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Dividend Policy and Market Value Synthesis in the Manufacturing Sector: A Critical Assessment of Some Selected Quoted Companies in Nigeria

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Abstract
In various places around the world, there have been constantly mixed opinions of the empirical findings about topics relating to dividend policy, specifically, the extent to which dividend policy influence market value and other capital market financial indicators like earning per share and profitability. These controversies provided a strong motivation to examine this topic. This research work was conducted using 15 (Fifteen) manufacturing companies quoted on Nigeria Stock exchange. The research work used secondary data available on the annual reports of these companies, which were obtained from website-friendly, Stock broking firms spanning a period of 10 years (i.e. 2004 – 2013) Furthermore, the study used Multiple regression, Durbin Watson and Multi colinearity tests to analyse the various data considered in this study . This analysis revealed that significant relationship exists between dividend policy and market value when Durbin Watson and Multi-Colinearity statistical tools were used but the result was opposite when Regression analysis was used because the P-value Obtained (i.e.0.312,0.876,0.823,0.528,0.221,0.249,0.196,0.091) were greater than the 5% alpha value specified in SPSS for this analysis, the study therefore recommends that for investors to understand the behaviour of dividend policy they must consider more than one statistical method so as to ensure they maximize the return on their investment.
Keywords: Dividend, Retained Earnings, Market share price, profitability, manufacturing sector.

1. Introduction

Dividend policy and market value is a topic often researched in the field of finance and investment but, till date, it is still unclear if dividend policy affects market values or not. Lease, John,Kalay, Lowenstein and Saring (2000) emphasised that dividend policy can be seen as the strategies laid down by management to ensure adequate and efficient dividend payout decision, to its shareholders over a period of time. Dividend policy flexibility is usually a major determinant of the future investment in most quoted firms because the flexibility to invest in future project have significant relationship with amount of money designated for current dividend payment, Therefore, most firm attach high importance to factors like managerial and behavioural environment, firms profitability ratios, and the willingness of the company to alter dividend policy in the future e.t.c before deciding the dividend profile of the company (Khan, 2012).The submission of most researches portray different conclusion on this particular topic. Infact according to a recent study conducted by (Rahaman, 2013; Zakaria,Muhammad and Zulkifi, 2012; Uwuigbe, et al, 2012; Zakaria and Tan, 2007;e.t.c); they established that, researches relating to dividend distribution have always been controversial, with no agreeable conclusion among researchers. Furthermore, this mixed opinion among researcher is not only limited to dividend policy but also related to the study of market value. According to Remi (2005) the market value of a firm contributes immensely to the rating of the management in performance of the company, Also, 6(1995, Samuelson (1995) and Working (1960) established that the concept of market value can be significantly linked with the Random walk theory, which emphasised that prices of shares always behave in a random or unstable manner. Interestingly, their assertion was corroborated by Shiller (2000) when he suggested that market prices are usually uncertain in nature , however, he also stressed that the behaviour of market value can be substantially influenced by the fundamental of the firm.

Market prices, though uncertain in nature; could also be determined by micro and macro economic factors(Christopher, Rufus and Jimoh, 2009). According to Gompers, Ishi and Metrick 2003) the major macro and micro economic factors that can affect Market value are book value of the firm, the current dividend per share,earning per share, price –earning ratio and dividend cover. Furthermore, Moore and Beltz (2002) established that market prices of firms are usually affected by the Firm's Beta Ratio i.e. the ratio of market value to book value but their assertion was challenged by Hordahl and Packer (2006) who posited that it is mainly the stochastic discount factors and the corresponding future pay offs that determine the stock prices.

Still on the subject of stock prices, Corwin (2003) reported that uncertainty and asymmetric information contribute significantly to the values attached to firms' market prices.

This research is significant to the body of knowledge because it was the first research to consider more than one manufacturing sector under a singular topic relating to dividend policy other researchers such as

Michael Oyinlola, Omolola Oyinlola and Olusegun Adeniran(2014), Zuriawati Zakaria, Joriah Muhammad and Abdul Hadi Zulkifli(2012) concentrated on only one sector. This study also considered a 10 – year period (2004 -2013) which could be agued as being the most current and thus, capable of reflecting the most recent changes in the stock market, than, the one conducted by Michael Oyinlola, Omolola Oyinlola and Olusegun Adeniran(2014) which was for just 7 years (2004 -2010) and that conducted by Zuriawati Zakaria, Joriah Muhammad and Abdul Hadi Zulkifli(2012) which was from 1999 -2006 (i.e 7 years) .

This paper primary objective is to establish if there are any significant relationship between dividend payment and market value, including earnings per share in the manufacturing sectors and it also examines the various controversies surrounding dividend policy and market value, but specifically covers Dividend policy and market value synthesis in the manufacturing sector.

The research made use of a sample of 10(ten) quoted manufacturing companies, which are made up of four(4) sectors, these companies are listed on the Nigeria stock exchange for a period of 10 years (2004 -2013).

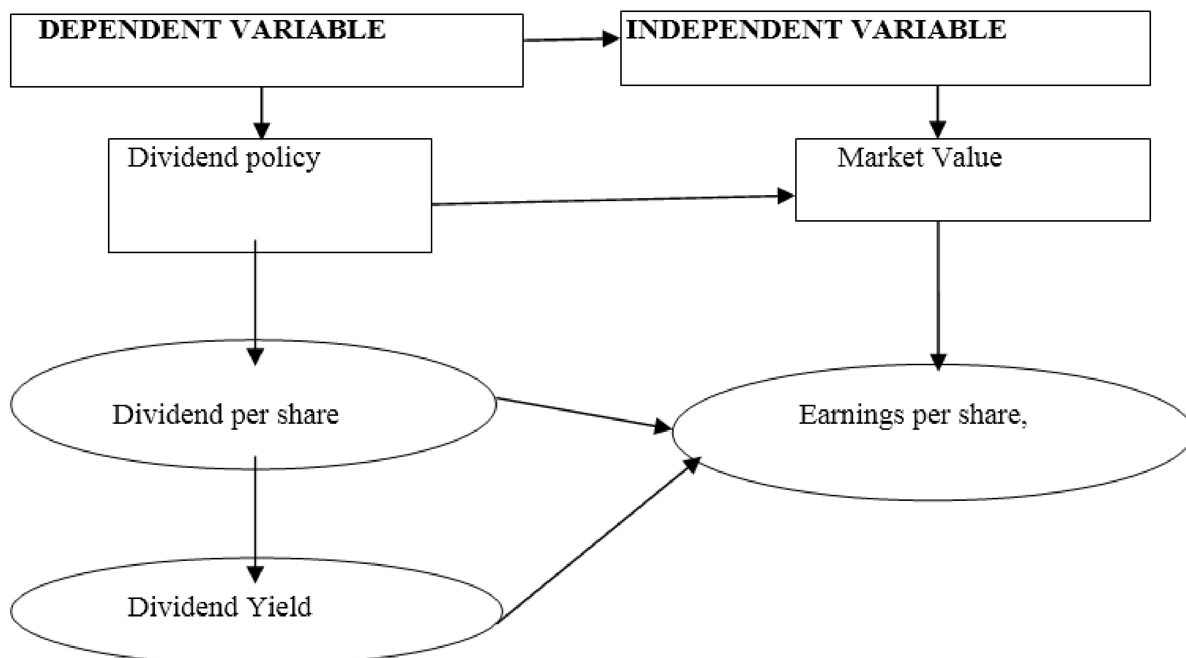
2. Research Hypotheses

Ho_1: Earning per share does not relationship with dividend per share of the selected quoted manufacturing companies.

Ho_2: Earning per share does not relationship with dividend yield of the selected quoted manufacturing companies.

3. LITERATURE REVIEW

3.1 CONCEPTUAL FRAMEWORK



Source: Diagram Conceptualised from the Literature review. (2016).

3.2 THE NATURE OF DIVIDEND

The word dividend is derived from the Latin word " Dividendum" which means " that which is to be divided" Dividend can be described as a unit share, of the profit in a company and they are usually paid to the shareholders. Shareholders do not have right to receive this dividend until, the management, in person of, the directors of the company pass resolution declaring the dividend. This declaration by the director usually have interim effect on the market price of the shares of the company concerned.

Generally dividend can be classified into two – they include (i) The source of dividend and (ii) The medium of payment . Dividend, are mainly declared out of capital or profit. Payment of capital dividend is only applicable in special circumstances and is often subject to strict legal requirement. The medium of payment of dividend is usually in cash or by means of capitalisation of shares (Bonus Share).

When cash is used in paying dividend, such dividend are said to have benefited from the limited fund available to firm and therefore, such fund however, must be compared with the possible alternative needs of the firm which could be more beneficial before implementing the decision to pay the dividend . For instance,

proposed dividend could be declared instead of cash dividend if they are more beneficial use of the available fund at that particular time.Porterfield (1965)

3.3 Behavioural Perspective – Why Some Investors Like Dividend

Most early corporate finance books were of the opinion that firms should repurchase their shares rather than pay dividend and the Rational Manager's were often found cooperating with the stockholders thereby eliminating dividend payment. Notwithstanding, firm which paid dividend have continued to do so, without opposition from other stockholders. With the development of Behavioural finance, there have been more explanation on the '' Irrational'' liking of dividends attributed to some investors. These was examine thoroughly by Shefrin and Statman (1984) who highlighted three possible reasons why investors like dividend. These include:

- **Absence of Self Control**: The inability of most investors to control their consumption appetite has made investors to continually demand for dividend payment. Most investors have develop a simple formula for their investment, to keep up, with their consumption habit, which is to continually depended on dividend and leave the principal untouched,
- **Mental Accounting:** The utility or satisfaction derived by investors can also affect their dividend taste. Most Utility of investors is compared with amount that can be obtained from capital gain in the future and dividend payment that can be received today. For instance investors will prefer to receive dividend of N1 today than wait for N4 in the future because they estimate that the time value of money (i.e by the investors subjective estimation) might have effect on the capital gain.
- **Regret Avoidance:** Most investors are rational being, therefore, they regret mistakes, infact , they experience error of commission more than error of omission. This became popular, after most investors who invested in non dividend paying stock got their finger burnt, as a result of the price of the stock going down, thereby forcing them to sell the stock to generate cash, thus forcing them to suffer for their error. But, the case will be different for an investor who invest in dividend paying stocks, and find out that the price of the stock goes down, because he will be able to still survive without selling the stock, since some percentage of the income will still be earned.

Shefrin and Statman (1978) were not suggesting that all investors fall into the classes categorised above but , they agree that a substantial subset fall into the group that like dividend, and like to take advantage of tax.

3.4 Why Investors Prefer Dividend to Capital Gain

In 1978, John Long conducted a study comparing two types of shares in an organisation. The shares were Class A share and Class B share. The class B share, attracted cash dividend while the Class A share could be converted at little or no cost to Class B shares , thus, attracting capital gain. Investor where given the privilege to choose between the two available types of shares. The study revealed that the tax advantage was more on the shares with capital gain and also that Class B share were sold at a premium to that of Class A shares which was very surprising. Although, it is possible to relate these phenomenon to the popular irrational behaviour of investors, but this is not the case, as not all investors like dividend, since, many feel it is a tax burden, however, quite a large number depend on dividend for survival. Those one who depend on dividend may have developed a means not to pay too much tax or they might be able to bear the burden impose by the tax related with dividend. Transaction cost and challenges attached to selling share in piece meal is one of the major reasons most investor cannot sell there stocks when they need money.

3.5 Trend of Stock Market Price/Market Share Price

The Trading system on the Nigeria Stock exchange is fully automatic as its main guiding principle has been the attainment of a universal motto ''My Word is my Bond''. As at December 31, 1999, there were two hundred and sixty-eight securities made up of fifteen government stocks, fifty-eight industrial Loan(Debenture /Prefrence share) and one hundred and ninety –five Equities(Ordinary Shares)of companies, all with a total market capitalisation of N300 billion(Asamu et al.,2013).

Stock price quotations on the Exchange Market is made by members based on specific orders issued by clients or in certain cases based on their independent judgement or assessment of the market. Buying and selling orders are indicated by two prices e.g. 60k-70k, the lower price shows buying interest and the higher price indicate selling interest. Its however, common to have only a single quotation in which there is either a buying or selling interest followed by either a plus or minus sign, the plus sign shows buyers while the minus indicate sellers. For instance we can have 60k- and /or 60k+. The normal trend of the market is that the independent forces of supply and demand determine the gap between buying and selling quotation, but, sometimes, certain insider information can disrupt the operation of the system, that is why the stock Exchange commission regularly ensure that there is adequate monitoring of security prices to protect the reputation of the commission.

Stockbroker provide intermediary service to seller and buyers at the Stock Exchange while the process of stock price fixing is usually through a fair and reasonable technical processes.

Movement of stock/market prices of shares may cause the shareholders to increase his stock or exercise a stay action. However, there may be occasion when price movement may not follow the prediction, perception and understanding of the stockholder, which could lead to loss of investment. In such cases, the Exchange provide a concession /Call over to the stockholders involved, so as to minimise their lose. This measure are also adopted by developed trading systems until the introduction of Automatic Trading System in 1998.(Asamu et al.,2013).

Stocks of Stockholders though serve as just documentary evidences of ownership claim on the asset of a company, usually do not have any absolute value but are traded on the stock Exchange at value, which are subjectively determined by those buying and selling them through forces of demand and supply and through the availability of real time online information relating to the organization whose share are being considered for trade. This reduces the possibility of people rushing into and rushing out to purchase a particular stock because of sudden changes in the prices (Asamu et al.,2013).

Price movement of stocks can also be influenced by political and economic considerations, infact Yohannes and Lulseged (1977) established that in advance economic system, where their market is fully efficient; market forces are usually relied upon to determine the rational prices for new securities. They also revealed that Nigeria securities are still influenced by government policy majorly because of the inefficiency in the Nigerian capital market and ignorance of the ill – equip investors to appreciate the technicalities of the market.

Dihanani (2005) established that dividend policy has much impact on the value of a firm because the information about dividend has the power to influence the imperfection that exit in the real world such as information asymmetry between manager and shareholders; agency problems between managers and shareholders, taxes and transaction cost. This was also supported by (Travlos et al., 2001and Adesola & Okwong, 2009) who confirmed that in an imperfect market dividend can influence the value of the firm/shareholder wealth by providing information to investors through the process of wealth redistribution.

3.6 Types of Dividend

- **Cash Dividend:** This is the dividend paid in cash, it is subject to the availability of cash flow, and often result in outflow of fund from the organisation, thus, must be adequately planned to avoid liquidity problem(Shukla 2011).
- **Stock Dividend :** This dividend is also referred to as ''issue of bonus share '' and often result in conversion of company profit to capital through the process of capitalisation of profit Bonus share are usually issued to shareholders in proportion to their exiting shareholdings . Whenever, the company pay's stock dividend there is usually a change in the asset, liabilities and market value of company. However, In most cases the shareholder neither lose or gain as a result of the new issue, because he eventually still retain the same proportion of total share capital as before the issue. Macheshwari(2003)
- **Script Dividend:** It is the dividend in form of Promissory note and which often stipulate a specific amount to be paid in future date. It could also be called Script Dividend or certificate, and it is often prefers by companies when there is an expectation that dividend payment could be delayed. The script dividend could be in Shares and could be issued with or without interest (Shukla 2011).
- **Bond Dividend:** This is dividend issued in situation where the company does not have sufficient fund to pay dividend in cash. It involves issuing bond to cover the outstanding balance of cash dividend expected to be paid (Shukla 2011).
- **Property Dividend :** This is a kind of dividend, that involves the company paying dividend in form of asset rather than cash. It often involves use of company product (Shukla 2011)..

4. Types of Dividend Policy

4.1 Stable Dividend Policy: This is a policy of dividend payment that remains unchanged over the years. For instance, if a company pays a fixed dividend today and follows the same dividend pattern in future years in respective of the fluctuation of its earnings. It is also referred to as Regular payment of fixed dividend rate. This policy often increases the credibility of the management as more shareholder prefer to invest such stock. Although, minimum return. They also result in increase of share price of shares. The stability of dividend can be describe in two ways (a) Constant/fixed dividend per share (b) Constant payout ratio (Shukla 2011).

4.2 Constant/fixed dividend per share: This policy involves the company paying regularly a particular fixed amount of dividend per share irrespective of the level of the company earnings, but does not mean that management will forever remain in a fixed pattern of dividend throughout the life time of the company. Some management can review the amount of dividend, if the level of earning increase, although the change in dividend

will affect both the ordinary share and preference share equally under this policy. This type of dividend policy is usually good for persons and institutions that depend upon the dividend income for their daily needs (Shukla 2011).

4.3 Constant payout ratio: This policy involves the company setting aside a specific percentage of the profit for dividend while the balance is transferred to reserve. The payout ratio for dividend under this policy is usually a fixed percentage of the net earnings every year. No dividend is paid when the company experience loss. For instance, a company may choose a 60 percent payout ratio, which implies a 60 percent of net earnings of the company will be paid as dividend and 40 percent remaining will be transferred to Reserve. Generally, most companies prefer this policy because it shows the ability of the company to pay dividends, but, the opposite is the case of the shareholders, because the policy will cause fluctuation in their returns especial in period when the company makes huge loss.

4.4 Policy of No Immediate Dividend: The policy involves the Management avoiding any payment of dividend in the beginning of its business life because, it require substantial fund for its expansion and rapid growth or because they may be experiencing financial difficulties. It also involves management providing reasonable explanation that can reduce any misunderstanding about the financial position of the company which may exit among its shareholders, and also, problem with the share price which may arise as a result of non payment of dividend for a long time. It is also advisable that the company should arrange to issue bonus share from its reserve or split its shares into small amount so that the future rate of dividend can be regained in a faster way.(Shukla 2011).

4.5 Policy of Irregular Dividend: When the firm refuses to pay dividend regularly, we can call this an irregular dividend policy. It a policy with an unstable dividend payment pattern and the changes are often reflection of the amount of earning generated by company every year. It is majorly based on management belief that dividend is only worth paying when earning and liquidity of the company has the capability to do so. Firm having unstable dividend policy are usually involved with sale of Luxurious goods and Services.

4.6 Policy of Regular Dividend plus Extra Dividend: This is common in firms with cyclical earning and limited growth opportunities. The process under this method involves declaring extra dividend in good Earning years. But Shareholder, are made to understand that the designation 'extra ' only become relevant when the company make extra profit which may not continue in the future. However, when the earning of the coming have permanently increased, the word extra can be merged with the word regular and thus leading to a surge in amount of dividend paid.

4.7 Policy of Regular Dividend plus Stock Dividend: This policy involves paying of stock dividend in addition to cash dividend, this implies the dividend payment is spited into two. It is often adopted when; a company has made huge profit and wants to give an extra reward to its members without applying cash for the extra reward. It is not advisable to follow this policy for a long term because, this these may lead to increase in the number of share and which will result in lowering the earning per share and the future share price (Shukla 2011).

5. Concept of Profitability

The word profitability is made up of two distinct words which are ''Profit'' and ''Ability''. Profit has various definition based on its usage and purpose, it is often an important point to consider in most financial statement. While the term Ability, shows the power of the business concern to generate profit. Ability, can also be said to, represent the ''Earning power'' or operating performance of the business total investment (Verma, 1988).

Upton(1961) observe that the word profitability can be defined as ability an investment has, to earn a sizable return from its continual use in business. This implies that profitability is a composite concept relating the efficiency of the organisation to its ability to earn profit.

Gibson and Boyer(1979) was of the opinion that profitability measure the ability of the firm to continuously generate earnings. While Franks and Broyles(1979) revealed that the expected return, usually referred to as profitability, obtainable from the capital market, can also be considered as the opportunity cost. Business concern can easily employ their fund in the capital market, thus, the market, serves as a reference point against which to measure profitability. For another perspective, a profitable investment project can be defined as one which return is sufficient to attract a huge capital from the capital market (Frank and Broyles 1979).

According to Barasara (2014) Profitability is a relative measure, which indicate the most profitable alternative, whereas Profit is a an absolute measure, which indicate the overall amount of profit that can be generated from a transaction. In Business organisation, it is important to note that very high profit does not

always indicate a sound organisational efficiency and low profitability should not be considered as organisation sickness

Profit making is the main motive of most organisations, infact, it is the primary motivating force for most economic activities. Most organisation, usually develop a concrete strategy to ensure profit is earned on a continuous bases. Business concern that are not able to produce sufficient profit usually have disagreement with the providers of capital and this makes their continual existence a big challenge. Profit are needed not only to re-pay providers of capital but also to finance growth and expansion of an organisation. Profit can be described as the record card of the past, the inventive lode star for the future. Organisations that find it difficult to make profit often end – up eroding the initial capital invested and which consequently, leads to the closure of such businesses. It is also a measure of the surplus wealth generated by the business concern form its general activities usually on periodic basis. Most times, it involve comparing the result of the business between two specific dates, usually separated by a period of one year (Barasara (2014).

According to a study conducted by Weston and Brigham(1978) they established that profit can be interpreted in various ways. They suggested that, in financial management profit are seen as a test of the efficiency and a measure of control; to the owners, it is described as the measure of the worth of the entire business; to the Creditor, it is seen as the Margin of safety; to the employees, it is seen as a source of fringe benefits, while to the government, it is described as a measure of taxable capacity which serves as basis for Legislative Decision. Finally, they concluded that to the country, profit are seen as index of economic progress, national growth, and reasonable high standard of living.

The survival of any business depend mainly on its earning capacity, Thus, any failure of the organisation to make profit will lead to erosion of the capital, this is why, profit is describe by many as the soul of business, infact, without it, a business will be said to be lifeless. The larger the profit the more efficient and profitable the business is deemed to be.

6. Dividend Policy Defined

Booth and Cleary (2000) define dividend policy as a well-planned decision by the management which involve deciding the percentages of profit to be distributed and the part to be retain to fulfil its internal needs.

Pandey(1991) defines dividend as the part of the company's net earnings that the directors recommend to be distributed to shareholders which is usually in proportion to their existing shareholding in the company

Brierman (2001) and Baker, Powell and Veit (2002) asserts that dividend can be described as an appropriation of profits distributable to shareholders after making appropriate deduction of tax and fixed interest obligation related to debt capital while Oilmalade, Ojo and Adewunmi (1987) were of the opinion that dividend policy is the cash flows that is distributable to equity investors. The dividend paid to shareholders serve as a sort of return on their investment and also boosts the confidence of the investor of going concern status of their company. It is usually paid out of the current year's profit and sometimes out of general reserve. Dividend paid in cash are called cash dividend (Adefila, Oladipo, and Adeoti, 2013).

In dividend policy researches, the most popular parameter chosen, as proxies for dividend policy are dividend payout and dividend yield (Ramadan, 2013; Asghar, Sheh, Hamid and Suleman, 2011). Dividend payout has been described by Ramadan (2013) as the ratio of total cash dividend distributable to common shareholders over the available net income for the shareholders whereas, the Dividend yield, can be describe a profitability indicator shown as a cash dividend per share for common stocks divided by the per share market value. It can also be simply determine as dividend per share divided by the market value per share.

Pandey(1999) established that dividend policy is a decision, the company's financial manager makes, by adopting a policy of fully distribution of all its profit or retaining all of them or distributing an agreed portion and retaining the balance. Dividend payment is major decision in corporate organisation that involves huge financial commitment.

Kehinde and Abiola (2001) were of the opinion that dividend policy are a strategies that a company adopts to assist it, in creating an appropriate formula for dividing the income of the company into amount to be retained and amount to be distributed as dividend.

7. Theoretical Framework

7.1 Agency Theory

This theory suggests that dividend policy has huge influence on agency cost. Agency cost usually arises as a result of distinction between owners and those involved in the day today control of the organisation. According to a study conducted by DeAngelo et al., (2006) reducing free cash flow in an organisation will go a long way to reduce the agency problem quoted companies. He further emphasised that, this agency problem is common in some companies because manager will not always want to adopt the dividend policy that will ensure the wealth of the shareholder is maximised but will rather choose dividend policy that will increase their own control in the organisation is maintained

Excess cash flow is the main cause of agency problem. This was established in a study conducted by DeAngelo et al., (2006) according to them ensuring manager payout high dividend will increase the shareholder value and prevent managers from involving in suboptimal investment. Similarly, according to study conducted by La Porta et al., (2000) agency cost includes cost involve in monitoring management to reduce possible inappropriate behaviour.

7.2 Information Signalling Effect Theory

This theory was made popular by (Ross 1977) he asserted that dividend policy can be used as an important signal in an inefficient market to predict future expectation about the market. For example if management decide to pay high dividend for a given period these can serve as a signal to the market, that highly profit, in the future to ensure the high payout continues. This signal process causes the market forces of demand and supply to increase the value of the firm. Similarly, in another study conducted by Pettit (1972) he suggested that dividend paid to shareholder have huge information value about the prediction of the firm. This is because there is an assumption that the manager will only raise their dividend only when they are sure that the earning have externally increased.

7.3 Clientele Effect Theory

This theory describes reason why some shareholder prefer dividend to capital gain. It was proposed by Petitt (1977) according to him, this theory suggested that, needs of different shareholders varies according to the amount of income they receive from other sources. For example low income shareholder will prefer substantially high income to be able to provide for their daily needs and avoid paying of more tax while the reverse is applicable to high income shareholders. Similarly another study conducted by Pandey (1991) established that when firm fix a clientele profile for it shareholder it usually result in movement of shareholder in and out of the firm ; Low income earner will shift to firm paying high dividend and vice versa until equilibrium is reached. At the equilibrium point the dividend policy will be in agreement with the clientele of shareholder that best suit the firm and any decision by any group of shareholder concerning dividend at this equilibrium point will be irrelevant since there is no more change in dividend payment among the firms.

7.4 Residual Theory

The theory holds that dividend policy does not affect the value of the firm; however the investment decision will significantly affect the value of the firm (Pandey 1991). It further suggest that a firm will often pay dividend from its residual earning after successfully investing in all suitable projects with positive NPV (Net present value). Additionally, these theory suggest that retain earning is the cheapest source of capital available for the organisation to finance its investment because it does not involve any floatation cost and it is readily available for use.

7.5 Dividend Policy and Stock Prices

Many studies have been conducted to show the relationship between dividend policy and stock prices. One of the most important one is the study conducted by Miller and Modigliani (1961) according to them dividend does not have any effect on firms value but it is the Investment policy and Earning made by the firm that can affect the firm’s value. Similarly, Yasir et al, (2012) analysed the relationship between dividend policy and stock prices volatility in Pakistian and concluded that the share price volatility has impact on dividend policy, they further stated dividend payout ratio is positively and negatively associated with stock price volatility.

Market value/share price can also be enhanced by the appropriate dividend policy, this was confirmed by the study carried out by Dhanani (2005) who applied a survey approach to analyse the attitude of corporate manger towards dividend and found that a significant relationship exited between the two variables. However, another study conducted by Lie (2005) suggested that there is insufficient evidence to conclude that dividend paying firm have significant improvement in there firm value or share prices.

7.6 Psychology of Dividend Policy in Nigeria.

Akinsulire, (2005) study revealed that companies in Nigeria ensure they make it an obligation to adhere to government laws, especially those that place some restriction on dividend payment. He further, pointed out that, the company and Allied Matter Act (CAMA) 1990 is an example of government law that stipulate that dividend can only be made from cumulative distributable earnings.

Okpara (2010) was of the opinion that , Nigeria quoted companies, pay dividend twice, the first dividend usually called the Interim dividend while the second one talks more about the final dividend. He further reported that the amount paid out as dividend is usually regulated by the government monetary and fiscal policies which varies from year to year, For instance in1976/77 fiscal year the payment of dividend above 30 percent gross income was prohibited, but in 1978/79 fiscal year the ceiling on dividend was changed from 30 to 40 percent, it was also revisited in 1979/80 fiscal year were it was further raised to 50 percent.

Emekekewue, (2005) was of the view, that in Nigeria, a company might adopt a specific forecast for it dividend payment provided it does not exceed the stipulated percentage before the accounts are audited. He further established that after the account have been fully prepared which of course will be based on the earnings, payment of dividend, will then be initiated provided it still agrees with the prescribed percentage.

8. Methodology of the Study

This study is based on Descriptive Research Design, because it emphasizes the behaviour of the selected variables over a period of time. It consider fifteen (15) companies, which were chosen using purposive sampling technique, the data used for this study were obtained from annual reports of the selected quoted manufacturing companies found on www. Africanfinancial.com and cashcraft.com. This companies includes the following;A.G Leventis Plc, SCOA Plc, UACN Plc, Challarms Plc, Transcorp Plc, Lafarage-Wapco Plc, Beta glass Plc, Berger Paint Plc, Dangote cement Plc, Guinness Nig. Plc, International Breweries , Oando Nig. Plc,Total Nig.Plc, Mobil Oil,MRS Oil Plc,. The Data obtained were analysed Statistically using Regression Analysis, Durbin Watson and Collinearity Statistical test.

9. Data Analysis And Interpretation.

- **Decision Rule:** Accept Null hypothesis if the P-Value obtained by ANOVA or Regression Coefficient is greater than the 5% level of significant, specified in SPSS for this analysis But, if, otherwise, reject it and accept the Alternate Hypothesis, While the decision rule for R Square is to accept that the dependent variable has statistically strong relationship with independent variable if the value obtained in above 50% but, if less than 50% and if less than 50% then, it can be concluded that a weak relationship exist in the study variables. Also the decision rule for the Durbin Watson result is to accept that a positive correlation exist in the variable being considered if the value obtained is less than two and a negative correlation if it is above two. For Colinearity statistics the decision rule is to accept that a there is no problem of multi-colinearity if the value obtain is between 1 and 10, but if the value obtained were lesser than one then a problem of multi-colinearity exist, that is, the variables considered in the study do not have direct influence on each other.

9.1 Hypothesis 1

Ho_1: Earning per share does not have relationship with dividend per share of the selected quoted companies.

- **Hypothesis One Testing and Interpretation**

Coefficient of determination (r2) = 0.76
Significance of the p-value = 0.20
Durbin-Watson = 1.750

Table 1. **Regression Analysis**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	2.233	.973		2.296	.070		
Markprice industrial/Domestic	.013	.010	.437	1.303	.249	.236	4.246
Maket Building	-.020	.014	-.342	-1.492E0	.196	.505	1.978
Markeprice breweries	-.008	.003	-.661	-2.746E0	.221	.458	2.182
Marketprce Healthcare	.038	.018	.731	2.085	.091	.216	4.639

Table showing the regression analysis result of the Market price per share of the four selected sectors with the Dividend per share of the four selected sectors

9.2 Model Specification and Empirical Result

- **Model Specification**

Dps= $\beta + \beta_1$Ind + $\beta_2$build + $\beta_3$brew + $\beta_4$hca + μ……….. (1)
Where
Dps= Dividend per share, Ind=Industrial/Domestic Sector, Build= Building Sector
Brew= Breweries Sector,Hca= Healthcare Sector
The model equation is used to form prediction equation that can be useful in regression analysis mathematical calculation . The derived equation is thus:

DIV = 2.233 + 0.013 Ind – 0.020 Build -0.008 Brew + 0.038Hca – 0.115 BETA

9.2. Empirical Result

The empirical result in Hypothesis two above shows the coefficient of determination – R^2 to be 76%, which indicates that explanatory variables (i.e.dividend per share) only explains approximately 76% of the changes in the independent variables (i.e. earning per share) represented by market share price. This implies that about 24% of the changes in predictors variables (i.e.independent variable) are determined by other factors outside the model. On the other hand, the P-value which is 0.221,0.249,0.196,0.091 using ANOVA(analysis of variance) was greater than the alpha level of significance (i.e. 0.05)specified in SPSS for this analysis thus, according to the decision rule we accept the Alternate Hypothesis significance . This implies that Dividend policy is not affected by the changes in the market prices of the quoted manufacturing companies, this is because their proxies do not statistically agree with each other.

However, when the study conducted another statistical analysis using multi-collinearity. The result shows that both the Variable inflation factor and Tolerance value which are component of Collinearity Test were within the range of 1 and 10, hence there is no problem of Multi-colinearity which implies the variable are related with each other, this is also in agreement with the Study of Adeyemi and Fagbemi (2010) who confirmed that for multi-collinearity value to be valid; it must be between the range of 1 and 10. Also the Result of the Durbin Watson (i.e.1.750), shows that the variables have significant positive value with each other which implies that there is a significant relationship with the proxies been selected, this is also because the value obtained was less than two(2).

9.3 Hypothesis 2

Ho_2: Earnings per share does not affect on dividend yield of the selected quoted companies.

- **Hypothesis Analysis and Interpretation**

Coefficient of determination (r2) = 0.36
Significance of the F-value = 0.710
Durbin-Watson = 2.110

Table 2. Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	5.112E6	1.034E7		.495	.647		
Eps Industrial/domestic	-46138.672	39923.955	-.635	-1.156	.312	.533	1.876
Eps Building	-46221.304	277710.310	-.072	-.166	.876	.857	1.167
Eps Breweries	165128.760	690188.084	.111	.239	.823	.746	1.340
Eps Healthcare	1.478E6	2.142E6	.318	.690	.528	.758	1.319

Table showing the regression analysis result of the earnings per share of the four selected sectors with the Dividend yield of the four selected sectors

- **Hypothesis Two - Model Specification.**

Eps= $\alpha + \alpha_1$Ind + $\alpha_2$build + $\alpha_3$brew + $\alpha_4$hca + μ……….. (1)
Where
Eps= Earnings per share, Ind=Industrial/Domestic Sector, Build= Building Sector
Brew= Breweries Sector, Hca= Healthcare Sector
The model equation is used to form prediction equation that can be useful in regression analysis mathematical calculation . The derived equation is thus:
Eps = 5.112E6 – 46138.672 Ind – 46221.304 Build + 165128.760Brew + 1.478E6 Hca

9.4 Empirical Result

The empirical result in Hypothesis two above shows the coefficient of determination – R^2 to be 36%, which indicates that explanatory variables (i.e. dividend yield) only explains approximately 36% of the changes in the independent variables(i.e. Earnings per share) represented by market share price. This implies that about 64% of the changes in predictors variables are determined by other factors outside the model. On the other hand, the P-value which is 0.312,0.876,0.823,0.528 was greater than the alpha level of significance (i.e. 0.05) specified in SPSS for this analysis, thus, according to the decision rule we accept the null Hypothesis significance level. This

implies that dividend yield is not affected by the changes in the earning per share of the manufacturing quoted companies.

However, when the study conducted another statistical analysis using multi-collinearity. The result shows that both the Variable inflation factor and Tolerance value which are component of Collinearity Test were within the range of 1 and 10, hence there is no problem of Multi-colinearity which implies the variable are related with each other, this is also in agreement with the Study of Adeyemi and Fagbemi (2010) who confirmed that for multi-collinearity value to be valid; it must be between the range of 1 and 10. Also the Result of the Durbin Watson (i.e.1.110), shows that the variables have significant positive value with each other which implies that there is a significant relationship with the proxies been selected, this is also because the value obtained was less than two(2).

9.5 Policy Implication

- The study emphasises that there is relationship between dividend policies and market value but this relationship can only be seen, when the Multi - collinarity and Durbin Watson statistic method, other statistical method used like Regression analysis did not show any relationship.
- Investor, stockbrokers and other stakeholder interested in investing in the stock market can easily understand the behaviour of dividend policy and market value if they consider more than one statistical method of Analysis
- The management should also adopt a flexible approach in their dividend policy planning by carefully considering all relevant factors that could affect its successful implementation both internally and externally.
- This empirical analysis of this study has also revealed that using regression analysis will not give a clear understanding of the relationship between dividend policy and market value.
- The study also establishes that to understand the empirical behaviour of dividend policy and market value there is need to consider the proxies of both variables.

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