IMPACT OF FINANCIAL LEVERAGE AND DIVIDEND POLICY ON SHARE VALUE OF QUOTED OIL AND GAS COMPANIES IN NIGERIA

BY

Adze Musa AKUDU
P14ADAC8022

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ZARIA

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DECLARATION

I declare that this dissertation titled "Impact of Financial Leverage and Dividend Policy on Share Value of Quoted Oil and Gas Companies in Nigeria" has been performed solely by me in the Department of Accounting, Faculty of Administration, Ahmadu Bello University, Zaria. The information derived from the literature has been duly acknowledged in the texts and list of references provided. No part of this dissertation was previously presented for another degree at this or any other Institution.

……	……	……
Adze Musa Akudu P14ADAC8022	Signature	Date

CERTIFICATION

This dissertation entitled IMPACT OF FINANCIAL LEVERAGE AND DIVIDEND POLICY ON SHARE VALUE OF QUOTED OIL AND GAS COMPANIES IN NIGERIA by Adze Musa AKUDU meets the regulations governing the award of Master of Science degree in Accounting and Finance of the Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation.

Prof. I.L. Chechet	----------	----------
Chairman, Supervisory Committee	Signature	Date

Mal. Ibrahim Yusuf	----------	----------
Member, Supervisory Committee	Signature	Date

Dr. Salisu Abubakar	----------	----------
Head of Department	Signature	Date

Prof. S.Z. Abubakar	----------	----------
Dean, School of Postgraduate Studies	Signature	Date

DEDICATION

This research work is dedicated to my son, Awointa Mathias Akudu who was born at the time I commenced this course of study.

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List of Abbreviations used in the Study

DVCOR- Dividend coverage ratio

EPERS- Earnings per share

ITCOR- Interest coverage ratio

MM- Miller and Modigiani

NSE- Nigerian Stock Exchange

RETOE- Return on equity

RTENR- Retained earnings ratio

SEC- Security and Exchange Commission

TDTCR- Total debt-total capital ratio

VIF- Variance Inflation Factor

TV- Tolerance Value

ABSTRACT

The study examines the impact of financial leverage and dividend policy on share value of quoted oil and gas companies in Nigeria. A total of sample of eight oil and gas companies quoted on the Nigerian Stock Exchange were studied, and panel data was obtained from their annual reports and accounts and price list from the Nigerian Stock Exchange for a period of 10 years (2006-2015). The data was analysed using descriptive statistics and inferential statistics, that is, panel regression technique. The study finds that the financial leverage measures; total debt to total capital ratio and interest coverage ratio have significant positive impact on share value of the quoted oil and gas companies in Nigeria. Similarly, it was found that the share value of the companies was positively and significantly driven by the dividend policy indicator; retained earnings ratio. However, the second dividend policy measure; dividend coverage ratio has a positive but insignificant impact on the share value of the quoted oil and gas companies in Nigeria. The study recommends that the management of the quoted oil and gas companies in Nigeria should explore the use of more debt capital in financing their investment opportunities in order to boost their share value in the capital market. It is also recommended that the management of the companies should retain a larger proportion of the company's earnings for growth and ensure strict utilization of retained earnings on profitable investments and viable projects that will enhance the company's financial health and consequently boost the share value of the company in the stock market.

CHAPTER ONE
INTRODUCTION

1.1 Background to the Study

The primary objective of every rational investor be it an institutional investor or individual investor,is to maximize expected returns on their investments within an acceptable level of risk. Thus, they prefer to invest their funds in shares of companies with increasing prices that will eventually boost their wealth in the stock market. Generally, most investors prefer persistent increase in the value of their shares in the stock market in order to earn more return on their investments and maximize their wealth.

However, in practice, the prices of stocks do not increase at all times in the stock market. They could fluctuate and perhaps result in losses that could be detrimental to the shareholders' wealth. Therefore, the players in the financial market usually find it difficult to obtain reliable information on market values of shares as these values fluctuate quite frequently (Pandey, 2003). This fluctuation in the share values of companies at the stock market has been a matter of great concern to investors, fund managers and investment analysts globally and has attracted debates from financial economists, corporate finance experts and scholars over the years (Almumani, 2014).

Limento and Djuaeriah (2013), Gharaibeh (2015) and Aliyu (2015) contend that macroeconomic factors such as interest rate, gross domestic product, inflation rate, money supply, and risk free rate also cause movement in the share prices of companies in the stock market. On the other hand, it has also been argued that share value could be influenced by microeconomic variables like dividend per share, dividend payout, return on equity, earnings per share, book value per share, price earnings ratio,

profitability, firm size, and leverage (Stephen &Okoro, 2014, Taimur, Harsh, &Rekta, 2015, Zeeshan, Ali, Sohail&Sulaiman, 2015 and Adenugba, Ige&Kesinro, 2016).

It has been seen in many studies that the share price of a company is influenced by financial leverage. For example, Buigut, Soi, Koskei and Kibet (2013) contend that the ratio of total debt to total capital is one of the major factors causing movement in the share value of a company. In the same vein, it has been argued by Hussain and Gul (2011) that the company's share price is affected by its interest coverage ratio as investors perceive the company's ability to cover its interest charges from profit as an indication that the company is profitable.

Similarly, scholars like AlTroudi and Milhen (2013) and Stephen and Okoro (2014) are of the view that the firm's share price is strongly influenced by the retained earnings ratio. They further posit that investors prefer companies that retain their earnings for business growth rather than paying dividends. Conversely, Majanga (2015) asserts that dividend coverage ratio is one of the factors that cause fluctuation in the share value of a company. He added that investors prefer to invest their funds in shares of companies that pay dividends.

Therefore, a critical analysis of these factors gives the investors insight knowledge on whether the share price of a company is undervalued or overvalued in stock market at a particular point in time. An understanding of the impact of various fundamental variables on share price by investors helps them in making informed investment decisions(Srinivasan, 2013). However, the dynamic nature of the stock market and conflicting views held by scholars in the literature as regard the factors influencing

share price and persistent fluctuation in the prices of shares is still a crucial issue facing investors, fund managers and investment analysts in the financial market (Malhorta and Tandon, 2013) and (Almumani, 2014). These also pose a challenge making the task of identifying those fundamental factors that could cause changes in the share value and predicting future prices of shares complex.

Consequent upon the shock caused by the global financial crisis which had adversely affected the prices of the equity shares of companies in Nigeria, most companies had made strenuous efforts in raising funds to finance investments and projects in order to recover and survive continually in business. In the same vein, and as part of the effort to regain the confidence of their shareholders, companies had also adopted dividend policies that would maximize the market values of their equity shares and boost the shareholder's wealth. Adamu (2009) contended that the companies in Nigeria that were affected by the global financial crisis were mostly those in the oil and gas sector and this has had a severe effect on the economy as revenue from the sector is the major source of financing the Nigerian budget.

The sector has also suffered challenges posed by the fall and fluctuation in the price of crude oil at the international market over the years, which affected the revenue base of the sector in particular and the Nigerian economy in general (Adamu, 2015) and (Ogochukwu, 2016). In the world today, crude oil is the major source of foreign exchange and energy that powers the global economy and its industrialization processes; and so fluctuation in the price of crude oil in the global market is expected to have significant impact on both importing countries and the exporting countries of the product (Abubakar and Umar, 2013 as cited in Inyiama&Ugah, 2015).

In 2015, the oil and gas sector had witnessed a fall in the price of crude oil at the international market, which had affected the revenue in the sector and the nation's foreign exchange (Ogochukwu, 2016). This study therefore, intends to assess the extent to which the debt financingdecision and choice of dividend policy by the oil and gas companies in Nigeria during the global economic meltdown in 2007 and fall in price of crude oil at the global market in 2015 affected the market values of their equity shares in the stock market.

1.2 Statement of theResearch Problem

Several studies have been conducted for many decades in many developed and developing countries on the issue of financial leverage, dividend policy and their impact on share value.In Nigeria, many empirical studies have broadly attempted to analyse the determinants of share price (Somoye, Akintoye&Oseni, 2009, Uwuigbe, Olowe&Agu, 2012, Stephen &Okoro, (2014). Though some few studies have attempted to analyse specifically the relationship between financial leverage and share price (Oboh, Isa &Adekoya, 2012, Adenugba, Ige&Kesinro, 2016) or the relationship between dividend policy and share prices of listed firms in Nigeria (Adelagan, 2009, Okafor, Mgbame&Chijoke-Mgbame, 2011, Abubakar, 2012, Adaramola, 2012, Adefila, Oladipo&Adeoti, 2013, Oyinlola&Ajeigbe, 2014, Ordu, Enekwe&Anyanwao, 2014), but to the best of the researcher's knowledge, these studies employed virtually the same explanatory variables such as dividend per share, dividend yield, dividend payout ratio, and debt to equity ratio, while others used only one measure of financial leverage or dividend policywhich cannot adequately explain the influence of financial leverage or dividend policy on share value of quoted companies in Nigeria.

In addition, there is still no consensus among these scholars regarding the factors determining the movement of share prices of companies in the Nigerian stock market. This could be due to the fact that the impact of certain variables on stock prices varies with the scope of the study, the periods covered in the study, the events that occurred during the research period and the sector studied.

Relying on a single measure of financial leverage and dividend policy cannot adequately explain the impact of debt financing and dividend policy on the movement of share prices in Nigeria. Therefore, it is in this recognition that this study attempts to employ other financial leverage measures like total debt to total capital ratio and interest coverage ratio and dividend policy indicators like retained earnings ratio and dividend coverage ratio to assess specifically how the level of financial leverage employed and dividend policy deliberately adopted by the quoted oil and gas companies in Nigeria had affected their share values during the periods which the share prices of the companies suffered from the global financial crisis and fall in the price of crude oil in the global market respectively (Jambawo, 2014, Hussain&Gul, 211, Majanga, 2015, and Malhorta&Tandon, 2013).

The oil and gas sector in Nigeria has suffered challenges posed by the fall and fluctuation in the price of crude oil at the international market over the years, which affected the revenue base of the sector in particular and the Nigerian economy in general (Adamu, 2015) and (Ogochukwu, 2016). The choice of this sector is due to the role it plays as the provider of the largest part of foreign exchange earnings and total revenue required for economic and political development and growth in the Nigerian economy (Akomolafe&Danladi, 2014) and (Ogochukwu, 2016).

Furthermore, the idea behind the study of the combined impact of financial leverage and dividend policy on share value of the quoted oil and gas companies is based on the fact that the firm's decision on the amount of debt (financial leverage) to be included in its capital structure and decision on the proportion of earnings to be retained (dividend policy) are both primarily aimed at raising funds to finance the firm's investment opportunities and consequently maximize shareholders' wealth and boost share value, hence the need to assess how these two crucial financial management decisions had jointly influenced the behavior of share prices of the oil and gas companies in Nigerian Stock Market during the global economic meltdown and period of global fall in the price of crude oil respectively.

1.3 Research Questions

From the forgoing, this study intends to proffer answer to the following questions:

i. To what extend doestotal debt to total capital ratio affect the share value of quoted oil and gas companies in Nigeria?
ii. How does the interest coverage ratio influence the share value of quoted oil and gas companies in Nigeria?
iii. What impact does retained earnings ratio have on share value of quoted oil and gas companies in Nigeria?
iv. Does dividend coverage have any significant impact on the share value of quoted oil and gas companies in Nigeria?

1.4 Objectives of the Study

The main objective of this study is to assess the impact of financial leverage and dividend policy on share value of quoted oil and gas companies in Nigeria. The specific objectives to be achieved by the study are:

v. To examine the impact of total debt to total capital ratio on share value of quoted oil and gas companies in Nigeria,
vi. Toexamine the impact of interest coverage ratio on share value of quoted oil and gas companies in Nigeria,
vii. To examine the impact of retained earnings ratio on share value of quoted oil and gas companies in Nigeria.
viii. To examinethe impact of dividend coverage on share value of quoted oil and gas companies in Nigeria.

1.5 Research Hypotheses

The following hypotheses are formulated in null form:

$H0_1$: Total debt to total capital ratio does not have significant impact on share value of quoted oil and gas companies in Nigeria

$H0_2$: Interest coverage ratio has no significant impact on the share value of quoted oil and gas companies in Nigeria

$H0_3$: Retained earnings ratio does not have significant impact on the share value of quoted oil and gas companies in Nigeria

$H0_4$: Dividend coverage ratio has no significant impact on the share value of quoted oil and gas companies in Nigeria.

1.6Scope of the Study

This research work is aimed at assessing the impact of financial leverage and dividend policy on share value of quoted oil and gas companies in Nigeria. The study is limited to the oil and gas companies quoted on the Nigerian Stock Exchange between 1stJanuary, 2006 and 31st December, 2015. The period covered by the study is ten years from 2006-2015. This is the period within which the sector had suffered from the global financial crisis and fall in the price of crude oil at the global market. Therefore, this period was chosen to ascertain how the debt financing decision and choice of dividend policy by the oil and gas companies quoted on the Nigerian Stock Exchange during the period had affected their stock prices and market performance in the stock market.

1.7 Significance of the Study

It is hoped that the results and findings of this study would be beneficial and useful to many stakeholders as below:

The management of companies will be enlightened on the financial leverage measures and dividend policy indicators that cause movement in the share value of their companies in the stock market.

Financial managers will find the results of the study useful in making informed decisions regarding the amount of debt to be included in their financing mix and how to prudently use borrowed funds to finance investment opportunities for business growth. Also, they will be enlightened on the level of the total debt to total capital ratio and interest coverage ratio to be maintained for a good financial health of the company.

Financial managers will also find the findings of this study useful in making fair and effective dividend policy decision particularly on the proportion of earnings to be paid out as dividends and the proportion to be retained for reinvestment that will help in the attainment of the financial goals and objectives of their companies as well as meeting the investment aspirations of the shareholders.

Fund and portfolio managers, financial and investment analysts will also find the outcome and findings of this study useful in ascertaining the financial leverage ratios and dividend policy indicators that affect share value of companies. Also, the knowledge they will gain will be useful in proffering financial and investment advice to existing and potential investors on how and when to invest their funds in the shares of companies.

Potential and existing investors and the general public would also be enlightened on the prudent financial leverage and right choice of dividend policy and how these financial management decisions play critical roles in determining their wealth and meeting their investment goals. They will also find this study useful in watching out for significant financial factors and variables in analyzing and predicting future values of shares.

It is also hoped that this study will serve as a reference material to academicians, researchers and students as it will add to the existing knowledge and literature on the subject matter.

The light to be shade by this study will make the board and management of corporations to run the affairs of corporations more effectively and efficiently bearing in mind the financial implications of making prudent debt financing and dividend

policy decisions that will boost stock market performance and consequently enhance the capital market operations and the whole economy.

CHAPTER TWO
LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Introduction

This chapter reviews relevant literature and earlier studies related to this study. First, it discusses conceptual framework explaining the variables in the study and provides a comprehensive empirical studies establishing the relationship among the variables. Also covered under this chapter is the review of theories propounded by scholars which are relevant to the study. This is done by providing a picture of the theoretical framework which supports the relationship among the variables studied, at the end of which the most relevant theories that best underpin and support the relationship between the independent variables and the dependent variable are adopted by the researcher.

2.2 Conceptual Framework

In order to give a guide for proper understanding of the various concepts of the study, different perceptions, opinions and views of authors and scholars regarding the concepts used in this study are discussed.

2.2.1 Concept of Share Value

According to Almumani (2014), share value is the price at which a single share of a number of saleable stocks of a company, derivative or other financial asset is sold at the capital market at a given time. It can also be defined as the price that buyers and sellers establish when they trade in the shares (Nairobi Stock Exchange Hand Book 2005 as cited in Musyoki, 2012). Seitz(1990) contends that the share price of a firm is

directly observable from the stock exchange which is part of the securities segment of the capital market.

The market price of the share is mostly determined by the forces of demand and supply of a particular stock in the market (Piotroski&Roulstone, 2004).Musyoki (2012) also argues that there is a confidence theory which proposes that the faith investors have about the future prospects of the company also causes changes in share price of that company.

The most common types of securities are stocks, bonds and options. Securities markets are the mechanisms that facilitate the mobilization and transfer of funds from the deficit sector to the surplus sector of the economy, through the buying and selling of securities. They also ensure that these transactions are made promptly and at a fair price (Feldstein & Green, 1983).

Sharma (2011) asserts that the market price at a particular moment reflects the collective wisdom and knowledge of the market and therefore represents the balance struck between the buyers and sellers. He further proposes that daily price fluctuations arise because of changes in the buying and selling pressure.

This study adopts the definition by Almumani (2014) and further views share value of a firm as the price at which the equity per unit of the outstanding shares of the firm is currently sold at the stock market.

2.2.2 Concept of Financial Leverage

The prime goal of every financial manager in any business organization is normally to maximize the market value of the corporation. This could be achieved through the

construction of an optimal financing mix that combines a prudent debt capital level with equity capital for investment on profitable projects.

Financing decision which is an activity that is concerned with the mobilization of the funds required to meet the financial needs of the firm has been a critical and challenging decision which every financial manager most take. One of the most challenging aspects of financing decision is financial leverage decision which involves the extent to which a firm employs debt capital rather than employing only equity financing in its capital structure. Franklin and Muthusamy (2011) posit that financial leverage is a prerequisite for attaining an optimal capital structure. Financial leverage also known as gearing or trading on equity results from the inclusion of fixed financial charges like debt and preference shares in the firm's capital structure. Hillier, Jaffe, Jordan and Schenk (2010) opine that financial leverage is the extent to which a firm relies on debt. Financial leverage refers to the proportion of debt in the capital structure of a firm. It is the use of the fixed-charge source of funds, such as debt and preference capital along with the owner's equity in the capital structure (Elangkumaran&Nimalathasan, 2013).

Financial leverage is primarily concerned with the financial activities which involve the raising of funds from outsource and bearing the fixed charge against it (Javed, 2012). Radeviv, Lekpek and Siljkovic (2013) define financial leverage as the measure of the effect of enterprise's business activities in the presence of fixed financial expenses. Financial leverage effect can be positive or negative depending on whether the interest expenses are covered with earnings before interest and tax, and strong or weak, depending on the participation of borrowed resources in total resources. As long

as a higher rate of return can be earned on assets than is paid for the capital used in acquiring the assets, the rate of return to owner can be increased. This is referred to as positive financial leverage (Marston & Perry, 1996). Financial leverage is used in many business transactions; especially real estate and financing by bonds or preferred stock instead of common stock are involved. Enekwe, Agu and Eziedo(2014) asserted that financial leverage is a measure of how a firm uses equity and debt to finance its assets. Also opined by Ward and Price (2006), financial leverage is the proportion of capital which is financed by debt as opposed to equity. They further posit that an increase in the debt capital results in increase in the shareholders' wealth and also increase in financing risk.

The studyperceives financial leverage as the inclusion of fixed-charge sources of financing like debt capital and preference share capital along with the equity capital in the composition of the sources of funds employed by the firm. The financial leverage of a firm is an essential financing decision component for achieving an optimal capital structure of the firm. It also serves as a vital measure of the firm's level of exposure to financing risk. Therefore, a prudent use of financial leverage or debt capital could help the firm in achieving higher return on the fixed-interest sources of financing than their costs and this consequently results in the maximization of the value of the firm and shareholders' wealth.

2.2.2.1 Total Debt to Total Capital Ratio

This ratio as the name suggests is a ratio that indicates the proportion of debt capital in relation to the total capital employed by the company in its capital structure. The ratio is used to gain a general idea as to the proportion of financial leverage being used by a

company (Nasir& Nawaz, 2012). A low percentage implies that the company is less dependent on leverage (debt capital) or money borrowed from and/or owed to others. While a higher ratio suggests that a firm has employed a larger proportion of debt in its capital structure (Franklin &Muthusamy, 2011).

Horne and Wachowicz (2005) posit that total debt to total capital ratio highlights the relative importance of debt financing to the firm by showing the percentage of the firm's asset that is supported by debt financing. Jambawo (2014) asserts that the ratio of total debt to total capital measures the percentage of both short-term and long-term debts employed in financing the assets of the company. It is calculated by dividing short-term and long-term loan by the total capital employed in the business. This study adopts this assertion and further adds that the ratio indicates the amount of debt capital included in the overall finance of the firm and the extent to which these borrowed funds have been used to finance the firm's operations.

2.2.2.2 Interest Coverage Ratio

Lucey (2001) defines interest coverage ratio as a ratio that assesses the ability of the firm to meet its recurring interest charges which arise when long-term and short-term loans are contracted.Interest coverage ratio can be used to assess the adequacy of earnings before interest and taxes to meet a firm's obligation to pay fixed interest charges and principal.

Chandra (2006) contends that interest coverage ratio is widely used by fund lenders to assess the company's capacity to meet its interest burden on debt funds. He further argues that a high interest coverage ratio means that the company can easily meet its interest obligation even if profit before interest and taxes suffers a considerable

decline. On the hand, a low interest coverage ratio may result in financial embarrassment when profit before interest and taxes declines. Watson and Head (1998) assert that interest coverage ratio shows how many times a company can cover its current interest payments out of current profits and so gives an indication of whether servicing its existing debt is becoming a problem.

Horne (2001) opines that interest coverage ratio is the ratio of earnings before interest and taxes for a particular reporting period to the amount of interest charges for the period. He further asserts that the ratio is designed to relate the financial charges of a firm to its ability to service them. Ezeamama (2010) is of the view that interest coverage ratio is similar to time interest earned ratio, but it is more inclusive as it recognizes that many firms lease assets and incur long-term obligations under lease contracts for payment of lease premium.

According to Hussain and Gul (2011), the ratio provides an indication on the ability of a firm to cover its loan interest charges from its profit. Interest coverage ratio is measured as earnings before interest and taxes divided by interest expenses. This study adopts this perception and further adds that interest coverage ratio is a gearing ratio that indicates a firm's financial health and capacity to fulfill its finance interest obligation to providers of both short-term and long-term debt capital.

2.2.3 Concept of Dividend Policy

Dividend policy is primarily concerned with the financial management decision which involves the proportion of earnings to be distributed to the shareholders as return on their investments and the proportion to be retained for investment and expansion of the

business activities. Nissim and Ziv (2001) see dividend policy as the regulations and guidelines that the company uses in making decisions on dividend payments to shareholders. Horne (1971) opines that dividend policy involves the decision between distribution of earnings to shareholders and retention of a portion for reinvestment in the company. Dividend policy is one of the most important financial decision issues since it entails payment of cash or distribution of additional shares to shareholders and retention of earnings for reinvestment. Dividend policy determines the division of earnings between payments to shareholders and reinvestment in the firm (Copeland, Weston &Shastri, 2004). According to Kapoor (2009), dividend policy involves the payout policy which managers pursue in deciding the size and pattern of cash distribution to shareholders overtime.

Arnold (2008) also defines dividend policy as the determination of the proportion of profits to be paid out to shareholders. Similarly, Nielsen (2010) sees dividend policy as the firm's decision whether to plough back earnings as retained earnings or payout earnings to shareholders as dividends. Lee (2009) also argues that dividend policy is meant to answer several questions such as: how much dividend should a company pay to shareholders? What will be the impact of dividend policy on the company's share price? What happens if the amount of dividend changes from year to year?

Therefore, this study opines that dividend policy is the financial management practice which management adopts in determining the amount and pattern of cash or stock to be appropriated to shareholders within a given period of time. It is the central point of financial management in which both financing and investment decisions and activities depend on. The decision on the amount of earnings to be retained or distributed to

shareholders determines the amount of funds to be raised and sources of funds to be explored for investment by the management.

The concept of dividend policy has received many studies and debates from scholars and researchers globally in the last decades. The issue of whether dividend decision is relevant or not, and which proportion of earnings should be distributed to the shareholders as return on their investments or which proportion should be ploughed back into the businesses for re-investment and growth or whether dividend should be paid or not and which factors should be considered by companies in making their dividend decisions have been a debatable issue among scholars and challenging task to financial management practitioners.

2.2.3.1 Retained Earnings Ratio

According to Chasan (2012), retained earnings refer to the portion of the firm's profit that is set aside for reinvestment rather than being distributed to shareholders as dividends. Khan (2009) argues that retained earnings are an important source of internal financing for business expansion. Therefore, retained earnings ratio is the percentage of the earnings that is retained in the business for future growth (Adeniyi, 2008). He further contends that retention ratio is a reflection of a company's dividend policy. Retained earnings ratio is also known as the retained earnings rate of an organization (Orwel, 2010).

Joshi (2012) sees retained earnings ratio as the percentage of the company's total earnings that has been kept as a source of internal financing. It is calculated by dividing the retained by the total earnings. This study adopts this assertion.

2.2.3.2 Dividend Coverage Ratio

According to Lucey (2001), dividend coverage ratio gives a measure of the margin of earnings that is available to meet the current dividend declared on ordinary shares. He further opines that the higher the dividend cover ratio the more certain it is that the dividends on ordinary shares will be maintained.Watson and Head (1998) opine that dividend coverage ratio indicates how safe a company's dividend payment is by calculating how many times the current dividend is covered by current earnings.

Adeniyi (2008) defines dividend coverage ratio as a company's dividend policy indicator that shows the number of times ordinary dividend is covered by available earnings of the company. The ratio shows the ability of a company to pay ordinary dividends from its earnings. It is calculated as earnings after interest and taxes divided by total dividends, that is both dividends paid and unpaid (Sahrma& Singh (2006).

This study adopts the definition of Sahrma and Singh (2006) and adds that dividend coverage ratio provides an indication of the ability of a company to pay out dividends to shareholders from the profit that is attributable to the equity stockholders in a particular period.

2.2.4 Control Variables

The measures of financial leverage and dividend policy indicators are likely to be related with one another and other factors could also influence the movement of the share prices of companies (Nasir& Nawaz, 2012). Sharif, Ali and Jan (2015)and Taimur, Harsh and Rekta (2015) had employed earnings per share and return on equity as control variables in testing for the impact of financial leverage and dividend

policy on share value respectively. Therefore, this study also adopted the same control variables and the opinions and views of authors on these variables are reviewed below:

2.2.4.1 Earnings Per Share

Igben (1999) defines earnings per share as the ratio that gives an indication of the amount of net profit after tax and preference divided attributable to each ordinary share in issue and ranking for dividend during the period. A growth in earnings per share is an important number as it gives an indication of the future prospects of a company (Subramaniam&Murugesu, 2013).

Sharif, Ali and Jan (2015) view earnings per share as profit which the equity stockholder earns on each unit of share bought. It is calculated as earnings after tax divided by total number of ordinary shares. The study adopts this definition and further adds that earnings per share is computed in order to indicate each ordinary shareholder's proportionate share in the company's profits.

2.2.4.2 Return on Equity

Return on equity measures how much the shareholders earn on their investment in the company. Since it measures net profit after tax over total equity, it takes into account all costs including the cost of debt and taxes (Firer, Ross, Westerfield& Jordan, 2004). Berman, Knight and Case (2013) opine that the ratio indicates the percentage of profit the company generates for every monetary unit of equity invested by the shareholders in the company's shares. It provides a good indication on whether the company is capable of generating return that is adequate to compensate the investor for the risk taken in investing his funds in a company.

Reilly and Brown (2009) in their opinion argue that return on equity is a very important investment indicator to the owner of the enterprise or shareholder because it shows the rate of return that management has earned on the capital provided by the owner after accounting for payments to all other suppliers of capital. Therefore, the ratio is an important parameter for judging and assessing the financial performance of a company from the shareholders point of view (Rayan, 2008).

Watson and Head (1998) posit that return on equity looks at overall return of the company by comparing the earnings attributable to ordinary shareholders with the funds they have invested in the business. Similarly, Bardia (2008) also contends that in general, shareholders will continue to invest their funds in the stock of a company as long as they are receiving a good return on their investments. This is because investors prefer put their money in shares of companies with increasing prices that will eventually enhance their wealth. Return on equity points out the efficiency of the management in the utilization of owned capital of the company ((Taimur, Harsh &Rekta, 2015). It is computed as earnings after tax divided by shareholders' funds (Berzkalne&Zelgalve, 2014) and (Taimur, Harsh &Rekta, 2015).

This study adopts the view by Taimur, Harsh and Rekta (2015) and further adds that return on equity as a measure of a firm's financial performance, indicates how efficient is the management in utilizing the shareholders' funds in maximizing their wealth. And therefore, the higher the ratio percentage, the more efficient management is utilizing the equity base and the better return is to shareholders or investors.

2.3 Review of Empirical Studies

The previous empirical works of authors related to the study are reviewed below:

2.3.1 Financial Leverage and Share Value

Nirmala, Sanju and Ramachandran (2011) undertook a study on the factors influencing the share prices of companies in India using share price as a function of specific variables: dividend, profitability, price earnings ratio and leverage for the period 2000-2009. The study focused on three sectors: auto, health and public sectors and results of the study showed that dividend per share, price-earnings ratio, and debt-equity ratio are important determinants of share prices and have significant impact on the share prices of all the sectors under study. They further concluded that dividend and price-earnings ratio were positively correlated with share prices while leverage had a negative relation with share prices in the auto sector. The study is cross-sectional and therefore its results and findings can be generalized as it covers more than a sector of the country.

In another study, Hussain and Gul (2011) attempted to establish the link between capital structure and stock prices of listed cement companies in Pakistan from 2005-2009 using a sample of 11 cement companies actively trading in the Karachi Stock Exchange during the period under study. The study used descriptive statistics, simple and multiple regression analysis techniques. The ratio of debt to equity, the ratio of debt to assets and interest coverage ratio as independent variables to represent capital structure and stock price as the dependent variable were used respectively for the study. They found that there is a negative relationship between the three explanatory variables and the share price of the listed cement companies in Pakistan. The financial

leverage variables studied in the study are in line with those in this current study, however, this current study intends to cover a longer period.

Uwuigbe, Olowe and Agu (2012) assessed the determinants of share prices using a sample of 30 firms listed on the Nigerian Stock Exchange from 2006-2010. The studied basically modeled the effects of financial performance, dividend payout and financial leverage on the share prices of listed firms in Nigeria. The findings of the study indicated that there is a significant and positive relationship between the studied variables and share prices of listed firms in Nigeria. Therefore, they concluded that firm's financial performance, dividend payouts and financial leverage were strong determinants of the market value of shares in Nigeria. Although the study isa cross-sectional and also a determinant study, but this current study employs other variables to assess how they influence the movement of share price in a specific sector of the country over a longer period of time.

In a related study, Kalunda and Haryati (2012) examined the determinants of stock prices of 5 sectors of the Dahka Stock Exchange- Food and Allied, Fuel and Power, Engineering, Pharmaceuticals and Chemicals, and Healthcare sectors for the period 2006-2010. The variables adopted for the study as determinants of share prices were dividend, profitability, price earnings ratio, and leverage. The results of the study revealed that dividend, price earnings ratio and leverage were found to be significant determinants of share prices for all the sectors studied while profitability was found to be determinant of share prices only in the food and allied, engineering and healthcare sectors respectively. The study has covered more than a sector of the country and so the results of the study can be generalized.Meanwhile, this current study intends to

examine the impact of other financial leverage measures with a focus in a particular industry in Nigeria,

Oboh, Isa and Adekoya (2012) after studying a sample of 39 non-financial firms listed on the Nigerian Stock Exchange during the period 2005-2009 reported from the results of their regression analysis that there is a significant and positive relationship between the market values and debt to equity ratios of non-financial firms listed in Nigeria during the period under review. The results also indicate that a negative relation exists between the firms' total debt to total capital ratios and their market values. They therefore concluded that firm's leverage positively influences market values of the non-financial firms listed on the Nigerian Stock Exchange. The sample size adopted by the study is large enough to represent the various non-financial industries. The study has studied one of the measures of leverage used in this current study, but this current study specifically concentrates on a sector and it covers a longer and more recent period.

Similarly,Limento and Djuaeriah (2013) conducted a study to explore the correlation between ratio analysis and macroeconomic indicators with share price in nine quoted transportation companies in Indonesia from 2005 to 2011. The ratio indicators used were return on assets, return on equity, net profit margin, debt to equity ratio, total asset turnover, current ratio, price book value and earnings per share. While the macroeconomic indicators used were inflation, gross domestic product and risk free rate. The results of the study revealed that return on asset, return on equity, net profit margin, current ratio, debt to equity ratio, price book value, inflation, risk free rate and gross domestic product have insignificant correlation with share price movements

while total asset turnover and earnings per share have significant correlation with share prices of listed transportation companies in Indonesia. The results of the study can be applied broadly by virtually all the major players in making financial, economic and investment decisions as the study covered both microeconomic and macroeconomic variables determining the movement of share prices in stock market. Similarly, the study is cross-sectional and therefore managers and shareholders of companies in different sectors can apply results of the study.

In an attempt to investigate the impact of leverage on earnings and share price of listed companies on Colombo Stock Exchange in Sri Lanka, Elangkumaran and Nimalathasan (2013) identified 20 companies listed on the CSE from 2008-2012. The independent variables adopted for the study were degree of operating leverage, degree of financial leverage and degree of combined leverage while earnings per share and share price were used as the dependent variables for the study. The results of the study showed that there is no significant relationship between degree of operating leverage and earnings per share, degree of financial leverage and earnings per share, degree of combined leverage and earnings per share, degree of operating leverage and share price, degree of financial leverage and share price, and degree of combined leverage and share price. They therefore concluded that operating expenses and financing mix decisions of the firm are not significantly related to the earnings capacity and share value of companies in Sri Lanka. The degree of financial leverage as used in the study is not a financial leverage ratio and therefore the results of the findings do not explain how the level of financing mix causes movements in the share prices of firms.

Bahreini, Baghbani and Bahreini (2013) in their research attempted to determine whether there is a meaningful relationship between the changes in the economic leverage and the operational performance of listed companies in Tehran Stock Exchange. They selected a sample of 145 companies from 2005-2006. The results of the findings showed that there was a significant relationship between the economic leverage and the stock price. They concluded that an increase in the debt led to an increase in stock price. However, there is a significant but negative relationship between the change in economic leverage and the ratio of expenses to property. The study though used a very large sample size which had adequately represented the studied sector(s) but the period of two years as covered in the study was not long enough and this cannot adequately determine the movements and reactions of stock prices to changes in leverage of the firms.

Buigut, Soi, Koskei and Kibet (2013) attempted to establish the link between capital structure and share prices of listed firms on the Nairobi Securities Exchange for the period 2006-2011. They assessed the effect of debt, equity and gearing ratios on share price using panel data of energy sector for the period under review. The results of the multiple regression analysis revealed that debt ratio, equity ratio and gearing ratio have significant effect on share prices of the energy companies in Kenya. They reached a conclusion that debt ratio and gearing ratio have significant positive effect on share prices while equity ratio has significant negative effect on share prices. The study fails to state the sample size of the industry to help the reader ascertain whether the energy sector was adequately represented during the study.

In their study, Kohansal, Dadrasmoghaddam, Karmozdi and Mohseni (2013) examined the relationship between financial ratios and stock prices of quoted food industry firms in Iran from 1992-2010. The financial variables studied were liquidity ratio (current ratio), activity ratio (asset turnover ratio), profitability ratio (rate of return on asset and return on equity), and financial ratio (debt) and equity share prices. They documented that there is a positive and significant response in stock prices of the food industry companies to shocks of the current ratio, return on asset and return on equity. They also concluded that the financial leverage ratio had a positive significant impact on the share prices of the food industry firms in Iran during the period of study.

In a study conducted by Manjunatha (2013), an attempt was made to describe the debt to equity pattern and dividend distribution of firms and to also understand the impact of debt to equity ratio and dividend payout ratio on the value of firms in India. The research studied a convenient sample of 29 companies listed on the Bombay Stock Exchange and National Stock Exchange from 2000-2005. Debt to equity ratio, dividend payout ratio and retention ratio were used as the explanatory variables while the value of firm was reflected by the equity share price as the dependent variable. It was reported that there was no significant relationship between the explanatory variables and the share prices of the quoted companies in India during the period under review. The study used the convenient sampling technique and this limits the generalization of the results of the findings.

Regarding a study done in Zimbabwe, Jambawo (2014) investigated the effect of leverage on the corporate market value of the listed non-financial companies on the Zimbabwe Stock Exchange for the period 2009-2012. The study empirically assessed

the effect of firm's leverage along with other risk factors namely dividend yield and size on market value of the 24 non-financial sample companies listed on the ZSE. He found that there is a positive relationship between a firm's market value and its long-term debt to equity ratio. On the other hand, the results showed an inverse relationship between a firm's market value and its total debt to total capital ratio. Dividend yield and size are positively related with market value of listed companies in Zimbabwe. The use of one financial leverage ratio is not sufficient to explain the movements in the market prices of stock in the Zimbabwe Stock Exchange triggered by financial leverage.

Barakat (2014) also did a research on the effect of financial structure, financial leverage and profitability on the share value of industrial companies listed in Saudi Capital Market for the period 2009-2012. A sample of 46 companies was selected for the study. The results of the research showed that there is statistically significant direct relation between the two independent variables: return on equity and capital structure and the dependent variable represented by stock price. However, there is a weak and inverse relation between financial leverage and stock price, and this relationship is not significant. Therefore it was concluded that there is no statistically significant relationship between financial leverage and company's share value. The period covered in the study is not long enough to ascertain the changes in stock prices occasioned by level of financial leverage employed by the studied firms.

Narayana (2014) attempted to analyse the impact of leverage of Larsen and Toubro Limited on its shareholders' wealth which is represented by market price of shares. Correlation and multiple regression analysis tools were used to analyse the data

collected on degree of operating leverage, degree of financial leverage and combined leverage for the period 2003-2012. The findings of the study revealed that there is a positive but insignificant relation between the degree of operating leverage and market price of share as well as the combined leverage and market share of price while the degree of financial leverage has a negative and insignificant correlation with market price of share. It was however concluded that the correlations between the degree of operating leverage, combined leverage and financial leverage with the share price are statistically insignificant. The degree of financial leverage as used in the study is not a financial leverage ratio and therefore the results of the findings do not explain how the level of financing mix cause movements in the share prices of the firms.

A recent study was conducted by Gharaibeh (2015) which investigated the determinants of common share prices in Kuwait. A panel data of forty eight 48 firms listed on the Kuwait Stock Exchange from 2008-2013 was used. The results of the ordinary least square regression revealed that one-year lagged price of stock, inflation rate, tangibility of assets, economic progress proxied by per-capita gross domestic product, money supply, change in growth opportunities, profitability and liquidity of the firms have statistically significant relationships with share prices of listed companies in Kuwait Stock Exchange. On the other hand, change in dividend policy, size of the firm, exchange rate and leveraging of the firm were found to have positive, but statistically insignificant relationships with share prices, also, interest rate was found to have negative yet statistically insignificant relationship with share prices. The study studies broadly both micro- and macro-economic factors as determinants of

share price in which only on financial leverage indicator is used which is not large enough to explain the effect of leverage on share price.

Taimur, Harsh and Rekha (2015) also conducted another recent study which analysed the factors affecting the share prices of companies listed on the Bahrain Stock Exchange for the period 2006-2010. They used a panel data of 41 companies quoted on the exchange and the result of the findings showed a significant relationship between return on equity, book value per share, dividend per share, price-earnings ratio and firm's size with share prices. Dividend yield had a significant negative relation with share prices. It was found that leverage had a negative and insignificant relationship with share prices. The period covered in the study is relatively wide enough to ascertain the level at which the studied factors influence the share prices of the listed firms. Also, the sample size is relatively large to represent the studied companies.

Zeeshan, Ali, Sohail and Sulaiman (2015) conducted a study on the determinants of stock prices of listed commercial banks in the Karachi Stock Exchange from 2007-2013. Their study was primarily aimed at finding out the impact of both internal and external factors on share prices. The results of the linear multiple regressions revealed that there is a significant positive correlation between earnings per share and share prices. On the other hand, interest rate and book value to market value per share ratio have a significant negative correlation with share prices. While other factors like gross domestic product, price earnings ratio, dividend per share and leverage were found to have no relationship with the market price of shares of listed companies in Karachi Stock Exchange.

In Nigeria, a more recent study was conducted by Adenugba, Ige&Kesinro(2016) in an attempt to assess the relationship between financial leverage and firms' value and with the aim of determining the effect of financial leverage on firm value of listed firm in Nigeria. A sample of 5 manufacturing firms listed on the Nigerian Stock Exchange were studied and the work covered the period from 2007-2012. The study employed the ordinary least square technique to analyse the data and test the hypotheses. And the ratio of total debt to total equity was used as a proxy for financial leverage, while firm value was proxied by market value of firm's shares. The findings of the study indicated that there is a significant and positive relationship between the financial leverage and firm value of the listed manufacturing firms in Nigeria. The study therefore concluded that financial leverage was a better source of finance to the firms listed in Nigerian Stock Exchange than equity when there is need for finance of long-term projects. The sample size of the study is not large enough to represent the listed manufacturing firms in Nigeria. Also, the study employed only one measure of financial leverage and this cannot adequately explain the influence of financial leverage on firm's value as there are different measures of a firm' degree of leverage with different interpretations which have different implications on the value of the firm.

From the foregoing review of the empirical studies on the relationship between financial leverage and share price, particularly those that have been conducted in Nigeria, it can be observed that most of the studies have employed cross-sectional data. It can also be seen that most of the studies have attempted to examine broadly the determinants of share price while studying a single financial leverage proxy only as

one of the determinants of share price which cannot adequately explain the relationship between financial leverage and share value of firms. Also, the periods covered in most of the studies show that the studies were conducted long time ago and so results of the studies may not be relevant to the current happenings on the Nigerian capital market. Finally, the results and findings of the studies are mixed and this also has added to the existing controversy surrounding the factors affecting the movement of share prices, particularly the relationship between financial leverage and the firm's share value.

2.3.2 Dividend Policy and Share Value

Singhania (2006) analysed the various determinants of equity prices of quoted companies with reference to the Indian Stock market from 1997-2004. She found that there is a positive significant association of only price earnings ratio with market price of equity. Book value, dividend cover, dividend per share, earnings per share and growth rate have positive but insignificant relationship with equity price, while there is negative insignificant association between dividend yield and market price of equity. She therefore concluded from the correlation and regression analysis that price earnings ratio, earnings per share, book value and dividend cover are the variables that contributed the most in determining share prices followed by dividend per share and dividend yield in India. The results of the findings may not be relevant in indicating how the explanatory variables influence the share prices of the studied companies as the period covered in the study shows that the study is not a recent one.

In a similar study conducted by Sahrma and Singh (2006) to evaluate the determinants of share prices in India using data of 160 listed companies in India from 2001-2005.

They reported that dividend per share, price-earnings ratio, dividend coverage; earnings per share, dividend payout, book value per share and firm size have significant effect on share prices of firms in India during the period under study. The sample size used in the study in large enough to represent the listed firms in India over the period covered however the period is too short to ascertain how the studied factors affect the stock prices of quoted firms in India.

Pani (2008) examined the association between dividend policy and share prices of 500 companies quoted on the Bombay Stock Exchange from 1996-2006. The study employed panel data approach to analyse the relationship between dividend retention ratio and share price behavior while controlling the variables like size and long-term debt to equity ratio of the firms. The results of the fixed-effect models revealed that there is a significant correlation between dividend retention ratio and stock prices of the firms listed on the Bombay Stock Exchange. The sample employed in the study is wide enough and the study assesses similar factors with this study. However, the period covered shows that the result of the findings is not current and so may not be relevant to current happenings in the Bombay Stock Exchange.

Similarly, Somoye, Akintoye and Oseni (2009) also conducted an empirical study in an attempt to investigate the factors determining equity share prices of companies quoted in Nigeria during the period 2005-2007. A simple linear regression model was used to analyse effect of earnings per share, gross domestic product, interest rate, dividend per share and oil price on equity price. The results of the empirical study indicated that gross domestic product, dividend per share and earnings per share are positively correlated with the share prices but have no significant effect on equity

share prices of companies in Nigeria. The period of the study not long enough to explain how the share prices of the companies are effected by the studied variables. In addition, the results of study cannot be relied upon for investment decisions in relation to current happenings on the Nigerian Stock Exchange as the result of the study is not current.

Again, Al-Shubiri (2010) did empirical study on the factors determining the market stock price movements of quoted commercial banks in the Amman Stock Exchange. The study used a sample of 14 commercial banks listed on the Exchange during the period 2005-2008. The results of the simple and multiple regression analysis conducted revealed that there is a highly significant and positive relationship between market price of stock and net asset value per share, stock dividend percentage, gross domestic product and a negative and significant relationship with inflation and lending rates. The study is broad because it covers both internal and external factors affecting share price of the company and so the findings of the study can be generalized. However, seeing from the period covered in the study, one can conclude that the results of the findings does not adequately give an explanation of the reactions of stock prices of the listed to changes in the factors used in the study because the period is short and not recent.

Akbar and Baig (2010) also in their study attempted to investigate the reaction of stock prices to dividend announcements and market efficiency in Pakistan. They used a sample of 79 companies listed on the Karachi Stock Exchange for the period 2004 - 2007. They concluded from the results of their findings that announcements of dividends either cash dividend or stock dividends or both had positive effect on share

prices. The selected sample size is large enough to represent the listed companies on Karachi stock exchange, however, the findings of the study is not current and is for a short period and so the results in not relevant to the current happenings.

Khan, Aamir, Qayyum, Nasir, and Khan (2011) did a research with the aim of establishing the relationship between dividend policy and share prices of companies in India. A sample of 55 companies quoted at the Karachi Stock Exchange for the period 2001-2010 was selected. The study applied fixed and random effect models on the panel and the results of the study revealed that dividend yield, earnings per share, profit after tax and return on equity have positive and significant impact on share prices while retention ratio has inverse relationship with share prices of listed firms in India. The study is limited to only dividend paying firms for the period under study and so the results cannot be generalized. The study is cross-sectional which makes the results general and so cannot be truly applicable specifically to some sectors considering the fact that the characteristics and nature of operations vary with companies.

Regarding an empirical study carried out by Azeem and Kouser (2011) on the effect of dividend policy on stock prices of companies quoted on the Karachi Stock Exchange using a large sample size of 131 dividend paying companies for the period 2001-2010. The results of the panel data revealed that profit after tax, earnings per share and return on equity have significant positive relationship with stock price. They further reported that stock dividend also has positive relationship with stock price while retention ratio has a negative and insignificant relation with stock price. The sample size selected by the study is large and has adequately represented the listed firms on

the exchange during the studied period. However, the study claimed to have assessed the effect of dividend policy on share prices but it failed to use a reasonable number of proxies as indicators of dividend policy.

Similarly, Sharma (2011) conducted an empirical study to analyse the relationship between equity share prices and the explanatory variables: book value per share, dividend per share, earnings per share, price earnings ratio, dividend yield, dividend payout, size in terms of sales and net worth of listed companies in India from 1993-2008. The study employed a sample of 115 companies representing the 6 sectors in India during the period under study. He employed correlation and linear multiple regression model and the results revealed that earnings per share, dividend per share and book value per share have significant correlation with the market prices of listed industry groups in India. The sample selected for the study is large enough and the period covered is also wide, however, the result of the findings is not current considering the period covered and the time the study was conducted.

Also in an attempt to establish the relationship between dividends and the share price, Aamir and Zullfiqar (2011) studied the effect of dividend announcements on the stock prices of 26 cement and oil and gas companies in Pakistan over the period 2004-2008. They found that dividend announcements have positive significant effect on share prices of the companies at the time of announcements and immediately after such announcements. They therefore concluded that dividend announcements by companies cause high expectations among investors and consequently they tend to invest more funds on shares. The sample selected for the study is large enough to represent the cement and oil and gas industries in Pakistan, and so the result of the findings can be

generalized, but the period covered is not long enough to adequately ascertain the impact of dividend announcements on stock prices.

In Nigeria, Okafor, Mgbame and Chijoke-Mgbame (2011) also explored the relationship between dividend policy and share price volatility using a sample of 10 firms publicly quoted on the Nigerian Stock Exchange during the period 1998-2005. They documented that dividend payout ratio and dividend yield had significant impact on share price movements. They further concluded that dividend payout ratio had positive significant and also negative significant relationships with share prices in some years, while dividend yield has negative significant relation with share prices of quoted firms in Nigeria. The sample size used in study is small considering the number of quoted companies in Nigeria and studied companies are into different lines of business and therefore do not have similar characteristics. In addition, dividend yield is an investment indicator not a dividend policy measure and the results cannot be applied in the current situation in the Nigerian Stock Exchange due the fact that the study was done many years ago.

In another related study, Khan (2012) investigated the effect of dividend payments on stock prices of 5 quoted companies from different industries in Pakistan for the period 2004-2009. The Time series graph and pivot graphs are plotted on data. The results of the time series data revealed that the share prices of all the sample companies change with the change in dividends per share. The correlation results indicated that there is strong positive or negative relationship between stock prices and dividends per share. He therefore concluded that the stock prices of most of the companies in Pakistan have negative correlation with the dividend per share during the period under study.The

sample size used in study is too small to adequately represent the large number listed companies in Pakistan and so the results cannot be generalized. Also, the results may not be relevant to current happenings in the Pakistan economy as the study was carried out a long time ago.

Joshi (2012) studied the effect of dividend policy on stock prices of listed companies in Nepal. The study applied multivariate linear regression analysis on the data collected from the 163 firms on the Nepal Stock Exchange. His findings showed that dividends and retained earnings have significant positive correlation with share price movements in both banking and nonbanking sectors in Nepal. He concluded that dividends on share is an important indicator of the performance of banks and consequently investors are attracted to dividend paying companies as investor are interested in assessing the dividend policy of banks before investing their funds. The sample of the study is large and the study assesses one variable which this study also considers.

Mokaya, Nyang'ara and James (2013) in their study on the effect of dividend policy on share value of National Bank of Kenya drew a sample of 100 shareholders. The study applied an explanatory research design and the data for the study was collected through a structured questionnaire issued to the shareholders of the bank. They found a strong and positive correlation between dividend payout, dividend growth rate and dividend declaration and market share value. They therefore concluded that dividend policy had a significant positive effect on the market share value of the National Bank of Kenya. The method used for collecting the data is inappropriate as data on dividend

payout and dividend growth rate are not obtained through a questionnaire as claimed by the study.

Malhorta&Tandon(2013) in his study attempted to determine the effects of book value, earnings per share, dividend per share, dividend yield, dividend cover and price earnings ratio on the share prices of listed companies on the National Stock Exchange. A sample of 95 companies was selected for the period 2007-2012. The results of the linear regression model revealed that firm's book value, earnings per share and price earnings ratio have a significant positive association with firm's stock price while dividend yield and dividend cover have a significant inverse association with the market price of shares of companies in India. The sample is relatively large the variables studied are the same with those considered in the current study.

Iqbal, Ahmad, Ullah and Abbas (2014) in their study on effect of dividend announcement on stock prices in banking industry of Pakistan from 2008-20012 found that there is a significant and positive relationship between dividend and earnings per share and a negative relationship between dividend and share prices of listed banks in Pakistan. The study used only one indicator of dividend policy and this alone cannot sufficiently ascertain the extent to which dividend announcements by the studied companies cause the movements in the prices of their equity shares.

Also, Stephen and Okoro (2014) conducted a study on determinants of stock price movement of 99 listed firms on the in Nigerian Stock Exchange from 2001-2011. They concluded that the explanatory powers of earnings per share, book value per share and dividend cover are major determinants of share price movement in the

Nigerian Stock Exchange. The sample of the studied companies is large enough indicating that the various sectors were adequately represented in the study and the period covered in the study is wide enough to have explained the impact of the explanatory variables. However, the movements in the market prices of the shares of the studied firms cannot be in the same manner and direction due to the fact that the companies were not listed on the same dates on the Nigerian Stock Exchange and also they do not have the same characteristics.

Similarly, Hunjra, Ijaz, Chani, Hassan and Mustafa (2014) analysed the impact of dividend policy, earnings per share, return on equity and profit after tax on stock prices in Pakistan for the period 2006-2011. They reported that dividend yield and dividend payout ratio as measures of dividend policy have significant impact on stock prices. Dividend yield is negatively related with stock price while dividend payout ratio is positively related with stock price. Other independent variables like profit after tax and earnings per share have significant positive impact on share price while return on equity has positive insignificant impact on stock price.

Also in an attempt to explain the dividend declaration pattern practiced by firms in Bangladesh and its impact on stock prices, Al Masum (2014) used all the 30 commercial banks quoted on Dhaka Stock Exchange for the period of 2007-2011. The study applied the panel data approach is to explain the relationship between dividend decisions and stock prices after controlling the variables like Earnings per Share, Return on Equity. The results of regression analysis reveal that retention ratio has positive and significant impact on the share prices, while the dividend yield and profit after tax have negative and insignificant relationship with stock prices. He therefore

concluded that dividend policy of private banks in Bangladesh is positively related with stock prices and significantly explain the variations of share market prices. The sample size is large used in the study is enough to represent the banking industry as it includes all the listed commercial banks of Dhaka Stock Exchange so the results can be regarded as reliable and valid.

In Nigeria, Ordu, Enekwe and Anyanwaoko (2014) analysed the effect of dividend payment on the market price of shares of quoted firms in Nigeria. They used a sample of 17 firms quoted on the Nigerian Stock Exchange from and time series on dividend per share, dividend yield and dividend payout ratio from 2000-2011. They reported that the empirical results arising from the panel least squares revealed a positive effect between market price per share and dividend per share. They therefore concluded that a rise in dividend per share brings about an increase in the market price per share of quoted firms; while dividend yield does not have a significant positive effect on the market prices of share of quoted firms in Nigeria. It was further concluded that there is a direct relationship between dividend payout ratio and market price per share. The study was cross-sectional and so the results cannot be generalized as the studied companies do not have the characteristics.

Similarly, Oyinlola and Ajeigbe (2014) conducted a study on 22 companies listed on the Nigerian Stock Exchange using secondary data on their firms' fundamentals as available on their respective annual reports from 2009-2013. A regression analysis, correlation and granger causality tests were employed to test the hypotheses on the 100 observations. They found that both dividend payout and retained earnings significantly correlated with the market price per share of the companies. The sample

size selected is small considering the large number of listed companies in Nigeria. In addition, the period covered is too short to explain the impact of divided policy on stock prices of firms in Nigeria.

Duke, Nneji and Nkamare (2015) also in their study examined the impact of dividend policy on share valuation in Nigeria. A sample of 2 commercial banks was used and the study covered the period from 2003-2013 and the multiple regression results showed that dividend yield had significant and positive impact on share price while retention ratio was found to have a significant and negative impact on the share prices of listed banks in Nigeria. The findings of this study cannot be used to generalize the impact of dividend policy on the stock prices of banks in Nigeria as the two sample banks used in the study are not sufficient to explain how dividend payments decisions of banks affect the market prices of banks in the entire banking industry in Nigeria.

Recently, Ansar, Butt and Shah (2015) selected a sample of 30 companies from Karachi Stock Exchange to determine the impact of dividend policy on shareholder's wealth for the period 2007-2011. Shareholder's wealth was measured with the market price of shares while dividend per share, retained earnings, lagged price and return on equity were used as independent variables. The findings based on the multiple regression models showed that there is a strong positive relationship between dividend policy and shareholder's wealth of the listed companies in Pakistan. The sample size is relatively large to represent the listed firms on the Karachi Stock Market; however the period covered is not long enough to ascertain how dividend decisions of the studied companies influenced their share prices during the period.

Another recent study was conducted by Jakada and Nyamugure (2015) who attempted to determine whether shareholder's value is eroded as dividend policies change and also to determine whether it was still profitable to invest on the Zimbabwe Stock market. Share price was used as a proxy for shareholder's value. The findings revealed that there is no relationship between dividend policy and share price and there is also no relationship between earnings per share and share price. They therefore concluded that share price is not affected by dividend policy and the shareholder's value is still maintained in spite of the adoption of conservative dividend policies by firms. They further concluded that it is still profitable to invest on the Zimbabwe Stock Exchange as the potential for investors to create wealth still remains high. Earnings per share as used in the study is not an indicator of a company's dividend policy rather it is an investment ratio and the result of the findings study cannot be seen as showing the impact of dividend policy on share prices of the companies.

Similarly, in a study conducted by Sharif, Ali and Jan (2015) on the effect of dividend policy on stock prices of 45 non-financial companies quote on the KSE-100 index for a period 2001-2012. The study used convenience sampling technique where only firm that had earned profit and paid dividends for the period under review were selected. A panel data was used and the regression results witnessed that dividend per share and retention ratio has an insignificant relationship with share market prices while dividend payout ratio has a significant positive relationship with share prices. Three control variables: profit after tax, earnings per share and return on equity were also studied and the results showed that profit after has insignificant relationship with share price, earnings per share has significant positive relation with stock price while a

negative significant relationship exists between return on equity and share price of the studied firms. The selection of the sample companies on the basis of regular earning of profit and payment of dividends should not be seen as a yardstick as payment of dividends by companies is only an obligation but not mandatory. Therefore, the result of the findings is limited to only dividend paying firms.

In another attempt to link dividends to stock price, Majanga (2015) examined the effect of dividends on stock prices of listed companies in Malawi. They covered 13 local companies quoted on Malawi Stock Exchange over the period 2008-2014. The results of the correlation analysis indicated that dividend payment, retention ratio, profit after tax, earnings per share and return on equity are strongly and positively correlated with stock prices. They therefore concluded that there is strong and positive association between dividends and share prices of the studied companies in Malawi during the period under study.

Generally speaking, a look at the foregoing empirical studies conducted on the relationship between dividend policy and share value especially in Nigeria, it can be seen that most of the studies did not focus on specific sector and so have general findings. The results of the studies are also mixed and that have added to the already existing lack of consensus as to the issue of the factors influencing the share value of companies particularly relationship between dividend policy and stock prices. In addition, the periods covered by most of the studies were short and lack currency. Finally, most of the studies have used common dividend policies like either dividend per share, dividend payout ratio, or dividend yield as proxies for dividend policy.

2.4 Theoretical Framework

Myers (2001) argues that there are many theories that explain the concept of leverage. There exists no universal theory about leverage because the explanatory power of theories that might explain leverage is based on various conditions and circumstances. In the same vein, the various literatures on dividend policy have caused the development of several theories and also prompted scholars to conduct several empirical studies. In spite of these, no general consensus has yet been reached after several decades of research by scholars. Black (1976) concluded that the lack of agreement among scholars as regard the role of dividend policy makes dividend a puzzle. He further argued that "the harder we look at the dividend picture, the more it appears like a puzzle with pieces that just do not just fit together.

However, this study considers the market timing theory to underpin the relationship between financial leverage and share value and the bird-in- hand theory and tax preference theory are adopted by the study to support the relationship between dividend policy and share value. These theories are discussed below:

2.4.1 Market Timing Theory

This theory is one of the recent theories of capital structure. It was developed by Baker and Wurgler in 2002 when they did a study on the effect of market timing on capital structure. They claim that firms with low leverage are those that raise funds when their market values are high, while high leverage firms are those that raise funds when their market values are low. The theory is closely related to the pecking order theory as it is also a signaling theory, but is treated as a separate theory because the fundamental intuition behind it is different. The theory proposes that firms would practice what is

known as “tactical finance” since managers know more about the firm and its affairs more than the outsider investors.

Therefore, managers have some incentive for certain actions they take. It is argued that managers could take actions based on the target and desirable debt rate of the firm. As the debt rate is an indicator of the relationship between equity and debt mix of the firm. A firm with a higher debt rate is perceived as more indebted (Franke, 1987). Therefore, the debt rate can be changed to send a signal to the outsider investors about the current condition, trend or direction of the company.

Conversely, Ross (1977) argued that the management could raise the gearing rate of the firm to send the market a signal of stable trust in the future prospect of the firm and also that the firm has the ability to manage its debts effectively. Debt issuance serves as good news for market as investors have taken high gearing rate as an indicator of profitability and so they perceive that any investment in a company that has high debt rate is viable. Consequently, issuing of share could be interpreted as bad news and that leads to fall in the share price (Boudry, Kallberg and Liu, 2010).

The market timing theory further argues that when companies are in need of funds for investment and perceive that the cost of issuing equity shares is relatively low; they would prefer to issue equity. Conversely, when it is perceived that the cost of debt is relatively lower and more appropriate, they prefer to issue debt. This theory as its name suggests further posits that companies tactically time and monitor the performance of their equity issues in the capital market so that when they perceive that the market price of their shares is overvalued, they issue new shares and when they

also perceive that their stock price is undervalued they buy back their stock from the market.

This theory clearly addresseshow the ratio of total debt to total capital and interest on debt capital affect the share price of the firm. Therefore, this study adopts the market timing theory and considers it more relevant in explaining the impact of financial leverage or debt financing (total debt to total capital ratio and interest coverage ratio) on share value of the quoted oil and gas companies in Nigeria because the theory is in line with the objective and prediction of this study.

2.4.2 Bird in Hand Theory

This theory was propounded by Myron Gordon (1959) and John Lintner (1962) and it states that dividend payments are relevant and they affect the firm's value. The theory was derived from the saying: "A bird in hand is worth more than two in the bush". Since some investors are risk averse, they see dividends as less risky compared to capital gains and therefore prefer to be paid dividends now rather than future capital gains. Impliedly, this means that investors are more interested in those companies that pay larger proportion of their earnings as dividends. Therefore, companies have to set a higher dividend payout ratio to increase the stock price (Robinson, 2006).

From the forgoing, it is obvious that this theoryposits that a firm's ability to pay dividend matters to investors and shareholders. Therefore, investors will be interested in studying the dividend coverage ratioas an indicator that shows how certain it is that the dividends on equity shares will be paid by the firm (Lucey, 2001). Therefore, this study adopts this theory to underpin the relationship between dividend coverage ratio and share value of the quoted oil and gas companies in Nigeria.

2.4.3.Tax Preference Theory

This theory was first developed by Litzenberger and Ramanswamy in 1979. The hypothesis states that investors consider the effect of taxes in making their personal and corporate investment decisions. The theory therefore argues that a low level dividend payment is preferred by shareholder in order to maximize value. This is based on the fact that cash dividends are taxed at higher rate and are taxed immediately when the firm pays dividends to the shareholders while capital gains are taxed at lower rate and are taxed only when the asset is sold.

This therefore makes investors to prefer companies that retain their earnings instead of paying dividends. Consequently, low dividend payouts will cause the share price to rise.

As clearly seen from the forgoing, this theory is concerned with dividend policy and so it is related to this study as it particularly predicts that the retention ratio affects the share value of the firm. Thus, this study adopts this theory to explain the relationship between retained earnings ratio and share value of quoted oil and gas companies in Nigeria.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapterprovides the guide and direction on how the required data for the research work was collected and analysedfor drawing oflogical conclusion. It also deals with the techniques that were adopted in analyzing the data and how the variables were measured in the model adopted by the study. The chapter also explains the population of the study and criteria adopted in arriving at the sample size of the study.

3.2 Research Design

This study employed the correlational research design since the research work assesses the impact of the explanatory variables on the dependent variable. The research hypotheses were tested using the data collected from the annual reports of the companies under study and price list from the Nigerian Stock Exchange respectively.

3.3 Population and Sample of the Study

The population of the study is all the fourteen (14) oil and gas companies quoted on the Nigerian Stock Exchange before 1st January, 2006 and had been trading till 31st December, 2015. The period covered by the study is ten years from 2006-2015. The study employed census sampling approach and thesample size was adopted based on the followingconditions:

i. The companies should be listed on the Nigerian Stock Exchange at least since the beginning of 2006 fiscal year and had traded till the end of 2015;
ii. Their shares should be traded on the Nigerian Stock Exchange during the period under study and the transactions should not be interrupted for more than three (3) months;

iii. Their financial year end should be 31st December and the financial year or accounting period has not been changed during the period under study.

After applying the aforementioned conditions, a sample of eight (8) oil and gas companies listed on the Nigerian Stock Exchange as at the beginning of 2006 and had traded till 31st December, 2015and whose annual reports were available during the period under study was adopted as the statistical sample for the study.

These companies are engaged in the marketing and distribution of petroleum, natural gas and petrochemical products in Nigeria. The following are the lists of the population size and sample size respectively:

Table 3.1Population of the Study

S/N	**Name of Company**
1	Anino International Plc
2	Beco Petroleum Product Plc
3	Capital Oil Plc
4	ConoilPlc
5	Eternal Oil Plc
6	Forte Oil Plc
7	Japaul Oil and Maritime Services Plc
8	Mobil Oil Nigeria Plc
9	MRS Oil Plc
10	Navitus Energy Plc
11	OandoPlc
12	Rak Unity Petroleum Company Plc

13	Seplat Petroleum Company Plc
14	Total Nigeria Plc

Source: Researcher's Compilation, 2016

Table 3.2 Sample Size

S/N	Name of Company
1	ConoilPlc
2	Eternal Oil Plc
3	Forte Oil Plc
4	Japaul Oil and Martime Services Plc
5	Mobil Oil Nigeria Plc
6	MRS Oil Plc
7	OandoPlc
8	Total NgeriaPlc

Source: Researcher's Compilation, 2016

3.4 Method and Sources of Data Collection

The study used secondary source of data and the data required on the independent and control variables for the study was obtained from the annual reports of the studied oil and gas companies while the data on the dependent variable was obtained from the price list on the Nigerian Stock Exchange respectively.

3.5 Techniques of Data Analysis

This study used panel regression technique in analyzing the data obtained for the research. This is because the data is panel in nature and the study is aimed at establishing the impactof the independent variables and a dependent variable which the panel regression technique is a suitable and useful technique in achieving that purpose (Afolayan, 2015).

Also, in order to improve the validity and reliability of the statistical inferences from the results of the study, the following robustness tests were performed: normality test, heteroskedasticity test, and multicollinearity test using variance inflation factor (VIF) and tolerance value. The study also conducted the Hausman specification test, Langrangian multiplier effect test, and fixed and random effect tests.

3.6. Measurement of Variables and Model Specification

The criteria for the measurement of the variables of the study are given in the Table 3.3

Table 3.3Variables Measurement

S/N	Variables	Measurement	Source
1	**Share Value** (dependent variable)	The closing price of share at the end of the financial year of the listed oil and gas companies in Nigeria	Almumani (2014**)**
2	**Financial Leverage:** (independent variable)		
	Total debt- total capital ratio	Total debts divided by total capital.	Jambawo (2014) Hussain&Gul(20

	Interest coverage ratio	Earnings before interest and tax divided by interest expenses	11)
3	**Dividend Policy:** (independent variable)		
	Retained earnings ratio	Retained earnings divided by total earnings.	Joshi (2012)
	Dividend coverage ratio	Earnings after interest and tax divided by total dividends	Sahrma& Singh (2006)
4	**Earnings per share** (control variable)	Earnings after tax divided by total number of ordinary shares	Sharif, Ali & Jan(2015)
5	**Return of equity** (control variable)	Earnings after tax divided by shareholders' funds	Taimur, Harsh &Rekta (2015)

Source: Researcher's Compilation, 2016

The model that was employed in testing the research hypotheses formulated for the study is presented below. The study adopted the Ohlson's (1995) model for the analysis of the data. This model was developed according to the recommendations of

Preinrich (1938), Edwards and Bell (1961), and Peasnell (1982). The model is stated as: $P_t = y_t + \alpha_1 x^{\partial} + \alpha_2 v_t$Ohlson (1995). Therefore, the model for this study expresses the share value as a function of total debt-total capital ratio, interest coverage ratio, retained earnings ratio, dividend coverage ratio, earnings per share and return on equity. The model combines all the proxies for the two explanatory variables including the control variables from which the joint impact of the independent variables will be regressed against the dependent variable. The model is specified based on empirical framework using the variables to be studied as explained.

$SHVAL_{it} = \beta_0 + \beta_1 TDTCR_{it} + \beta_2 ITCOR_{it} + \beta_3 RTENR_{it} + \beta_4 DVCOR_{it} + \beta_5 EPERS_{it} + \beta_6 RETOE_{it} + \varepsilon_{it}$ ……i

SHVAL= Share value
TDTCR= Total debt-total capital ratio
ITCOR= Interest coverage ratio
RTENR= Retained earnings ratio
DVCOR= Dividend coverage ratio
EPERS= Earnings per share, a control variable
RETOE= Return on equity, a control variable
ε = Error term
β_0 = intercept
$_i$ =period i
$_t$ = time t
β_1, β_2, β_3, β_4,β_5, and β_6 = the various slope coefficients of the explanatory variables.

The choice of two financial leverage measures and two dividend policy measures is motivated by the fact that these indicators have different interpretations regarding firm's degreeof leverage and dividend payment decisions respectively.Relying on a single measure of financial leverage or dividend policy cannot adequately explain the impact of debt financing and dividend policy on the share value of quoted oil and gas companies in Nigeria, considering the global economic meltdown and fall in prices of

crude experienced during the period under investigation. These measures are total debt to total capital ratio and interest coverage as proxies for financial leverage and retained earnings ratio and dividend coverage ratio as proxies for dividend policy respectively. According to Cole and Mehran (1998), for a study of this nature to have a firm foundation, it is necessary to choose explanatory variables and measures that are quantifiable, expressive and comparable. Therefore measures of financial leverage and indicators of dividend decision adopted by this study have met these three attributes.

Nasir and Nawaz (2012) assert that financial leverage measures and dividend policy indicators are likely related with one another and other factors could also influence the movement of share prices of companies. Therefore, in order to overcome this, the study introduces earnings per share and return on equity as control variables since control variables are always assimilated into empirical studies (Wodung, 2014).

CHAPTER FOUR
DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.1 Introduction

This chapter of the research work forms the core of the study due to its significance in revealing findings. This chapter presents, discusses and interprets the empirical results and findings of the study.

4.2 Descriptive Analysis

This section provides a description of the variables of interest in this study using the averages, standard deviation, minimum, and maximum values and skewness and kurtosis values obtained in explaining the impact of the explanatory variables on the dependent variable.

Table 4.1Summary ofDescriptive Statistics of the Variables

Variables	Mean	Std. Dev.	Min.	Max.	Skew.	Kurt.
SHVAL	76.911	72.845	0.500	331.190	0.001	0.278
TDTCR	74.761	14.003	31.530	121.740	0.146	0.012
ITCOR	15.690	24.800	-12.400	84.710	0.000	0.015
RTENR	32.831	33.697	-19.890	121.700	0.554	0.031
DVCOR	2.186	3.044	-1.320	16.670	0.000	0.000
EPERS	5.060	6.592	-20.230	32.400	0.049	0.000
RETOE	38.624	70.717	-331.720	393.970	0.956	0.000

Source: Extracted from Stata Output, 2016 (Appendix A1 & A7)

Table 4.1 depicts the result of the dependent and independent variables used in the study during the period of the research. The mean of share value is 76.91. This implies that on average, the shares of the oil and gas companies quoted on the Nigerian Stock Exchange sell at ₦76.91 per share during the period under study. The standard

deviation of 72.85 indicates a relatively low dispersion in the share value of the quoted oil and gas companies in Nigeria for the period under consideration.On the overall, the share prices of the quoted oil and gas companies in Nigeria indicated consistent rise over the period under study. This is evident from the minimum value of 0.5 which implies that the shares of some oil and gas companies sell below the par value while the maximum value of 331.19 indicates that some oil and gas companies have their shares above the face values in the Nigerian Stock Exchange. Also as shown from Table 4.1, the positive coefficient of Skewness of share value of 0.001 indicates that the data is normally distributed and thus meets the condition of symmetrical distribution. Also, the kurtosis value 0.278 reveals that the variable does not meet the requirement of Gausian distribution. This implies that the data is not normally distributed.

The mean and standard deviation of total debt to total capital ratio is 74.76 and 14.00 respectively. The mean total debt-total capital ratio of 74.76 is too high, indicating that the quoted oil and gas companies had employed more loan capital than owner's funds in their capital structure during the period under review. The use of the loan capital may be due to the strenuous efforts made by the companies in raising more external funds to finance investments and projects in order to recover from the shock caused by the global financial crisis and to survive continually in business. The standard deviation of 14.00 is low compared to the mean total debt to total capital ratio. This shows that the dispersion in the level of debt financing by the companies was relatively small during the period under consideration. It also implies that all the oil and gas companies in the Nigerian stock market during the period under consideration

did not experience large differences in their financing mix. The minimum total debt-total capital ratio is 31.53 and the maximum is 121.74. The range between the lowest and highest financial leverage is wide implying that some oil and gas companies were highly financially leveraged while others were all-equity financed in the period under study.The coefficient of Skewness of share value of 0.1462 indicates that the degree of departure from symmetry of a distribution was positive and the data is not normally distributed and therefore does not meet the criterion of the symmetrical distribution of normal data. Also, the value of the coefficient of Kurtosis of 0.0121 implies that the variable does meet the condition for Gausian distribution of normal data.

The mean of the interest coverage ratio is 15.69. This implies that, on average, the oil and gas companies listed on the Nigerian Stock Exchange during the period under review were relatively fulfilling their financial obligations of repaying the interest on both short-term and long-term debt funds raised. Consequently, this might had enhanced the willingness of the loan capital providers to extend more credit facilities to the companies. The standard deviation of 24.80 for the interest coverage ratio of the sampled oil and gas companies indicates that the fluctuation in the interest coverage ratio is high compared to the mean interest coverage ratio. This standard deviation reflects the persistent repayment of interest on loans from the earnings of the studied companies over the years. The negative value of interest coverage ratio, that is, the minimum of -12.40 is as a result of the poor performance of companies during the period, particularly the period of the global economic meltdown. This implies that some oil and gas companies could not meet their interest obligations on borrowed funds due to the losses they had suffered. On the other hand, the maximum value of

84.71 signifies that other oil and gas companies fulfill their loan interest obligations to their debt capital providers from the earning they made during the period under consideration. The coefficient of Skewness of 0.000 shows that the data is normally distributed and therefore meets the requirement of symmetrical distribution for a normal data. However, the coefficient value of 0.015 for the Kurtosis shows that the interest coverage ratio as a variable does not meet the Gausian distribution for a normal data.

The mean of retained earnings ratio is 32.83. This suggests that, on average, the oil and gas companies in Nigeria had retained ₦32.83 per share from their total earnings during the period under study for reinvestments and growth. The standard deviation of 33.70 is higher compared to the mean retained earnings ratio. This indicates that there was a moderately wide dispersion in the amount of profits retained by the companies during the period under investigation. This may not be unconnected to the fact that adequate financing was required by the companies to explore investment opportunities for the growth and expansion of their businesses and to survive the global financial and economic shock experienced during the period, hence the need for the retention of profits by the companies. The negative minimum value of -94.89 may be as a result of the poor performance by some oil and gas companies and the losses they reported in some years particularly during the financial crisis which was experienced globally.

Consequently, these companies could not retain earnings for reinvestment. While the maximum value of 121.74 indicates that some quoted oil and gas companies still made profits in spite of the global economic meltdown and fall in the price of crude oil and were able to retain a large amount from their earnings. Therefore, they were able to

plough back a proportion of their earnings as internal source of financing.The positive coefficient Skewness value of 0.554 is an indication that the retained earnings ratio is positively skewed which implies that it does not conform to the symmetrical distribution criterion. Similarly, the coefficient Kurtosis value of 0.031 also shows that the variable does not meet the Gausain distribution condition for a normal data.

The dividend coverage ratio has a mean value of 2.19 and a standard deviation of 3.04 respectively. The mean dividend coverage ratio of 2.19 implies that, on average, the oil and gas companies listed on the Nigerian Stock Exchange during the period under consideration were relatively able to pay dividends to their shareholders. The standard deviation of 3.04 compared to the mean of the dividend coverage ratio indicates that there is a considerable dispersion in the ability of the oil and gas companies to pay dividends from their earnings. The negative minimum value of dividend coverage ratio of -1.32 is as a result of the poor results of performance and the losses incurred by some oil and gas companies during the period, particularly the period of the global economic meltdown which affected their financial position and capacity to pay dividends.

On the other hand, the maximum value of 16.67 suggests that other oil and gas companies within the sample made profits and were able to pay dividends to their shareholders from their earnings during the period under review. The Skewness value of 0.000 shows that the data is normally distributed and therefore conforms to the condition of symmetrical distribution for a normal data. In the same vein, the coefficient value of 0.000 for the Kurtosis indicates that the dividend coverage meets the Gausian distribution requirement for a normal data.

Similarly, Table 4.1 also depicts the mean value of earnings per share of 5.06 with standard deviation of 6.59 respectively. This means that on average, the oil and gas companies quoted on the Nigerian Stock Exchange during the period under review paid ₦5.06 earnings per share to their shareholders. The standard deviation of 6.59 compared to the average earnings per share implies that there was a relatively wide variation in the amount of earnings received by shareholders of the oil and gas companies over the years. The negative minimum earnings per share of -20.23 is due to the poor results of operations and the losses reported by some oil and gas companies during the period, especially during the global financial crisis which adversely affected their financial position and capacity to generate adequate profits. While the maximum value of 32.40 indicates that some oil and gas companies have a huge amount of earnings and this produces a moderately high earnings for each unit of share held by the shareholders during the period under investigation.Also shown in the table is the coefficient of Skewness value of 0.049 which implies that the data is positively skewed and thus does meet the symmetrical distribution condition for a normal data. However, the coefficient value of 0.000 for the Kurtosis signifies that the earnings per share variable conforms to the Gausian distribution assumption for a normal data.

Finally,the descriptive statistics for returns on equity shows a mean of 38.62 with a standard deviation of 70.71, implying that on average, the shareholders of the oil and gas companies at the NSE earn a return on their investment of 38.62%. The standard deviation of 70.71 compared to the mean value indicates that there was a great dispersion in rate of return on investment earned by shareholders of the oil and gas

companies listed in Nigeria during the period under investigation. The negative minimum value of the return on equity -331.72 is as a result of the poor financial performance and the losses made by some oil and gas companies during the period of the global economic meltdown. Consequently, the shareholders of the oil and gas companies that suffered losses could not earn return on their investment during the period. While the maximum value of 393.97 suggests that other oil and gas companies still made profits during the period and their shareholders earned a relatively high return on their investments. Table 4.1 also shows a positive coefficient value of 0.956 for Skewness which implies that the return on equity variable is positively skewed and so the data does not meet the symmetrical distribution assumption of Skewness for a normal data. However, the coefficient value of 0.000 for the Kurtosis clearly shows that the data meets to the Gausian distribution condition for a normal data.

The descriptive statistics results and analysis and the presence of skewness and kurtosis above clearly show that the data collected for the studied variables is not normally distributed, hence the need for the conduct of a normality test through the Sarpiro- Wilk test which was carried out and the results are presented in Table 4.2 and followed by a brief analysis of the results:

Table 4.2Normality Test Result

Variables	W	V	Z	P-Values	N
SHVAL	0.887	7.700	4.472	0.000	80
TDTCR	0.947	3.620	2.819	0.002	80
ITCOR	0.675	22.257	6.798	0.000	80
RTENR	0.924	5.195	3.610	0.000	80

DVCOR	0.738	17.958	6.328	0.000	80
EPERS	0.885	7.858	4.517	0.000	80
RETOE	0.704	20.314	6.598	0.000	80

Source: Extracted from Stata Output, 2016 (Appendix A8)

The results of the Sharpiro- Wilk (W) test carried out by the study for the normality test on the data of the variables as depicted in Table 4.2 indicate that the p-values for share value, interest coverage ratio, retained earnings ratio, dividend coverage ratio, earnings per share and return on equity all are significant at 1% level, while total debt-total capital ratio is significant at 5% level respectively as depicted from its p-value. These therefore clearly imply that the data collected on the variables of the model are not normally distributed. Consequently, this could pose some challenges in the ordinary least square regression, hence the need for a more generalized regression models.

4.3 Presentation and Analysis of Correlation Results

In this study, the Pearson correlation has been used in order to determine the correlation between the quantitative variables. The correlation matrixes between the variables have been provided in Table 4.3:

Table 4.3Correlation Results

Variables	SHVAL	TDTCR	ITCOR	RTENR	DVCOR	EPERS	RETOE
SHVAL	1.0000						
TDTCR	0.2105	1.0000					
	0.0609						
ITCOR	0.5053	0.1708	1.0000				

	0.0000	0.1298					
RTENR	0.0774	-0.1863	-0.0631	1.0000			
	0.4951	0.0981	0.5779				
DVCOR	0.1022	0.0541	0.0897	0.1042	1.0000		
	0.3670	0.6336	0.4290	0.3575			
EPERS	0.4686	-0.0572	0.4067	0.0427	0.0728	1.0000	
	0.0000	0.6141	0.0002	0.7071	0.5210		
RETOE	0.0874	0.0590	0.1045	-0.3071	-0.2268	-0.1344	1.0000
	0.4408	0.6030	0.3563	0.0056	0.0431	0.2346	

Source: Extracted from Sata Output, 2016 (Appendix A2)

Table 4.3 presents the correlation results among share value, total debt to total capital ratio, interest coverage ratio, retained earnings ratio, dividend coverage ratio, earnings per share and return on equity. The results indicate that the correlation between share value and total debt to total capital ratio is 0.2105 with p-value of 0.0609. This indicates that the relationship between total debt to total capital ratio and share value is positive and significant at 10% level. This means that the share value of the oil and gas companies in Nigeria is positively affected by the level of leverage of the companies, implying that the higher the value of financial leverage the higher the share value of the oil and gas companies in Nigeria.

The results from the table also show a correlation between share value and interest coverage ratio of 0.5053 with p-value of 0.000. This indicates that interest coverage ratio has a positive relationship with share value of the oil and gas companies in Nigeria which is significant at 1%. It suggests that the higher the interest coverage ratio the higher the share value of the companies.

Table 4.3 depicted that, the correlation betweenshare value and retained earnings ratio is positive as it shows a coefficient of0.0774 but with a p-value of 0.4951 signifying that the relationship is positive but not significant at all level of confidence. This implies that an increase or decrease in retained earnings causes a rise or fall in share value of the oil and gas companies in Nigeria but the rise or fall in the share value is insignificant.

Similarly, the correlation coefficient for dividend coverage ratio of 0.1022 shows a positive relationship with share value. However, the p-value of 0.3670 indicates that the relationship is not significant at all significance level. This shows that when the dividend cover ratio is high, the share value of the oil and gas companies also goes up but with an insignificant change. In addition, when the dividend cover ratio is low, the share value also falls insignificantly.

The result from the table also depicts that there is strong positive correlation between share value and earnings per share being a control variable, from a coefficient of 0.4686and with a p-value of 0.0000 indicating that therelationship is highly significant at 1% level. This means that as the earnings per share increases, the share value increases, vice versa.

The correlation between share value andreturn on equity being the second control variable is positive as evident from the coefficient of 0.0874 but not significant at all level of confidence as shown from its p-value of 0.4408. This suggests that a higher rate of return on investment attracts an insignificant increase in share value of the

quoted oil and gas companies in Nigeria, while a lower rate of return on investment causes the share value to fall insignificantly.

The correlation among the explanatory variables is also shown in Table 4.3. The table shows that the correlation between total debt to total capital ratio and interest coverage ratio is 0.1708 with p-value of 0.1298 which signifies that the relationship is positive but not significant at all level of confidence. The correlation between total debt to total capital ratio and retained earnings ratio is -0.1863 with p-value of 0.0981 indicating that it is negative and significant at 10% level.

The correlation coefficient between total debt to total capital ratio and dividend coverage ratio is 0.0541 with p-value of 0.6336 signifying that is positive but not significant at all level of confidence.

The correlation between total debt-total capital ratio and earnings per share is -0.0572 with p-value of 0.6141 implying that the two variables are negatively correlated and this relationship is not significant at all level.

The correlation coefficient between total debt to total capital ratio and return on equity is 0.0590with p-value of 0.6030. This indicates that the variables are positively correlated but the relationship is positive but not significant at all level of significance.

The coefficient between interest coverage ratio and retained earnings ratio of-0.0631with p-value of 0.5779 signifies that the relationship between the two variables is negative and not significant at all level of confidence.

The correlation coefficient of 0.0897 between interest coverage ratio and dividend coverage ratio with a p-value of 0.4290 as depicted in Table 4.3 indicate a positive relationship but not significant at all level of confidence. The interest coverage ratio and earnings per share have a correlation of 0.4067 with p-value of 0.0002 implying that the two variables are positively and significantly correlated at 1% level.Also, the coefficient of 0.1045 for interest coverage ratio and return on equity with p-value of 0.3563 signifies that the relationship between the variables is positive but not significant all level of confidence.

Similarly, the coefficient 0.1042 between retained earnings ratio and dividend coverage ratio with p-value of 0.3575 indicates that there is positive but insignificant correlation between the two variables. Also, retained earnings ratio has a positive and insignificant relationship with earnings per share as evident by a coefficient of 0.0427 and a p-value of 0.7071 respectively. The coefficient of -0.3071 and p-value of 0.0056 show that retained earnings ratio has a negative correlation with return on equity which is significant at 1% level.

The coefficient between dividend coverage ratio and earnings per share of 0.0728 and p-value of 0.5210 as depicted from the table indicate that there is a positive and insignificant relationship between the two variables. Conversely, dividend coverage ratio has a negative correlation with return on equity and it is significant at 5% level as evident from the coefficient of -0.2268 and p-value of 0.0431 respectively. Also, the correlation between earnings per share and return on equity is -0.1344 indicating a negative relationship which is not significant all level as shown from the p-value of 0.2346.

In essence, interest coverage ratio has the highest correlation of 0.4067 with earnings per share which is significant at 1% level. However, this high correlation is not large enough to pose any multicollinearity challenge. On the other hand, the correlation coefficient between retained earnings ratio and earnings per share of 0.0427 is the lowest among the explanatory variables which not significant at all level and a low correlation coefficient is an indication of the absence of multicollinearity.

In addition to the normality test conducted and in an effort to ensure the validity and reliability of the data collected on the explanatory variables, the study further conducted diagnostic test for multicollinearity using variance inflation factor (VIF) and tolerance value (TV) and heteroscedasticity using Breusch-Pagan test on the data obtained on the explanatory variables. The multicollinearity test results are presented in Table 4.4 and followed by an analysis of the multicollinearity and heteroscedasticity test results respectively.

Table 4.4Multicollinearity Test Using VIF and Tolerance Values

Variables	**VIF**	**1/VIF**
TDTCR	1.09	0.919599
ITCOR	1.30	0.766902
RTENR	1.14	0.874990
DVCOR	1.07	0.930685
EPERS	1.27	0.788243
RETOE	1.21	0.828654

Source: Extracted from Stata Output, 2016 (Appendix A6)

The results of the multicollinearity test as depicted from table 4.4 clearly indicate that VIF value and tolerance value for each explanatory variable is less than 10 and greater

than 0.10 respectively, implying that the variables do not pose multicollinearity problem with one another, as rule of thumb (Gujarati & Porter, 2009). Similarly, the result of the heteroscedastiscity test conducted which the detailed result is presented in appendix (A4) indicates chi square value of 12.86 with a p-value of 0.0003 which is significant at 1% level. This is an indication of the presence of heteroscedastiscity. Consequently, a robustness test was carried out in order to address the problem which the result as presented in appendix (A5) indicates that the model is fit and thus reliable for analysis and drawing statistical inferences on the results.

Furthermore, fixed and random effect tests were conducted due to the panel nature of the data which the detailed results are shown in appendix (A9 and A10). However, for the purpose of making a selection between the fixed and random effect model, the study adopted the Hausman specification test. The detailed result of the test is also presented in appendix (A11) which shows a p-value of 0.9117 which obviously accepts the null hypothesis that the error term does not correlate with the regressors. Therefore, the random effect regression was adopted to be used in analysing the results and drawing statistical inferences subject to the outcome of the results of lagrangian multiplier test. The detailed result of the Breusch-Pagan lagrangian multiplier test for random effects as shown in appendix (A12) indicates a probability chi-square of 1.000, which signifies that it is not significant. Therefore, based on the outcome of the regression result, a robustness test was finally carried out and the results were used for analysis and drawing of logical inferences on the data obtained on the explanatory variables from the annual reports of the quoted oil and gas

companies and price list at the Nigerian Stock Exchange and followed with the test of the formulated hypotheses.

4.4 Presentation and Discussion of Regression Results

The robustness regression result adopted for analysis and drawing of statistical inferences is presented in Table 4.5.

Table 4.5 Robustness Regression Result

Variables		Coefficients	P-Value
TDTCR		1.016	0.012
ITCOR		0.922	0.014
RTENR		0.344	0.019
DVCOR		1.322	0.576
EPERS		3.999	0.042
RETOE		0.157	0.033
CONS		-54.025	0.107
R^2	0.4007		
Adj. R^2	0.3514		
F-Stat.	8.1300		
Prob>F	0.0000		

Source: Extracted from Stata Output, 2016 (Appendix A3, A10 & A13)

Table 4.5 is the model summary of the regression analysis results. The detailed results are found in appendix A. The results indicate that the value of the coefficient of determination (R^2) is 0.4007. This shows that the independent variables including the control variables that were studied explain only 40.07% of the determinants of market share value as represented by the R^2. This therefore means that other determinants of stock price not considered in this study contribute 59.93% to the variation of share

value of the quoted oil and gas companies in Nigeria during the period under review. The adjusted R Square is the coefficient of determination which explains the variation in the dependent variable as a result of changes in the independent variables. Therefore, from the result in table 4.5, the adjusted R^2 was 0.3514 implying that there was variation of 35.14% on the share value of the oil and gas companies quoted on the Nigerian Stock Exchange caused by changes in total debt-total capital ratio, interest coverage ratio, retained earnings ratio, dividend coverage ratio earnings per share and return on equity during the period under consideration. The Wald Chi2 value of 48.81 and the P-Value of 0.0000 as indicated in the table also show that the model is fit.

In table 4.5, the coefficient for total debt to total capital ratio of 1.016 indicates a positive correlation between total debt to total capital ratio and share value. Also, the p-value of 0.012 indicates that relationship is significant at 5% significance level. Therefore, the study rejects the null hypothesis which states that total debt to total capital ratio does not have significant impact on share value of quoted oil and gas companies in Nigeria. This means that the share value of the oil and gas companies in Nigeria is positively and significantly affected by the level of leverage of the companies. This implies that the higher the value of financial leverage the higher the share value of the oil and gas companies in Nigeria. This finding is contrary to the claim of the market timing theory which proposes that firms with low leverage are those that raise funds when their market values are high, while firms with high leverage are that raise funds when their market values are low. The result of this study is in consonance with the findings of Buigut, Soi, Koskei&Kibet (2013) and Adenugba, Ige&Kesinro (2016) where the results indicated that financial leverage

significantly influenced the market value of share, but not consistent with the studies by Hussain&Gul (2011), Obo,Isa&Adekoya (2012) and Jambawo (2014) which found otherwise. We can deduce that prudent borrowing and efficient use of debt financing on viable projects by the companies boost the shareholders fund which consequently increase the share value in the market.

The coefficient value for the interest coverage ratio of 0.922 shows that there is a positive relationship between interest coverage ratio and share value while the p- value of 0.014 further indicates that the relationship is significant at 5% level, implying that interest coverage ratio positively and significantly influences the share value of the oil and gas companies in Nigeria. Thus, the study rejects the null hypothesis which states that interest coverage ratio has no significant impact on share value of quoted oil and gas companies in Nigeria. The positive relationship therefore suggests that the higher the interest coverage ratio the higher the share value and vice versa. It can therefore be deduced that the ability of the companies to generate sufficient earnings to meet their finance interest obligations gives a positive signal of a good financial health of the companies and consequently attracts shareholders and investors to the shares of the companies.The findings are not in line with the market timing theory which claims that companies that are low geared are those that raise funds when their market values are high, while firms with high geared are that raise funds when their market values are low. The result of the study contradicts the finding of Hussain&Gul (2011) who found a negative and insignificant relationship between the interest coverage ratio and the closing price of the firm's stock.

The coefficients for retained earnings ratio of 0.344indicates that retained earnings ratio has a positive relationship with share value and the p-value of 0.019 also indicates that the relationship between retained earnings ratio and share value is significant at level 5% significance level. Consequently, the study rejects the null hypothesis which states that retained earnings ratio does not have significant impact on share value of quoted oil and gas companies in Nigeria. This means that the share value of the oil and gas companies in Nigeria is positively and significantly influenced by the retained earnings ratio, implying that the companies with higher retained earnings per share are more likely to display high share value while companies with lower retained earnings per share are likely to have low share value. Therefore, it can be deduced that when the company's earnings are ploughed back and re-invested on profitable projects, it increases earnings of the firm and shareholders' wealth and consequently boosts the market share value of the company. This finding is in support of the tax preference theory which contends that capital gains are taxed at lower rate and are taxed only when the asset is sold, and this therefore makes investors to prefer investing their funds in companies that retain their earnings instead of paying dividend, which consequently will cause the share price to rise. This finding is in close conformity with the findings of Pani (2008), Joshi (2012), Al Masum (2014) and Majanga (2015) where it was observed that retained earnings ratio is a major determinant of stock prices, but not in line with study by Azeem and Kouser (2011), Sahrif, Ali and Jan (2015), and Duke, Nneji and Nkamare (2015) which reported otherwise.

Similarly, the coefficient for dividend coverage ratio of 1.323 shows a positive relationship with share value. However, the p-value of 0.576 indicates that the relationship between dividend coverage ratio and share value is statistically insignificant at all significance level. This implies that the share value of the oil and gas companies is insignificantly affected by dividend coverage ratio. This could be attributed to the inability of some of the oil and gas companies to pay dividend regularly during the period under investigation. This result is in consonance with the bird-in-hand theory which asserts that dividend payments are relevant and they affect the firm's value. Therefore, companies have to set a higher dividend payout ratio to increase the stock. This finding is consistent with findings of Singhania (2006) and Malhorta and Tandon (2013) who found that dividend cover has a negative significant correlation with the market share prices, but contradicts the findings of Sahrma& Singh (2006),Malhorta&Tandon (2013) and Stephen &Okoro (2014) who found a significant relationship between dividend coverage ratio and share price.

The coefficient of 3.910for earnings per share, a control variable implies a strong positive relationship with share value. Also, the p-value of 0.042 for the earnings per share also shows that the relationship between the earnings per share and the share value of the oil and gas companies during the period under consideration is significant at 5% level. This means that the higher the earnings per share the higher the share value and the lower the earnings per share, the lower the share value of the companies. This result supports the findings of Singhania (2006), Sharma (2011), Malhorta (2013), Hunjra, Ijaz, Chani, Hassan & Mustafa (2014) and Sharif, Ali & Jan (2015), but not in line with the findings of studies by Khan, Aamir, Qayyum, Nasir& Khan

(2011), and Jakada&Nyamugure (2015) who found an insignificant relationship between earnings per share and share value.

Return on equity is the second control variable and its results as evident from its coefficient of 0.158and p-value of 0.033 depict that it has a positive and significant relation with the share value of the quoted oil and gas companies in Nigeria, which is significant at 5% significance level. This suggests that when the management utilizes the shareholders' funds efficiently and prudently and yields higher return on equity, it will boost the market share value of the companies. This result corresponds with the findings of Kohansal, Dadrasmoghaddam, Karmozdi and Mohseni(2013), Khan, Aamir, Qayyum, Nasir and Khan (2011) and Taimur, Harsh &Rekta (2015) where a positive significant relation was observed between return on equity and share prices of firms.

CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

In this study, the emphasis was given to the assessment of the joint "impact of financial leverage and dividend policy on the share value of quoted oil and gas companies in Nigeria", using total debt to total capital ratio and interest coverage ratio as proxies for financial leverage and retained earnings ratio and dividend coverage ratio as proxies for dividend policy respectively. A total of sample of eight oil and gas companies quoted on the Nigerian Stock Exchange were studied, and panel data was obtained from their annual reports and accounts and price list from the Nigerian Stock Exchange for a period of 10 years from 2006-2015. The data was analysed using descriptive statistics and inferential statistics, that is, panel regression technique.The test of the formulated hypotheses of this study and the analysis of the data,led to the following major findings:

There is a strong positive and significant relationship between total debt to total capital ratio and the share value of the quoted oil and gas companies in Nigeria. The relationship between interest coverage ratio and share value of the quoted oil and gas companies in Nigeria is also positive and significant.

The results also show that there is a positive and significant relationship between the retained earnings per share and the share value of the quoted oil and gas companies in Nigeria. The dividend coverage ratio has a strong positive but non-significant relationship with the share value of the quoted oil and gas companies in Nigeria.

The results of the study show that a strong positive and significant relationship exists between earnings per share and the share value of the oil and gas companies.

Similarly, there is positive and significant relationship between share value and return on equity of the quoted oil and gas companies in Nigeria.

5.2 Conclusions

The following conclusions are drawn from the findings of the study:

The total debt to total capital ratio positively and significantly influences the share value of the quoted oil and gas companies in Nigeria implying that the companies with high degree of financial leverage are likely to have high share value while those with low degree of financial leverage are likely to display low share value.

The interest coverage ratio positively and significantly causes movement in the share value of the quoted oil and gas companies in Nigeria. It can therefore be deduced that the ability of the companies to generate sufficient earnings to meet their finance interest obligations gives a positive signal of a good financial health of the companies and consequently attracts shareholders and investors to the shares of the companies.

The share value of the quoted oil and gas companies in Nigeria is positively and significantly influenced by the retained earnings per share, implying that the companies with higher retained earnings ratio are more likely to display high share value while companies with lower retained earnings ratio are likely to have low share value.

The dividend coverage ratio has a positive relationship with the share value but does not have significant impact on the share value of the quoted oil and gas companies in Nigeria, signifying that the share value of the oil and gas companies is insignificantly affected by dividend coverage ratio.

The earnings per share has a positive and significant impact on the share values of the quoted oil and gas companies in Nigeria, suggesting that an increase in the earnings per share causes the share value to rise while a decrease in the earnings per share leads to fall in the share value of the companies.

The return on equity is positivelyand significantly correlated with the share value of the quoted oil and gas companies in Nigeria, implyingthat the higher the rate of return on equity, the higher the share value of the companies and the lower the return on equity rate, the lower the share value.

5.3 Recommendations

In line with the conclusions of the study and for a continuous attainment of high share value and stock market performance through prudent financial leverage decisions and effective choice of dividend policy in the oil and gas sector in Nigeria, the following recommendations are proffered:

i. The management of the companies should prudently explore the use of debt financing to be invested in viable projects that would boost the share value of the companies in the stock market.

ii. The management of the oil and gas companies should ensure that loan interests are paid as and when due to avoid accumulation of outstanding interest expenses that could jeopardize the financial health of the companies.This will boost the confidence of current and prospective investors in the ability of the companies to meet their finance charges obligations and consequently attract more investors to their shares.

iii. The management of the companies should retain more than half of the companies' total profits for reinvestment especially when there are opportunities for growth and needs for expansion. The retained earnings should be prudently used for investment purposes and projects with positive net present values that will enhance the financial health of the companies and boost their share value in the capital market.

iv. The resultwhich indicatesthat the share value of the oil and gas companies is insignificantly affected by dividend coverage ratio could be attributed to the inability of some of the oil and gas companies to pay dividend regularly during the period under consideration. Therefore, management of the quoted oil and gas companies in Nigeria should ensure a regular payment of dividends to shareholders as this will go a long way in boosting the confidence of the existing shareholders in the financial capability of their companies as well as attracting more investors to their shares.

v. Fund and portfolio managers, investment analysts and financial advisors should consider investment indicators and financial variables of companies like total debt to total capital ratio, interest coverage ratio, retained earnings ratio, dividend coverage ratio, earnings per share and return on equity in making investment analysis and proffering investment advice to investors on which company's shares to invest their funds.

5.4 Limitations of the Study

This study used the data obtained from the financial statements and price list of listed oil and gas companies from 2006-2015. Therefore, the study covers only a period of ten years. The sample size adopted in the study is not large enough considering the total population of listed oil and gas companies in Nigeria.

The outcome of this study can only be generalized to oil and gas companies as the study covered only the oil and gas companies listed in Nigeria.

The stock value of firms is determined by a number of factors and this study assesses the impact of only financial leverage and dividend policy on share value and just two measures of each variable were studied.

5.5 Area for Further Study

Future researchers can study the influence of other financial leverage measureslike long-term debt to total capital ratio, long-term debt to equity ratio, interest gearing ratio and total debt to equity ratio on share value of listed companies in Nigeria.

Future studies can be conducted by researchers to assess how the share value of companies in Nigeria is affected by stock market ratios like earnings yield, price earnings ratio and net book value per ordinary share ratio.

Future researchers can also study the impact of macroeconomic factors like inflation rate, interest rate, gross domestic product, and exchange rate on share value of listed companies in Nigeria.

Finally, future researchers can conduct studies on how dividend policy indicators like dividend per share, dividend payout ratio, retention ratio and dividend yield determine the amount of shareholdings that will accrue to equity shareholders in future and the returns on the stock or shares.

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APPENDIX A: Data Output

1. Descriptive Statistics

```
. sum shval tdtcr itcor rtenr dvcor epers retoe
```

Variable	Obs	Mean	Std. Dev.	Min	Max
shval	80	76.9105	72.84548	.5	331.19
tdtcr	80	74.7605	14.00252	31.53	121.74
itcor	80	15.69025	24.80076	-12.4	84.71
rtenr	80	32.83125	33.6968	-94.89	121.74
dvcor	80	2.18625	3.043752	-1.32	16.67
epers	80	5.060125	6.591576	-20.23	32.4
retoe	80	38.62413	70.71641	-331.72	393.97

2. Correlation Matrix Results

```
. pwcorr shval tdtcr itcor rtenr dvcor epers retoe, star (0.05) sig
```

	shval	tdtcr	itcor	rtenr	dvcor	epers	retoe
shval	1.0000						
tdtcr	0.2105 0.0609	1.0000					
itcor	0.5053* 0.0000	0.1708 0.1298	1.0000				
rtenr	0.0774 0.4951	-0.1863 0.0981	-0.0631 0.5779	1.0000			
dvcor	0.1022 0.3670	0.0541 0.6336	0.0897 0.4290	0.1042 0.3575	1.0000		
epers	0.4686* 0.0000	-0.0572 0.6141	0.4067* 0.0002	0.0427 0.7071	0.0728 0.5210	1.0000	
retoe	0.0874 0.4408	0.0590 0.6030	0.1045 0.3563	-0.3071* 0.0056	-0.2268* 0.0431	-0.1344 0.2346	1.0000

3. Regression Results

```
. reg shval tdtcr itcor rtenr dvcor epers retoe
```

Source	SS	df	MS
Model	167973.629	6	27995.6049
Residual	251236.997	73	3441.6027
Total	419210.626	79	5306.46363

Number of obs	= 80
F(6, 73)	= 8.13
Prob > F	= 0.0000
R-squared	= 0.4007
Adj R-squared	= 0.3514
Root MSE	= 58.665

shval	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
tdtcr	1.015635	.4915431	2.07	0.042	.0359908	1.995279
itcor	.9220661	.3039009	3.03	0.003	.3163925	1.52774
rtenr	.3446156	.2094	1.65	0.104	-.0727179	.7619491
dvcor	1.322871	2.247792	0.59	0.558	-3.156972	5.802714
epers	3.999317	1.12784	3.55	0.001	1.751535	6.247099
retoe	.1578145	.1025322	1.54	0.128	-.0465318	.3621608
_cons	-54.02508	39.89252	-1.35	0.180	-133.5308	25.48059

4. Heteroskedasticity Test Result

```
. hettest

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

         chi2(1)      =    12.86
         Prob > chi2  =   0.0003
```

5. Linear Regression Robustness Results

```
. reg shval tdtcr itcor rtenr dvcor epers retoe, robust
Linear regression                               Number of obs =        80
                                                F(  6,    73) =      6.59
                                                Prob > F      =    0.0000
                                                R-squared     =    0.4007
                                                Root MSE      =    58.665
```

shval	Coef.	Robust Std. Err.	t	P>|t|	[95% Conf.	Interval]
tdtcr	1.015635	.5297349	1.92	0.059	-.0401254	2.071395
itcor	.9220661	.3818025	2.42	0.018	.1611348	1.682997
rtenr	.3446156	.2754986	1.25	0.215	-.2044523	.8936836
dvcor	1.322871	1.799295	0.74	0.465	-2.263119	4.908861
epers	3.999317	1.953119	2.05	0.044	.1067558	7.891878
retoe	.1578145	.0986513	1.60	0.114	-.0387973	.3544264
_cons	-54.02508	44.01961	-1.23	0.224	-141.756	33.70587

6. Multicollinearity Test Result

```
. vif
```

Variable	VIF	1/VIF
itcor	1.30	0.766902
epers	1.27	0.788243
retoe	1.21	0.828654
rtenr	1.14	0.874990
tdtcr	1.09	0.919599
dvcor	1.07	0.930685
Mean VIF	1.18	

7. Skewness and Kurtosis Test for Normality

```
. sktest shval tdtcr itcor rtenr dvcor epers retoe
```

Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	joint adj chi2(2)	joint Prob>chi2
shval	80	0.0010	0.2783	10.12	0.0064
tdtcr	80	0.1462	0.0121	7.55	0.0230
itcor	80	0.0000	0.0152	23.85	0.0000
rtenr	80	0.5539	0.0311	4.95	0.0842
dvcor	80	0.0000	0.0000	36.24	0.0000
epers	80	0.0490	0.0001	15.14	0.0005
retoe	80	0.9557	0.0000	25.18	0.0000

8. Normality Test Results

```
. swilk shval tdtcr itcor rtenr dvcor epers retoe
```

Variable	Obs	W	V	z	Prob>z
shval	80	0.88782	7.700	4.472	0.00000
tdtcr	80	0.94726	3.620	2.819	0.00241
itcor	80	0.67574	22.257	6.798	0.00000
rtenr	80	0.92431	5.195	3.610	0.00015
dvcor	80	0.73838	17.958	6.328	0.00000
epers	80	0.88552	7.858	4.517	0.00000
retoe	80	0.70404	20.314	6.598	0.00000

```
. xtset yr id
       panel variable:  yr (strongly balanced)
        time variable:  id, 1 to 8
                delta:  1 unit
```

9. Fixed Effect Test Results

```
. xtreg shval tdtcr itcor rtenr dvcor epers retoe, fe

Fixed-effects (within) regression               Number of obs      =        80
Group variable: yr                              Number of groups   =        10

R-sq:  within  = 0.3933                         Obs per group: min =         8
       between = 0.5071                                        avg =       8.0
       overall = 0.3986                                        max =         8

                                                F(6,64)            =      6.91
corr(u_i, Xb)  = 0.0777                         Prob > F           =    0.0000

------------------------------------------------------------------------------
       shval |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
       tdtcr |   .9832345   .5318809     1.85   0.069    -.0793197    2.045789
       itcor |   .8672245   .3132658     2.77   0.007     .2414041    1.493045
       rtenr |    .305181   .2175861     1.40   0.166    -.1294971    .7398591
       dvcor |   1.842233   2.478731     0.74   0.460    -3.109602    6.794068
       epers |   3.993473   1.180071     3.38   0.001      1.63601    6.350935
       retoe |   .1202378   .1102629     1.09   0.280    -.1000378    .3405134
       _cons |  -49.10218   42.50094    -1.16   0.252    -134.0076     35.8032
-------------+----------------------------------------------------------------
     sigma_u |  17.519753
     sigma_e |  59.968085
         rho |  .07864024   (fraction of variance due to u_i)
------------------------------------------------------------------------------
F test that all u_i=0:     F(9, 64) =     0.65                 Prob > F = 0.7489

. est store fe
```

10. Random Effect Test Results

```
. xtreg shval tdtcr itcor rtenr dvcor epers retoe, re

Random-effects GLS regression                   Number of obs      =        80
Group variable: yr                              Number of groups   =        10

R-sq:  within  = 0.3913                         Obs per group: min =         8
       between = 0.5725                                        avg =       8.0
       overall = 0.4007                                        max =         8

                                                Wald chi2(6)       =     48.81
corr(u_i, X)   = 0 (assumed)                    Prob > chi2        =    0.0000

------------------------------------------------------------------------------
       shval |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
       tdtcr |   1.015635   .4915431     2.07   0.039      .052228    1.979041
       itcor |   .9220661   .3039009     3.03   0.002     .3264313    1.517701
       rtenr |   .3446156     .2094     1.65   0.100    -.0658008     .755032
       dvcor |   1.322871   2.247792     0.59   0.556    -3.082721    5.728463
       epers |   3.999317    1.12784     3.55   0.000     1.788791    6.209843
       retoe |   .1578145   .1025322     1.54   0.124    -.0431448    .3587738
       _cons |  -54.02508   39.89252    -1.35   0.176     -132.213    24.16282
-------------+----------------------------------------------------------------
     sigma_u |           0
     sigma_e |  59.968085
         rho |           0   (fraction of variance due to u_i)
------------------------------------------------------------------------------

. est store re
```

11. Hausman Specification Test Results

```
. hausman fe re
```

	Coefficients (b) fe	(B) re	(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
tdtcr	.9832345	1.015635	-.0324001	.2031814
itcor	.8672245	.9220661	-.0548416	.0760246
rtenr	.305181	.3446156	-.0394346	.0591215
dvcor	1.842233	1.322871	.5193618	1.044767
epers	3.993473	3.999317	-.0058442	.3471938
retoe	.1202378	.1578145	-.0375767	.0405595

```
                b = consistent under Ho and Ha; obtained from xtreg
B = inconsistent under Ha, efficient under Ho; obtained from xtreg

    Test:  Ho:  difference in coefficients not systematic

                  chi2(6) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                          =        2.09
                Prob>chi2 =      0.9117
```

12. Breusch-Pagan Lagrangian Multiplier Test For Random Test

```
. xttest0

Breusch and Pagan Lagrangian multiplier test for random effects

        shval[yr,t] = Xb + u[yr] + e[yr,t]

        Estimated results:
                 |       Var     sd = sqrt(Var)
        ---------+------------------------------
           shval |   5306.464         72.84548
               e |   3596.171         59.96809
               u |         0                0

        Test:   Var(u) = 0
                          chibar2(01) =     0.00
                       Prob > chibar2 =   1.0000
```

13. Robustness Regression Test Result

```
. xtreg shval tdtcr itcor rtenr dvcor epers retoe, robust

Random-effects GLS regression                   Number of obs      =        80
Group variable: yr                              Number of groups   =        10

R-sq:  within  = 0.3913                         Obs per group: min =         8
       between = 0.5725                                        avg =       8.0
       overall = 0.4007                                        max =         8

                                                Wald chi2(6)       =    119.34
corr(u_i, X)   = 0 (assumed)                    Prob > chi2        =    0.0000

                                               (Std. Err. adjusted for 10 clusters in yr)
------------------------------------------------------------------------------
             |               Robust
      shval |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
      tdtcr |   1.015635   .403831     2.51   0.012     .2241405    1.807129
      itcor |   .9220661   .375472     2.46   0.014     .1861545    1.657978
      rtenr |   .3446156   .1463194    2.36   0.019     .0578348    .6313964
      dvcor |   1.322871   2.363175    0.56   0.576    -3.308866    5.954608
      epers |   3.999317   1.963934    2.04   0.042     .1500775    7.848556
      retoe |   .1578145   .0738292    2.14   0.033      .013112    .3025171
      _cons |  -54.02508   33.50827   -1.61   0.107    -119.7001    11.64992
-------------+----------------------------------------------------------------
    sigma_u |          0
    sigma_e |  59.968085
        rho |          0   (fraction of variance due to u_i)
------------------------------------------------------------------------------
```

APPENDIX B

List of Oil and Gas Companies Quoted on the Nigeria Stock Exchange

S/N	Name of Company
1	Anino International Plc
2	Beco Petroleum Product Plc
3	Capital Oil Plc
4	ConoilPlc
5	Eternal Oil Plc
6	Forte Oil Plc
7	Japaul Oil and Maritime Services Plc
8	Mobil Oil Nigeria Plc
9	MRS Oil Plc
10	Navitus Energy Plc
11	OandoPlc
12	Rak Unity Petroleum Company Plc
13	Seplat Petroleum Company Plc
14	Total Nigeria Plc

List of Sample Size of the Population of the Study

S/N	Name of Company
1	ConoilPlc
2	Eternal Oil Plc
3	Forte Oil Plc
4	Japaul Oil and Martime Services Plc

5	Mobil Oil Nigeria Plc
6	MRS Oil Plc
7	OandoPlc
8	Total NgeriaPlc