FIRM SPECIFIC CHARACTERISTICS AND DIVIDEND PAYOUT RATIO OF QUOTED CONGLOMERATES IN NIGERIA

BY

Saminu SANI
M.Sc/ADMIN/21207/2012-2013

BEING A DISSERTATION SUBMITTED TO THE SCHOOL OF POSTGRADUATE STUDIES, AHMADU BELLO UNIVERSITY ZARIA, IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTERS OF SCIENCE (M.Sc.) DEGREE IN ACCOUNTING AND FINANCE.

DEPARTMENT OF ACCOUNTING
FACULTY OF ADMINISTRATION
AHMADU BELLO UNIVERSITY
ZARIA

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DECLARATION

I hereby declare that the work titled "FIRMS' SPECIFIC CHARACTERISTIC AND DIVIDEND PAYOUT RATIO OF QUOTED CONGLOMERATES IN NIGERIA" has been done by me under the supervision of Dr. A. Bello and Mall. M. D Tahir of the Department of Accounting, Ahmadu Bello University Zaria. The information gathered from literatures has been duly acknowledged in the text and a list of references provided. No part of this dissertation was presented elsewhere for award of any certificate. I take the sole responsibility of all errors therein.

Saminu, SANI

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M.sc/ADMIN/21207/2012-2013	**SIGNATURE**	**DATE**

CERTIFICATION

This is to certify that the dissertation titled "FIRM SPECIFIC CHARACTERISTICS AND DIVIDEND PAYOUT RATIO OF QUOTED CONGLOMERATES IN NIGERIA" by Saminu, SANI (M.sc/ADMIN/21207/2012-2013) meets the regulations governing the award of the degree of Masters of Science (M.sc) Accounting and Finance in Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation.

Dr. A. Bello

…… ……. ……

Chairman, Supervisory Committee **Signature** **Date**

Mall. M. D. Tahir

…… ……. ……

Member, supervisory committee **Signature** **Date**

Dr. A.B Dogorawa

…… ….……. ……

Head of Department **Signature** **Date**

Prof. K. Bala

…… ….……. ……

Dean, School of Postgraduate Studies **Signature** **Date**

DEDICATION

This dissertation is dedicated to my late father, Mall. Sani Ahmadu, my late sister Salamatu Sani and my late brothers and sisters Mohammad Auwal Sani, and others (may Allah have mercy on them, Ameen).

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ASTRACT

This study examines the effect of firm specific characteristics on dividend payout ratio of quoted conglomerates in Nigeria for a period of eight (8) years ranging from 2004-2011. The population of this study comprised the eight (8) conglomerate firms quoted on the Nigerian Stock Exchange as at 31 December, 2011. Correlational research design and ex-post factor research design was adopted. Multiple regression technique was employed as a tool for analysis in examining the impact of firm specific characteristics on dividend payout ratio of Nigerian quoted conglomerates and the study relied on the OLS regression result. The findings revealed a positive and significant impact of firm size, profitability, and institutional ownership on dividend payout ratio, liquidity had no effect on dividend payout ratio while leverage had a negative and significant effect on dividend payout ratio. The study concluded that four of the explanatory variables of this study (that is; firm size, profitability, leverage and institutional ownership) impact on the quantum of dividend paid by Nigerian quoted conglomerates firms. Therefore, it is recommended that the Nigerian quoted conglomerates should be gradually increasing the sizes of it firms by atleast 1.5% as it will have significant positive effect on profitability. They should also make the atmosphere conducive for institutional investors to subscribe for their shares by offering them incentive packages like discount on shares and bonus issue. The quantum of debt should always be lower than equity as this will boost their chances of paying higher dividend.

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CHAPTER ONE:
INTRODUCTION

1.1 Background to the Study

Dividend from the ordinary parlance represents reward for investors' financial commitment in a particular establishment. When profits are realized from investments, the management of a company will have to decide what to do with it. Reinvesting is one option that may strengthens the financial needs of the organization. But a crucial question to ask is, what about the key players behind the realization of such profit? Certainly, they will be happy to have some benefits accrued to them and this benefit is technically called dividend among others like; capital appreciation, the joy of being part of a firm. In setting out the payout ratio of firms, a lot of factors need to be given weighty consideration. Some of these factors on the one hand are external (that is, they are beyond the organization to act upon them), while on the other hand, internal factors also plays key roles in deciding the quantum of dividend to be paid. Alkuwari (2009), observed that these factors' complexities and interrelationship at different times and circumstance will necessitate every firm to formulate its dividend payout pattern.

Dividend is one of the strongest motives behind investments. The more investors gets dividend, the more confidence they will have in the undertaken. But how and where does it actually start? Calistus (2013), traced the origin of dividend payout to the activities of captains of sailing ships in Great Britain and Holland. Interested parties contributed to acquisition of ship for business venture and at the end of the period, proceeds realised will be distributed to contributors in the form of dividends. He further stressed that, the sailing captains were serving as manager's un-behalf of their clients to monitor their investment. At the end of the undertaken, the proceeds

realized were prorated to the contributing parties to the tune of their financial commitment in the form of dividends after settlement of obligations.

In deciding firms' dividend payout ratio that is, what to pay and what to reinvest, managers must put into consideration certain factors. Akujuobi (2010) perceived that corporate dividend decision is basically interested in prorating periodic profit after tax between retained earnings and dividend. Such decision is usually a function of many factors. Van Horne (1977) sees these factors to be; needs for ownership control, liquidity status of the firm, legal consideration, investment opportunities, access to capital market, repayment period of debt, and cost of raising additional capital. However, the interaction amongst these factors is very paramount in corporate dividend decision. Supplementing the above, are corporate profitability, leverage, size and liquidity amongst others. For the purpose of this study, five characteristics will be considered. They are; firm size, profitability, liquidity, leverage and institutional ownership.

The size of firm plays a crucial role in the quantum of dividend to be paid to shareholders. The expectation is that, considering the largeness of a firm, it is presumed that it must have exhausted all its potentialities within and through diversification which is associated with stability of cash flow, economies of scale and less failure in some areas. In line with the above assertion, larger firms will have enough cash at their disposal from which dividend can be paid. In the quoted conglomerates Nigerian, it is observed that firms that are larger in terms of size, pay higher dividend compared to the smaller size firms. From the financial statements of the conglomerates in Nigeria, the trends of their asset base showed links to their dividend payout. Conglomerates like; A. G Leventis (Nigeria) Plc, Chellarams Plc, UACN and SCOA (Nigeria) Plc have asset advantage over John Holt and their records shows stable and rich dividend payout in those firms when compared to John Holt. Jensen and Ruback (1983) perceived that agency

problem is prevalent in larger firms considering the dispersion in their ownership structure which makes it difficult for shareholders to monitor their investment. Curbing this problem will necessitate the payment of higher dividend as one of the solution because it can reduce retained earnings and make the management of a firm to be more reliant on external financing. In this sense, they will have more incentives to pay higher dividends. Thus, the discussions above follow a positive association between firm size and dividend payments.

Firms' profitability is a significant explanatory variable of dividend payout ratio (Mohammed and Joshua, 2006). Scores of studies have shown over time that the more profitable a firm is, the more it's likely to give out a reasonable proportion of its earnings as dividend. A firms that is making losses will not be able to settle its obligations, and the issue of dividend will not arise except if the firm has made enough profit in the past which can be used for satisfying such contemporary needs. In a broader perspective, dividend payment is a product of profitability: since profitability begets dividend. Most studies have documented profitability to be the most important characteristics influencing dividend payout of firms. John Holt Nig. Plc. is one of the quoted conglomerates that was almost constantly affected by losses. As at 31st September, 2011, they made a huge pre tax loss of ₦1.94billion which was subsequently followed by ₦1.8billion in 2012 but after exceptional items were taken care of, they made a profit of ₦424million. These constant losses by John Holt reduced their dividend payout ratio to the lowest minimum (Taofik, 2013). The direction of a firms' profit will largely spell the direction of it dividend payout ratio. Larger profit will attract high payout ratio and vice-versa. Profitability is one of the most important firm characteristics that have significant positive impact on dividend payout ratio (Hashim, Shahid, Sajid and Umair, 2013).

Investors' need for liquidity is satisfied with stocks that pay dividends. Organizations' ability to convert it asset to cash quickly is very crucial for the growth and survival of the firms. Firms with such tendencies stand a better chance of carrying out its operations effectively and efficiently to keep it existentiality intact. With all this, it is imperative at this juncture to ask; does liquidity influence the dividend payout ratio of firms? Naceur, Goaied and Belanes (2006) sees that; liquidity largely depends on the firm's ability to convert its assets into cash to meet debt or other obligations. Such liquid stocks with dividend paying tendencies are loved by investors. In the long run, investors may require higher expected returns on assets whose returns are sensitive to liquidity. The trends of liquidity strength of; A. G Leventis (Nigeria) Plc, Chellarams Plc, UACN and SCOA (Nigeria) Plc is higher than that of John Holt Plc and the payout ratio of those firms seem better that John Holt's. Could it be that liquidity impacts firm's dividend payout? The pervasiveness of stock trading in financial markets leads one to believe that the more liquid a stock, the better and investors are inclined to a particular stock based on its liquidity which will impact on it dividend payout pattern (Banerjee, Gatchev, and Spindt, 2007).

Firms' capital structure basically outlines the proper mix of debt and equity. Firms hardly survive on equity only and as such, they have to formulate the best financial mix that will give them the maximum benefit. Firms' leverage is very crucial in deciding the dividend payout ratio. Managers' ability to use cash for their personal gains will be limited by firms that uses more debt financing, since this debt represent fixed obligations to suppliers of funds. This in essence will lead to a case of high cash which ought to lead to better dividend payout ratio decision of firms but is constrained by the obligations at hand (Al-Malkawi, 2007). Taofik (2013), analysed that between 2011 and 2012, UACNs' finance income skyrocketed from ₦276.67 million to ₦1.04 billion which led the finance cost to shoot up from ₦261.32 to ₦860.25, consequently lowering

the profit before tax from ₦4.61 billion to ₦3.95 within the periods; 2012-2012. This ultimately reduced its payout ratio over the period. When a firm is highly levered, it means it has more obligations to settle in the nearest future but at the same time, such leverage will become a control mechanism that will restrict the activities of the managers into using cash only in the best interest of the organization. Such practice will leave the organization at a vantage point to have enough cash after discharging all obligations due to it and from which dividend will be paid. Firm using debt financing tends to generate high profit but are also subjected to higher obligation to outsiders to the tune of capital borrowed. Such will diminish the quantum of dividend payout ratio

Dividends are considered crucial for investors in their investment decisions. Most investors look at the returns that will be due to them if they intend to acquire the share of a company. The higher the dividends paid, the more tempted investors are to invest in such establishment. Institutional investors are no exception to the dividend drive because they would desire more returns on their investment. Institutional owners are reputable investors with huge resources and man power that will give them the required expertise to invest and monitor their investment objectively. The presence of this group of investors serves as a control mechanism in the way and manner firms' resources are channelled and utilized. When resources are effectively and efficiently utilized, there are prospects of high earnings. Such high earnings have significant cum positive effect on the dividend payout ratio decisions. It can be said that institutional owners influences the dividend payout ratio positively. A. G Leventis (Nigeria) Plc, Chellarams Plc, UACN and SCOA (Nigeria) Plc have more composition of institutional ownership when compared to John Holt Plc. This perhaps, contributed to dwindling dividend payout by John Holt Plc. Mohammad, Zaid and Khaled (2013), suggested that concentrated institutional ownership

creates an enabling environment to monitor managers effectively in the best interest of the organization.

Firms have a lot of characteristics and each of this peculiar characteristic play a unique and vital role on the survival and value of the firm. The interrelationship between and amongst these characteristics is crucial when deciding the distribution of earnings that is retention and dividend payout. Ross, Westerfield and Jaffe, (2009) argued that dividend paying pattern cannot be modelled mathematically because these factors (culture, general economic condition and perception) changes and their impact are not static. Pinpointing the unique characteristics is not hard but the interactions between those elements are complex. Thus researchers are tied with intellectual complications regarding the mathematical model to adopt for firms payout ratio. Investors need to know factors that affect dividend decisions. As such research needs to be conducted before managers and investors make prudent decisions on investment into any ventures. This information is important in order for an investor to make a rational decision.

Indigenization of firms in Nigeria received massive support which consequently leads to high development within the economy but the setback posed by the global financial crisis melted out the values of share which ultimately brought down it market value. Consequently; dividend realised dropped significantly. These conglomerates firms were not left out of the situation. Following the aforementioned events in the emerging markets and in Nigeria in particular; conglomerates firms in Nigeria like other firms had continued to alter their dividend paying pattern in order to ensure continual survival and maximize share price returns; dividend payout (Rufus and Soyeye, 2014). The aim of this study is to ascertain the effect of specific firm factors on the dividend payout ratio of quoted conglomerates in Nigeria.

1.2 Statement of the Problem

A rational investor will always consider the return that will be due to his investment in the nearest future. The quantum of dividend expected is highly instrumental on the investor's choice of committing his investment into a particular line of business. The dividend expected or the payout ratio of a firm is largely associated with the final decision of the management to pay or not to pay. Frank and Ravi, (1998) posited that "dividend decision remains one of the most contentious issues in finance as it captures the attention of finance scholars since the middle of the last century". Upon such contentiousness, these scholars have tried to develop models and came up with theories for instance the; Walter's model, Gordon's model and Modigliani & Miller's hypothesis that will help solve the problems but still the issue is quite un-sommontable.

The complexities tied to dividend payout ratio rendered it like a puzzle and such description dates back to 1976. Black (1976) advanced that "the harder we look at the dividend picture, the more it seems like a puzzle, with pieces that don't fit together". The pieces that do not fit together are the primary reasons why a particular mathematical model has not been advanced in tackling the dividend payout ratio. Scores of academic publications came on board to tackle the challenge. Notable among these scholars', of recent past were Aivazian and Booth (2003). They found out that the dividend puzzle still has so many unanswered questions as such, it is still very tricky and involves judgment by the management team with due recognition to certain factors. Consequently, it can be said that dividend payout ratio is one of the unsurmountable critical issues that financial experts are still battling with

Considering the various mix of activities carried out by conglomerate firms, it is expected that such diversification will be a huge boost to their financial strength and consequently, investors will always receive the benefits from their investment. However, Taofik (2013) posited

that “when an investor buys into a conglomerate, he buys into a large basket of business. That is where the advantages lies for conglomerates but paradoxically, that is also the disadvantage too. Returns within the conglomerates firms are equally split; positive and negative. Even within the positive sides only UAC of Nigeria outperforms stock market average return”. It is not a guarantee that in spite of their diversification, profit will be realised at all times. On a general note, Conglomerates firms’ responsiveness to dividend payout is encouraging in spite of the losses recorded by few firms within the conglomerates for example John Holt. Most of these conglomerate firms have history of unbroken dividend payout and this is really serving as a signal to investors that the firms are doing fine, except for Transnational Corporation of Nigeria that has just declared on 31 December, 2013 its first dividend of ₦1.93bn to be paid to shareholders on the basis of 5kb per share (Taofik, 2013). From the foregoing, it is imperative to ask: does firms’ characteristic play vital role in influencing the quantum of dividend to be paid by quoted conglomerates in Nigerian? On this premise, it will be essential to examine some of the characteristics that may be influencing dividend decision of these conglomerates firms in Nigeria.

Dividend payout research received a tremendous reception in the advanced economies of the world such as United States of America (USA), France, United Kingdom (UK), among others (Pettit 1977). Literatures almost flooded these developed economies. However, little attention has been paid to dividend policy in emerging markets; especially Nigerian quoted conglomerates; thus, this field is not well established in the financial literature. Results from previous studies have not been consistent in all respect and findings were mixed in some cases. It is on this premise that a research is carried out to add to the existing body of knowledge by

empirically assessing the firms' characteristics on the dividend payout ratio of quoted conglomerates in Nigerian.

1.3 Objectives of the Study

This study seeks to evaluate the effect of firms' specific elements and the dividend payout ratio of quoted conglomerates in Nigeria. Specifically however, the study seeks to:

(i) Assess the effect of firm size on dividend payout ratio of quoted conglomerates in Nigeria.

(ii) Ascertain the impact of profitability on dividend payout ratio of quoted conglomerates in Nigeria.

(iii) Assess the effect of liquidity on dividend payout ratio of quoted conglomerates in Nigeria.

(iv) Examine the impact of leverage on dividend payout ratio of quoted conglomerates in Nigeria.

(v) Investigate the effect of institutional ownership on dividend payout ratio of quoted conglomerates in Nigeria.

1.4 Research Hypotheses

In line with the research objectives stated above, the hypotheses proposed to be tested in this study are formulated in Null form as follows:

H_{o1}: There is no significant effect of firm size on dividend payout ratio of quoted conglomerates in Nigeria.

$H_{o2:}$ There is no significant impact of profitability on dividend payout ratio of quoted conglomerates in Nigeria.

H_{o3}: There is no significant influence of liquidity on dividend payout ratio of quoted conglomerates in Nigeria.

H_{o4}: There is no significant effect of leverage on dividend payout ratio of quoted conglomerates in Nigeria.

H_{o5}: There is no significant impact of institutional ownership on dividend payout ratio of quoted conglomerates in Nigeria.

1.6 Scope of the Study

The study focused on some firms' characteristics and dividend payout of quoted conglomerates in Nigerian Stock Exchange (NSE) for the period of eight (8) years spanning from 2004 -2011. This period was chosen because; it fell within the period of the global financial crises. The study will cover only certain factors that are perceived to be important in the life of firms. By extension it also covers the influence it may yield on the dividend behavior of firms. The study considered internal factors only because they are the factors that can be influenced by management of these conglomerates. The study therefore focused on five elements which are; firm size, profitability, liquidity, leverage, and institutional ownership. These characteristics were effectively measured using the data generated from the financial statements of Nigeria quoted conglomerates. Since the management are responsible for determining the ratio of dividend payout. Only factors they have control over will be considered but factors beyond their control (for example culture) will not be taken into consideration.

1.7 Significance of the Study

This study would help both investors and corporation to understand the significant factors that influences the dividend payout ratio of quoted Conglomerates in Nigeria. The outcome of the study will provide investors with useful information to guide their investment decisions and the management of these conglomerates will be able to ascertain the firms' elements that contribute adversely to dividend payout. The outcome of the study will help the management of these conglomerates firms to be able to adjust on firms' factors to boost dividend payout. Policy makers will also benefit from the outcome of the study since it will enable them to come up with informed ratio and also be able to measure the implications of such ratio as it affects the dividend pattern of these conglomerates and on the economy as a whole.

More so, the findings of this study will contribute to knowledge and also to existing body of literatures on firm attributes and dividend payout of firms in both emerging and developed economies of the world. In addition, the study will be of immense value to academicians to understand factors that influences dividend payout ratio. Academician with such understanding can help these conglomerates by advising them on the modus operandi to adopt when they want to come up with the appropriate ratio that will be of benefits to the investors as well as the survival of the firm. More so, it will constitute literature for further research.

CHAPTER TWO:
LITERATURE REVIEW

2.1 Introduction

This chapter presents the conceptualization of dividend payout and supporting literatures for the study. The conceptual framework of this study is duly presented with a reasonable level of precision as well as the relevant dividend theories are discussed. The dependent variable is dividend payout and the independent variables which are; Firm Size, Profitability, Leverage, Liquidity and institutional ownership are captured with supporting literatures from previous studies.

2.2 Conceptualization

This section presents the comprehensive meanings of the dependent variable (dividend payout ratio) and the independent variables (firm size, profitability, liquidity, leverage and institutional shareholding) as seen by various scholars in the field of finance.

2.2.1 Dividend payout ratio

At the end of every financial year, firms; be it private or public has to make a decision regarding the quantum of earnings that will go to the shareholders in the form of dividend if, there are enough earnings. Such decision is aided by the particular dividend policy the firms adopt. Scores of researchers have their take on what dividend payout ratio is. Since dividend payout is a subset of dividend, it is pertinent to capture a comprehensive meaning of dividend. Mahira (2012), perceived dividend to represent returns that are due to shareholders as a result of committing their resources into a formal organization. It could be payment made out of firm's earning, to its shareholders in form of either cash stock. This distribution called dividend are periodic cash payment made by companies to their shareholders and it is the product of

profitability. This distribution may be in form of stock dividends, in which the company issues new stocks to existing shareholders in proportion of their existing shares ownership or cash dividends, in which case, the company pays some cash amount per share to shareholder. From the investor's perspective, dividends are return on the commitment of financial resources; for investment purposes.

Lease, Kose, Avner, Uri and Oded (2000), posited that, the term dividend payout ratio refers to "the proportion of after tax earning that is distributed to shareholders". From the definition above, the payout ratio only represent the fraction that is disbursed to the shareholders as compared to the total earnings realised. This definition is consistent with that of many scholars. Abdul & Haruto (2012), defined dividend Payout Ratio as the "yearly dividends paid divided by Net income after tax". Based on the aforementioned definitions, this researcher defines dividend payout as the amount that is legally prorated by the company's management from its earnings which is set aside to the shareholders in proportion to their shareholdings as a reward for their investment. This study will adopt Abdul and Haruto (2012) measurement to measure dividend payout ratio.

2.2.2 Firm size

The significance of size on the strength of a firm cannot be over emphasised. The bigger companies are perceived to pay higher dividends and smaller size companies pay fewer dividends. This is evidenced by the fact that smaller firms find it difficult to raise funds, when compared to large companies who have easier access to the capital market and hence are less dependent on the internal funds which leads to more capability to pay the dividends (Al-Kuwari, 2009). The term firm size is defined by researchers in connections to the proxies that are used in measuring it. Jeremiah (2013) posited that firm size is the total worth of the firms' asset which is

measured by the natural logarithm of the book value of the firms' total assets. Size of firm = Natural Logarithm of Total Assets. Also, Maniagi, Ondiek, Musiega, Maokomba and Egessa (2013) measured the size of firm by the natural logarithm of the book value of the firm's Total Assets. Size=Natural Log of Total Asset**s.** This study will also adopt the definition and measurement used by the aforementioned researchers.

2.2.3 Profitability

Dividend payments in firms are principally tied to profitability (Linter, 1956). A profitable firm will recover the cost of operation and will even have enough to attend to other needs. When a firm is not making profit, it is likely that it may fold up. Mistry (2010) defined and measure profitability as "the ratio of Return on Capital Employed". Anupam (2012) measured profitability using three proxies:

I. **Return on Equity (ROE)** = Net Profit after Preference Dividend/Number of Equity Shares outstanding.
II. **Return on Assets (ROA)** = Net Profit/Total Assets
III. **Earnings per Share (EPS)** = Net Profit/ Number of Equity shares outstanding

Rufus and Soyoye (2014) defined and measured profitability as "Profit before interest and tax divide by total assets". For the purpose of this study, profitability of a firm is defined as the ability of a firm to generate enough cash that is higher than the operational cost. We shall measure profitability with earnings per share.

2.2.4 Liquidity

The liquidity strength of a firm is an important characteristic in the life of a firm and it is perceived to influence it dividend payout decisions. Firms that are very liquid are more likely to pay dividend than companies with liquidity crunch. Liquidity crunch will pose treat to the

survival of firms which will limit its ability to pay dividend (Ahmed & Javad, 2009). The term liquidity is seen by researchers in terms of current ratio. Kania & Bacon (2005) sees liquidity in term of Current ratio that is Current Assets/Current Liabilities. Also, Anupam (2012) sees liquidity also in terms of current ratio: Liquidity is equal to Current Assets divided by Current Liabilities. This study will adopt the quick ratio in determining the firms' liquidity. Liquidity measured by Quick Ratio QR = Total Current Assets - Stock /Total Current Liabilities

2.2.5 Leverage

Leverage from the ordinary parlance connotes the indebtedness of firms when compared to it worth. Salisu and Tesleem (2013) defined leverage by taking the ratio of total debt to total asset. Similarly, Mohammed and Joshua (2006) estimated leverage of firm as debt divided by total asset. Gill, Biger and Tibrewala (2010) defined leverage as firms' liability divided by it asset. Sasan, Mohammad and Hoda (2011) defined leverage as "long-term debts to total assets". In addition, Rufus and Soyoye (2014) defined leverage as "total liabilities divide by Shareholders funds". For the purpose of this study, leverage is defined as a firm's obligation of funds suppliers to the firm's worth. It is measured as the ratio of total liabilities to total asset.

2.2.6 Institutional shareholding

The size of shareholders in organization varies from strength to strength. Some shareholders have little stake in the organization. Sometimes corporations with enormous resources invest into other corporations. Such corporations with a huge resource to invest are called institutional investors. Karathanassis & Chrysanthopoulou (2005), sees institutional ownership as "the percentage of shares held by foreign and domestic institutional investors - mutual funds and investment trusts owning 5% or more of equity."

Mohammad, Ziad and khaled (2013), said institutional ownership as **"**the percentage of equity owned by institutional investors". Considering their size, they can monitor corporate management than other smaller and individualistic owners. In addition, Maniagi, Ondiek, Musiega, Maokomba and Egessa (2013), defined institutional ownership as "the amount of stock owned by institutional shareholders more than 2% divided by total shares". Wikipidea (2015), sees Institutional ownership "as the ownership stake in a company that is held by large financial organizations, pension funds or endowments. Institutions generally purchase large blocks of a company's outstanding share and can exert considerable influence upon the management." Considering the above assertion that they exert considerable influence, institutional investors play an effective role in monitoring management than the individual investors. For the purpose of this research, the researcher would like to define intuitional owners as the corporations that acquire minority shares in another corporation with a view to earning dividend.

2.3 Importance of Dividend Policy Decision

The importance of dividend policy in the life of a firm cannot be over emphasized. Dividend payout decision helps firms in determining the amount to be given to shareholders and the amount to be reinvested into the firms for generation of more earnings. Dividend policy decisions affect the activities of stakeholders (shareholders, lenders, prospective investors, managers among others) in variety of ways. The principal reason for investing in the stock market is to maximize the expected return at low level of risk, and this return may be in the form of dividends or capital gain. Therefore, from the perspective of investors, dividend is considered a source of income to them and a means of accessing the performance of firms. Maximization of shareholders wealth is solidly built around the ambit of dividend policy of firms (Khan, 2012).

Looking at dividend policy from a firms' perspective, it help firms in selecting a suitable payout ratio that will promote flexibility in their future investments. With such selection to aid their future commitment, certain peculiar elements like; size of firm, firms' profitability ratios, liquidity, leverage, managerial and behavioural environment, the willingness of the company, Institutional ownership among others. are considered by companies in designing their dividend policies (Khan, 2012). This assertion is supported by the findings of Ling, AbdulMutalip, Shahrin, and Othman (2008), that Malaysian companies paying dividend are more mature in their activities, more profitable and less risky in their activities as compared to companies that are not paying dividend. The results portrayed that managers of this company understood the need for paying dividends even if the companies are not profitable.

2.4 Forms of Dividend Policy

There are various types of dividend policy that is opened to a firm (Pandey, 2005). This includes the following:

2.4.1 Residual Policy: When a firm realised profit from its undertaken, the firm is expected to finance all project with positive net present value before the residual of the earnings will be prorated to the shareholders in the proportion of their shareholdings as dividend (Pandey, 2005). This policy encourages firms to source for internally generated fund, thereby reducing the relevance of dividend policy. The need for firms to adopt this policy is hinged on the need to reduce the cost associated with raising new capital and to encourage the use of internally generated fund.

2.4.2 Constant Payout Residual Dividend Policy: This policy recommends the payment of fixed percentage of it earnings to its fund providers yearly (Eriotis, 2005). The constant payout residual policy is ascertained by the ratio of dividend per share to the firms' earnings over the

period. The problem associated with this policy is; in the event of decline in the earnings of firms or firms are experiencing looses, the percentage of dividend payout ratio is likely to diminish.

2.4.3 Smooth Residual Dividend Policy: This policy ensures that earnings are realised before dividends can be declared because, once dividends are declares, there will be no reversal of decisions (Baker & Powell, 2000). This policy put into a place restrictions for making statements that are not correct because once dividends are announced; there will be no going back. This policy encourages firms to increase the dividends when they are sure that firms earning have increased

2.5 Patterns of Dividend Payments

2.5.1 Constant dividend payout ratio: Pandey (1999) opined that this policy favours the payment of fixed percentage of earnings, paid out in dividend. This policy guarantees a fixed percentage of earning in payments as dividend payout but the monetary equivalent fluctuates with changes in the earnings of firms. If earnings increase, dividend amount will increase and vice-versa.

2.5.2 Stable amount dividend per share payout: This policy recommends the payment of stable dividend as the firms operation continues (Pandey 1999). Increase in dividend cannot be recognised by the management of firms until they are convinced beyond every reasonable doubt that the firm can cope with such payments and on the other hand, reduction in dividend will not be allowed until the management of firms feel that such reduction will spell out good omen for the firm.

2.5.3 Small regular dividend plus year-end extra dividend payout: This policy makes it suitable for firms to engage in the payment of small but regular dividends, plus a year end extra dividend in prosperous years when the company's profit for the period can be estimated (Pandey,

2005). The management of firms trying to ward off the notion of permanent dividend pay adopt this policy.

2.6 Review of empirical studies

This section reviewed relevant studies on firms' characteristics and dividend payout ratio. The effect of these factors and the direction of the result will be extensively captured. Relatively, a number of studies have been conducted on dividend payout ratio and firms characteristics but with the overwhelming numbers from the advance economies of the world. The objective of this study is to determine some of the distinguishing characteristics that corporations deal with in paying dividends with particular reference to Nigerian quoted conglomerates.

2.6.1 Firm Size and Dividend payout

Adelegan (2000), studied the determinants of dividend payout ratio in Nigeria, for a period of eleven (11) years that is from 1984 to 1994. He used the Lintner-Brittain model and its variants on the panel data. The Ordinary Least Square (OLS) method was used to estimate the model. Result of the descriptive statistics showed that the data were normally distributed and the correlation matrix showed a significant positive association between dividend payout ratio and firm size. The regression result showed that firm size is a strong feature influencing dividend payout of firms. It captures a situation that larger firms stands a better chance of having access to huge capital at lower cost, thus leaving them with reasonable amount of cash with which to pay dividend. The weakness associated with his study boils down to the sample size. The sample size of 63 firms was very small compared to the population of 882 firms of the study and the manner at which the sample was arrived at was vaguely spelt out in the work. This could impair at the robustness of the result.

AL- Shubiri (2011) studied the determinants of dividend payout ratio of companies listed on Amman Stock Exchange for the period of five (5) years from 2005 to 2009. The normality of data utilised was confirmed by the descriptive statistics and the relationship between dividend payout and firm size was found to be positive by the correlation result. The regression result found out that there is significant positive impact of firm size on dividend payment ratio. This implies that large Jordanian firms tend to be more diversified than smaller firms as such are, less likely to be susceptible to financial distress and strongly able to pay dividends to the shareholders. The above finding concurs with that of Kangarlouei, Motavassel, Azizi and Farahani, (2012). Al-Shubiri's research was only centred on large Jordanian firms and findings may not be generalized because of the disparity of the firms' size.

Anupam (2012) studied the determinant of dividend payout ratio of United Arab Emirate (UAE) Companies for the period of five (5) years, from 2005 to 2009. The descriptive statistics proved that the data were normally distributed and the correlation result showed a positive and significant relationship between dividend payout ratios and firm size. Using multiple regression technique for the panel data, the result showed positive and significant impact of firm size on dividend payout ratio. The study concluded that the size of the firm is significantly and positively related to the dividend payout of the firm in the United Arab Emirate (UAE). Like other studies, this research also concluded that the larger size firms stand a better chance of paying more dividends as compared to firms with smaller size. Large companies have easier access to the capital market and hence are less dependent on the internal funds, leading to more capability to pay the dividends. The outcome of the study could have been robust if the period of the study was beyond the five years.

Mahira (2012) studied the determinant of dividend payout ratio in Pakistan with special reference to non financial Firms listed in the Karachi Stock Exchange (KSE). Key explanatory variables were identified to disclose their relationship and effect on determination of dividend payout. These variables are earnings, firm size, growth, profitability, corporate tax and financial leverage. Samples of 53 companies from 11 sectors were identified from the listed non financial firms in the KSE that have been paying dividend consistently for the past six (6) years (2005-2010) which also represented the scope of the stusy. Multivariate regression Analysis was identified as the most appropriate tool for econometric analysis of the data. The descriptive statistics revealed the data to be normal. However, when the assumptions needed to be fulfilled for OLS were tested, the data was found to be homoskedastic and free of autocorrelation. regression was run in isolation, once with earnings and once with profitability along with testing the two together in a third regression test. Regression Results of all three regressions were consistent. Results revealed that firm size had significant relationship with dividend payout. To substantiate the earlier findings, Maniagi, Ondiek, Musiega, Maokomba and Egessa (2013) in a study of 30 non-financial companies on Nairobi Securities Exchange, Kenya, found size to be one amongst the important determinant of dividend payout. Pornumpai and Phassawan (2013) also in a study of the factors influencing Dividend Payout of firms quoted in the Stock Exchange of Thailand (SET) for the period of five (5) years, from 2006 to 2010. Using the Tobit regression analysis, results revealed that dividend payout is positively affected by firm size. It shows that large firms are likely to pay higher proportion of its earnings as dividend when compared to small firms.

Uwuigbe (2013), investigated the determinants of dividends policy in the Nigerian stock exchange market. A total of 50 listed firms in the Nigerian stock exchange market were selected

and analyzed for the study using the judgmental sampling technique and sourcing data from annual reports for the period of six (6) years; 2006-2011. The study was basically modeled to examine the effects of firm size amongst other variables on the dividend payout ratio of listed firms operating in the Nigerian stock exchange market using the regression analysis method. The findings of the study revealed that there was a significant positive relationship and impact between size of firms and the dividend payouts ratio of listed firms in Nigeria. The shortcoming of the study was the sampling techniques employed. Judgmental sampling could be bias and the findings may be spurious.

Rufus and Soyoye (2014), investigated the determinants of dividend payout in the Nigerian banking industry over the period of three (3) years between 2006 to 2008. The study employed pooled regression techniques using the data of the Nigerian quoted banks. The results showed that firm Size has a positive and significant impact on the dividend payout of quoted banks in Nigeria. The big size companies paid higher dividends and smaller size companies paid lower dividends. This can be explained by the fact that, the small size firms find it difficult to raise funds as compared to large companies which have easy access to the capital market and hence are less dependent on internal funds which lead to more capability to pay the dividends. The weaknesses of this study rested on the time frame which reduces the robustness of the result and the manner for the selection of sample was vague.

Ongeri (2014), investigated the determinants of dividend payout for companies listed at Nairobi Securities Exchange (NSE) between 2008 -2013 of a six (6) years period. Correlation and multiple regression analysis statistical technique was used to assess the nature and extent to which the independent variables (company size) determine the dependent variable (dividend payout) for firms listed at the NSE. The study relied on secondary data which was analysed using

SPSS and the results presented shows that company size had a positive correlation with dividend payout but it was not significant at 1%, 5% or 10 level of significance. The study made use of purposive sampling which could highly be bias; as such, the outcome may be spurious.

2.6.2 Profitability and Dividend payout

Mohammed and Joshua (2006), in a study of the determinants of dividend payout ratio of listed Ghanaian firms, used data gathered from financial statements obtained in Ghana Stock Exchange (GSE) for the period of six (6) years from 1998 – 2003, using a sample of twenty two (22) firms. The study subjected the data to the normality tests and it scaled un-obstructively. The study also used the ordinary least square model to regress the explanatory variables against the explained variable. The result showed a positive relationship between profitability and dividend payout ratio. The study maintained that profitability is positively and significantly associated with the dividend payout which showed that the most profitable firms invest less in their assets and pay more dividends to shareholders.

Kowalewski, Stetsyuk, and Talavera (2007), in a study on the determinant of dividend policy in Poland of the 110 non-financial companies listed on the Warsaw Stock Exchange (WSE) for a period of seven (7) years from 1998-2004 using panel regression, discovered that there was a positive and significant impact of profitability on dividend payout. It therefore means that the more profitable a firm is, the higher it dividend payout ratio. They further assert that in the event of firm having less investment opportunities it pays higher dividend from the profit realised.

Al-Malkawi (2007), explored the determinant of corporate dividend policy in Jordan for a period of twelve (12) years from 1989 -2000. Using Tobit regression to test the null hypotheses

formulated, the result indicated that profitability is one of the strongest determinate of dividend payout ratio of firms. The outcome of the study strongly supported the signalling theory.

Mistry (2010), studied the firms' factors affecting dividend in India for a period of five years spanning from 2005 to 2009 based on the secondary data of 28 out of 36 quoted public companies in the industry. Using panel data for the period under study, it was discovered that significant increase in the selected factors influences the dividend decision to a reasonable degree. It also found out that change in profitability affects dividend decision positively. Since the period for the study was too short; it is assumed that the result will not be robust. In a similar vein, Kun & Chung (2012) have maintained that firms are more likely to raise their dividends if they are large and profitable. Their studies proved that the profitability is positively related to the dividend payout ratio.

Mohammed & Mohammed (2012), carried out an empirical study on the worthy factors affecting dividends payout decisions of industrial corporations listed in Amman Stock exchange (ASE). The correlation matrix showed a positive and significant relationship between profitability and dividend payout after the normality test certified the validity of the data. The regression outcome revealed that profitability proxied by earnings per share Earnings Per Share (EPS) had a positive effect on dividend payout and was significant. The weakness of the study was that, data for one year period was used and this reduced the robustness of the result.

Anupam (2012), studied the determinant of dividend payout ratio of United Arab Emirate (UAE) companies for the period of five (5) years ranging from 2005 to 2009. Firms' profitability was proxied by return on equity and the regression result showed a negative relationship with dividend payout. This implies that the more profitable firms pay fewer dividends. Consistent with the above findings is Taher (2012) that studied the determinants of

dividend payout policy as evident in Bangladesh for a period of eight (8) years from 2003 – 2010 using a sample of eleven (11) commercial banks were listed on Dhaka Stock Exchange. The results showed that EPS was negatively significant to dividend payout ratio. Firms that are making higher profit will preface to invest their profit so that more profit can be realised.

Mahira (2012), studied the determinants of dividend payout ratio of Non Financial Firms listed in the Karachi Stock Exchange (KSE). The study made use of fifty three (53) companies from the eleven (11) non financial sectors in KSE for a period of six (6) years from 2005 – 2010. The explained variable was dividend payout ratio while one of the explanatory variable was profitability. The study adopted Multivariate Regression Analysis. Regression was run independently, once with earnings and once with profitability along with testing the two simultaneously in a third regression test. Regression results of all three regressions were consistent. Results revealed that profitability was found to be insignificant in context of Pakistani markets.

Turki and Ahmed (2013), studied firm factors determining dividend payout on Saudi Arabia stock exchange for the period of seven (7) years between 2004-2010. Using panel data, the findings from the ordinary least square showed that earnings per share was significant and had positive relationship with dividends payout ratio. So when firms increase their profitability, dividend payout ratio increases.

Furthermore, Faruk, Rashel and Akterujjaman (2013), studied the impact of firm specific factors on cash dividend payout decisions for a sample of 41 non financial firms listed on Dhaka Stock Exchange (DSE) in Bangladesh for a period of five (5) years (2007 to 2011). The study tested the hypothesis developed using fixed-effect regression model under the assumption that intercepts vary for each firm and the slope coefficients are constant across firms. The descriptive

statistics revealed a set of normally distributed data and the regression analysis found that profitability has statistically significant positive effects on cash dividend payments. This work is plausible. However; the result may be misleading if applied to financial sector of the economy. The outcome is not encompassing as such, the findings of the study cannot be generalized to the entire firms in the country.

Maniagi, Ondiek, Musiega, Maokomba and Egessa (2013), examined the determinants dividend payout of non-financial firms listed on Nairobi Securities Exchange (NSE). Purposive sampling technique was used and a sample of 30 non-financial companies for the duration of five (5) years from 2007 to 2011 was selected. The descriptive statistics result showed the data to be normally distributed. Return on equity, the proxy for profitability was found to be positively correlated to dividend payout and the result of the regression was significant at 1% confidence level. The drawback associated with this study is the concentration of the study into just the non-financial sectors of the economy and the technique of sampling may lead to bias selection of the sampled population. It means this result may not be applicable to other sector, hence the findings are non-generalized.

Hashim, Shahid, Sajid and Umair (2013), studied the determinants of dividend payout of Pakistani banking sector. The study used data of 27 foreign and domestic banks operating in Islamic and conventional banking in Pakistan listed at different stock exchanges as a sample. The correlation analysis of the dependent variable amongst the independents variables revealed that profitability is positively correlated to dividend payout of Pakistani banks and the regression result is highly significant at 1%. This sector is very narrow to warrant a decision that is enveloping to all the sectors in the economy. As such, the result was only restricted to the banking sector.

Christopher and Rim (2014), investigated the factors determining dividend payout ratio in the Lebanese banks listed on the Beirut Stock Exchange (BSE) for a period of seven years (2005-2011). The study tested two models using the OLS and the dynamic panel regression and found a negative but significant impact of profitability on dividend payout. It showed that, more profitable firms pay fewer dividends to its shareholders in Lebanon banks. The result showed that the Lebanese banks prefer to invest their earnings on expansion rather than paying dividend.

2.6.3 Liquidity and Dividend payout

Naceur, Goaied and Belanes, (2006), studied the determinants of dividend policy of 48 firms quoted on the Tunisian Stock Exchange (TSE) for seven (7) years (1996-2002). The regression result indicated that, liquidity is positively and significantly impacting on dividend payout. Subjecting the data to descriptive statistics, the correlation matrix revealed a positive and significant relationship between liquidity and dividend payout. The study linked profitability to cash flow. When subjected to panel regression, the result indicated that there was a positive and significant impact of liquidity on dividend payout. It therefore implies that high profitable firms with more stable earnings can manage the larger cash flows and because of this they pay larger dividends. In addition, firms with rapid growth disburse larger dividends so as attract investors.

Mohammed and Joshua (2006), conducted a study on the determinants of dividend payout ratio of listed firms in Ghana, used data gathered from financial statements obtained in Ghana stock exchange. They used the ordinary least square model to regress the explanatory variables against the explained variable. The result showed a positive relationship between cash flow and dividend payout ratio. They maintained that liquidity is positively and significantly associated with the dividend payout, which shows that the more liquid a firm is, the higher it chances of paying more dividends to shareholders.

Mohamed, Hui, Omar, Rahman, Mastuki and Azis (2008), studied the determinants of dividend payout ratio of 200 companies with highest market capitalization in Malaysian Capital Market. The study examined liquidity among other variable as determinants of dividend payout and concluded that liquidity is a significant variables with positive effect in determining the dividend payout. Companies which are more liquid stand a better chance of declaring dividends. Their study only seems to have concentrated on the large Malaysian companies. The outcome may not be applicable to smaller companies.

Anil and Kapoor (2008), studied the determinants of dividend payout ratios of Indian information technology sector and found out that liquidity is a strong determinant of dividend payout ratio. The firms with more liquidity are more likely to pay higher dividends as compared to the firms with a liquidity crunch. A poor liquidity position means less generous dividends due to shortage of cash. The study centres only on service providing companies and findings may not be generalised.

Gill, Biger, and Tibrewala (2010), studied the determinants of dividend payout ratio in the USA capital market. The result of the correlation matrix analysis indicated that, the relationship between cash flow and dividend payout ratio was negative for both manufacturing and service industry. When subjected further to the regression analysis, liquidity was found to be an insignificant determinant of dividend payout ratio. This study was conducted only for large USA firm and finding may not be applicable to smaller firms. Moreover, the result may not suit firms in the developing country.

Faruk, Rashel and Akterujjaman (2013), studied the impact of firm specific factors on cash dividend payment decisions for a sample of 41 non financial firms listed on Dhaka Stock Exchange (DSE) in Bangladesh for the period of five (5) years ranging from 2007-2011. The

study tested the hypothesis developed using fixed-effect regression model under the assumption that intercepts vary for each firm and the slope coefficients were constant across firms. The regression analysis found that liquidity was not a significant explanatory variable of dividend payments. It showed that, weather a firm is liquid or not, it does not affect it dividend payment pattern. The study did not cut across firms in different sector and as such, may lead to a spurious result and the outcome may not be generalized.

2.6.4 Leverage and Dividend payout

Vasiliou and Eriotis (2003), investigated the effect of leverage on dividend payout ratio of firms listed on the Athens Securities Exchange (ASE) for the period of six (6) years (1996 to 2001). The study was carried out by considering a model that linked the corporate dividend per share at time (t) with a long-run target dividend per share (represented by the dividend variable at time t-i) the earnings per share at time t, and the debt ratio (expressed as the ratio of total debt to total assets) at time t. The result from the correlation matrix showed that, there is positive and significant relationship between leverage and dividend payout ratio. The regression result also proved that there was a significant positive impact of leverage on dividend payout ratio. It showed that, firm in Athens preferred to pay more dividend when they are more levered. This can be explained by signally theory that tends to pass information to outsiders that the firm is doing well in spite of the obligation tied to it. The sampling technique was not detailed and the period of the study was relatively short, thus, reducing the robustness of the result.

Al-Malkawi (2007), revealed in a study of the determinant of corporate dividend policy in Jordanian firms for a period of twelve (12) years (1989 -2000), using Tobit regression to test the null hypotheses formulated. The result revealed that the firm's financial leverage was significantly and negatively related to its dividend policy. The outcome of the regression analysis

indicated that, firms that were more levered preferred to pay fewer dividends to its shareholders. Instead of paying high dividend, they concentrate more in trying to offset it debt or obligation to outsiders. Similarly, Kowalewski, Stetsyuk, and Talavera (2007), studied the determinant of dividend policy in Poland in the 110 non-financial companies listed on the Warsaw Stock Exchange for a period of seven (7) years (1998-2004), using panel regression, the outcome indicated a negative significant impact of leverage on dividend payout. It means that more indebted firms prefer to pay lower dividends. Also, Al-Kuwari, (2009), Gill, Biger, and Tibrewala, (2010) and Malik, Gul, Khan, Rehman and Khan, (2013) confirmed that dividend payout ratio is negatively related to leverage ratio. Companies that relied much on debt put pressure on their liquidity and as such, shrank their ability to pay dividend.

Aasia, Waqas and Yasir (2011), explored the relationship between dividend policy and financial leverage of 403 companies, listed on the Karachi Stock Exchange for a period of seven (7) years (2002 – 2008). The study tested the dividend payout by applying the extended model of Linter (1956) with the debt ratio of the firm acting as an independent variable. The descriptive statistics of the entire variables were ascertained and it revealed a normally distributed data and then correlation matrix was computed and it showed a negative and significant relationship between leverage and dividend payout of companies listed in Karachi Stock Exchange. The regression analysis was performed on the panel data to examine the significance and magnitude through fixed and random effects models and the outcome indicated that leverage had a negative as well as significant impact on dividend payout. This implies that highly levered firms pay fewer dividends.

Abdul and Haruto (2012), examined the determinants of dividend payout ratio in Karachi Stock Exchange (KSE) for 50 companies that announced dividend in 2009 from a total of 110

companies. Relationship of debt to equity ratio was found to be positive with dividend payout ratio. The regression result revealed that, leverage was found to be positive and a significant determinant of dividend payout ratio in Pakistan. The result implies that, the more levered a firm is, the more dividend it will dish out to it shareholders. The drawback associated with this study is that, running a cross sectional research for one year may affect the robustness of the findings.

Salisu & Tesleem (2013), studied the determinants of dividend payout ratio of listed firms in Nigerian Stock Exchange Market for one (1) year period; 2013. Out of 180 listed firms in Nigerian Stock Exchange, only 44 firms announced dividend payment in year 2013. Ordinary Lease Square (OLS) multiple regression technique was adopted using secondary data extracted from the annual reports and accounts of the sampled firms. The results revealed that leverage have positive and significant influence on dividend payout ratio of listed firms in the Nigerian Stock Exchange for the 2013 year. The major weakness of this study was that, it only took into consideration data of one year and the robustness of the result may be greatly reduced.

Zahangir and Mohammad (2013), critically examined the influence of certain firm factors of United Kingdom (UK) based companies listed in London Stock Exchange and those of Bangladesh. The study revealed that, in case of the UK based companies, leverage influenced the dividend rate positively. Whereas, leverage influenced the dividend rate negatively in case of Bangladeshi company. This difference in result may be as a result of cultural or environmental factors. As such, the result cannot be adopted by other countries and other sectors.

Muhammad and Saddia (2014), examined the impact of leverage on dividend payment pattern of Pakistani manufacturing firms. 44 companies from five different sectors having regular dividend payment history formed the sample. The annual data for these companies for six (6) years from 2006 - 2011 were used in the study. Simple OLS technique for analysis was used

to derive the results of the study. The findings showed that leverage has significant negative impact on dividend payment pattern of sampled firms. Dummy variable used to identify the sector specific impact of leverage on dividend payment reveal that affect of leverage on dividend distribution in sugar and textile industry behave differently as compare to other sectors. The results of their study help the corporate management to better decide the level of leverage and dividend policy by highlighting the interaction between leverage and dividend payment pattern.

2.6.5 Institutional Ownership and Dividend payout

Sharma (2006), investigated the relationship between corporate governance and dividend payout for a panel of Indian firms for a period of six (6) years (1994 – 2000). The regression result revealed a positive and significant relationship and impact of dividend payout ratio and ownership by corporations. This proved that, the presence of institutional owners may serve as an effective mechanism for monitoring the activities of the firms towards rendering the desired result. Because of the efficiency and effectiveness of institutional owners, firms are monitored and it will go a long way to improving the returns associated to the firms. Khan & Jain (2008), cited in Maniagi, Ondiek, Musiega, Maokomba and Egessa (2013), analyzed the ownership structure of 330 big listed UK firms. The outcome of the research indicated a negative relationship between dividend payout ratio and ownership concentration. They further split the type of institutional ownership and analyzed them independently. Ownership by insurance companies is positively but individual ownership is negatively related with dividend policy. This study seems to take into consideration only the big companies and the outcome may not be relevant to smaller companies.

Janice, Peter and Cici (2008), explored “dividends and expropriation” in Hong Kong for a sample of 324 listed on the Hong Kong Stock exchange for the year 2005. Their study sought

to unravel dividend payout relationship to ownership and control structure in Hong Kong, where family-controlled firms are widespread. The results showed that a firm's propensity to pay dividends and the amount of payout changes with divergence of the controlling shareholder's cash flow rights from control rights. The results favour the situation where small to medium size family-controlled firms are significantly more likely to pay dividends and have higher dividend payout ratio than large family-controlled firms. The richness of the result may be reduced as a result of taking just one year into consideration.

Anil and Kapoor (2008), studied the impact of firm specific factors on corporate dividend payments. They analyzed 180 companies listed at KSE Pakistan, for a period of 22 years (1981 to 2002). The outcome from the regression revealed that institutional ownership is positively and significantly influencing dividend payout ratio. It means that large number of shares held by institutional owners lead to high dividend payout decision. To add strength to the above findings, Al-Kuwari (2009), investigated the determinant of dividend policy in the companies listed on the stock exchanges of Golf Corporation Countries (GCC) posited that Government ownership appears to be a statistically significant in determining the dividend payout of firms.

Syed and Wasim (2010), in a study conducted to find out the impact of institutional ownership on dividend payout ratio of firms. Panel data of Pakistani firms listed at Karachi Stock Exchange for the duration of five (5) years; 2002 to 2006 to explain the relationship between institutional ownership and dividend payout ratio. The outcome of the common effect model showed a positive relationship between institutional ownership and dividend payout ratio. The result had clearly demonstrated that firms with more institutional investors are paying more dividend than firms with less institutional investors.

Sasan, Mohammad and Hoda (2011), examined the relationship between dividend payout ratio and ownership structure in Tehran Stock Exchange for a period of seven (7) years (2000 to 2007). The study used four regression models: the full adjustment model (FAM), The partial adjustment model (PAM), Earnings trend model (ETM) and the Waud model (WM) to test the hypotheses. Institutional ownership was negatively associated with dividend payout. It indicated that the presence of institutional investors results in less usage from dividend as a signal for good corporate performance. However, when concentrated ownership was tested, a positive relationship was founded with dividend payout ratio.

Lina, Suzan, Ola and Imad (2012), in a study of ownership structure and dividend payout ratio, examined the possible association between ownership structure and Jordanian industrial public shareholding companies' dividend payout ratio. The study examined all industrial companies listed on the Amman Stock Exchange (ASE) for the period of three (3) years (2005 – 2007). 77 companies were listed on ASE as at 2007 but 21 were deleted due to unavailability of annual reports before 2007. Thus, the final sample consisted of 168 firm-observations for the companies listed on the ASE for the period 2005-2007. The regression result supported the fact that there is positive and significant relation between foreign ownership structure and the dividends payout ratio through Tobin's Q. More so, the results documented significant positive relationship between foreign ownership structure and dividends policy measured by return on assets (ROA).

Abbas, Moein and Mohammad (2013), explored the impact of ownership structure on dividend payout ratio in Iran stock exchange. 66 firms for 4 years (2007-1010) made up the statistical sample for the study. The descriptive statistics revealed that the data were normally distributed. The panel regression result revealed that, there is a positive and significant

relationship between ownership concentration and payout ratio of firms in Iran stock exchange. Since the period of the study is short and it may reduce the robustness of the result.

Maniagi, Ondiek, Musiega, Maokomba and Egessa (2013), examined the determinants of dividend payout of non-financial firms listed on Nairobi Securities Exchange. Samples of 30 firms were drawn from the population of 50 listed firms for a period of half a decade (5) years (2007 – 2011). Multiple regression technique was used in analysing the data. The results indicated that institutional ownership was a strong positive determinant of dividend payout which is significant at 1%. The work centred only on non financial firms. As such, generalizing the outcome of the research was not possible most especially to the financial sector of the economy.

Mohammad, Ziad and khaled (2013), investigated the effect of institutional ownership on corporation dividend policy using 35 Jordanian corporations listed on the Amman Stock Exchange over the period of 2005 - 2010. The Full Adjustment Model and Partial adjustment Model were employed to examine the potential associations between institutional ownership and dividend policy. Institutional ownership and managerial ownership were regressed against dividend payout ratio. The outcome of the Full Adjustment Model was superior to the Partial Adjustment Model because it accounted for 61.57% of the variation in dividend, compared to 20.65% of the later**.** The correlation matrix showed a positive relationship between institutional ownership and dividend payout and the regression result followed a positive association which is significant. This shows that institutional ownership provides an enabling atmosphere for controlling shareholders to use their influence in maximizing the value of firms. They tend to discourage the use of funds in low return projects thereby paving way for high cash flows which will finally be apportioned to the shareholders as dividend**.**

2.7 Theoretical framework

Numerous theories have been advanced by scholars on dividend to give a comprehensive explanation on the workability of dividend decisions and its influence on the value of firms and or investors. The rightist, the leftist and the middle of the road are the three main schools of thought. The rightist school of thought are of the opinion that, an increase in dividend payout will have a corresponding increase the value of the firm and constraint dividend due to investors. However, the leftist group posited that increase in dividend payouts reduces the value of the firm and increase the quantum of dividend due to investors. Between the rightist and the leftist stands the middle of the road school of thought advanced by Miller and Modigliani (MM) in 1961. They advocated for the irrelevance of dividend decision keeping in mind the absence of taxes, transaction cost and other market imperfections. In essence, they are of the opinion that dividend policy makes no difference. Ever since, researchers have focused on finding out how the dividend policy affects the value of the firms and investors, and those characteristics which affect the dividend decisions. This section discusses theories supporting dividend payout.

2.7.1 Clientele Theory

This theory alludes the divergent reasons investors may favour dividends as a result of institutional features such as; tax differentials, regulatory requirements or from behavioural preference. From the vast diversity of securities holders, it is not amazing that, over time that, securities holders tend to invest in the firms whose dividend policies match their preferences. Securities holders in high tax brackets who do not need the cash flow from dividend payments tend to invest in companies that pay low or no dividends. On the other hand, investors in low tax brackets who need the cash from dividend payments, and tax-exempt institutions that need current cash flows, will usually invest in companies with high dividends. This conglomeration of

securities holders in companies with dividend policies that match their preferences is called the clientele effect. Several studies have found supporting evidence for dividend clientele among institutional investors. Allen, Bernardo and Welch. (2000), presented a model in which dividends attract institutional investors because they are taxed less than retail investors, which in turn imposes a better governance structure. Syed and Wasim (2010) found complementary evidence that firm returns are higher following dividends announcements for firms with institutional investors who favour dividends.

2.7.2 Bird-in-the hand theory

Most investors would prefer to get the returns on their investment in the form of cash dividends rather than capital appreciation. The bird-in-hand theory postulated that the worth of near future dividend is incomparably higher than the worth of distant future dividend. He buttressed his position further by highlighting that future uncertainty will impair negatively on the value of dividend if it is to be received in the future. The bird-in-hand argument suggests that investors need to realize wealth in order to consume and therefore have a preference for cash dividends over capital gains. This argument was first formally put forth by Gordon (1959) and Lintner (1962) but was theoretically contested by Miller and Modigliani (1961). Miller and Modigliani's seminal paper shows that capital gains and dividends substitute for each other. Also, investors could produce their "home-made dividends" by selling stock if they chose to do so.

The bird-in-hand theory is woven around the idiom 'a bird at hand is worth more than ten in the bush', which means dividend received in the sight of the investor is far higher than anticipated dividend even if the value of the anticipated dividend is higher. Uncertainties may lead to situation that those dividends may never be received. This theory basically explains to

firms the reason behind dividend payments to investors. Furthermore, Gordon (1963) posited that shareholders would prefer cash dividend rather than capital appreciation.

From the firms' point of view, when paying dividend, the goodwill of the firm will be enhanced and it will be in a good position to be given excellent rating by the rating agencies. The goodwill will enable the firm to obtain external finance at a cheaper cost from the financial institutions which tend to have an increase in the value of the firm and consequently higher value for investors.

2.7.3 Agency theory

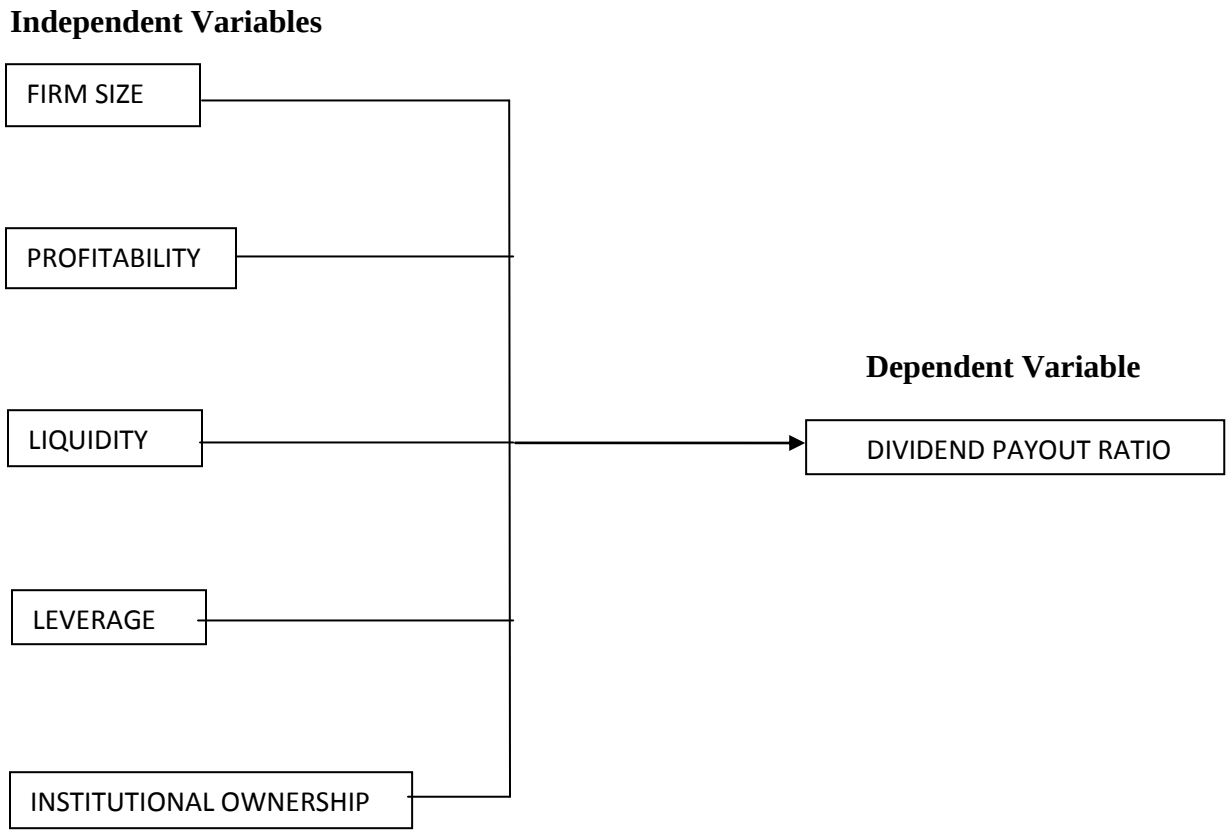
The concept of agency theory furnishes us with the supposition that dividend payment become the reason of creating conflicts between the managers and shareholders of the firms because the motive of managers is to retain resources instead of paying dividends to the shareholder and on the other hand, shareholders prefer dividend instead of retain earning. An agency conflict is derived from the divergence of ownership and control. For instance, firms where shareholders' rights are severely restricted are likely to suffer higher agency costs because managers are better able to exploit the weak shareholder rights and place their own personal benefits ahead of shareholders' interests. The importance of monitoring was reemphasised by Allen, Bernardo and Welch. (2000), who noted that institutional investors prefer to own shares of firms making regular payments, and this class of investors are more prone to frequent monitoring than small shareholders. According to the point of view of shareholder if amount of dividend is not provided to the shareholder, probably it must have been used by managers for personal use instead of investing in profitable projects. The agency hypothesis of dividends posits that dividend payments can be used as a mechanism to alleviate agency problems (Rozeff, (1982), Easterbrook, 1984, and Jensen et al., 1992, as cited in Al-Malkawi (2008)). The distribution of

cash resources reduces the size of internally generated funds available to managers forcing them into the capital markets more frequently to obtain external financing. In order to secure the needed funds, managers will have incentives to both disclose information and reduce agency costs

The clientele theory, Bird in Hand theory and agency theory were used to underpin the study, because the study is strictly considering the impact of certain firms' characteristics on dividend payout decision of quoted conglomerate firms in Nigeria.

Problem statement in research is built basically around 'conceptual' and 'theoretical' framework (Fraenkel and Wallen, 2000). This framework contributes to research in identifying the research variables and depicts the relationship between and amongst the variables. Connected to the problem statement, the conceptual framework sets the stage for outlining the research questions that drives the investigation been reported. Used in this study, the conceptual framework presents the preferred approach to our expectation.

FIGURE 3.1 Conceptual Frameworks



CHAPTER THREE:
RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design, population of the study, sampling procedure and design, data collection procedure, technique of data analysis, variables measurement, model specification and justification for the methods and techniques used in examining the firms' characteristics that influence dividend payout of sampled firms for the period of the study

3.2 Research Design

Correlational research design and ex-post facto design were adopted for this study. Correlational research design is a design that reveals the relationship of the variables under investigation. For this reason, it was used in this study to ascertain the relationship between Dividend payout ratio as the dependent variable and Firm size, profitability, liquidity, leverage and institutional shareholding as the independent variables. In view of the above relationship, a correlational research design is therefore considered the most appropriate for the study because, it allows for testing of expected relationship between or among variables and making prediction regarding these relationships.

3.3 Sources and Methods of Data Collection

This study utilises data only from secondary sources. The main source of data collection of this study comprised of financial reports of the consolidated statement of comprehensive income and statement of financial position extracted from firms' accounts approved by the board of directors and fact book at NSE. Financial statements for the period between 2004 –2011 were sourced and effort was put in place to ensuring that all concerned variables were carefully extracted from the financial statement.

3.4 Population of the study

The population of the study comprised all conglomerate firms listed on the Nigerian Stock Exchange. A total of eight (8) conglomerate firms were quoted on the Nigerian Stock Exchange as at 31st December, 2011. The target population is captured in table 3.1

TABLE 3.1 LISTS OF CONGLOMERATE FIRMS IN NIGERIA

S/N	QUOTED FIRMS	YEAR OF LISTING
1.	A. G Leventis (Nigeria) Plc	1978
2.	Chellarams Plc	1977
3.	John Holt Plc	1974
4.	PZ Cussons Nig. Plc	1974
5.	SCOA (Nigeria) Plc	1977
6.	Unilever Nig. Plc.	1973
7.	UACN Plc.	1974
8.	Transnational Corporation of Nigeria	2006

Source: Stock Exchange Fact Book

For the purpose of this study, certain filters were employed in arriving at the sample size. The following filters were applied to obtain the sample size for the study. They include:

I. The firms to be selected in constituting the sample must have been listed on the Nigerian stock exchange prior to the year 2003

II. The firms to be selected must have complete information for the period under study.

III. The firms to be selected must be trading on the Nigerian stock exchange as at 31st December, 2011.

3.5 Sampling Technique and Sample Size

Five (5) firms were duly selected out of eight (8) as sample size for this study after the application of the above filters. Transnational Corporation of Nigeria could not make the list considering its year of incorporation; 2004 and the year it was listed into the Nigerian Stock Exchange in 2006. PZ Cussons Nig. Plc and Unilever Nig. Plc. were not listed on the Nigerian Stock Exchange as at 31st December, 2011. We are thus left with five conglomerate firms which satisfied the above filters and they represented 62.5% of the population under study. The sampled firms are captured in table 3.2

TABLE 3.2 LISTS OF SAMPLED CONGLOMERATE FIRMS

S/N	QUOTED FIRMS	YEAR OF LISTING
1.	A. G Leventis (Nigeria) Plc	1978
2.	Chellarams Plc	1977
3.	John Holt Plc	1974
4.	SCOA (Nigeria) Plc	1977
5.	UACN Plc.	1974

Source: Stock Exchange Fact Book

3.6 Techniques for Data Analysis

Multiple regression technique was used to test the panel data on firms' specific characteristics and dividend payout ratio of quoted conglomerates firms in Nigeria. Stata was used as a tool for data analysis. The data was subjected to various tests. These robustness and diagonistics tests include; multicolinearity diagnosis, heteroscedacity test, as well as the Tolerance and Variance Inflation Factor (VIF) tests.

3.7 Variables Measurement

The measurement of the dependent and independent variables are provided in table 3.3 below.

Table 3.3

Variable Measurement	Proxies / definition	Expected signs
Dependent Variable		
Dividend Payout	This is measured as ratio of yearly dividend to net income after tax (Abdul & Haruto 2012)	
Independent Variables		
Size	-Size: The Size of the firm is measured by the natural logarithm of the book value of the firm's Total Assets. (Joseph 2001)	+ or -
Profitability	The profitability is measured by Earnings per Share (EPS) = Net Profit/ Number of Equity shares outstanding.	+ or -
Liquidity	-Liquidity was measured by Quick Ratio QR = Total Current Assets - Stock /Total Current Liabilities	+ or -
Leverage	-Financial leverage was measured by the ratio of total debt to total asset. It measures the percentage of debt over firms' total asset (uwuigbe 2013).	+ or -
Ownership structure	-Amount of stock owned by institutional shareholders divided by total shares. (*Maniagi et al.*, 2013)	+ or -

Source: Compilation by researcher (2015)

3.8 Model Specification

Since the study seeks to examine the variables influencing dividends payout of listed conglomerate firms in the NSE over a decade, the model for this study was a panel regression. The panel data model is succinctly captured below:

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 X_{5it} + \mu_i \quad \text{---------- (1)}$$

The final model for this study explains the relationships between dividend payout ratio and the determinants and it takes the form as depicted in equation 2:

$$DPR_{it} = \beta_0 + \beta_1 FS_{it} + \beta_2 PROF_{it} + \beta_3 LQT_{it} + \beta_4 LEV_{it} + \beta_5 IO_{it} + \mu_{it} \quad \text{---------- (2)}$$

Where:

DPR_{it} = Dividend Payout Ratio

i =1……N (cross sectional unit)

t=1…T (time series unit)

β_0 = intercept

β_1- β_5 = Coefficient of the independent variables

FS = firm size

PROF = Profitability

LQT= Liquidity

LEV= Leverage

IO= Institutional Shareholding

μ_{it} = Residual or error term of firm 'i' in period 't'.

3.9 Justification for the Methods and Techniques Chosen

There are common techniques for analysis that are used in research which includes; chi-square, t-test, correlation coefficient, f-test, regression, simple percentage and standard deviation.

This work solely utilised panel regression technique to analyse the model for the study. The reason for using panel data methodology is tailed to Wooldridge, (2002), who posited that "panel data has become widely available in modern research and is considered to be more superior to both cross sectional estimation methods and time series when analyzing the behaviour of micro-units in the economy". The data that was used for this study span over a period of eight (8) years (from 2004 to 2011).

CHAPTER FOUR:
DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter presents the results of the analysed data. It begins with the analysis of the samples using descriptive statistics. Correlation matrix was also carried out to determine the relationship between the dependent and independent variables. Regression was used to estimate the degree of impact between the independent variables (firm size, profitability, liquidity, leverage and institutional ownership) and the dependent variable (dividend payout ratio). It concludes with the discussion of the findings and policy implication.

4.2 Descriptive Statistics

Table 4.1 below present the result of the descriptive statistics of variables, where the minimum, maximum, mean and standard deviations of the data are fully captured.

Table 4.1: Summary of Descriptive Statistics

Variables	OBS	Min.	Max.	Mean	Std. Dev.
DPR	40	0	0.95	0.36875	0.2129908
FS	40	8.02	18.63	14.271	2.905515
PROF	40	-1.04	10.69	2.193	3.054008
LIQ	40	0.29	2.29	1.123	0.4372541
LEV	40	0.42	6.05	1.8645	.1.40483
IO	40	0.04	0.87	0.36375	0.3116596

Source: Descriptive Statistics Result from STATA

The data set indicated above contained a total of 40 observations for 5 quoted Conglomerates on the Nigeria Stock Exchange over the study period. Five independent variables were measured against one dependent variable. The dependent variable is the dividend payout, and it is measured as the ratio of yearly dividend to net profit after tax. The mean of the dividend

payout ratio is 0.36875 with a standard deviation of 0.2129908. It implies that the average dividend payout ratio for the sample firms over the study period is approximately 37%. This showed that dividend payout ratio of Nigerian quoted conglomerates deviated from its mean slightly. Certain firms made loses in certain financial years and could not pay dividends for those years that is why we have a minimum payout ratio of 0.00K and the highest dividend enjoyed by shareholders is 0.95K

Firm size was measured by the natural logarithm of total assets, and has a mean value of 14.271, with a standard deviation of 2.905515. This implies significant differences across the sample of Nigerian quoted conglomerates. This could be attributed by the variation in sizes of quoted conglomerates in Nigeria. Profitability was measured by the ratio of net profit after tax to total assets, and has the mean value of 2.193 and standard deviation value of 3.054008. The standard deviation of the sampled firms for profitability was higher that the mean and this could be explained by the losses suffered by some of the sampled firms. Quick ratio was used in measuring Firms' liquidity position with a mean value of 1.123 and a standard deviation value of 0.4372541. Firms' leverage was measured with the ratio of total debt to total asset and has a mean value of 1.8645 and a standard deviation of 1.40483. This indicated a moderate significant variation among the values of leverages of quoted conglomerates in Nigerian. The last explanatory variable was institutional ownership and it was measured as the proportion of institutional ownership to equity shares and it has a mean value of 0.36375 and a standard deviation of 0.3116596. This shows that institutional ownerships deviate upward from it mean which can be interpreted as a good contribution of institutional ownership in the survival of a firm and consequently on it dividend payout.

4.3 Correlations Analysis

Table 4.2 below contains the correlation values between the explanatory variables and the explained variable as well as the independent variables amongst themselves. Asterisks are used to show the level of significance of the two-tailed Pearson correlation coefficient.

Table 4.2
Correlation matrix for the sampled observations.

Variables	DPR	FS	PROF	LIQ	LEV	IO
DPR	1.0000					
FS	0.5108* 0.0008	1.0000				
PROF.	0.4883* 0.0014	0.3798** 0.0156	1.0000			
LIQ	0.5522** 0.0002	0.3459* 0.0288	0.3710* 0.0184	1.0000		
LEV	-0.4576** 0.0030	-0.0436 0.7891	-0.1218 0.4541	-0.4287* 0.0058	1.0000	
IO	0.2611 0.1037	0.0289 0.8597	-0.3964 0.0113	0.0421 0.7965	-0.2619 0.1026	1.0000

Source: Correlation Matrix results from STATA
*. Correlation is significant at 1% level (2-tailed)
**. Correlation is significant at 5% level (2-tailed)
***. Correlation is significant at 10% level (2-tailed)

Table 4.2 above indicated that firm size is positively correlated with dividend payout ratio of Nigerian quoted conglomerates up to 51% and it is significant at 1%. It showed that firm size and dividend payout move in the same direction. It can be explained that the lager the size of firms, the more it can impact positively it dividend payout. Profitability is positively correlated to dividend payout of Nigerian quoted conglomerates by 49% and it is significant at 5% level of significance. It showed that the explained and the explanatory variable move in the same direction. It implies that, as firms make more profit, it stand a better chance of declaring dividend

to it fund providers. Firms' liquidity yielded a positive relationship with dividend payout by 55% and the relationship was significant at 1% level of significance. Leverage and dividend payout move in opposite direction by 46% and it is significant at 5% level of significance. It showed that firms with debt prefer to offset its obligation rather than committing it resources to paying dividend. Institutional ownership and dividend payout are positively related by 26% but the relationship is not significant. Four of the five explanatory variables are positively correlated with the explained variable of quoted conglomerates in Nigeria. It shows that, firm size, profitability, liquidity and institutional ownership move in the same direction with dividend payout, while leverage move in the opposite direction to dividend payout and the relationship was significant.

4.4 Robustness test for dependent and independent variables

To enhance the validity of all statistical inferences drawn in this study, it was imperative that the study carryout the recommended robustness test to validate the inferences. Included in this tests are; multicollinearity test and the test for Heteroscedasticity.

I. **Multicolliniarity Test:** The researcher conducted this test in a bid to ascertain the relationships which exist between the explanatory variables, which will be detrimental to the outcome of this study. From the result presented in table 4.2 above, the relationship amongst the independent variables were observed to be insignificant except for a handful that was significantly related. This will not be a premise enough to say that there is multicolonearity except if the tolerance and Variance Inflation Factor (VIF) is above the required limit. The rule of thumb is that the tolerance value should be less than one and the VIF should be less than 10. The tolerance values of all the variables in table 4.4 below were less than one; this indicates that there is the presence of harmless

multicollinearity. This is because; the closer the tolerance value is to one, the greater the evidence that there is no collinearity between the explanatory and the explained variable. The VIF is another esteemed test for multicollinearity. All the variables had VIF values of less than two, with profitability having the highest value of 1.65 and firm size having the least value of 1.31, and the overall mean of the VIF is 1.45

II. **Heteroscedasticity Test:** To test for heteroscedasticity, an important assumption of the classical linear regression model (Assumption 4) need to be heeded to. This assumption states that the disturbances μ appearing in the population regression function are homoscedastic. That means they all have the same variance. When the probability of the chi square value is significant either at 1%, 5% or 10% level of significance, we therefore concluded that there is presence of heteroscedasticity and if otherwise, it showed that heteroscedasticity is absent which showed the presence of homoscedasticity. The Breusch-pagan / Cook-Weisberg test for heteroscedasticity carried out revealed that the probability of chi-square (0.3470) is not significant at either 1%, 5% or 10% level of significance and the chi-square value is 0.88. This is an indication of homoscedasticity of the data within the study period. Because of this, the study will rely on the results obtained from the Ordinary Least Square (OLS) estimator and no further robustness diagnosis will be carried out.

4 .5 Presentation and interpretation of Regression Result

The results of Ordinary Least Square regression are shown in Table 4.3. Regression analysis has been further applied to test the significance of the model and the explanatory power of the independent variables. The regression result of the dependent variable (Dividend Payout

Ratio) and the independent variables (firm size, profitability, liquidity, leverage and institutional ownership) as well as the relationships between the explanatory variables are captured in the model.

Summary of Regression Results obtained from the model of the study

$$DPR_{it} = \beta_0 + \beta_1 FS_{it} + \beta_2 PROF_{it} + \beta_3 LQT_{it} + \beta_4 LEV_{it} + \beta_5 IO_{it} + \mu_{it}$$

Table 4.3:
Summary of Regression Results (OLS)

Variables	**Co-efficient**	**p-value**	**Sig.**
Constant	-0.1032	-0.81	0.423
Fs	0.01897	2.31	0.034
Prof	0.03035	3.31	0.002
Lqt	0.94253	1.54	0.133
Lev	-0.03270	-1.80	0.081
io	0.24705	2.97	0.005
R^2			0.6446
F-Statistic			12.33
			(0.0000)
Hettest: Chi2			0.88
			(0.3470)
Mean VIF			1.45

Source: Result output from STATA

Table 4.3 clearly showed that, the R^2 which is the multiple co-efficient of determination gives the percentage or proportion of total variation in the dependent variable measured by dividend payout ratio explained by the independent variables jointly. Hence, the result of R^2 value of 65% signifies that of total variation in dividend payout is caused by firm size, profitability, liquidity, leverage and institutional shareholding of quoted Conglomerates in Nigeria, while the remaining 35% was caused by factors not captured in the model. This gives a signal that the model is fit and the explanatory variables were carefully selected. The implication

of this is that, when there is change in firms' characteristics, dividend payout ratio of firm will also be affected by the change directly.

The F-statistics value of 12.33 revealed that the model is statistically significant at the level of 0.0000, showing the applicability of the overall model. From the above statistically significant result of the F-statistics, there is significant possibility that the relationship amongst the variables was not due to mere coincidence.

4.6 Discussion of Result and Hypothesis Testing

This section presents the discursion from the regression results as well as the univariate analysis carried out in order test the null hypothesis formulated in the opening chapter. In order to examine the output under varying circumstances, robustness tests were carried out to give a significant reliability to the findings of the study. The regression results for discursion and tests of hypotheses are presented in table 4.4 below

Table 4.4
Variables' Co-efficient, p-value, Tolerance/VIF

Variables	Co-efficient	p-values	Tolerance/VIF	Sig
Fs	0.01897	2.31	0.761387/1.31	0.034
Prof	0.03035	3.31	0.604950/1.65	0.002
Lqt	0.94253	1.54	0.662570/1.51	0.133
Lev	-0.03270	-1.80	0.728745/1.37	0.081
Io	0.24705	2.97	0.706377/1.42	0.005

Source: Regression output from STATA

4.6.1 Firm size and Dividend payout Ratio

From table 4.4 above, the regression result revealed that firm size; measured by the natural logarithm of total asset of quoted conglomerate in Nigerian has a p-value of 2.31 and a co-efficient value of 0.02 which is significant at the level of 0.034. This result indicated that firm size is positively and significantly influencing the dividend payout of Nigeria quoted conglomerates. This connotes that firm size and the dividend payout ratio of quoted

conglomerates in Nigerian moved in the same direction; as the size of firm increases, its chances of paying dividend to its shareholders increases too. The positive relationship explains that if the size of Nigerian quoted conglomerate increases by 1%, the dividend to be paid will increase by 2 kobo. This result can be supported by the argument that, as the size of firm increases, its chances of paying dividend also increase. The reason why the amount of increment is not high is because, the process of increase in size will involve cost and as such, it will reduce the quantum of dividend to be declared. Larger firms may have utilized all its potentialities, are less risky and they have a better position in the market and can raise more funds as compared to the smaller ones and as such, they will be willing to give higher dividend.

This finding is consistent with the findings of the following studies; Adelegan (2000), Al-kuwari (2009), AL- Shubiri (2011), Kangarlouei, Motavassel, Azizi and Farahani, (2012), Anupam (2012), Uwuigbe (2013), Maniagi, Ondiek, Musiega, Maokomba and Egessa (2013), Pornumpai & Phassawan (2013) and Rufus and Soyoye (2014).

Hypothesis 1

H_{01}: There is no significant impact of firm size on dividend payout ratio of quoted conglomerate in Nigeria. The firm size was measured by the natural logarithm of total assets is positively and significantly influencing the dividend payout of the firm. Therefore, it provides evidences of rejecting the null hypothesis 1 of the study which states that firm size has no significant impact on the dividend payout of Nigeria quoted conglomerates.

4.6.2 Profitability and Dividend Payout Ratio

Profitability was measured using Earnings Per Share (EPS) and the result of the regression in table 4.4 above revealed that profitability of Nigerian quoted conglomerates has a

positive value of 3.31 and a coefficient value of 0.03 which is significant at 0.002. The finding indicated that the profitability of the firm is positively and significantly influencing the quantum of dividend payout of quoted conglomerates in Nigerian. This shows that profitability and dividend payout of the firms moves in the same direction; that is the higher the profit earned by the firm, the higher the dividend declared by the firms to its shareholders. This positive impact of profitability on dividend payout of the firm implies that for every 1% increase in profitability, the dividend payout will be increased by 3 kobo.

The finding is in tandem with those reported by; Mistry (2010), Kun and Chung (2012), Mohammed and Mohammed (2012), Turki and Ahmed (2013), Faruk, Rashel and Akterujjaman (2013), Maniagi, Ondiek, Musiega, Maokomba and Egessa (2013), (2013) and Hashim, Shahid, Sajid and Umair (2013). However, the finding contravenes those of Anupam (2012) and Taher (2012) that found profitability to be negatively and significantly related to dividend payout.

Hypothesis 2

H_{02}: There is no significant impact of profitability on dividend payout ratio of quoted conglomerate in Nigerian. The result revealed from the regression model indicated that profitability is positively and significantly influencing the dividend payout ratio of Nigeria quoted conglomerates. On this premise, we reject the earlier null hypothesis formulated.

4.6.3 Liquidity and Dividend Payout Ratio

Liquidity position of Nigerian quoted conglomerates was measured in the study by the quick ratio. The result in table 4.4 above shows a p-value of 1.54 and a co-efficient value of 0.10 which is not significant at any level of significance.

Hypothesis 3

H_{03}: There is no significant impact of liquidity on dividend payout ratio of Nigeria quoted conglomerate. The liquidity position of Nigerian quoted conglomerate was measured using quick ratio and was found to be positive but not significantly influencing the dividend payout of Nigeria quoted conglomerates. Therefore, we fail to reject the null hypothesis of the study which states that liquidity has no significant impact on the dividend payout of Nigeria quoted conglomerates.

4.6.4 Leverage and Dividend Payout Ratio

Financial leverage of Nigerian quoted conglomerates was measured by the ratio of debt to total asset and the result in table 4.4 above shows that it has a p-value of -1.80 and a co-efficient value of -0.03 with a significant value of 0.081. This means that leverage of the firm is negatively and significantly influencing and predicting the dividend payout of Nigeria quoted conglomerates. The significant level of 10% shows that the higher the value of leverage, the lower the dividend payout of the firm. The inverse effect of leverage on dividend payout ratio implies that for every 1% increase in leverage of Nigerian quoted conglomerate, it will cause the dividend payout to reduce by 3kobo. This finding is in tandem with the argument put forth by Mahira (2012) that firms with high leverage incur high transaction costs and are in a weak position to pay higher dividend. Interest expenses may be the result of the negative relationship between leverage and dividend payout of Nigerian quoted conglomerates as posited by Al-Kuwari (2009).

Our finding contradicted those reported by: Vasiliou and Eriotis (2003), Abdul and Haruto (2012), Salisu and Tesleem (2013) and Zahangir and Mohammad (2013), while it concur with those of; Al-Malkawi (2007), Kowalewski, Stetsyuk, and Talavera (2007), Al-Kuwari

(2009), Malik, Gul, Khan, Rehman and Khan, (2013), Zahangir & Mohammad (2013) and Muhammad & Saddia (2014).

Hypothesis 4

H_{04}: There is no significant effect of leverage on dividend payout ratio of Nigeria quoted conglomerates. The leverage of Nigeria quoted conglomerates which were measured by ratio of total liabilities to total assets revealed a negative and significant impact on the dividend payout ratio. This implies that leverage of Nigeria quoted conglomerates was found to be statistically significant in influencing the dividend payout of quoted conglomerates in Nigerian although, the relationship was negative. On the basis of this, we reject the null hypothesis of the study which states that leverage has no significant impact on the dividend payout ratio of Nigeria quoted conglomerates.

4.6.5 Institutional ownership and Dividend Payout Ratio

Institutional ownership was measured by the amount of stock owned by institutional investors to firms' equity. Table 4.4 above shows that it has a p-value of 2.97 and a co-efficient value of 0.25 with a significant value of 0.005. This signifies that institutional ownership of Nigerian quoted conglomerates is positively and significantly influencing the dividend payout ratio of the aforementioned firms. The positive relationship between institutional ownership and dividend payout implies that for every 1% increase in institutional ownership, dividend payout increase by 25 kobo. The higher the institutional owners in firms, the more it effectively monitor it investments to avoid wasteful utilization of funds by the managers and consequently, there will be enough cash available from which dividend can be paid. The study may infer that the companies where more owners in the form of institutional owners are sitting in the Board, they tend to pay more dividends. This relationship is significant at 5% confidence level. Therefore,

we can conclude that institutional ownership has positive effect on the firm's dividend payout ratio.

Our finding corroborated those of the following researchers; Sharma (2006), Janice, Peter and Cici (2008), Anil and Kapoor (2008), Syed and Wasim (2010), Sasan, Mohammad and Hoda (2011), Lina, Suzan, Ola. and Imad (2012), Abbas, Moein and Mohammad (2013) and Maniagi, Ondiek, Musiega, Maokomba and Egessa (2013)

Hypothesis 5

H_{05}: There is no significant impact of institutional ownership on dividend payout ratio of Nigeria quoted conglomerate. Institutional ownership was measured by the amount of stock owned by institutional investors to firms' equity was found to be positive and significant in explaining and predicting dividend payout ratio of quoted conglomerates in Nigerian. On the basis of this, we reject the null hypothesis of the study which states that institutional ownership has no significant impact on the dividend payout of listed insurance firms in Nigeria.

4.7 Findings and implications of the Study

The findings of this study will enhance a better understanding of the right mix of firms' characteristics as it will impact dividend payout ratio of Nigerian quoted conglomerates. The study focused basically on the size of firm; measured by the Natural logarithm of total asset, profitability; measured as earnings per share, liquidity; calculated by quick ratio, leverage; measured as total debt to total asset and institutional ownership; measured as the quantum of shares held by institutional owners, all as the independent variable and dividend payout ratio; measured by the amount of yearly dividend to net profit after tax, as the dependent variable. All

these factors were put to test in order to ascertain the best mix that can improve upon dividend payout of Nigerian quoted conglomerates.

Firm size showed a positive and significant effect on the quantum of dividend payout of Nigerian quoted conglomerates. This implies that as the firms grows in size; the prospect of it paying dividend will increase. Growth enables firms to attend large status which will give them so many advantages like; low cost of borrowing and their riskiness will be minimal. These large firms may almost utilise all its potentiality and as such, they tend to give out more dividend. Therefore, largeness of a firm can be considered as one of the critical and threshold characteristics of firms' dividend payout ratio.

Based on the empirical analysis, our result showed that profitability is significant and positively influencing dividend payout of quoted conglomerates in Nigeria. This implies that as firms' profitability increases, it chances of paying dividend is also high. When a firm is consistently making profit, it stands a better chance of declaring dividend than firms that in making loses. Profitability will increase the prospect and survival of firm and this will be fully understood by the shareholders if firms' profitability will translate to having more dividend payout from the firms.

Furthermore, the effect of liquidity on dividend payout was found to be positive but not significantly influencing dividend payout. This implies that, in dividend payout ratio of quoted conglomerates in Nigeria, liquidity plays no crucial role in deciding the proportion of after tax profit that should go out as dividend. The strength of a firms' liquidity does not help in deciding the dividend payout pattern of firms.

In addition, leverage result showed a negative and significant effect on dividend payout ratio of Nigerian quoted conglomerates firms. This implies that leverage tend to reduce the

quantum of dividend payout of Nigerian quoted conglomerates firms. Firms that are willing to payout a reasonable proportion of their earnings as dividend should be able to manage it component of debt very well. If more debt means fewer dividends, then they should always strike a balance that will give the company edge when it comes to issuing out dividend. The result of the leverage entails that, firms must put hands on deck to reduce their obligation rather than payout dividend to shareholders, thus pilling up more debt.

The result of the institutional ownership revealed that, there is positive and significant impact of institutional ownership on dividend payout ratio of quoted conglomerates in Nigeria. This implies that, the more the number of institutional owners in firms, the more it ability to effectively monitor all its investment which will induce the firms to payout a significant proportion of it earnings as dividend to its shareholders. Firms that have more representative of institutional owners tend to be more generous when it comes to dividend payment than a firm with low proportion of institutional owners.

Lastly, the study will have implication on the management team of Nigerian quoted conglomerates by outlining some amongst the firms' characteristics that impact dividend payout ratio. This will go a long way in helping the managers identify those important characteristics and know how to improve on them so that shareholders will continue to receive benefit from their investment in the form of dividend.

CHAPTER FIVE:
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

This chapter captures the summary, conclusion and recommendations to the study. After discussing the findings of the study, the objectives of the study have been revisited to link them to the current findings of the study. The study investigates firms' specific characteristics and Dividend Payout Ratio of quoted Conglomerates in Nigeria for the period of 2004-2011, for a sample of 5 listed firms in the above mentioned industry. A panel regression model was adopted for the purpose of explaining and predicting the effect of firms' specific characteristics on the dividend payout ratio of quoted conglomerates in Nigeria. The study focused on five explanatory variables (firm size, profitability, liquidity, leverage, and institutional shareholding) as proxy for the firms' specific characteristics and one dependent variable which is dividend payout of quoted Conglomerates firm.

In analysing firm characteristics and Dividend Payout Ratio in the aforementioned firms, we made use of the Ordinary Least Square (OLS) regression to investigate the impact. The outcome from the OLS suggested that three of the explanatory variables (firm size, profitability, and institutional shareholding) have positive and significant relationship with dividend payout ratio of quoted Conglomerates in Nigeria, liquidity has positive but not significant effect on dividend payout ratio and leverage is negatively and significantly impacting dividend payout of the firm.

The study will provide additional literature in the field of firms' characteristics and dividend payout. More so, the outcome of this study will help finance experts, regulators, as well

as investors with the requisite insight into the interplay between and amongst various firms' factors in determining the quantum of dividend to be paid.

5.2 Conclusion

From the statistical and empirical evidence by using five explanatory variables (firm size, profitability, liquidity, leverage, and institutional shareholding) in predicting and explaining the dividend payout of Nigeria quoted conglomerates, we conclude in the following vein.

First and foremost, firm size is positively and significantly influencing the dividend payout ratio of Nigerian quoted conglomerate. Size plays a significant role in dividend payout of firms. Larger firms pay more dividend than smaller firms. This explains a situation whereby firms that have more assets are paying higher proportion of their earnings as dividend when compared to a small firm.

Secondly, profitability of Conglomerate firms has positive and significant impact on dividend payout. It implies that the more profitable a firm is, the more it disburses a higher proportion of it earnings as dividend.

In addition, liquidity revealed a positive but not significant impact on dividend payout ratio of Nigerian quoted Conglomerates. This shows that the liquidity nature of these conglomerates has no effect on their dividend paying tendencies.

More so, the firms' leverage showed negative and significant impact with dividend payout. Highly levered firms are more focused on settling back their debt and as such, they have few cash available from which to pay dividend.

And lastly, there was positive and significant impact between the institutional shareholding and dividend payout ratio of quoted Conglomerates in Nigeria. It showed that firms that have the bulk of their shareholdings in institutional forms tend to have better monitoring

than individual investors and as such, they will ensure effectiveness and efficiency which will lead to generating high earnings from which dividend can be paid.

5.3 Limitations of the Study

The study is associated with the following limitations;

I. The study was strictly correlational, not experimental in nature. As such, the link between the explanatory and the explained variables was only based on a priori expectation.

II. The study was only limited to Nigerian quoted Conglomerates. Therefore, findings and recommendations will only be applicable to the sector and not to be extended to other sectors of the economy.

III. Some of the variables used in the study have alternative ways of measurement which may give rise to different result.

IV. The study only focused on five attributes of Nigerian quoted conglomerates of the above mentioned firms. There are still other variables which the study does not cover, for instance Lagged dividend, growth. Among others

5.4 Recommendations

Based on the findings of this study, it is recommended that;

Firm size and profitability, of quoted conglomerates in Nigerian should be improved upon in other to increase the dividend payout ratio in the studied firms. Since increase in size and profitability by 1% will have a corresponding increase of 2 kobo and 3 kobo on dividend payout ratio respectively, conglomerates firms should expand it activities by atleast 1.5% so see the corresponding effect on dividend payout of firms.

Nigerian quoted conglomerates should try to encourage institutions into acquisition of shares in it so that it activities can be monitored. Institutions can be brought into the centre stage by selling shares to them at a discounted rate as this will motivate them to have more shares in the industry.

Firms should reduce the rate of debt as it lowers the quantum of it dividend payout. Betters still, quoted conglomerates firms should source fund at a cheaper cost as this will help in increasing their profit margin which will eventually translate into dividend.

5.5 Areas for Further Research

This study examines the effect of firms' characteristics on Dividend Payout Ratio of Nigerian Quoted Conglomerates and has paved way for further researches in the following areas:

I. The same research can be conducted using firms from other sector of the economy. These sectors may include; manufacturing sector, Insurance firms, banking sector, among others.

II. Additional variables on firm specific attributes can be added such as; tax, growth, previous year dividend and some other components of firm attributes can be added.

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Appendix: STATA OUTPUT

```
. xtset id year, yearly
       panel variable:  id (strongly balanced)
        time variable:  years, 2004 to 2011
                delta:  1 year

. su dpr fs prof lqt lev io, detail
```

dpr

	Percentiles	Smallest		
1%	0	0		
5%	0	0		
10%	.09	0	Obs	40
25%	.23	.09	Sum of Wgt.	40
50%	.38		Mean	.36875
		Largest	Std. Dev.	.2129908
75%	.505	.61		
90%	.605	.67	Variance	.0453651
95%	.78	.89	Skewness	.472819
99%	.95	.95	Kurtosis	3.593809

fs

	Percentiles	Smallest		
1%	8.02	8.02		
5%	9.12	9.12		
10%	9.165	9.12	Obs	40
25%	13.15	9.12	Sum of Wgt.	40
50%	15.295		Mean	14.272
		Largest	Std. Dev.	2.905515
75%	15.88	17.14		
90%	17	18.36	Variance	8.442016
95%	18.495	18.63	Skewness	-.8445663
99%	18.63	18.63	Kurtosis	2.636061

prof

	Percentiles	Smallest		
1%	-1.04	-1.04		
5%	-.53	-1.01		
10%	.08	-.05	Obs	40
25%	.405	-.05	Sum of Wgt.	40
50%	.925		Mean	2.193
		Largest	Std. Dev.	3.054008
75%	2.395	8.87		
90%	7.935	9.65	Variance	9.326965
95%	10.005	10.36	Skewness	1.70498
99%	10.69	10.69	Kurtosis	4.806867

lqt

	Percentiles	Smallest		
1%	.29	.29		
5%	.31	.31		
10%	.41	.31	Obs	40
25%	.995	.4	Sum of Wgt.	40
50%	1.145		Mean	1.12275
		Largest	Std. Dev.	.4372641
75%	1.3	1.61		
90%	1.605	1.9	Variance	.1911999
95%	1.945	1.99	Skewness	.1355948
99%	2.29	2.29	Kurtosis	3.579286

lev

	Percentiles	Smallest		
1%	.42	.42		
5%	.455	.44		
10%	.565	.47	Obs	40
25%	.915	.54	Sum of Wgt.	40
50%	1.23		Mean	1.8645
		Largest	Std. Dev.	1.40483
75%	2.65	3.78		
90%	3.78	4.93	Variance	1.973548
95%	5.085	5.24	Skewness	1.313807
99%	6.05	6.05	Kurtosis	4.022296

io

	Percentiles	Smallest		
1%	.04	.04		
5%	.05	.05		
10%	.05	.05	Obs	40
25%	.095	.05	Sum of Wgt.	40
50%	.235		Mean	.36375
	Largest		Std. Dev.	.3116596
75%	.65	.87		
90%	.87	.87	Variance	.0971317
95%	.87	.87	Skewness	.6153095
99%	.87	.87	Kurtosis	1.791818

```
. pwcorr dpr fs prof lqt lev io, star (0.05) sig
```

	dpr	fs	prof	lqt	lev	io
dpr	1.0000					
fs	0.5108*	1.0000				
	0.0008					
prof	0.4883*	0.3798*	1.0000			
	0.0014	0.0156				
lqt	0.5522*	0.3459*	0.3710*	1.0000		
	0.0002	0.0288	0.0184			
lev	-0.4576*	-0.0436	-0.1218	-0.4287*	1.0000	
	0.0030	0.7891	0.4541	0.0058		
io	0.2611	0.0289	-0.3964*	0.0421	-0.2619	1.0000
	0.1037	0.8597	0.0113	0.7965	0.1026	

```
. reg dpr fs prof lqt lev io
```

Source	SS	df	MS		
Model	1.14047483	5	.228094967	Number of obs =	40
Residual	.628762648	34	.018493019	F(5, 34) =	12.33
				Prob > F =	0.0000
				R-squared =	0.6446
				Adj R-squared =	0.5924
Total	1.76923748	39	.045365064	Root MSE =	.13599

dpr	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
fs	.0189664	.0085891	2.21	0.034	.0015113	.0364214
prof	.0303546	.0091673	3.31	0.002	.0117244	.0489848
lqt	.0942534	.0611803	1.54	0.133	-.0300799	.2185868
lev	-.0327037	.0181577	-1.80	0.081	-.0696045	.0041971
io	.2470485	.0831329	2.97	0.005	.0781023	.4159948
_cons	-.1032165	.1273673	-0.81	0.423	-.362058	.155625

```
. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of dpr

         chi2(1)      =     0.88
         Prob > chi2  =   0.3470
```

```
. vif
```

Variable	VIF	1/VIF
prof	1.65	0.604950
lqt	1.51	0.662570
io	1.42	0.706377
lev	1.37	0.728745
fs	1.31	0.761387
Mean VIF	1.45	

```
.
```