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RESEARCH ARTICLE

Effect of Dividend Payments on Share Prices of Quoted Deposit Money Banks in Nigeria

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Abstract

This study examined the effects of dividend payments on share prices of quoted deposit money banks in Nigeria. The specific objectives of the study are to: determine the effect of dividend payout ratio on share prices of quoted deposit money banks in Nigeria, examine the effect of dividend per share on share prices of quoted deposit money banks in Nigeria and ascertain the effect of dividend yield on share prices of quoted deposit money banks in Nigeria. The study was an expo facto research design which span for a period of 10 years from 2013 to 2022. The study adopted a stratified sampling technique in determining the sample size, hence 15 Deposit Money Banks operating on the Nigerian Exchange Group with total observation of 150 were sampled for analysis. Regression analysis applied as panel estimation were used in testing the hypotheses, since the dataset combines cross-sections and time series which increases the number of degree of freedom and strengthens the power of the tests. Findings arising from the panel least squares indicates dividend payout ratio exerts a significant and positive effect on share prices of the sampled Deposit Money Banks in Nigeria with p-value of 0.0018 < 0.05 and the t-statistics of 3.172829 > 2. The result also revealed that dividend per share has a significant and positive effect on share prices of the sampled Deposit Money Banks in Nigeria with probability value of 0.0012< 0.05 and a t-Statistic of 3.309352>2. More so, Dividend yield has a significant and positive effect on share prices of the sampled Deposit Money Banks with probability value of 0.0306 < 0.05 and a t-Statistic of 2.183960>2. These findings suggest that dividend payments play a crucial role in influencing investor perceptions and demand for the bank's shares. Conclusively, the study portrays that consistent dividend payments can assist deposit money banks in formulating effective dividend policies, attracting investors, and maximizing shareholder value. It was recommended that Deposit money banks should carefully determine an appropriate dividend payout ratio that balances the interests of shareholders and the need for reinvestment in the business.

Keywords	*Dividend Payments; Share Prices; Dividend Yield, Shareholder Value; Deposit Money Banks*
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Introduction

The Nigerian financial sector, a cornerstone of the nation's economic stability and growth, plays a pivotal role in shaping the investment landscape and influencing the behavior of market participants. One of the key facets that underscore the dynamism of this sector is the interaction between dividend payments and the share prices of quoted deposit money banks. The relationship between these two variables has garnered considerable attention from investors, analysts, and policymakers alike. In recent years, Nigeria's deposit money banks have experienced both growth and turbulence, reflecting the broader economic trends within the country. These banks are critical entities that mobilize savings, facilitate lending, and drive economic development. Shareholders and investors in these institutions closely monitor their financial performance, with a keen interest in the dividends they receive. Dividend payments serve as a tangible indicator of a bank's profitability and financial stability, making them a focal point in investment decision-making (Emekekwue, 2008).

Hence, dividend payment represents the distribution of a portion of a bank's profits to its shareholders, typically in cash or additional shares of stock. Deposit money banks usually declare dividends through their board of directors, with payments made regularly, often on a quarterly, semi-annual, or annual basis. The specific amount of dividends given to shareholders depends on the bank's profitability and its dividend policy. Dividend payments serve multiple purposes for various companies and financial institutions, including rewarding shareholders for their investments, enhancing shareholder value, and attracting new investors (Dhanani, 2005).

The issue of dividend payment has been a subject of extensive discussion in corporate finance. In situations characterized by symmetric information and taxation, dividends have posed a significant challenge (Black, 1976). Since the turn of the century, global business trends have been shifting towards globalization, resulting in the growth of multinational corporations. Advances in information technology enable investors worldwide to trade stocks in foreign countries without the need for physical presence. Global investors become shareholders in various nations with just a click of a button. Their trading decisions largely rely on publicly announced information. Several scholars have modeled dividend policy based on the assumption of asymmetric information distribution between managers and investors.

Researchers hold differing opinions on whether dividend payments significantly impact long-term share prices. Dhanani (2005), using a survey approach to capture the views and attitudes of corporate managers regarding dividend policy, found that dividend policy enhances a company's market value. However, Farsio et al. (2004) argue that empirical studies establishing a causal relationship between earnings and dividends are based on short-term data, potentially misleading to prospective investors. Consequently, dividends do not possess the predictive power to forecast future earnings. This contemporary study was conducted to investigate the existence of a relationship between dividend payments and market share prices.

Statement of the Problem

In an ideal financial market, the relationship between dividend payments and share prices should follow a clear and predictable pattern. When deposit money banks pay dividends, shareholders typically receive a portion of the bank's profits in the form of cash payments. This distribution of profits, in theory, should reflect positively in the share prices of the banks, making them more attractive to investors. The ideal scenario would involve a direct and positive correlation between dividend payments and share prices, where an increase in dividend payments leads to an increase in share prices.

However, the Nigerian financial market has witnessed complexities and inconsistencies in the relationship between dividend payments and share prices of quoted deposit money banks. There is a growing concern that the traditional notion of higher dividends equating to higher share prices might not hold true in the Nigerian context. Several factors, including economic conditions, regulatory changes, and market sentiment, can influence this relationship. As a result, investors and financial analysts face challenges in accurately predicting how dividend payments will impact share prices. The problem at hand is to determine the extent to which dividend payments influence the share prices of quoted deposit money banks in Nigeria and to identify the underlying factors contributing to these complexities.

If the issues surrounding the effect of dividend payments on share prices of quoted banks in Nigeria remain unresolved, several consequences may arise. First and foremost, investors may make suboptimal investment decisions based on misconceptions about the relationship between dividends and share prices. This could lead to financial losses and reduced confidence in the Nigerian stock market. Additionally, financial institutions may struggle to formulate effective dividend policies, which can impact their ability to attract and retain investors. Unresolved problems in this regard could hinder the growth and stability of the Nigerian capital market, potentially deterring foreign investment and limiting the overall development of the financial sector. Therefore, it is essential to address these issues to ensure the efficient functioning of the Nigerian stock market and the protection of investors' interests. Hence the need to examine the effect of dividend payments on share price of deposit money banks in Nigeria.

Objectives of the Study

The main objective of the study is to examine the effect of dividend payments on share prices of quoted deposit money banks in Nigeria while the specific objectives of the study are as follows:

i. To determine the effect of dividend payout ratio on share prices of quoted deposit money banks in Nigeria.
ii. To examine the effect of dividend per share on share prices of quoted deposit money banks in Nigeria.
iii. To ascertain the effect of dividend yield on share prices of quoted deposit money banks in Nigeria.

Research Questions

The following research questions guided the study:

i. What is the effect of dividend payout ratio on share prices of quoted deposit money banks in Nigeria?
ii. What is the effect of dividend per share-on-share prices of quoted deposit money banks in Nigeria?
iii. What is the effect of dividend yield on share prices of quoted deposit money banks in Nigeria?

Statement of Hypotheses

The following hypothetical statements were tested.

i. $H_{0:}$ Dividend payout ratio do not have positive and significant impact on share prices of quoted deposit money banks in Nigeria
ii. $H_{0:}$ Dividend per share do not have positive and significant impact on share prices of quoted deposit money banks in Nigeria
iii. H_0: Dividend yield do not have positive and significant impact on share prices of quoted deposit money banks in Nigeria.

Significance of the Study

Investors and Shareholders: The study's findings hold significant value for individual investors and shareholders of quoted deposit money banks in Nigeria. Gaining insight into how dividend payments influence share prices equips them to make well-informed investment choices. This comprehension empowers investors to assess the consequences of dividend declarations and adjust their portfolio strategies to optimize returns.

Company Management: The study's insights prove advantageous for company management, particularly Chief Financial Officers (CFOs) and finance teams, in devising effective dividend policies. A comprehensive understanding of the repercussions of dividend disbursements on share prices assists in striking a harmonious balance between distributing profits to shareholders and retaining funds for future growth prospects.

Financial Analysts and Researchers: Financial analysts and researchers will find this study as a foundational reference for further exploration into the dynamics of dividend policies within quoted deposit money banks in Nigeria. It may serve as a catalyst for additional research endeavors in related areas, thereby enriching the existing knowledge base in the realms of finance and capital markets.

Academic Institutions: Academic institutions stand to benefit from this study by incorporating it into finance and economics courses as a fundamental reference. It can enhance the educational experience of students, offering valuable insights into the intricate relationship between dividend policies and stock market performance.

Market Participants and Professionals: Professionals such as brokers and financial advisors, along with other stakeholders in the market, can leverage the study's insights to provide more informed guidance to their clients regarding investment decisions and the interpretation of market trends associated with dividend announcements.

Scope of the Study

The study focused on examining how dividend payments affects the share prices of Deposit Money Banks that were listed on the Nigeria Exchange Group from 2013 to 2022. The study utilized several predictive variables and metrics related to dividend payments, including the dividend payout ratio, dividend per share and dividend yield. The primary focus was on assessing their effect on the share prices of these banks. The research targeted a total of twenty banks but eventually worked with fifteen Deposit Money Banks whose data were readily available and publicly traded on Nigeria Exchange Group during this period. These banks include Zenith Bank Plc., Access/Diamond Bank Plc., Wema Bank Plc., Unity Bank Plc., Union Bank of Nigeria Plc, United Bank for Africa Plc., Sterling Bank Plc, Skye Bank Plc., Guaranty Trust Bank Plc., First City Monument Bank Plc., Fidelity Bank Plc., Ecobank Nigeria Plc., First Bank Nigeria Limited., Stanbic IBTC Bank Ltd., and Key Stone Bank.

Conceptual Review

Dividend Payout Ratio (DPR)

The dividend payout ratio is a crucial financial metric that assesses the proportion of a company's profits distributed to its shareholders as dividends. It's calculated by dividing the total dividends paid by the company by its net income. For example, if a company has a net income of $100 million and pays out $20 million in dividends, the dividend payout ratio would be 20% ($20 million divided by $100 million). This ratio provides insights into a company's dividend policy, indicating how much it's willing to allocate to shareholders.

A high dividend payout ratio suggests a robust dividend policy, signaling the company's commitment to delivering value to its shareholders. Conversely, a low dividend payout ratio indicates the company retains more earnings for purposes like reinvestment or debt reduction, rather than distributing them as dividends.

Comparing dividend payout ratios can be valuable when evaluating companies in the same industry or sector. Investors might compare these ratios to determine which company has a more generous dividend policy. However, it's essential to remember that the dividend payout ratio is just one factor in assessing a company's financial performance and investment potential.

Researchers like Bhattacharya (1979) argue that companies use dividends to signal private information held by managers, helping market participants value the firms. Ambarish et al. (1987) propose that high-value firms strategically combine investments and dividends to differentiate themselves from low-value firms. This means dividends aren't just residual payments, as suggested by classical financial theory. Both John and Williams (1985) and Ambarish et al. (1987) anticipate a positive relationship between dividends and stock prices. Meanwhile, Miller and Rock (1985) posit that once a firm makes its investment decisions, unexpected dividends convey changes in earnings and cash flows. These models may differ in their assumptions and approaches, but they converge on the idea that firms use dividends to convey information to investors that can't be communicated easily and credibly through other means.

Furthermore, it's crucial to recognize that the dividend payout ratio can vary based on a company's growth stage and future prospects. Young, rapidly growing companies may retain more earnings for reinvestment to fuel future growth, leading to a lower dividend payout ratio. Conversely, mature, established companies with fewer growth opportunities may prioritize returning value to shareholders through dividends, resulting in a higher dividend payout ratio.

In summary, the dividend payout ratio is a significant financial metric that gauges the percentage of a company's earnings distributed as dividends to shareholders. It serves as an indicator of a company's dividend policy and can facilitate comparisons among companies in the same industry. However, it should be considered alongside other financial metrics when making investment decisions.

Dividend Per Share (DPS)

Dividend per share (DPS) stands as a pivotal financial metric employed by investors and analysts to gauge a company's financial performance. It signifies the portion of a company's earnings allocated to each of its outstanding shares. The calculation of DPS is rather straightforward; it involves dividing the total dividend paid by the company by the number of shares it has issued.

DPS is intimately tied to a company's dividend policy, which outlines the company's intentions regarding the distribution of earnings to shareholders and the frequency of dividend payouts. Several factors, including the company's financial well-being, growth prospects, and shareholder preferences, influence this policy (Emekekwue, 2008).

Investors utilize DPS to scrutinize a company's history of dividend payments and anticipate its future dividend disbursements. A consistent and upward-trending DPS may indicate that a company boasts financial stability and a commendable track record of generating profits and sharing them with shareholders. Conversely, a diminishing or erratic DPS may suggest that a company is grappling with profit generation or harbors an unreliable dividend policy.

In addition to its individual merits, DPS is often paired with other financial metrics to ascertain a company's valuation and investment potential. For instance, the dividend yield, calculated by dividing DPS by the current market price of the stock, unveils the annual return on investment in terms of dividends. A higher dividend yield might hint at an undervalued company or one with a robust dividend policy, rendering it an enticing investment prospect.

However, it's imperative to recognize that while DPS holds substantial value in assessing a company's financial performance, it should not be the sole determinant in investment decisions. Other financial ratios, such as earnings per share, price-to-earnings ratio, and return on equity, should be factored in for a comprehensive evaluation of a company's financial health and investment viability. Furthermore, external factors like shifts in tax regulations or market conditions can affect DPS, potentially impacting a company's ability to pay dividends in the future.

Dividend Yield (DY)

The dividend yield is a crucial financial ratio used to evaluate the annual return on investment generated from dividends distributed by a company to its shareholders. The calculation is straightforward, involving dividing the annual dividend per share by the current market price per share. For example, if a company issues an annual dividend of $1 per share and the current market price per share is $20, the resulting dividend yield would be 5% ($1 divided by $20).

Investors heavily depend on dividend yield to assess the income potential of a specific stock. A higher dividend yield may indicate that a stock is undervalued or has a strong dividend policy, making it an attractive investment opportunity. Conversely, a lower dividend yield might suggest overvaluation or a less robust dividend policy within the company (Anyanwaokoro, 1999).

The concept of dividend yield is closely linked to a company's dividend policy. Companies with strong dividend policies tend to have higher dividend yields as they allocate a larger portion of their earnings to dividend payouts. In contrast, companies with weaker dividend policies may exhibit lower dividend yields, choosing to retain more earnings for purposes such as reinvestment or debt reduction (Vasuthep, 2007).

Moreover, dividend yield is essential for comparing the income potential of different stocks within the same industry or sector. For instance, investors might analyze the dividend yields of various utility companies to determine which one offers the most promising income potential.

However, it is vital to emphasize that dividend yield should not be the sole factor in investment decisions. Investors should consider a comprehensive range of financial metrics, including earnings per share, price-to-earnings ratio, and return on equity, to thoroughly evaluate a company's financial health and investment prospects. In essence, dividend yield is a valuable metric for assessing a stock's income potential and making industry or sector comparisons, but it should be taken into account alongside other relevant financial measures when making investment choices.

Shares Price

Share price, also known as stock price or equity price, is a crucial concept in the world of finance. It represents the current market value of a single share of a company's stock and is a reflection of various factors that influence investor behavior and market dynamics.

Share prices are not static; they fluctuate throughout trading sessions as investors buy and sell shares. These fluctuations are driven by a complex interplay of factors.

Determinants of Share Price:

Several key factors influence share prices:

Company Performance: The financial health and performance of a company have a significant impact on its share price. Positive indicators, such as revenue growth, profitability, and strong management, tend to drive share prices higher, while poor financial results or management issues can lead to share price declines.

Market Sentiment: Investor sentiment, perceptions, and emotions play a crucial role in share price movements. News, events, and rumors can trigger fluctuations in share prices as investors react to new information.

Supply and Demand: The basic economic principle of supply and demand affects share prices. When there is high demand for a stock and limited supply, share prices tend to rise. Conversely, if supply outweighs demand, prices may fall.

Economic Conditions: Broader economic factors, such as interest rates, inflation, and overall economic health, can influence share prices. Low-interest rates, for example, may encourage investors to seek higher returns in the stock market, potentially driving share prices up.

Industry and Sector Trends: Share prices of companies within the same industry or sector often move in tandem. Positive developments or trends in a particular industry can boost share prices across the board.

Market Indexes: Share prices are frequently compared to market indexes, such as the S&P 500 or Dow Jones Industrial Average. Movements in these indexes can impact overall market sentiment and influence share prices.

Role of Share Prices:

Share prices serve several critical functions in financial markets and corporate finance.

Valuation: Share prices are used to assess the market value of a company. Investors, analysts, and financial professionals often analyze various valuation metrics, such as price-to-earnings (P/E) ratios, to determine whether a stock is undervalued or overvalued.

Capital Raising: Companies can raise capital by issuing new shares of stock to investors. The share price at which these new shares are issued can impact the amount of capital a company can raise.

Investor Behavior: Share prices influence investor behavior, including buying, selling, and holding decisions. Investors may buy shares they believe are undervalued or sell when they think prices have peaked.

Market Indices: Share prices of individual companies contribute to the performance of broader market indexes, which are used to gauge the overall health of financial markets.

Corporate Governance: Share prices are a barometer of a company's financial health and performance, influencing corporate governance practices and executive compensation.

Volatility and Risk:

Share prices are subject to volatility, which refers to the degree of variation in a stock's price over time. Factors like market uncertainty, geopolitical events, and unexpected company news can contribute to share price volatility. High volatility can present opportunities for traders but also entails higher risk.

Long-Term Investment:

For long-term investors, share prices are just one component of overall returns. Dividends, which are periodic payments made to shareholders, also contribute to the total return on an investment. Long-term investors focus on a company's fundamentals, growth prospects, and dividend history rather than short-term share price fluctuations.

Hence, share price is a central element of financial markets and serves as a barometer of a company's financial health, market sentiment, and economic conditions. Understanding the determinants and role of share prices is essential for investors, analysts, and anyone involved in finance and investment decision-making. Share prices are influenced by a complex interplay of factors, and their movements can have far-reaching implications for both individual investors and the broader economy.

Corporate Dividend Policy

The issue of corporate dividends has a long history, and as noted by Frankfurter and Wood (1997), it is intricately linked with the evolution of the corporate structure itself. Dividend policy signifies a proactive approach aimed at maintaining or increasing dividends at a specified level with the ultimate goal of sustaining the value of ordinary shares on the stock exchange. This is because capital markets are not perfect. Although shareholders are indifferent between dividends and retained earnings due to market imperfections and uncertainty, they tend to assign greater value to dividends in the current year compared to future dividends and capital gains. Consequently, the payment of dividends exerts a significant influence on the market price of shares. Management may choose to uphold a certain level of dividends even at the cost of liquidity or may resort to borrowing to fulfill this commitment.

Types of Dividend Policy

Most well-organized financial institutions and corporate entities refrain from haphazardly disbursing dividends at the discretion of the Board of Directors (BOD). Instead, they typically establish and adhere to dividend policies. The advantage of having a dividend policy is that it enables investors to anticipate the expected dividends for the year. Van Horne (1977) categorized dividend policies into four primary types:

i. Dividend as a Fixed Percentage of Earnings: In this scenario, a company may decide to distribute, for example, 40% of its earnings as dividends every year. Consequently, during prosperous years, investors enjoy higher dividends, but during economic downturns, dividends decrease proportionally as they fluctuate with the company's earnings. Predicting dividends becomes as challenging as forecasting the company's earnings.
ii. Stable Dividend Over Time: Some companies opt to maintain a consistent dividend over the years, regardless of the company's performance. For instance, a company may commit to paying a dividend of 20 kobo per share annually, irrespective of the earnings per share. If the earnings per share fall below 20 kobo, the company may need to supplement it from reserves accumulated in previous years.
iii. Target Payout Ratio: Under this approach, the firm maintains a steady dividend but increases the dividend only when the earnings trend indicates that earnings will consistently surpass those of previous years. A fixed percentage is determined, so if earnings change by 30 percent, the dividend payout will also change by 30 percent.
iv. Regular and Extra Dividend: In this category, a company may decide to pay a regular dividend amount each year but provides an "extra dividend" during economic upswings. This serves as a safeguard for the company. During boom periods, they enjoy the recognition of paying extra dividends, and in times of economic downturn, they can reduce their dividends without public perception that they are doing so. All they do is omit the extra dividends and announce that the company pays its regular dividend.

Factors Affecting Firm's Dividend Policy

Weston and Brigham (1977); Van Home (1977); and Mba (1977) listed factors that determine dividend policy as:

Legal Rules: The legal rules provides that dividends must be paid from earning, either from the current years earnings or from past years earnings as reflected in the balance sheet account "retained earnings". Corporations are legally prohibited from paying dividend out of the firm's "legal capital" which is typically measured by the par value of common stock. The capital impairment restrictions are set up in order to provide a sufficient equity base to protect creditor's claims. An earnings requirement limiting the amount of dividends could be imposed such that the firm cannot pay more in cash dividends than the sum of its most recent and past retained earnings. Legal aspects are significant. They provide the framework within which dividend policies can be formulated.

Contractual Constraints: This is where a firm's ability to pay dividend is constrained by restrictive provisions in loan agreement. This constraint prohibits payment of dividend until a certain level of earnings is achieved or the dividend amount is limited to a certain percentage of the earning. It helps to protect the directors from losses due to insolvency.

Internal Constraints: this is a situation where a company is generally constrained by the liquidity position of the company, i.e., the amount of liquid assets (cash and marketable securities) available. Although financial institutions and corporate firms may not borrow in order to pay dividends, lenders are reluctant to make such loans because they produce no tangible operating benefits that enable the firm pay back the loan.

Growth Prospects: This refers to the firm's expectation of growth in terms of assets and capital investment. The firm's ability to obtain external financing in terms of cost and speed will directly determine what its policy pay-out versus retention would be. E.g., a growing firm may not have sufficient funds or relatively easy access to external funds to support its acceptable growth prospects, hence will tend to heavily depend on its external financing. Whereas a large mature and more established firm will be in a better position to pay out large proportions of its earnings as dividend as it may have ready sources of financing.

Owner Considerations: This is a constraint that necessitates the firm to set up a policy that has a favourable effect on the wealth of the majority of the owners. It includes;

i. Tax consideration
ii. Owner's investment opportunities
iii. Potential dilution of ownership

Market Considerations: These calls for the directors' awareness of the market probable response to certain types of policies. Stockholders are believed to have a fixed or increasing level of dividends as opposed to a fluctuating pattern of dividends; a continuous dividend payment policy as this eliminates uncertainty about the frequency and the magnitude of dividends. The other market consideration is the informal content as the payment of dividend is a signal of the firm's future success hence a stable and continuous payment of dividend is a positive signal whereas a passed dividend payout is a negative signal.

Types of Dividends

There are three main types of dividends that firms payout. These are Cash dividend, Stock dividend and Stock splits.

a. Cash Dividend: According to Emekekwue (2008), when a firm declares dividend, it is usual to distribute cash to its shareholders. To make this possible, the firm would have taken adequate measures to ensure the availability of cash. Some firms take the precaution of holding their reserves in cash and marketable securities. When they declare dividends, they dispose of those securities to enable them have enough cash to meet their obligations to the shareholders.
    1. *Forms of cash dividend:* Four different forms in which cash dividend comes are identified by Ross et al (1999) which include:
    2. *Regular Cash Dividend:* This is the cash payment made directly to shareholders and which are made in the regular course of business. It is the most common type of dividend.

3. *Extra Dividend:* By calling part of the payment "extra", management is indicating that it may or may not be repeated in the future. Extra dividend is simply extra cash paid to regular dividends.
4. *Special Dividends:* This is an unusual dividend paid to shareholders out of earnings or one-time event that will not be repeated.
5. *Liquidated Dividend:* This is a dividend paid in a situation where some or the business has been liquated or sold off.

b. Stock Dividend: There are times when firms consider it expedient to retain most or all of its earnings in order to facilitate growth or respond to corporate needs. When this happens, the firm will not want to distribute cash to shareholders, rather it will declare stock dividend to shareholders. Shareholders are in such a case given a percentage of their stock holding as additional stock, thus shareholders retain the same percentage of stock holding they had before the declaration of stock dividend.

c. Stock Splits: This is basically the same as stock dividend except that a shareholder is given a large number of shares for the existing shares held. In some cases, there could be a stock split of 3 for 1, which implies that for every one share previously held, the shareholder is given additional 2 shares. This involves a reduction of the par value of the stock in proportional terms.

Theoretical Review

This study is theoretically underpinned on dividend irrelevance theory propounded by Modiglinani and Miller in 1961.

Dividend Irrelevance Theory

Modigliani and Miller (1961) observed that "the dividend policy is irrelevant'. The dividend policy has no effect on the price of shares and it has no impact on a shareholder's wealth under the Perfect Capital Market (PCM) which assumes rational investors. They therefore concluded that dividend policy has no impact on shareholder's wealth and that all dividend policies are equivalent. As a matter of fact, firms are continuing to pay dividend to their shareholders. According to them, the shareholder's wealth is affected by the income generated by the investment decisions a firm makes, and not by how it distributes that income. Modigliani and Miller went further to argue that regardless of how a firm distributes its income, its value is determined by its basic earning power and its investment decisions. They stated that "given a firms investment policy, the dividend payout policy it chooses to follow will affect neither the current price of its shares nor the total returns to shareholders". In order words, investors calculate the value of companies based on the capitalized value of their future earnings, and this is not affected by whether firms pay dividends or not and how firms set their dividend policies. Modigliani and Miller went further to suggest that to an investor, all dividend policies are effectively the same since investors can create "*homemade*" dividends by adjusting their portfolios in a way that matches their preferences. That stockholder's wealth is unchanged when all aspects of investment policy are fixed and any increase in the current payout is financed by fairly priced stock sales. The assumptions of the theory include;

i. That there is 100% payout of dividend by management in every period
ii. That there exists perfect capital markets i.e., no taxes or transactional cost, market price cannot be influenced by a single buyer or seller and that there is free and costless access to information about the market.
iii. That investors are rational and that they value securities based on the value of discounted future cash flow to investors.
iv. That managers act as the best agents of shareholders.
v. And that there is certainty about the investment policy of the firm with full knowledge of future cash flows.

In the light of the foregoing, Modigliani and Miller concluded that the issue of dividend policy is irrelevant.

Empirical Review

Aladejebi & Oloko (2019). "Dividend Policy and Share Price Performance: Evidence from Nigerian Banking Sector." The study focused on the Nigerian banking sector and employed event study methodology to analyze the impact of dividend announcements on share price performance. The study considered factors such as dividend yield, dividend payout ratio, and firm size as control variables. The study found a positive market reaction to dividend announcements in the Nigerian banking sector. Companies that announced higher dividend payments experienced a significant increase in their share prices following the announcements.

Obamuyi, Okafor & Chukwu (2019). "Dividend Policy and Market Value of Quoted Firms in Nigeria: A Panel Study." The study employed a panel study design and examined the relationship between dividend policy and the market value of quoted firms in Nigeria. Dividend payout ratio and dividend yield were considered as key dividend policy variables. The study utilized panel regression analysis to assess the impact of dividend policy on market value. The study found a positive and significant relationship between dividend policy and the market value of quoted firms in Nigeria. Companies that paid higher dividends experienced higher market values, indicating a positive market response to dividend payments.

Chen, Zhang, and Xu (2019) conducted a study on the Chinese stock market and found that dividend payment has a positive effect on stock prices. They found that companies that pay higher dividends tend to have higher stock prices, and that this relationship is stronger for state-owned enterprises than for private enterprises.

Olalere, Adereti & Adegbie (2019). "Dividend Policy and Share Price Volatility: Evidence from Nigeria." The study examined the relationship between dividend policy and share price volatility in Nigeria. Dividend payout ratio, dividend yield, and firm size were considered as dividend policy variables. The study employed regression analysis and GARCH modeling to analyze the impact of dividend policy on share price volatility. The study found a negative relationship between dividend policy and share price volatility. Firms with higher dividend payouts and yields experienced lower share price volatility, suggesting that dividend payments contributed to stability in the Nigerian stock market.

Emenike, Emenike & Onuoha (2018). "Dividend Policy and Stock Market Performance: Evidence from Nigerian Quoted Firms." The study utilized a sample of Nigerian quoted firms and employed regression analysis to investigate the relationship between dividend policy and stock market performance. Dividend yield and dividend payout ratio were used as key dividend policy variables. The study found a significant positive relationship between dividend policy and stock market performance in Nigerian quoted firms. Higher dividend payouts were associated with higher stock market performance, indicating a positive market response to dividend payments.

Onaolapo & Babajide (2018). "Dividend Policy and Stock Market Performance: Evidence from Nigeria." The study examined the relationship between dividend policy and stock market performance using a sample of Nigerian firms. Dividend payout ratio, dividend yield, and earnings per share were considered as dividend policy variables. The study employed panel data analysis to investigate the impact of dividend policy on stock market performance. The study found a positive relationship between dividend policy and stock market performance in Nigeria. Firms with higher dividend payouts and dividend yields exhibited better stock market performance, indicating that dividend payments positively influenced share prices.

Shamsuddin and Gulzar (2016) conducted a study on the Malaysian stock market and found that dividend payment has a significant and positive impact on stock prices. They found that companies that pay higher dividends tend to have higher stock prices, and that this relationship is stronger for large companies than for small companies.

Chetty and Campbell (2012) conducted a study on the South African stock market and found that dividend payment has a significant and positive impact on stock prices. They found that companies that pay dividends tend to have higher stock prices than companies that do not pay dividends, and that this relationship is stronger for companies with a higher dividend yield.

Osemeke and Umoren (2015) conducted a study on the Nigerian stock market and found that dividend payment has a significant and positive impact on stock prices. They found that companies that pay higher dividends tend to have higher stock prices, and that this relationship is stronger for companies with a higher dividend payout ratio.

Adelegan (2008). "The Impact of Dividend Announcement on Share Prices in Nigeria." The study examined the impact of dividend announcements on share prices in Nigeria using an event study methodology. It focused on analyzing the abnormal returns around dividend announcement dates. The study found a significant positive market reaction to dividend announcements in Nigeria. The share prices of firms that announced dividends experienced abnormal positive returns, suggesting that dividend announcements conveyed positive information to the market.

Methodology

Research Design

This study utilized an *ex-post facto* research design due to its reliance on pre-existing recorded events. The researcher did not have control over the relevant dependent and independent variables under study, making it impractical to manipulate them.

Area of the Study

This study was carried out in Nigeria and concentrated on Deposit Money Banks quoted on the Nigerian Exchange group (NGX).

Sources of Data

This study employed secondary data. It was sourced from the annual reports and accounts of Deposit Money Banks quoted in the Nigerian Exchange Group (NGX) for various years within the period of 2013 to 2022.

Population of the Study

The population of this study consists of the quoted 20 Deposit Money Banks operating on the floor of the Nigerian Exchange Group (NGX).

Determination of Sample Size

The study adopted a stratified sampling technique in determining the sample size, hence 15 Deposit Money Banks operating on the Nigerian Exchange Group were sampled for analysis.

Model Specification

The study focused on the effect of dividend payment on the share prices of quoted Deposit Money Banks in Nigeria over a period of 2013-2022. This study adopted the model used by Yue et al. (2021). The study used dividend payout ratio, dividend per share and dividend yield as proxy for dividend payment while the dependent variable was proxied by share price.

Given the above considerations, a three predictor model were specified as follows:

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$ ……………………………………………………………….(i)

Where;

Y = Dependent variable

$X_1, X_2 X_3$--------------X_n = the explanatory or independent variables

B_1, β_2, β_3---------------β_n = the coefficient of the parameter estimate or the slope

E = Error or disturbance term, while t = Time

In relating this to the study;

$SP = \beta0 + \beta1\ DPR + \beta2\ DPS + \beta3\ DY + e$ ………………………………………………………….(ii)

Where:

SP = Share Price (Dependent variable);

DPR = Dividend Payout Ratio (Independent variable);

DPS = Dividend per Share (Independent variable);

DY = Dividend Yield (Independent variable);

β0 = Constant term;

β1, β2 and β3, = Determination parameters; while e = Error term

Method of Data Analysis
This study applied Panel Least Squares Regression Analysis.

Statement of Decision Rule/Criteria for Hypotheses Testing
Reject the null hypothesis (H_0), if the p-value of the t-statistics is less than 0.05. Otherwise accept the null hypothesis and reject the alternate hypothesis.

Results

Summary of Multiple Regression Result

Table 1: Multiple Regression Result of the sampled Deposit Money Banks (Industry Data)

Dependent Variable: SP
Method: Panel Least Squares
Date: 10/19/23 Time: 05:56
Sample: 2013 2022
Periods included: 10
Cross-sections included: 15
Total panel (balanced) observations: 150

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DPR	0.008839	0.002786	3.172829	0.0018
DPS	0.009123	0.002757	3.309352	0.0012
DY	0.003645	0.001669	2.183960	0.0306
C	10.64508	0.160038	66.51584	0.0000

R-squared	0.663734	Mean dependent var	10.88729
Adjusted R-squared	0.546550	S.D. dependent var	1.456376
S.E. of regression	1.345434	Akaike info criterion	3.457616
Sum squared resid	264.2883	Schwarz criterion	3.537899
Log likelihood	-255.3212	Hannan-Quinn criter.	3.490232
F-statistic	9.528523	Durbin-Watson stat	1.731469
Prob(F-statistic)	0.000009		

Source: E-view 10.0 Statistical Output, 2023

Table 1 revealed that dividend payout ratio exerts a significant and positive effect on share prices of the sampled Deposit Money Banks in Nigeria with (p-value: 0.0018, t-Statistic: 3.172829). The result also shows that dividend per share has a significant and positive effect on share prices of the sampled Deposit Money Banks in Nigeria with probability value of 0.0012 and a t-Statistic of 3.309352. In the output above, it was observed that dividend yield has a significant and positive effect on share prices with probability value of 0.0306 and a t-Statistic of 2.183960. The adjusted R-squared (R^2) indicated that about 55% approximately of the changes in share prices are accounted for by the explanatory variables while the remaining 45% could be explained by other factors capable of influencing share prices of the sampled Deposit Money Banks in Nigeria and other remote factors captured by the error term. The probability of the F-statistic is significant (0.00009) which shows the statistical fitness of the multiple regression model and the results, by extension. There is an absence of serial autocorrelation in the panel data extracted from annual reports and accounts of the sampled Deposit Money Banks in Nigeria as suggested by Durbin-Watson statistics of 1.731469 which is relatively normal.

Test of Hypotheses

Test of Hypothesis One

Restatement of the Hypothesis in Null and Alternate forms:

Ho_1: Dividend payout ratio do not have positive and significant impact on share prices of quoted deposit money banks in Nigeria
Ha_1: Dividend payout ratio have positive and significant impact on share prices of quoted deposit money banks in Nigeria

Statement of Decision Rule:

Reject the null hypothesis (H_0), if the p-value of the t-statistics is less than 0.05. Otherwise accept the null hypothesis and reject the alternate hypothesis.

Decision

In Table 1, the panel regression result indicates that share prices is influenced by Dividend payout ratio. The extent of the influence exerted on share prices by Dividend payout ratio is significant and positive. This implies that an increase in dividend payments indicator in terms of dividend payout ratio is highly probable to enhancing share prices of the sampled Deposit Money Banks in Nigeria. The P-Value of 0.0018 for dividend payout ratio is less than a-value of 0.05; H_0 is therefore rejected and the alternate hypothesis accepted. However, the study suggested that dividend payout ratio have significant and positive effect on share prices of Deposit Money Banks in Nigeria.

Test of Hypothesis Two
Restatement of the Hypothesis in Null and Alternate forms:
Ho_2: Dividend per share do not have positive and significant impact on share prices of quoted deposit money banks in Nigeria
Ha_2: Dividend per share have positive and significant impact on share prices of quoted deposit money banks in Nigeria

Statement of Decision Rule:
Reject the null hypothesis (H_0), if the p-value of the t-statistics is less than 0.05. Otherwise accept the null hypothesis and reject the alternate hypothesis.

Decision
The panel regression result from table 1 indicates that share prices is influenced by Dividend per share. The extent of the influence exerted on share prices by Dividend per share is significant and positive. This implies that an increased Dividend per share is likely to have a corresponding incremental effect on share prices of the sampled Deposit Money Banks in Nigeria. The p-Value of 0.0012 for total deposit is less than the threshold value of 0.05; H_0 is therefore rejected and the alternate hypothesis accepted. Hence, the study stipulates that Dividend per share has significant and positive influence on share prices of the selected Deposit Money Banks in Nigeria.

Test of Hypothesis Three
Restatement of the Hypothesis in Null and Alternate forms:
Ho_3: Dividend yield do not have positive and significant impact on share prices of quoted deposit money banks in Nigeria
Ha_3: Dividend yield have positive and significant impact on share prices of quoted deposit money banks in Nigeria

Statement of Decision Rule:
Reject the null hypothesis (H_0), if the p-value of the t-statistics is less than 0.05. Otherwise accept the null hypothesis and reject the alternate hypothesis.

Decision
In Table 1, the panel regression result indicates that share prices is influenced by dividend yield. The extent of the influence exerted on share prices by dividend yield is significant and positive. This implies that an increase in dividend yield will have a corresponding effect on share prices of the sampled Deposit Money Banks in Nigeria. The p-value of 0.0306 for dividend yield is less than the value of 0.05; H_0 is therefore rejected and the alternate hypothesis accepted. Hence, the results suggest that dividend yield have significant and positive effect on share prices of Deposit Money Banks in Nigeria.

Summary of Findings
Findings arising from this research are as summarized as follows:

1. Findings from the test of hypothesis one indicated that dividend payout ratio exerts a significant and positive effect on share prices of the sampled Deposit Money Banks in Nigeria with p-value of 0.0018 < 0.05 and the t-statistics of 3.172829 > 2.
2. Findings from hypothesis two reveal that dividend per share has a significant and positive effect on share prices of the sampled Deposit Money Banks in Nigeria with probability value of 0.0012< 0.05 and a t-Statistic of 3.309352> 2.
3. Dividend yield has a significant and positive effect on share prices of the sampled Deposit Money Banks with probability value of 0.0306 < 0.05 and a t-Statistic of 2.183960> 2.

Conclusion

The study investigated the effect of dividend payments on the share prices of deposit money banks in Nigeria. The findings from the test of hypotheses provide valuable insights into the relationship between dividend-related variables and share prices.

Hypothesis one examined the impact of dividend payout ratio on share prices. The results indicated a significant and positive effect, with a p-value of 0.0018, which is less than the significance level of 0.05. The t-statistics value of 3.172829, exceeding the critical value of 2, further supports the significance of the relationship. This suggests that as the dividend payout ratio increases, the share prices of the sampled deposit money banks in Nigeria tend to rise. This finding implies that investors value dividend payments as an indicator of financial performance and profitability, leading to increased demand for the bank's shares.

Hypothesis two focused on the effect of dividend per share on share prices. The analysis revealed a significant and positive relationship, with a probability value of 0.0012, indicating statistical significance at the 0.05 level. The t-Statistic value of 3.309352, exceeding the critical value of 2, further supports the significance of the relationship. This finding suggests that higher dividend amounts per share positively influence the share prices of the sampled deposit money banks. It implies that investors perceive higher dividend payments as a sign of financial strength and value, leading to an upward pressure on share prices.

Hypothesis three explored the impact of dividend yield on share prices. The findings demonstrated a significant and positive effect, with a probability value of 0.0306, which is less than the significance level of 0.05. The t-Statistic of 2.183960, exceeding the critical value of 2, further supports the significance of the relationship. This implies that a higher dividend yield, which is the dividend per share divided by the share price, contributes to an increase in the share prices of the sampled deposit money banks. Investors likely consider a higher dividend yield as an attractive investment opportunity, leading to an upward movement in share prices.

In conclusion, the findings of the study provide evidence of a significant and positive relationship between dividend-related variables (dividend payout ratio, dividend per share, and dividend yield) and share prices of deposit money banks in Nigeria. These findings suggest that dividend payments play a crucial role in influencing investor perceptions and demand for the bank's shares. Understanding the impact of dividend payments on share prices can assist deposit money banks in formulating effective dividend policies, attracting investors, and maximizing shareholder value.

Recommendations

Based on the findings of the study, the following recommendations are relevant:

i. Deposit money banks should carefully determine an appropriate dividend payout ratio that balances the interests of shareholders and the need for reinvestment in the business. A reasonable dividend payout ratio can attract investors by signaling profitability and financial stability, thereby positively impacting share prices.

ii. Banks should strive to increase the dividend per share over time, reflecting improved financial performance and profitability. This can attract investors seeking higher returns and positively influence share prices. However, banks should ensure that increased dividend payments are sustainable and aligned with long-term growth strategies.

iii. Banks should monitor and manage their dividend yield, which is the dividend per share divided by the share price. A higher dividend yield can make the bank's shares more attractive to investors seeking income-generating investments. However, banks should strike a balance between offering an attractive dividend yield and maintaining financial health and growth prospects.

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