



Dividend policy and shareholders' wealth in listed deposit money banks in Nigeria

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ABSTRACT

This study appraises the effect of dividend policy on shareholders' wealth using a panel data of the annual reports of listed deposit money banks in Nigeria from 2011 to 2020. The Fixed Effect regression model was applied to the panel data in order to assess the influence of dividend policy on shareholder wealth in Nigeria. For the years in question, data was gathered from 15 banks' financial statements. There is a positive and significant association between Dividend Per Share (DPS) and Shareholder Wealth, according to empirical findings. Retained Earnings (RE) and Shareholder Wealth have also been proven to have a significant positive association. Conversely, EPS has been proven to have an inverse relationship with Shareholder Wealth. As a result, it is discovered that a firm's dividend policy has a strong negative relationship with shareholder wealth. The Dividend Relevance Theory, which claims that dividend policy has a significant impact on both shareholders' wealth and firms' value, was used to support the conclusion that a company's dividend policy has an impact on its shareholders' wealth. According to the findings of the study, companies should adopt a dividend policy that meets both shareholders' and the firm's investment needs. As a result, a portion of a company's profits should be paid as dividends, while the rest should be saved for future investments.

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1 | INTRODUCTION

The dividend policy of a corporation has the ability to maximize shareholder wealth. Any company's primary purpose is to increase shareholder value. A financial manager's goal is to make decisions that result in a substantial dividend payout to shareholders and an increase in the stock price. Dividends are insignificant in a perfect market environment for firms in the same risk class, according to Emeni & Ogbulu (2015), because a firm's dividend can only be influenced by earnings and its market price. Because the corporation must choose between allocating funds to retention for growth and paying out profits as dividends, the firm's worth is determined by earnings rather than dividends (Gul, Ullah, Gul & Rasheed, 2020). The influence of dividend policy on shareholder value is important to management and investors who plan their portfolios. Some scholars believe dividend rules are irrelevant when it comes to evaluating shareholder value, while others argue that dividend policies are critical and have a substantial impact on shareholder wealth (Ozuomba, Okaro & Okoye, 2013). Miller and Modigliani, as well as Litner and Gordon, have contributed significantly to the current debate over the influence of dividend policy on shareholder value. The ideal dividend policy is one that raises the company's stock price and so enhances shareholder wealth. The most crucial question in this research is whether dividend policies affect shareholder wealth or not. However, this issue has remained unaddressed. This study empirically investigates the impact of dividend policy on shareholder wealth based on the present argument.

The following sections make up the remainder of this paper: The second portion looked at relevant literature on the subject, the third piece looked at the methods used to analyze the data, and the fourth section looked at the results analysis and discussion. Finally, Section 5 wraps up the research and makes some recommendations.

2 | LITERATURE REVIEW

2.1 | Concept of Shareholders' Wealth

Shareholder wealth is defined as the present value of the expected return that shareholders will receive from the companies in which they have invested. Shareholders may gain more from their investments if the stock price or dividend payments rise (Edmund, 2018). Shareholder wealth is defined as the present value of expected future profits to the firm's owners (Shareholders). Dividends and/or money from stock sales might be used to make these recurring payments. The market value of the company's common stock is used to determine the wealth of its owners. The wealth of the company's shareholders is represented by the market price of its common

stock, which is a result of the company's investment, financing, and dividend decisions (Chen, Firth & GAO, 2002; Yahya & Ghazali 2017). The primary goal of management is to maximize shareholder wealth, which translates to increasing the company's value as measured by its common stock price. Sales growth, profit margin improvement, capital investment decisions, and capital structure decisions are the primary determinants of shareholder wealth (Azhagaiah & Priya, 2008).

2.2 | Concept of Dividend and Dividend Policy

According to Paramasivan and Subramanian (2009), dividend refers to a company's net profits being distributed to its shareholders. It's also known as the portion of a company's earnings allocated to its shareholders. According to the Institute of Chartered Accountants of India, a dividend is a payment made to shareholders from earnings or reserves available for that purpose. After all fixed income earners' responsibilities have been met, dividends are paid to shareholders from the company's earnings (Ansar, Butt & Shah, 2015). The Securities and Exchange Commission (SEC) (2000) defines dividends as the proportion or amount of a company's net profit that is declared payable to its shareholders. Dividends are the sum of money received by a Shareholder as his fraction of the company's profit earned, as determined by his shareholding or proportion of the asset that is divisible among shareholders, according to Iqbal, Waseem, and Asad (2014). Dividends are payments made to shareholders in proportion to their ownership of a company's past or current earnings in real assets. Dividends can be received in a variety of forms, including cash, shares, stock splits, stock repurchases, and recurring dividend payments (Heidary & Jalilian, 2016). Management uses dividends to maintain a steady level of profitability in a company and to keep stock prices stable on the stock exchange. Dividend policy, according to Al-Shawawreh. (2014), is a collection of agreed-upon guidelines that control management's decision to distribute earnings to shareholders. A dividend policy is a standard method of paying cash dividends.

According to Khan (2009), a financial manager's decision on whether to share all profits or keep them, or to distribute a portion and keep the rest, is known as dividend policy. A company's dividend policy, according to ICAN (2009), relates to the various decisions made about dividend payout. The key dilemma in dividend policy is whether profits should be distributed as dividends or reinvested in the business to fund future expansion and growth. Legal provisions, the firm's liquidity status, internal policies affirming the need to repay the debt through retained earnings, debt contract restrictions, and the tax position of shareholders are among the factors that can influence and shape a firm's dividend policy, according to Chenchene and Mensah (2015). (Tahir, Sohail, Qayyam & Mumtaz, 2016).

2.3 | Dividend per Share and Shareholders' Wealth

The dividend policy of a corporation determines how much of its earnings should be dispersed to shareholders and how much should be preserved for investment reasons (Khan, Nadeem, Islam, Salman & Gill, 2016). Dividend policy refers to management's long-term decision on how to use cash flows from corporate activities, namely, how much to invest in the firm and how much to distribute to shareholders (Oladipupo & Okafor, 2011). Iqbal, Waseem, and Asad (2014) examine the impact of dividend policy on shareholder wealth in Pakistan. Thirty-five (35) businesses from three industries were chosen at random for the study: textiles, sugar, and chemicals. From 2006 through 2011, annual data for these companies was used in the study. A simple OLS analysis technique was used to determine the study's conclusions. The research demonstrated that the firm's dividend policy has a significant positive impact on its shareholders' wealth. The impact of dividend payments on stock market prices in Nigeria is investigated by Ordu, Enekwe, and Anyanwaokoro (2014). The research looked at 17 publicly traded firms between 2000 and 2011, using time series on dividend per share, dividend yield, and dividend payout ratio. In the model specification for the data analysis, ordinary least squares approaches were employed as panel estimation. The panel least squares results show a positive link between market price per share and dividend per share, indicating that a rise in dividend per share leads to an increase in market price per share of publicly traded companies. The impact of dividend policy on shareholder wealth in the UK retail industry was studied by Chenchehene and Mensah (2015). As a result, 25 companies from the UK retail industry were chosen. The study looked at earnings, profitability, share price, company size, leverage, and investment. The data reveal that shareholder value is unaffected by firm size, current dividend distribution, or current investment. Earnings, profitability, share price, leverage, investment, and dividend distribution all have a one-year lag in affecting shareholder value.

Earnings, profitability, leverage, investment, share price, and dividend distribution all have a one-year lag in affecting shareholder value. In conclusion, the findings imply that a dividend policy increases the wealth of shareholders. The effects of dividend policies on shareholder wealth and the scale to which dividend policy influences the market value of shares in Nigerian listed banks are investigated empirically by Ojeme, Mamidu, and Ojo (2015). The study looks at the situation both before and after the financial crisis. Dividend payments by listed banks are tied to their market value, and the amount paid as dividend has an impact on the value of their shares, according to the results of a connection between dividends paid in 2007-2010 and their corresponding market value. Ansar, Butt, and Shah looked studied the relationship between shareholder wealth and dividend policy (2015). Textile, cement, and industrial companies were among the 30 corporations chosen from the Karachi stock exchange. The wealth of shareholders was calculated using the stock market price. Dividend per share, retained earnings, lagged price, and return on equity were the independent factors. There is a significant link between shareholder wealth and dividend policy, according to the results of the multiple regression model. In Pakistan's example, the dividend policy boosts shareholder wealth.

In Nigeria's financial services sector, Mawutor and Kemebradikemor (2015) examine the relationship between dividend policy and enterprise market value. From 2002 to 2011, panel data was compiled from the financial statements of companies listed on the NSE over a 10-year period. These financial numbers were compiled using the NSE Fact Book. Ordinary Least Square (OLS) statistical analysis was used to examine the data. Cash dividends, stock dividends, and investment policy all have a negative but insignificant relationship with the market value of companies in Nigeria's financial services industry, according to the study's findings, whereas profits have a positive but negligible relationship with market value (though significant at 10 percent level of significance). The findings, in general, confirm Miller and Modigliani's dividend irrelevance hypothesis, which asserts that dividend policy has no effect on a company's market value. Farrukh, Irshad, Shams Khakwani, Ishaque and Ansari (2017) consider the influence of dividend policies on the wealth of Shariah and non-Shariah compliant companies listed on the main market of Bursa Malaysia. From 2004 to 2013, a sample of 274 Shariah compliance companies and 129 non-Shariah compliance companies listed on Bursa Malaysia were selected. Two-way Fixed-Effect Generalised Least Squares (GLS) regression is utilised for Shariah compliance companies, while random-effect GLS regression is used for non-Shariah compliance enterprises. The recognised factors include dividend per share, retained earnings per share, return on equity, lagged price earnings ratio, financial leverage, and firm size. Dividend policy indicators (DPS and REPS) are important predictors of shareholder value for both Shariah and non-Shariah compliance companies, according to the research.

H₁: There is no significant positive correlation between dividend payment and shareholders' wealth.

2.4 | Earnings per Share (EPS) and Shareholders' Wealth

According to Gul, Sajid, Razzaq, Iqbal, and Khan (2012), profit maximization is the result of owners' wealth maximization. Salih (2010) discovered a significant positive relationship between EPS and market value for the overall UK market; however, the conclusion was different when looking at other economic sectors. According to Salman, Lawal, and Anjorin (2015), dividends are a method of conveying missing earnings data to the markets. As a result, unexpected earnings, rather than dividend policy, determine a company's market value. Based on a sample of 3,800 observations from 1988 to 1993, Conroy, Ojeme, Mamidu, and Ojo (2015) argued that earnings releases can communicate enough information to the markets, making dividends appear as an extra vehicle for signals. In a study conducted in China, Chen, Firth, and Gao (2002) studied 1,232 announcements of publicly traded companies from 1994 to 1997 and discovered that unexpected earnings are closely associated with a company's market value and that cash dividends play only a modest role in this signal.

Using cross-section data, he discovered that establishing that dividends and earnings have a positive impact on an organization's market value was difficult. Under the second hypothesis, he likewise discovered that there is no significant and positive relationship between a corporation's market value and its dividend (dividend). According to the third hypothesis, increasing a company's dividend will enhance its market value and lower its cost of equity. Ali, Jan, and M. Atta (2015) performed an event study to examine abnormal returns in the aftermath of dividend announcements and discovered that changes in dividend and earnings have a positive relationship with abnormal returns, but only the dividend impact is statistically significant. Based on 352 observations of quarterly dividend and earnings announcements from 1979 to 1981, Kurfi (2006) discovered that the market tended to evaluate both the dividend and earnings announcements together. Furthermore, dividends and market value, as well as earnings and market value, have a significant and positive relationship. In their analysis of the German market, Abdulkadir, Abdullah, and Woei-Chyuan (2015) examined a sample of 200 companies over a five-year period and discovered that earnings had interpretative power on share price movement. Similarly, Al-Troudi and Milhem (2013) discovered that earnings of listed businesses in Nigeria, as defined by Earnings Per Share, show a positive and significant relationship with share prices in a sample of 150 Nigerian Stock Exchange companies. Akit, Hamzah, and Ahmad (2015) investigated the impact of dividend policy on the market value of Nigerian financial services companies. Panel data were compiled from annual reports of NSE-listed companies from 2002 to 2011. These financial numbers were compiled using the NSE Fact Book. The data was evaluated statistically using the Ordinary Least Squares (OLS) method. According to the study's findings, cash dividends, stock dividends, and investment policy all have an inverse but not statistically significant relationship with the market value of Nigeria's financial services business, whereas profits have a positive but minor relationship with market value.

H₂: There is no significant positive correlation between earnings per share and shareholders' wealth.

2.5 | Retained Earnings and Shareholders' Wealth

Retained earnings are the percentage of net earnings that are not distributed as dividends but are maintained by the company to be reinvested or used to pay down debt. Mrabet and Boujjat (2016) found that retained earnings had a significant positive link with shareholder wealth. Greater share prices, according to Khan (2009), are the outcome of larger retained earnings. Al-Troudi and Milhem (2013) identified a positive and very significant relationship between REPS and the closing price of the firm's shares in their investigation. The association was confirmed by Gul, Sajid, Razzaq, Iqbal, and Khan (2012), as well as Joshi (2012). However, Bhana (1992) asserts that there is no guarantee that retained earnings will result in enhanced shareholder wealth. In their study paper titled "Control of shareholders' wealth maximization in Nigeria," Oladipupo and Okafor (2011) focused on parties managing shareholders' wealth maximization and how it affects business performance. The data for the study were derived from the Nigerian stock exchange and the annual reports of six sample companies in the food/tobacco and subsector over a 20-year period. The data was analyzed using ordinary least squares (OLS) regression, autocorrelation, and auto regression. In the study, all of the predictor factors were determined to be well-explained. Firm size (FS) and retained earnings (RE) exhibited a positive relationship and a statistically significant influence on shareholders' wealth, however dividend distribution had an inverse relationship with shareholders' wealth. Turnover and retained earnings, on the other hand, were more essential than dividend distribution in controlling shareholder wealth.

H₃: There is no significant positive correlation between retained earnings and shareholders' wealth.

2.6 | Dividend Relevance Theory

Dividend policy, according to relevance theory, has a significant impact on shareholder wealth and firm value. Dividend policy, according to proponents of this viewpoint, is a critical factor in determining shareholder value. Gordon and Lintner are two such supporters. The key assumption of their theory is that even in perfectly competitive markets, the uncertainty of future events is enough to cause a share's price to fluctuate. Investors, according to Gordon (1959), are typically risk averse, and current dividends or capital gains involve less risk than future dividends or capital gains. As a result, rather than waiting for returns from a risky future investment, investors prefer to earn particular sums today. The 'Bird in Hand' idea, developed by Lintner and Gordon (1957), is based on this (1959). The 'Bird in Hand' Theory, also known as the traditional view of dividend theory, emphasizes that dividends are the sole determinant of share value, and that receiving a share of profits now, in the form of income, rather than later, in the form of capital appreciation, increases the value of the share (ICAN 2009). Dividend payments serve to assuage investor anxieties about the firm's future earnings prospects. Investors have higher faith in a company's future ability to generate profits and pay dividends, which reduces the company's risk perception and, all else being equal, increases the value of its shares. This theory, which is connected to the current study, holds that dividend payments have an impact on shareholder wealth because they lessen investor uncertainty, causing them to discount the firm's return at a lower rate, resulting in higher market prices.

2.7 | Dividend Irrelevance Theory

Miller and Modigliani (M&M) claimed that the firm's dividend plan does not increase the wealth of its shareholders. The earnings capability of the company is the sole source of wealth for shareholders. Dividends to shareholders raise the corporation's risk by rising debt levels, hence the gain for shareholders is offset by the increased risk (Miller & Modigliani, 1961). M&M demonstrated that, under certain assumptions about perfect capital markets, dividend policy is useless. Dividend policy has no effect on the price of a firm's shares or its cost of capital in a free and open market, therefore shareholders' wealth is untouched, and they are indifferent about dividends or capital gains. Their reasoning is that shareholder worth is established by the money gained by a company's investment decisions, not by how that revenue is divided. As a result, dividends have no value in M & M's universe. M&M held that the firm's value is determined by its basic earning power and investment decisions, regardless of how the money is distributed. They asserted that, given a company's investment program, the dividend payout policy it chooses will have no effect on the current price of its stock or total shareholder returns. To put it another way, investors value companies based on the capitalised value of their future earnings, which is unaffected by whether or not corporations pay dividends or how their payment rules are structured. M&M goes even farther, stating that all dividend policies are virtually the same to an investor since they can produce "manufactured distributions" by tailoring their portfolios to their preferences. According to OforiSasu, Abor, and Osei, M&M's theory was based on idealistic assumptions of a perfect capital market and rational investors (2017). The dividend irrelevancy theory implies the following capital market expectations: (1) no differences in taxation on dividends and capital gains; (2) no transaction and flotation costs when securities are traded; (3) all market participants have free and equal access to the same information (symmetrical and costless information); and (4) no conflicts of interest between managers and shareholders (i.e. no agency problem).

3 | METHODOLOGY

3.1 | Source of Data and Sample size of the Study

This study gathered information from the financial statements of money deposit banks listed on the Nigerian Stock Exchange in 2011 during the time period in question (i.e. 2011- 2020). The population of the study included all banks listed on the Nigerian Stock Exchange's floor in 2011. The sample size of fifteen banks (15) was calculated using Yaro Yamane's (1967) sample size formula:

$$n = N / 1 + N (e)^2$$

Where: n = sample size

N = Population of the study

e = Level of significance. Thus, with a level of significance of 5%,

$$n = 15 / 1 + 15 (0.05)^2$$

$$n = 14.46$$

Approximately 15 firms

3.2 | Model Specification

The model in this study was adapted from Salman, Lawal, and Anjorin (2015), who used the model below to assess the influence of dividend policy on the share price of selected Nigerian listed corporations.

$$MPS = \alpha + \beta_1 DPS + \beta_2 EPS + \mu$$

Where α = Intercept β = coefficient
 MPS = Market price per share
 DPS = Dividend per share
 EPS = Earnings per share
 μ = Error term

The above model was adjusted for the purpose of this present study to appear as follows:

$$SHW = \beta_0 + \beta_1 DPS + \beta_2 EPS + \beta_3 RTE + \epsilon$$

Where:

SHW = Shareholders' wealth (proxy by total shareholders' fund)

DPS = Dividend per Share;

EPS = Earnings per Share;

RTE = Retained Earnings;

ϵ = Error term;

β_0 = Intercept of the relationship; and

$\beta_1 - 3$ = Unknown coefficients of the variables.

A priori Expectation is assumed to be:

$\beta_1 > 0, \beta_2 > 0$ and $\beta_3 < 0$

3.3 | Data Estimation Technique

To estimate the model, the Fixed Effect Model was used to analyze the model

4 | RESULTS

Table 1. Descriptive Statistics

	SHF	EPS	RE	DPS
Mean	112.61023	85.15698	2789313.	1.897308
Median	83.00000	54.00000	13657000	1.976208
Maximum	682.0000	634.0000	1.978508	5.137608
Minimum	-147.0000	-83.00000	-2.849908	-1.365908
Std. Dev.	138.1390	124.0110	86745981	1.339708
Skewness	2.593819	3.739511	-2.127675	0.698451
Kurtosis	12.37324	26.75400	6.733876	2.654290
Jarque-Bera	327.3203	1221.490	74.43209	0.484104
Probability	0.000000	0.000000	0.000000	0.468295

Source: STATA 16

According to the descriptive statistics of the variables, as shown in table 1, the shareholders fund has a mean value of 112.6, indicating that, on average, most firms in the sample will likely to reveal the price of their stock in the stock market, as evidenced by the lowest and maximum values. The standard deviation, which indicates a distribution's range, was 154, showing that the observations are well distributed when compared to a normal distribution. The Jarque-Bera statistics for the variable show that it likewise meets the normalcy assumption with a P value of 0.00 when tested at the 5% level of significance. Similarly, a closer look at the independent variables reveals that they are normally distributed with a P value of 0.00 when tested at the 5% level of significance.

Table 2: HAUSMAN TEST

Correlated Random Effects- Hausman Test

Equatio: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	56.78343	3	0.0000

Source: STATA 16

In order to choose between the two, this test was performed to see if the random effect model would be better for estimating than the fixed effect model. The calculated chi-square does not support the premise that there is no significant difference in the predicted coefficients of the two models. It appears that there is no relationship between the error term and one or more

regressors. As a result, the random effects model can be replaced with the fixed effect mode.

Table 3: Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.228736	Prob. F(3,43)	0.7340
Obs* R-squared	0.674981	Prob. Chi-Square(3)	0.6401
Scaled explained SS	1.649691	Prob. Chi-Square(3)	0.6219

Source: STATA 16

Because heteroscedasticity is most typically detected in cross sectional data, the Breusch-Pagan-Godfrey test was performed on the residuals as a precaution. The presence of heteroscedasticity in the residual is disregarded because the result suggested probabilities greater than 0.05.

Table 4: Breusch-Godfrey Serial Correlation LM Test

F-statistic	0.34813	Prob. F(2,40)	0.6492
Obs* R-squared	0.69421	Prob. Chi-Square(2)	0.8384

Source: STATA 16

The Lagrang Multiplier (LM) test for higher order autocorrelation was used in this study because it detects higher order autocorrelation more effectively than the Durbin Watson test. The residuals were not ruled out by the concept of zero autocorrelation. Because the likelihood (prob. F, chi square) was larger than 0.05, this was the case. As a result, the LM test failed to recognize the model's first-order spatial correlation problem.

Table 5: Regression Result: Fixed Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EPS	-243273.6	64613.50	-3.512375	0.0097
DPS	299682.1	102459.1	2.954329	0.0734
RE	1.712287	0.293749	7.679231	0.0000
C	2.013878	20727112	9.632189	0.0000
AR (2)	0.636161	0.174911	3.563976	0.0139

Effect Specification

Cross-Section fixed (dummy variables)	
R-squared	0.653231
AdjustedR-squared	0.544213
S. E. of regression	12831747
Sum square resid	1.749415
Log likelihood	-414.3311
F-statistic	212.3451
Prob (F-statistic)	0.000000
Inverted Ar Roots	.80
	-0.80

Source: STATA 16

The findings of a regression employing a fixed effect model to examine the impact of the explanatory variables Earnings per share (EPS), Dividend per share (DPS), and retained earnings on the dependent variable (Shareholders' fund) are shown in Table 5 above. In the table above, the coefficient of determination (R²) was 65 percent, indicating that the model extensively explains the variability revealed by the dependent variable Shareholders' fund, while other factors not shown and expressed by the stochastic error term explain 1 percent. However, the modified R², which adjusts the degrees of freedom for include additional variables in the model, was 54%. The F-stat value is used to assess the model's fit quality. The F statistic is considered as significant if the probability value is less than 0.05; otherwise, it is rejected.

We can see from the table that the F-stat value of 21.2 and the related probability value of 0.00 are both less than the critical value of 0.05, thus we accept the model because it clearly shows a linear relationship between the dependent and independent variables. The discovery also implies that we can be confident that the model can describe the real behavior of Nigerian shareholder money. The Durbin Watson statistics, as seen in the table above, were about 1.7, indicating that there is no first order spatial correlation and hence the regression coefficients would not be skewed. Similarly, the slope of the coefficient of the independent variables reveals the presence of an inverse relation between EPS and SHF, which is also revealed to be highly significant at 5% (P= 0.00 0.05), showing a strong link between EPS and SHF. As a result, the null hypothesis, which states that there is no significant positive relationship between EPS and shareholder wealth, is validated. The slope coefficient, which is highly statistically significant at 5% since the probability value is less than 0.05 (p= 0.00 0.05), implies that DPS (dividend divided by number of ordinary shares) has a positive effect on SHF. It was revealed that there is a favorable correlation between RE and shareholder funds. It was also confirmed to be statistically significant when tested at a 5% level of significance.

5 | DISCUSSION

Dividend Per Share (DPS) was found to have a statistically significant positive link with shareholders' wealth, as proxied by Shareholders' Fund, which is consistent with past expectations. Brown et al. (1977), Ordu, Eneke, and Anyanwaokoro (2014), Ordu et al. (2014), Ojeme et al. (2015), and Ansar et al. (2015) all identified a connection between DPS and shareholder wealth. In contrast, Gordon (1959), Oladipupo and Okafor (2011), and Emeni and Ogbulu (2015) discovered an inverse relationship between DPS and shareholder wealth. Furthermore, it was observed that EPS has a strong negative relationship with shareholder wealth. This conclusion, however, contradicts the findings of Ozuomba, Okaro, and Okoye (2013), Kane et al. (1984), Salih (2010), and Nwaka (2012), all of which indicated that EPS increased shareholder wealth. Finally, it was discovered that retained earnings have a high positive relationship with shareholder wealth. Khan (2009), Oladipupo and Okafor (2011), and Al-Troudi and Milhem (2013) research all found a favorable relationship between Retained Earnings and Shareholder Wealth. Meanwhile, this conclusion contradicted Sharif, Adnan, and Jan (2015) findings, which revealed an inverse relationship between Retained Earnings and Shareholder Wealth.

6 | CONCLUSION AND RECOMMENDATIONS

Because current literature has demonstrated that a firm's dividend policy has an impact on its shareholders' wealth, the primary purpose of this study is to empirically analyze the impact of dividend policy on shareholder wealth. Dividend policy has been defined as the financial manager's decision to distribute all earnings or keep them, or to distribute a portion and keep the remainder. According to the research findings, dividend per share and retained earnings have a significant positive link with shareholder wealth. As a result, the Dividend Relevance theory, which explains how dividend policy influences shareholder wealth and business value, is validated. According to proponents of this view, dividend decision is an active variable in shaping shareholders' wealth. Lintner (1956) and Gordon (1961) are two examples (1959). Earnings per share (EPS) has been found to have a substantial negative relationship with shareholder wealth.

Dividend per Share and Retained Earnings, both important components of a company's dividend policy, are found to have a substantial positive relationship with shareholders' wealth in the empirical data presented above. As a result, corporations should seek a dividend policy that meets the needs of both shareholders and the firm's investment. As a result, a portion of a company's earnings should be dispersed as dividends, with the remainder set aside for future investments.

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