposit into a bank account) or, if the corporation has a dividend reinvestment plan, the amount can be paid by the issue of further shares or share repurchase.

Since most of the firms pay cash dividends it then means that they have to decide on what percentage of their earnings they are to distribute to their shareholders and this means coming up with a dividend policy to apply (Mula, et al., 2016). Dividend policies guide the financial rewards of the shareholders. These are attractive when policies are supportive and compatible with shareholders' interests as well as employer's and employees' financial benefits. Dividend policy is acclaimed to be one of the important elements in organization. It is the major concern of not only shareholders, but also consumers, employees, regulatory bodies and the government.

Technically, the dividend policy of the firm relates to various decisions on payment of dividend, which remain a major aspect of the strategic decision of the firm. Essentially, it involves the determination of how earnings generated would be shared between payments to stockholders and reinvestments in projects that would yield positive net present value for the firm. While making dividend policy decision, management needs to settle on the amount, ratio and pattern of distributions to shareholders over time (Benjamin, 2015).

Forms of Dividend

There are several forms of dividends a firm can adopt. Nwude (2003), he thoroughly explained the forms of dividend as follows:

Cash dividend

Cash is money in the form of notes or coins. Cash dividend is payment of dividends in cash. It is customary for any company that declares dividends to pay in cash. When a cash dividend is paid, the implication on the balance sheet is that the company's cash account and reserves account will be reduced, thus reducing both the total assets and the net worth of the company. It is a popularly held opinion that the market price of the share drops in most cases by the amount of the cash dividend distributed. A company that declares cash dividend must ensure that it has sufficient cash to meet it.

Stock Dividend or Bonus Issue

Stock dividend is the payment of dividend in the form of issue of additional shares to the residual owners of the firm. This is an alternative to cash dividends in a liquidity squeeze when companies are either facing cash crisis or the cost of borrowing is too prohibitive or pressing expansion program need urgent implementation. It involves capitalizing the company's share premium or reserves and increasing the share capital account by same amount capitalized from the reserves account; liquidity is preserved as no cash leaves the company. No new fund are introduced, funds are simply transferred from reserves account to share capital account without changing the total equity base of the company. The funds so transferred are used to increase the equity shares, which are issued to existing shareholders at no cost to them. The advantage to the shareholders is that they receive a dividend which they can convert into cash whenever they wish by selling their shares. The disadvantage is that as the number of equity shares increase, if the retained earnings do not yield a satisfactory rate of return, the share price can fall especially when there is massive offloading by the shareholders in the capital market. The interplay of forces of demand and supply can make the share price to fluctuate. The stock dividend is issued to each shareholder in proportion to his existing shareholding in the company. For example, a one for two (i.e. 1:2) bonus share issue, means that all existing shareholders will obtain one additional share for every two shares already owned. Thus a shareholder with 100 shares will now get additional 50 shares bringing his total shareholding to 150 shares.

Stock (Share) Split

Stock split simply means the division of the existing share price by two and multiplication of the existing number of shares by two. The effect of stock split is that it reduces the prevailing par or nominal value of shares by half and doubles the existing number of shares. Management uses stock split to lower the price of its shares to attract increased trading activity on the shares on the stock exchange market. This increased trading activity on the stock can necessitate increase in the share price, thereby, giving the shareholders capital gains. Stock spit does not affect either side of the

balance sheet in terms of naira amount, but changes the figure and book entry of the number of shares outstanding as well as the par value.

Reverse Stock Split

This is the opposite of stock split. A reverse stock split is a financial strategy of consolidating the nominal value of an existing share issue and a corresponding decrease in the number of shares in existence. A company currently having 1000.000,000 50k shares may decide to increase its nominal value to N1. This in effect will reduce the number of shares to 500,000,000 only.

Stock Repurchase

Stock repurchase is the acquisition of company's outstanding shares by the company itself for warehousing in the stock treasury. The purpose of stock repurchase may be to reduce the number of outstanding shares in order to reduce the earnings per share (EPS) of the remaining shares which will consequently increase the market price per share (MPPS), thus generating capital gains to shareholders. The capital gains substitute the cash dividends.

Determinants of Dividend Policy

Nwude (2003) lists numerous factors that could be determinants to dividend policy. The author asserts that a number of factors ranging from legal, financial and economic influence the dividend policy or the amount of dividend that accrues to shareholders of a firm. The factors are as follows:

1. Legal rules:

The formulation of dividend policy will require consideration of any statutory limitations imposed on dividend distribution. Many governments from time to time impose restrictions on the amount of profits which firms may distribute as dividends. In Nigeria, for instance, these restrictions are contained in the productivity, prices and income policy and the

Companies and Allied Matters Decree (CAMD) 1990. The CAMD 1990 for instance restricts payment of dividends to only cumulative distributable profits and never from capital, hence the birth of the net profit rule, the capital impairment rule and the insolvency rule, which regulate dividend payments.

The net profit rule provides that dividend can be paid from past and present earnings. The capital impairment rule protects creditors by prohibiting payment of dividends from capital. The insolvency rule provides that company cannot legally dividend while insolvent. Insolvency means a situation where liabilities are greater than assets. To pay dividend under this condition means paying shareholders the money that rightly belongs to creditors of the firm.

2. Availability and Profitability of Reinvestment Opportunities and Growth Prospects

Companies with strong attitude to reinvestment and growth will have high retention rate but and payout rate, but future rise in dividend awaits the investors. Conversely, if the company's desire for reinvestment and growth is low, it can afford a high payout rate and low retention rate. On the same note, if external financing is not available or available only after incurring significant borrowing costs, then the payment of dividends may mean foregoing worthwhile investment opportunities. Dividends may have to be restricted in order to provide finance for such

investments. Furthermore, as the need for funds for asset expansion increases, the firm retains more of its earnings rather than pay them out. Example of such firm is the rapidly growing companies which are bound to have greater financing needs to finance their fast-growing fixed assets.

3. Liquidity Position

The greater the cash or liquidity position of a company, the greater its ability to pay dividends. A company will consider the level of liquidity required to facilitate its expected operations before declaring dividends to its shareholders. This is to ensure that dividend payment does not impose strain on its liquidity.

4. Access to Capital Market

A sound and well managed firm with track record of effective and competent management profitability and earnings stability has easy access to acquire funds from capital markets and other sources of external financing, such a firm is likely to have a higher dividend payout rate. If raising of equity or debt funds from capital is restricted, more earnings should be retained to finance its operations.

5. Ownership Control

To retain ownership control of the existing shareholders, expansion of company's business activities should be financed mainly to the extent of the company's internal earnings. The reason for this is that raising funds by selling additional ordinary shares will dilute the control of the existing owners of the company. Selling debt instruments increase the risk facing the owners of the company. Therefore reliance on internal financing in order to maintain control reduces the dividend payout.

6. Shareholders Income Tax Bracket

Dividend payout and capital gains have different tax implications for investors. This will affect the relative desirability of dividends and retained earnings. The income tax bracket of a typical shareholder will to a large extent influence the level of dividend payout to them. This is because owners in high income tax group will prefer taking their income in the form of capital gain, which attracts low capital gains tax, rather than as dividends which are subject to higher personal income tax rates. Consequently, the high income tax group prefers low dividend payout and high retention ratio with the expectation that there will be share price appreciation in future.

Conversely, companies with low income tax shareholders prefer a relatively high dividend payout. Hence the tax rate of the dominant shareholders can be an important consideration in determining dividend policy.

7. Shareholders Liquidity Preference

Most companies with parent companies abroad usually prefer high dividend payout. When the exchange rate of the local currency is not favorable to the repatriation of dividends, they may prefer capital gains, hence high retention rate.

If the shareholders of the firm are made up of mostly retirees whose need for income is immediate, their need for dividend will be high. Again if the shareholders attitude to risk is such that they are risk averters then their income need will almost be immediate. Risk takers may delay their reward, in the form of dividend payment.

8. Inflation

With the present inflationary pressures no company can afford to go out of business by its inability to replace its assets when they are due. Therefore, companies should pay out dividends after deflating the earnings, which are usually overstated.

9. Dividend Policy of Similar Companies

Companies which do not want to be left behind or being classified as laggards will to follow dividend policy of similar companies in the same industry.

10. Market Reaction

Investors usually expect a consistent dividend policy from the company even with steady dividend growth. A large increase or fall in dividends in any year can have a marked effect on the company's share price.

Stable dividends or steady dividend growth are usually needed for share price stability. A cut in dividends may be treated by investors as signaling that the future prospects of the company are weak.

Management of a company, which faces a possible takeover, may also use the signaling effect of a company's dividend policy. The dividend level might be increased as a defense against the takeover. Investors may take the increased dividend as a signal of improved future prospects thus driving the share price higher and making the company more expensive for a potential bidder to takeover.

11. Rate of Profit

When the amount of profit expected is large, there exists the tendency to pay high dividend, otherwise it is reinvested in the business of the firm.

12. Earnings Stability

A firm with relatively stable earnings is in a better position to estimate what its future earnings will be. Such a firm is more likely to payout a higher percentage of its earnings as dividends to the shareholders. Conversely, a firm with unstable earnings is not certain that the expected earnings will be realized and as a result will retain a high proportion of current earnings. Furthermore, if earnings fluctuations are expected in the future, a lower dividend payout ratio is more ideal to maintain. Companies in high-risk industries may adopt a low payout policy so that the dividend can be maintained if earnings temporarily fall.

Taking above factors into consideration, companies should try to pursue a stable dividend policy. If additional funds are required in any particular year, other funding sources should be approached if the retained earnings are insufficient to finance all the new investment planned by a company.

Concept of Return on Capital Employed

Kiuru (2014) defined return on capital employed or ROCE as a profitability ratio that measures how efficiently a company can generate profits from its capital employed by comparing net operating profit to capital employed. In other words, return on capital employed shows investors how many dollars in profits each dollar of capital employed generates. It is the profitability ratio that measures how efficiently a company can generate profits from its capital employed by comparing net operating profit to capital employed. In other words, return on capital shows investors how many naira's in profit each naira of capital employed generates. Return in capital employed is an important ratio in that it measures the relationship between the net profit and the capital employed or the total net assets. The return on capital employed shows the effect of sales, different assets, and various costs on the total company results or position. It shows the overall profitability of the business. It can also be called ratio return on investment or primary ratios. The Return on Capital Employed can be defined in different ways depending on the objectives to be achieved and the comparisons to be made. The following can be adopted for the purpose of defining 'capital employed'. Total capital which is a function of share capital, retained profits, reserves, long term liabilities and current liabilities.

Long term capital which is made up of total capital less current liabilities.

Therefore, ROCE can be expressed as:

$$\frac{\text{Net Profit Before Interest and Tax}}{\text{TotalAsset}} \text{X} \frac{100}{1}$$

Capital employed can be used to refer to many different financial ratios. Investors are interested in the ratio to see how efficiently a company uses its capital employed as well as its long term financing strategies. Companies' returns should always be higher than the rate at which they are borrowing to fund the assets. ROCE considers debt and other liabilities as well. This provides a better indication of financial performance for companies with significant debt. A higher ROCE indicates more efficient use of capital. ROCE should be higher than the company's capital cost, otherwise it indicates that the company is not employing its capital efficiently and is not generating shareholder value.

The Concept of Return on Asset

The return on assets ratio, often called the return on total assets, is a profitability ratio that measures the net income produced by total assets during a period by comparing net income to the average total assets In other words, the return on assets ratio or ROA measures how efficiently a company can manage its assets to produce profits during a period. It is a financial ratio that shows the percentage of profit that a company earns in relation to its overall resources (total assets). Return on Asset is a key profitability ratio which measures the amount of profit made by a company per naira of its assets. It shows the company's ability to generate profits before leverage, rather than using leverage. The ROA ratio often called the return on total asset is a profitability ratio that measures the net income produced by total assets during a period by comparing net income to the

average total assets. In other words, the return on assets ratio or ROA measures how efficiently a company can manage its assets to produce profits during a period. It can be calculated as;

$$\frac{\text{Net Income}}{\text{Total Assets}}$$

Where; Net income = Profit after Interest and Tax.

This ratio shows the relative profitability of the business. A positive ROA ratio is usually indicated as upward profit trend as well. It only makes sense that a higher ratio is more favorable to investors because it shows that the company is more effectively managing its assets to produce greater amounts of net income. The Return on Assets ratio measures how effectively a company can earn a return on its investment in assets. In other words, ROA shows how efficiently a company can convert the money used to purchase assets into net income or profits. Since all assets are either funded by equity or debt, some investors try to disregard the costs of acquiring the assets in the return calculation by adding back interest expense in the formula. It only makes sense that a higher ratio is more favorable to investors because it shows that the company is more efficiently managing its asset to produce greater amounts of net income. Return on Assets is regarded by many as most useful for comparing companies in the same industry as different industries use assets differently.

The Concept of Return of equity

Return of equity is the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested (Enekwe, et al., 2015). ROE is expressed as a percentage and calculated as;

$$\frac{\text{Net Income}}{\text{Shareholders Equity}}$$

Where; Net income = Profit after Interest and Tax.

This ratio shows the earning power on shareholder's book value investment and is frequently used in comparing two or more firms in an industry. Shareholders equity does not include preferred share. It is also known as 'Return on net worth'. The ROE is useful for comparing the profitability of a company to that of the other firms in the same industry. There are several variations on the formula that the investors may use: Investors willing to see the return on common equity may modify the formula above by subtracting preferred dividends from net income and subtracting preferred equity from shareholders equity, giving the following; Return on common equity = $\frac{\text{Net Income} - \text{Preferred Dividend}}{\text{Common Equity}}$

ROE may also be calculated by dividing net income by average shareholders' equity. Average shareholders' equity is calculated by adding the shareholders equity at the beginning of a period to the shareholders equity at periods and dividing the result by two. Investors may also calculate the change in ROE for a period by first using the shareholders equity figure from the beginning of the period as a denominator to determine the beginning ROE. ROE measures the rate of return for ownership interest (shareholders equity) of common stock.

2.2Theoretical Framework

Theoretically, the study reviews the theory of the dividend relevance school of thought, The Gorden M.J. Model and Walter's Model. These theories were methodically explained in Nwude (2003) as follows:

The Dividend Relevance School of Thought

This school affirms that the payment of dividends provides evidence that the company has been able to generate cash from its operations. That a stable dividend policy should lead to higher share prices because of the greater confidence of investors about future prospects. The school believes that changes in dividends policies are generally considered to be reliable indications of changes in future expectations of earnings. The proponents of this school are called the traditionalists, rightists or the bird-in-hand propositions.

The Gordon M.J. Model

Gordon (1959) argued that investors prefer early resolution of uncertainty and are willing to pay a higher price for the stock that offers the greatest current dividends, all other things held constant. He reasoned that future dividends are more uncertain and more risky than current dividends, to the extent that investors will be affected by the earnings, retention rate and dividend payout rate. The end point of this argument is that the market value of a share depends upon the magnitude and timing of cash dividends receivable over the shareholding period and the market price realizable upon the disposal of the share. The Gordon's model observes the following assumptions when suggesting that a company that pays a high dividend is less risky than a company that pays a low dividend.

1) Investors are risk averse
2) The firm is all-equity financed
3) No external finance is available hence retained earnings are used to finance operations.
4) Internal rate of return, r of the firm is constant.
5) Cost of capital or discount rate k is constant, that is the model ignores the uncertainty surrounding the distant dividends, which should be discounted at a higher rate.
6) The firm and its earnings stream are perpetual
7) Corporate taxes do not exist
8) The growth rate, g = rb is constant forever with constant retention ratio, b.
9) Cost of capital must be greater than the growth rate g = rb <k**.**

Therefore from the above analysis, Gordon states that the market price of a share is a function of the present value of estimated cash dividend streams and the market price upon disposal of the share. That is,

$$P_0 = \frac{D_1}{(1+K)^1} + \frac{D_2}{(1+K)^2} + \text{----------} + \frac{D_n}{(1+k)^n} + \frac{P_n}{(1+k)^n}$$

$$= \frac{D_1}{(1+K^1} + \frac{D_2}{(1+K)^2} + \text{----------} + \frac{D_{n+P_n}}{(1+K)^n}$$

$$= \sum_{t=1}^{n} \frac{D_t}{(1+k)^t} + \frac{P_n}{(1+k)^n} \qquad \textbf{Equation 3.1}$$

Where:

P_0 = Current market price

P_n = Estimated net share price at the time of disposal

D_n = Estimated cash dividend receivable at period

k = Cost of equity capital for the firm (all-equity financed)

if the holding -period is infinite then the equation changes to

$P_0 = \sum_{t+1}^{\infty} \frac{D_t}{(1+k)^t} = \frac{D_1}{(1+K)^1} + \frac{D_2}{(1+K)^2} + \text{----} + \frac{D_\infty}{(1+K)} = \frac{D_0}{K}$ **Equation 3.2**

If the dividends are expected to grow at a rate g, due to retained earnings the formula then becomes

$P_0 = \sum_{t+1}^{\infty} \frac{D_0(1+g)^t}{(1+k)_0^t} = \frac{D_1}{k-g} = \frac{D_0(1+g)}{k-g}$ **Equation 3.3**

This is market value ex-dividend. Market value cum-dividend

$\text{MV}_{\text{cum-div}} = \frac{D_0(1+g)}{K-g} + D_0$

Note that $D_1 = EPS_1(1- b)$ and g = rb

Substituting these in equation 3.3 we have

$P_0 = \frac{EPS_1(1-b)}{K-rb}$ **Equation 3.4**

Equation 3.3 clearly depicts the relationship of expected earnings (EPS), dividend policy (b), internal rate of return (r), and all-equity financed cost of capital (k) in the determination of the value of the share.

Walter's Model

Walter (1956) argued that the decision to pay dividend depends on the profitability of investment opportunities available to the firm. Khoury (1983) argued that dividends are no longer an active decision variable but rather a residual sum. Walter (1963) argued that the choice of dividend policies almost always affect the value of the firm. His works show the relationship between the firm's internal rate of return (r) and its cost of capital (k) in determining the dividend policy that will maximize the wealth of shareholders, based on the following assumptions:

1) The firm is all-equity financed
2) No external finance is available hence retained earnings are used to finance expansion.
3) Internal rate of return, r is constant
4) Cost of capital of the firm is constant
5) All earnings are either distributed as dividends or reinvested internally immediately
6) The earnings streams are constant forever for determining a given value
7) The dividends are constant forever for determining a given value
8) The firm has perpetual life.

Walter posits that the market price per share is the sum of the present values of the perpetual streams of constant dividends and capital gains.

Mathematically, this is stated as

$P = \frac{D_{IV}}{K} + \frac{r(EPS-D_{IV})/K}{K}$

$$= \frac{D+\frac{r}{k}(E-D)}{K}$$

Where

P = Market price per share

D = Dividend per share

R= Firm's internal rate of return

K= Firm's cost of capital or capitalization rate

E= Earnings per share.

This study adopted the above reviewed theories as a guide to this research study, due to the emphasis it has in determining dividend policy of a firm.

2.3 Empirical review

There has been a controversy over dividend payout policy and retention as it affects firms' performance and its value by researchers.

Uwaigbe (2013) examine the determinants of dividend policy and observed that there exists a significant positive relationship between firms and board independence on the dividend payouts decisions of the listed firms in Nigeria.

Haslum, Shahid, Sajid and Umair (2013) studied the determinants of dividend policy of Pakistani banking sector using data for 27 foreign and domestic banks operating in Islamic and conventional banking in Pakistan Stock exchange. Using stepwise regression analysis, their findings suggest that liquidity, profitability, last year dividend and ownership structure indicates highly significant relationship with dividend payout of Pakistani banks and that profitability, last year dividend and ownership structure shows positive impact on dividend payout while liquidity shows negative impact on the banking industry and that size, leverage agency cost, growth and risk shows insignificant relationship and have no impact on the dividend payout.

Amitaboh and Charu (2010) re-examines various factors that have a bearing on dividend decisions of a firm, using a two-step multivariate procedure. Their finding indicates that leverage, liquidity, profitability, growth and ownership structure are major factors. Their regression results further indicate that leverage and liquidity are determinants of dividend policy for Indian companies.

Anupam (2012) investigates the determinants of dividend payout for all firms in the areas of Real Estate, Energy Sector, Construction Sector, Telecommunication Sector, Health Care and Industrial Sectors listed on the Abu Dhabi Stock exchange for the period of five years from 2005 – 2009, using multiple regression analysis and found out that profitability, risk, liquidity, size and leverage of the firm are most significant variables used by UAE firms in making dividend decisions and that profitability and size of the firm are most important considerations of dividend payout decision by UAE firms.

Similarly, Alzomaia and Al-Khadhiri (2013) examined the factors determining dividend represented dividend per share for companies in Saudi Arabia Stock Exchange for the period 2004-2010 using regression model and a panel data for 105 non-financial firms, variables used were earnings per share (EPS) previous dividend represented by dividend per share (DPS) for last year,

growth, debt to equity (D/E) ratio, beta and capital size on dividend per share. Their result indicates consistently support that Saudi Arabia listed non-financial firms rely on current earnings per share and past dividend per share of the company to set their dividend payments.

Al-Mabkaw (2014) examine the determinants of corporate dividend policy in Jordon for the period of 1989-2000 and found that size, age and profitability of the firm are important determinant of corporate dividend policy in Jordon. The findings provide a very strong support for the agency costs hypothesis and his consistent with the pecking order hypothesis.

Hafeez and Attiya (2008) examined the dynamics and determinants of dividend payout policy of 320 non-financial firms listed in Karachi Stock Exchange during the period 2001-2006, using dynamic panel regression. Their findings consistently support that Pakistani listed non-financial firms rely on both current earnings per share and past dividend per share to set their dividend payments. They also found out that profitable firms with more stable net earnings afford large free cash flows and therefore pay larger dividends and that investment opportunities and leverage had a negative impact on dividend payout policy, while market capitalization and size of the firm have an impact on dividend payout policy, thus they prefer to invest their assets on these assets rather than payment of dividend to their shareholders.

Amarjit, Nahum and Rajendra (2010) extended the works by Amidu and Abor (2011) and Anil and Kapoor (2008) regarding the determinants of dividends payout ratios and found out that dividend payout ratio is a function of profit margin, sales, growth, debt-to-equity ratio, and tax for firms in the service industry and that dividend payout ratio is the function of profit margin, tax and market to book ratio for the manufacturing firms. However, they found out that the results are different when dividend payout ratio is defined as the ratio between cash dividend that the after-tax cash flow, not the after-tax earnings of the firm.

Amidu (2010) examined the financial position of the companies and the relationship between financial position and profitability measured by the return on assets on the sample of listed firms on the Ghana Stock exchange during the eight-year period (2004-2009). The results show that dividend payout has a strong and significant impact on firms' profitability and concluded that dividend payout was a major factor affecting firm's performance.

Recently in Pakistan, Zhou and Ruland (2015) investigated the relationship between dividend payout ratio and profitability of a firm. For this, two main sectors of Pakistan are selected, energy and textile. The study covers a time span of 1999-2012. Firm performance is measured by earning per share (EPS) and return on assets (ROA). The results of logarithmic regression show that no matter what industry is, there is a negative impact of dividend payout ratio on next year earnings of a firm. These results are very surprising and giving new dimensions to the finance researchers to further study in this area and find out the insights.

Rashid and Rahman, (2008) found that there is positive but insignificant relationship between share price volatility and dividend yield for 104 non-financial firms listed in the Dhaka Stock exchange during the period of 1999 – 2006. Nazir, et al (2010) applied fixed effect and random

effect models to test the role of corporate dividend policy in determining the volatility in the stock price for 73 firms listed in Karachi Stock Exchange (KSE-100) indexed. Contradict to Rashid and Rahman, (2008), the researcher found that the share price volatility is significantly influence dividend policy as measured by dividend payout ratio and dividend yield. The result of the empirical findings made by Zakaria, et al, 2012 also suggests there is a significant positive relationship between the dividend payout ratio of a firm and share price volatility.

Attah-Botchwey (2014) studied the relationship between dividend policy and corporate governance in Tehran stock exchange companies. He selected 125 companies in stock exchange during 2004 - 2007 as a sample. Business governing index was divided into 8 classes based on a checklist as disclosure, commercial ethics, observing legal obligations, auditing, ownership, board of directors' structure, asset' management and liquidity. Their findings show showed that there is an inverse significant relationship between the business governing and dividend i.e. companies in stock exchange use dividend to gain reputation and credit but in spite of a significant relationship between corporate governance and dividend, the effect of corporate governance on dividend is low. Karimi, et al (2013) concluded that there is a significant relationship between corporate governance quality and ratio of divided to net profit and ratio of dividend to net assets, because the significance level is below 5% (0.0012). Correlation coefficient of variables is 0.383735.

3.Methodology

This study employed the *ex post facto* research design

It made use of secondary data. Data for this study was obtained from financial statement of nine companies under study for the period 2010-2018. The population of this study comprises of all companies in line with our study while the sample of this study will comprise nine companies which includes ACNDPC, Capital Hotels, Ikeja Hotels, Tourist Co. CUTIX, Interlinked Tech., CAPPA D'ALBERTO, Costain and Julius and Berger

Model Specification

The model was specified as follows:-

Hypothesis one:

Ho_1: There is no significant relationship between dividend payment and profit after tax of selected firms.

$PAT=bo+b_1DPS+e$

where

PAT = Profit After Tax

b_0 = intercept

DPS = Dividend Per Share

e = error term

Hypothesis two:

Ho_2: There is no significant relationship between dividends and total sales of selected firms (ACNDPC, Capital Hotels, Ikeja Hotels, Tourist Co. CUTIX, Interlinked Tech., CAPPA D'ALBERTO, Costain and Julius and Berger).

$TS=bo+b_1DPS+e$

where

TS= total sales

b_0 = intercept

DPS=dividend per share

e = error term

Hypothesis three:

Ho_3: There is no significant relationship between dividends and total asset of the selected firms.

$TA=bo+b_1DPS+e$

where

TA= total assets

b_0 = intercept

DPS=dividend per share

e = error term

Technique of Analysis

The simple linear regression was used. Techniques of data analysis employed by the researcher are the ordinary least square method using the Statistical Package for Social Sciences (SPSS). The simple regression equation is stated thus;

$Y = b_0 + b_1X_1 + \mu.$

Where:

Y = the variable been predicted

b_0 = the intercept

b_1 = the slope

X = the variable used to predict Y

μ = the error term

The *intercept* (b_0) is the value of the dependent variable when the independent variable is equal to zero while the *slope* of the regression line (b_1) represents the rate of change in Y as X changes. Because Y is dependent on X, the slope describes the predicted values of Y given X.

4. Analysis of data and interpretation of results

Data analysis

Decision rule: *Reject H_0 if p-value ≤ .05, otherwise accept H_0*

Testing Hypothesis one

Ho_1: There is no significant relationship between dividends per share on profit after tax of the selected firms.

First Model: PAT=bo+b_1DPS+e

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.057[a]	.003	-.068	43982056.74319

a. Predictors: (Constant), dividend per share

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	87264826973731.030	1	87264826973731.030	.045	.835[b]
	Residual	27081898415054924.000	14	1934421315361066.000		
	Total	27169163242028656.000	15			

a. Dependent Variable: profit after tax

b. Predictors: (Constant), dividend

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	37679857.692	24335620.354		1.548	.144
	dividend	-17474.480	82273.541	-.057	-.212	.835

a. Dependent Variable: profit after tax

Interpretation

From the model summary table, the R value of .057 shows that there is a very weak and positive relationship between the independent variable (DPS) and the dependent variable (PAT) as the R cannot be approximated to 1. The R^2 of .003 shows that 0.3% of the variation in profit after tax can be explained by the explanatory/independent variables. The ANOVA (Analysis of variance) table shows that the model fit is not statistically significance (sig = .835>.05).

The slope of dividend per share (DPS = -17474.480) on coefficient table shows that a unit increase in the dividend (DPS) will lead to 17474.480 unit decrease in the profit after tax.

Substituting the regression output with its values for the intercept, the slopes and the error term from the above analysis the equation will be PAT = 37679857.692- 17474.480DPS +43982056.74319

Decision

The p-value, on which basis we can accept the null hypothesis that there is no significant relationship between dividends per share on profit after tax of the selected firms is p-value =.835(statistically non-significance).Since the p value is >.05, we conclude that there is no significant relationship between dividends per share on profit after tax of the selected firms, this means that there is a negative and non--significant relationship between dividends per share on profit after tax of the firms. This means that an increase in dividend will lead to decrease in profit of the firms.

Testing Hypothesis two

Ho_2: There is no significant relationship between dividend per share and total sales of the selected firms.

Second Model: $TS=bo+b_1DPS+e$

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.110[a]	.012	-.059	574451799.87350

a. Predictors: (Constant), dividend

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5631392000581624.000	1	5631392000581624.000	.171	.686[b]
	Residual	4619928185290580000.000	14	329994870377898560.000		
	Total	4676242105296391200.000	15			

a. Dependent Variable: total sales

b. Predictors: (Constant), dividend

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	613733968.980	317848730.794		1.931	.074
	dividend	443907.552	1074578.751	.110	.413	.686

a. Dependent Variable: total sales

Interpretation

From the model summary table, the R value of .110 shows that there is a weak and positive relationship between the independent variable (DPS) and the dependent variable (TS) as the R cannot be approximated to 1. The R^2 of .012 shows that 1.2% of the variation in total sales can be explained by the explanatory/independent variables.

The ANOVA (Analysis of variance) table shows that the model fit is statistically insignificant (sig = .686>.05).

The slope of dividend per share (DPS = 443907.552) on coefficient table shows that a unit increase in the dividend (DPS) will lead to 443907.552 unit increase in the total sales. Substituting the regression output with its values for the intercept, the slopes and the error term from the above analysis the equation will be TS = 613733968.980+ 443907.552DPS +574451799.87350

Decision

The p-value, on which basis we can accept the null hypothesis that there is no significant relationship between dividends per share on total sales of the selected firms is p-value =.686(statistically insignificance).Since the p value is >.05, we conclude that there is positive and non-significant relationship between dividends per share on total sales of the selected firms.

Testing Hypothesis three

Ho_3: There is no significant relationship between dividends on total asset of the selected firms.

Third Model: $TA=bo+b_1DPS+e$

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.326[a]	.107	.043	310669073.19452

a. Predictors: (Constant), dividend per share

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1611057500492735 04.000	1	1611057500492735 04.000	1.669	.217[b]
	Residual	1351213822553555 460.000	14	9651527303953968 0.000		
	Total	1512319572602829 060.000	15			

a. Dependent Variable: total asset

b. Predictors: (Constant), dividend per share

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	417925658.377	171895658.841		2.431	.029
	dividend per share	750827.506	581142.551	.326	1.292	.217

a. Dependent Variable: total asset

Interpretation

From the model summary table, the R value of .326 shows that there is a weak and positive relationship between the independent variable (DPS) and the dependent variable (TA) as the R cannot be approximated to 1. The R^2 of .107 shows that 10.7% of the variation in total asset can be explained by the explanatory/independent variables.

The ANOVA (Analysis of variance) table shows that the model fit is statistically non-significant (sig = .217>.05).

The slope of dividend per share (DPS = 750827.506) on coefficient table shows that a unit increase in the dividend (DPS) will lead to 750827.506 unit increase in the total asset. Substituting the regression output with its values for the intercept, the slopes and the error term from the above analysis the equation will be TA = 417925658.377+ 750827.506DPS +310669073.19452

Decision

The p-value, on which basis we can accept the null hypothesis that there is no significant relationship between dividends per share on total asset of the selected firms is p-value =.217(statistically non-significant). Since the p value is >.05, we conclude that there is positive and non-significant relationship between dividends per share on total asset of the selected firms.

5. Conclusions

This study investigated the connection between dividend policy and the performance of firms in Nigeria. It used the ex post facto research design and nine firms as case study for the period 2010 -2018. Ordinary least squares regression technique was employed for statistical analysis. The results of the study suggest that there is a negative and non-significant relationship between dividends per share and profit after tax of the selected firms, a positive and non-significant relationship between dividends per share and total sales of the selected firms, and a positive and non-significant relationship between dividends per share and total asset of the selected firms.

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