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Evaluation Factors That Determine the Dividend Payout Ratio of Commercial Banks in Nigeria

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Abstract

The study examined the evaluation of factors that determine the dividend payout rate of commercial banks in Nigeria. The research adopted ex post facto research covering the period 2009 to 2018. Secondary data were extracted from annual reports and accounts of selected banks listed on the Stock Exchange (NSE). The data were analyzed using multiple regression techniques. Findings depict that earnings per share have a positive and nonsignificant effect on the dividend payout ratio of commercial banks in Nigeria. Retained earnings on the other hand have a negative and significant effect on the dividend payout ratio of commercial banks in Nigeria. Net profit margin and debt-equity ratio have a negative and insignificant effect on the dividend payout ratio of commercial banks in Nigeria. However, bank age has a positive and significant effect on the dividend payout ratio of commercial banks in Nigeria. The adjusted R-squared revealed that 21% of the variations in dividend payout ratio could be explained by the explanatory variables while 79% could be explained by other factors that are capable of influencing dividend payout ratio that was not studied. The implication of the findings is that only retained earnings and bank age can be used in predicting movement in the dividend payout ratio of banks in Nigeria.

Keywords: Dividend payout ratio, Earnings per share, Dividend per share, Net profit margin, Retained earnings, Debt-equity ratio, Commercial banks in Nigeria

1. Introduction

Dividend is a taxable payment issued by a corporation and it is provided to shareholders out of the firm's current or retained earnings. Also known as pro-rata profit distribution, it is the proportion of a company's profit that is distributed to shareholders on a pro-rata basis, defined by the number of shares held by each stakeholder (Okwo and Inyiama, 2015). The dividend

policy remains one of the most significant financial policies not only from the viewpoint of the bank but also from that of the shareholders, the consumers, workers, regulatory authorities and the government.

Dividend payout is the amount of cash that a firm delivers to its shareholders in the form of dividends. The corporation can choose to distribute all of its profits to its shareholders or investors, or it can choose to retain a portion of the profits as retained earnings. Profitable dividend distributions, on the other hand, imply that corporations are making genuine profitability rather than just accounting profits (Barron, 2002). Moreso, Zhou, and Ruland (2006) indicate that high dividend payment corporations likely to enjoy good future earnings but relatively poor historical profits growth despite market watchers having a contrasting opinion. Amoth and Asness (2003) also found that future profits growth is connected with a large rather than low dividend distribution.

Dividend payment has long been a contentious subject in corporate finance. Many scholars in the past have come up with theoretical models detailing what considerations managers should consider while making dividend decisions. Dividend distribution by business organizations is a key commitment to shareholders and consequently rates as one of the most significant corporate choices. Dividend growth over time provides information about a company's management's view of the firm's prospects, and the capacity to continuously pay out larger dividends over time sends strong signals to investors about the firm's foundations (Inyiama & Ugah,2015).

Enekwe, Nweze and Agu (2015) feel that dividend payment decisions of enterprises are the key aspect of any corporate policy which is the benefit of shareholders in return for putting their money in the company. Ajanthan (2013) opines that the dividend distribution of enterprises is not only the source of cash flow to the shareholders but it also delivers information pertaining to the firm’s present and future performance. Abdula and Haruto (2012) think that a company's earnings can be utilized to purchase securities or pay down debt, or they can be invested in running assets, or they can be paid to shareholders in the form of dividends, among other things. Whether or not to pay dividends depends on a variety of factors.

Dividends are significant to investors because they are believed to be an indicator of a company's financial well-being, which is vital to investors. Dividends also contribute to the preservation of the market value of a corporation's stock. Companies having a history of providing a constant dividend would be badly affected by lowering or discounting payouts. Similarly, corporations that had never paid dividends would be seen positively when they would pay a dividend. As respects, controlling dividend policy has an influence on share prices and shareholders’ wealth (Gill, Bigger and Tibrewala, 2010). (Gill, Bigger and Tibrewala, 2010). Inyiama and Ugah (2015) in their study utilized a multiple regression model and discovered that Dividend per Share (DPS) was positively and substantially impacted by Earnings per Share (EPS) and Market Price of Equity Shares (MPS) of the breweries in Nigeria. This study, therefore, seeks to assess the factors that impact the dividend payment of banks in Nigeria.

In every country, banks are the lubricant that keeps everything turning. It is these banks' success that determines the overall performance and prosperity of the country. Banks' ability to succeed is therefore critical. However, the dividend policy of banks influences their performance. The preceding argument is corroborated by the study done by Amidu (2007), which indicated that dividend policy influences a firm's performance. Banks' success is affected by the sort of dividend policy they employ when dispersing their earnings to shareholders.

In the corporate world today, investors have varied expectations when it comes to the dividend distribution. In contrast to some investors, who desire a low payout ratio, others prefer a large payout ratio, making it difficult to determine the optimal payout ratio that would match everyone's expectations. The payout ratio draws a lot from the dividend policy of organizations and the dividend policy of a company is impacted by several financial aspects. For some years now, the management of banks has been trying their best to manage the distribution of earnings between reserves and dividend payout to shareholders. This is due to the negative impact that such a decision will have on the financial performance of their respective banks and financial institutions. Some factors impact the amount of earnings that will be paid out as a dividend to shareholders. The level of effect these factors have on dividend distribution is still a conundrum. Hence, this study attempts to examine some of these financial factors that determine the dividend payout of deposit money banks In nigeria such as earnings per share, retained earnings, and net asset value per share, in other to determine the extent of effects these financial variables has on dividend payout of deposit money banks In nigeria.

1.1 Objectives of the Study

The broad objective of this study is to evaluate factors that determine the dividend payout ratio of commercial banks in Nigeria. While the specific objectives are to:

i. Determine the effect of earnings per share on dividend payout ratios of commercial banks in Nigeria.

ii. Ascertain the effect of retained earnings on dividend payout ratios of commercial banks in Nigeria.

iii. Examine the effect of net profit margin on dividend payout ratios of commercial banks in Nigeria.

iv. Evaluate the effect debt-equity ratio on dividend payout ratio of commercial banks in Nigeria.

v. Determine the effect of bank age on dividend payout of commercial banks in Nigeria.

2. Review of Related Literature

2.1 Dividend Payout Ratio (DPR)

Enekwe, Nweze and Agu (2015) think that the dividend payout ratio represents the percentage of net income that is delivered to shareholders in the form of dividends during the

year. In other words, this ratio reflects the amount of earnings the firm chose to maintain supporting operations and the portion of profits that is paid to shareholders. Investors are particularly interested in the dividend distribution because they want to know if the firm or companies are paying out a sufficient amount of net income to investors. The dividend payout ratio is the ratio of the total amount of dividends paid out to shareholders relative to the net income of the firm. It is the percentage of earnings paid to shareholders in dividends. It is calculated as follows:

$$\text{Dividend Payout Ratio} = \frac{\text{Dividend Paid}}{\text{Net Income}}$$

2.2 Earning Per Share (EPS)

Earning is a crucial life of a corporation for growth, diversification, investments and shareholders' wealth maximization. It offers the requisite resources for the supply of returns in investment in shares are other portfolios by shareholders and other stakeholders. Inyiama and Ozouli (2015) think that the value of ordinary shares reflects the performance and management effectiveness of people who run the businesses at all periods in time.

Enekwe, Nweze, and Agu (2015) think that earning per share, sometimes termed net income per share, is a market prospect ratio that quantifies the amount of net income earned per share of stock outstanding. In other words, this is the amount of money each share of stock would receive if all the profits were dispersed to the outstanding shares at the end of the year. Higher earnings per share are always preferable than a lower ratio since this suggests the firm is more lucrative and the corporation has more money to distribute to its shareholders. Earnings per share are computed by dividing the business's total earnings or income by the number of shares the firm has outstanding.

2.3 Retained Earnings (RE)

Dinayak (2014) contendes that retained earnings are that percentage of trade profits that is not released in the form of dividends to shareholders but is held by directors for future growth of the firm. Campbell (2012) states that the fundamental rationale behind earnings retention is that the more the organization retains the faster it has possibilities for growth. Dinayak, (2014) argues that retained earnings are frequently represented under shareholders' equity on the statement of financial position.

2.4 Net Profit Margin (NPM)

When completing a simple profitability ratio study, the net profit margin is the most typically margin ratio employed. The net profit margin reveals how much of each sales transaction comes up as net income after all expenditures are paid. For example, if the net profit margin is 5 percent it indicates that 5 kobo of every one naira is profit. The net profit margin evaluates profitability after account of all expenditures including taxes, interest, and depreciation. According to Setiawan (2012), the net profit margin is the ratio used to illustrate the company's ability to earn net profits after taxes. Meanwhile, Bastian (2006) opined that the net profit margin is the ratio between the net income by sales.

2.5 Debt to Equity Ratio (DER)

Nwude (2003) defines the debt to equity ratio as a measure of the percentage of debt to shareholders' funds (i.e. Net Worth) in the entire financing of company elements such as cumulative losses and postponed expenditures are subtracted from the shareholders' funds before using it as the denominator. The ratio reflects how much naira was raised as debt for N1 of equity. The debt to equity ratio is a financial ratio representing the relative amount of equity and debt used to fund a company's assets which is an indicator of financial leverage. It is equivalent to total debt divided by shareholders' equity. This is an important measure since it allows the investor assess the way management has financed operations. A high debt/equity ratio often suggests that a corporation has been active in funding its expansion with debt. This might result in variable profitability as a consequence of the higher interest charges as well as volatile cash flow as principal payments on debt, come due. If a lot of debt is utilized to support greater operations (high debt to equity) the firm might potentially create more earnings per share than it would have without this outside financing.

2.6 Theoretical Framework

2.6.1 The Bird-in-Hand Theory (Gordon and Lintner, 1959)

The bird in hand argument contends that due to the inherent uncertainty associated with capital gains, investors choose dividends from stock investments over potential capital gains. The bird-in-hand argument says that investors prefer the security of dividend payments over the possibility of much bigger future capital gains, based on the adage "a bird in the hand is worth more than two in the bush." The bird-in-hand concept was developed by Myron Gordon and John Lintner as a counter-argument to the Modigliani-Miller dividend irrelevance argument. According to the dividend irrelevance argument, investors are unconcerned about whether their rewards from keeping shares come from dividends or capital gains. According to the bird-in-hand thesis, shares with significant dividend payouts are sought after by investors and, as a result, command a higher market price.

2.6.2 Dividend Irrelevancy Theory (Miller and Modigliani, 1961)

According to the dividend irrelevance argument, investors do not need to worry about a company's dividend policy since they may sell a portion of their stock portfolio if they need cash. According to the dividend irrelevance theory, a company's announcement and payment of dividends should have little or no effect on its stock price. If this argument is correct, dividends do not add value to a company's stock price. Despite the dividend irrelevance argument, many investors place a premium on dividends while constructing their portfolios. A current income strategy, for example, seeks for investments that provide above-average distributions (i.e., dividends and interest payments) (i.e., dividends and interest payment). While current income strategies are primarily risk-averse, they may be used in a variety of allocation decisions throughout a risk spectrum.

2.6.3 Life Cycle Theory of Dividends (Mueller, 1972)

According to life cycle theory of dividends, dividends tend to be paid by mature firms while young ones face relatively abundant investment opportunities with limited resources so that retention dominates distribution.

According to the life cycle theory of dividends, dividends tend to be paid by mature firms while young ones face relatively abundant investment opportunities with limited resources so that retention dominates distribution. According to the life cycle theory of dividends, dividends tend to be paid by mature firms while young ones face relatively abundant investment opportunities with limited resources so that retention dominates distribution

According to the life cycle theory of dividends, mature firms tend to pay dividends, but newer organizations have fewer investment opportunities and hence retention dominates distribution. To be able to fund its whole operating budget from internal sources, a fledgling company must have a large investment opportunity set. It also faces significant challenges in obtaining external funding. As a result, the dividend will avoid paying dividends to shareholders. After a period of expansion, the firm matures in its life cycle. The company's investment opportunity set has shrunk, its growth and profitability have slowed, systemic risk has decreased, and it has more cash on hand than it can invest. Eventually, the dividend pays dividends to owners. The extent to which a mature firm distributes earnings to shareholders rather than investing them internally will depend on how closely management's interests coincide with those of shareholders.

2.6.4 Signaling Theory (Ross, 1977)

According to dividend signalling theory, a firm announcement of a rise in dividend payouts indicates optimistic prospects. Managers with high investment potential are more likely to signal. While the concept of dividend signalling has been heavily criticized, some investors still use it. Signalling theory describes how two parties (individuals or organizations) behave when they have different knowledge. Typically, the transmitter decides whether and how to deliver information, while the recipient decides how to interpret it.

On the bird in hand theory. Because a bank's goal is to make money for its shareholders. Wealth generation is impossible when a firm hoards its profits year after year. Since we cannot predict the future of financial institutions, delivering a dividend to shareholders is critical.

2.7 Empirical Review

Hasan, Ahmad, Rafiq, and Rehman (2015) investigated the relationship between dividend payout ratio and business profitability in Pakistan's Fuel and Energy Industry and Textile Industry. Profitability was measured using earnings per share and return on assets. The study found a negative relationship between dividend payout and profitability using multiple regression techniques.

Inyiama, Okwo, and Inyiama (2015) investigated dividend payout policy factors of selected listed Nigerian Brewery Firms. Using multiple regression techniques, it was revealed that

earnings per share (EPS) and the market price of equity shares (MPS) have a positive and significant influence on dividend per share, but net assets have a negative but significant influence on dividend per share (DPS) (DPS).

Between 1997 and 2011, Kajola, Desu, and Agbanike (2015) examined the determinants of dividend policy choices at twenty-five non-financial firms listed on the Nigerian Stock Exchange. Panel data approaches were employed, using fixed and random effects models as estimation procedures. Profitability, firm size, leverage, and variations in dividend payout are significant elements that influenced dividend policy decisions of the selected organizations during the course of the research.

Kiboi (2015) investigated the relationship between profits per share and dividends per share of Nairobi Securities Exchange-traded enterprises. The study found that using correlation analysis and a multiple regression model, EPS had a positive and significant influence on DPS, but leverage, liquidity, and retained earnings had negative but minor effects on DPS.

Maude, Jimoh, and Okpanachi (2015) investigated the factors that influence the dividend growth pattern of Nigerian Deposit Money Banks. The study relies heavily on secondary data gleaned from the financial reports of seven (7) banks listed on the Nigeria Stock Exchange. Using multiple regression techniques, it was revealed that all explanatory factors (inflation, share price, and earnings per share) had a significant impact on dividend payout.

Echchabia and Azouzi (2016) investigated the factors influencing dividend payout ratios in Tunisian enterprises listed on the Tunisian Stock Exchange from 2003 to 2012: Insights from the Jasmine Revolution. For the analysis, the ordinary least squares method was used. According to the findings, net cash flow and market to book value had a significant influence on dividend payout, although the Jasmine revolution had no significant impact on dividend payout among Tunisian listed companies.

Mui and Mustapha (2016) investigated the factors influencing dividend policy in Malaysian publicly traded businesses. Over a five-year period, secondary data was gathered by hand from the annual reports of the listed firms. Multiple regression is used in this study to analyze the relationship between the factors and dividend payout decisions. The findings show that investment opportunity, liquidity, and business size all have a significant influence on the dividend payout of Malaysian listed businesses.

Yong, Mui, and Mazlina (2016) examined the dividend payout ratio variables of Malaysian publicly traded businesses. Over a five-year period, secondary data was gathered by hand from the annual reports of the listed firms. Multiple regression is used in this study to analyze the relationship between the factors and dividend payout decisions. The findings show that investment opportunity, liquidity, and business size all have a significant influence on the dividend payout of Malaysian-listed businesses.

Khan and Ahmad (2017) investigated the factors of dividend payout: An empirical study of Pakistan Stock Exchange (PSX) pharmaceutical enterprises (PSX). The data is subjected to correlation analysis and backward multiple linear regression to determine the relationship between components and the impact of selected independent variables on dividend payout.

According to the findings, audit type, liquidity, expansion potential, and profitability are the key determinants of dividend payout in PSX's pharmaceutical enterprises.

Olabisi, Fapetu, and Onyekuwuluje (2017) investigated the drivers of dividend policy in Nigerian listed consumer goods manufacturing firms. Secondary data were collected from seven (7) consumer products manufacturing companies chosen at random from among the twenty-seven (27) listed companies on the Nigeria Stock Exchange (NSE) in 2016. Ordinary Least Square Methods were used to examine the collected data. Profitability and dividend policy have a significant negative relationship. Furthermore, there is a significant relationship between liquidity and dividend. However, no significant link exists between firm size and dividend policy, and a negative insignificant relationship exists between financing policy and dividend policy.

Sasona (2017) investigated the factors influencing the dividend payout policy of Nigerian publicly traded companies. Secondary data for the study period of 2002 to 2016 were acquired from the Nigerian Stock Exchange for twenty (20) chosen listed enterprises. At a 5% level of significance, the panel data technique was employed, and the random-effects model was used as an estimating strategy. The findings revealed that profitability and historical dividend were positively linked with dividend payout ratio, however liquidity and economic state were negatively associated with dividend payout ratio.

Zayol, Mya, and Muolozie (2017) investigated the factors influencing the dividend policy of Nigerian petroleum organizations. The extent to which profitability, business size, liquidity, and leverage influence dividend payout of Nigerian petroleum corporations prompted this research project. From 2011 to 2014, data were collected from nine Nigerian petroleum firms for this purpose. Descriptive statistics, correlations, and regression analysis were used to examine the data. The study's findings indicated that company size, liquidity, and leverage had no influence on the dividend policy of Nigerian petroleum businesses; nevertheless, profitability was proven to have an effect on the dividend policy of Nigerian petroleum firms.

Bostanci, Kadioglu, and Sayilgan (2018) investigated the firm-specific variables influencing dividend payout decisions of enterprises whose shares are traded on the Borsa Istanbul stock exchange. Between 2009 and 2015, 853 observations of the yearly average of 106 enterprises listed on the Borsa Istanbul were subjected to a dynamic panel regression. The relationship between the previous year's dividend payout, the company's return on equity and the market value/book value ratio, liquidity, and the company's size was found to have a statistically significant positive impact on dividend payout.

Jaara, Alashhab, and Jaara (2018) investigated the drivers of dividend policy for Jordanian non-financial firms. The panel dataset of Jordanian non-financial firms was utilized in the study. There was correlation and regression analysis. The findings show that business size has a significant positive effect, which may help to relieve the free cash flow problem, since mature and large corporations pay greater and more regular dividends. The return on equity was positive and significant, and companies with high profitability paid out larger monthly dividends. The impact of prior payouts is usually positive and significant, indicating that the

company prefers to pay dividends on a regular basis rather than at random. Risk has a negative impact on payout levels.

Okoro, Ezeabasili, and Alajekwu (2018) investigated the dividend payout determinants of consumer products companies listed on the Nigerian Stock Exchange. There are 28 consumer goods companies listed on the Nigerian Stock Exchange. A purposive selection strategy was used, and a sample of 9 consumer products firms was chosen across a ten-year period from 2006 to 2015. Multiple regressions and descriptive statistics were used. According to the findings, firm market value has a significant positive effect on dividend payout; firm profitability has a positive but insignificant effect on dividend payout; firm leverage has a negative and insignificant effect on dividend payout; and firm size has a negative and insignificant effect on dividend payout.

Sadia (2018) investigated the drivers of dividend policy in non-financial firms listed on the Dhaka Stock Exchange. Profitability, business size, liquidity, growth potential, leverage, firm risk, and previous year's dividend are all predictive variables. Using multiple regression techniques, the results show that dividend payout policies are positively influenced by business size, liquidity, growth, firm risk, and previous year's payouts, but adversely influenced by financial leverage and profitability.

Ahmad (2019) investigated the drivers of dividend policy: a study of the impact of changing company factors on dividend payout ratios of publicly traded North American corporations over a 30-year period (1989-2019). (1989-2019). It was shown that size and liquidity had statistically significant influence on the dividend payout ratios of enterprises. Following the Granger-Causality test, it was determined that only the company's liquidity had a causal relationship with the dividend payout ratio of a corporation.

From the foregoing empirical reviews, it is obvious that determinants of dividend payout need further examination in the Nigerian banking sector. Prior studies in this sector are out of date and cannot be relied upon while taking dividend payout decisions this recent time. Also, the variables used in prior literature differ from the ones employed in this study. All of these created a gap in the literature that this study attempts to fill.

3. Methodology

3.1 Research Design

This research evaluated the determinants of the dividend payout ratio of commercial banks in Nigeria adopted an *ex-post facto* (after the facts) research design. This means that the study was based on historical data. This study made use of secondary data for the study. The data was extracted from published audited financial statements of the selected deposit money banks listed on the Nigerian Stock Exchange (NSE) for the period of 10 years (2009-2018). Five (5) banks were judgmentally sampled out of the twenty-three (23) banks listed on the Nigeria Stock Exchange. Those banks that disclose these variables consistently for the 10 years and are financially healthy were selected as samples of the study. The banks that meet this criterion and thus selected are First Bank Nigeria Plc, Access Bank Nigeria Plc, Diamond Bank Nigeria Plc, United Bank for Africa Plc, and Guarantee Trust Bank Plc.

3.2 Analytical Technique

Multiple regression techniques were used for the data analysis. The data was analyzed in the following sequence:

1. Graphical representation of the dependent and independent variables to show the trend of movement within the study period. This can be used for predictions.
2. Multiple regression analysis was conducted to ascertain the effect of these explanatory variables on the dividend payout ratio.

3.3 Model Specification

The model is specified as follows:

$$DPR_t = \beta_o + \beta_1 EPS_t + \beta_2 REt + \beta_3 NPM_t + \beta_4 DER_t + \beta_5 BA_t + Ɛ_t \quad \text{[Equation (1)]}$$

Where;

DPR:	Dividend Payout Ratio
EPS:	Earnings Per Share
RE:	Retained Earnings
NPM:	Net Profit Margin
DER:	Debt-Equity Ratio
BA:	Bank Age
Ɛ	Stochastic Disturbance (Error) Term
β_o	Coefficient (constant) to be estimated
$\beta_i - \beta_5$	Parameters of the independent variables to be estimated
t	Current period

3.4 Data Analysis

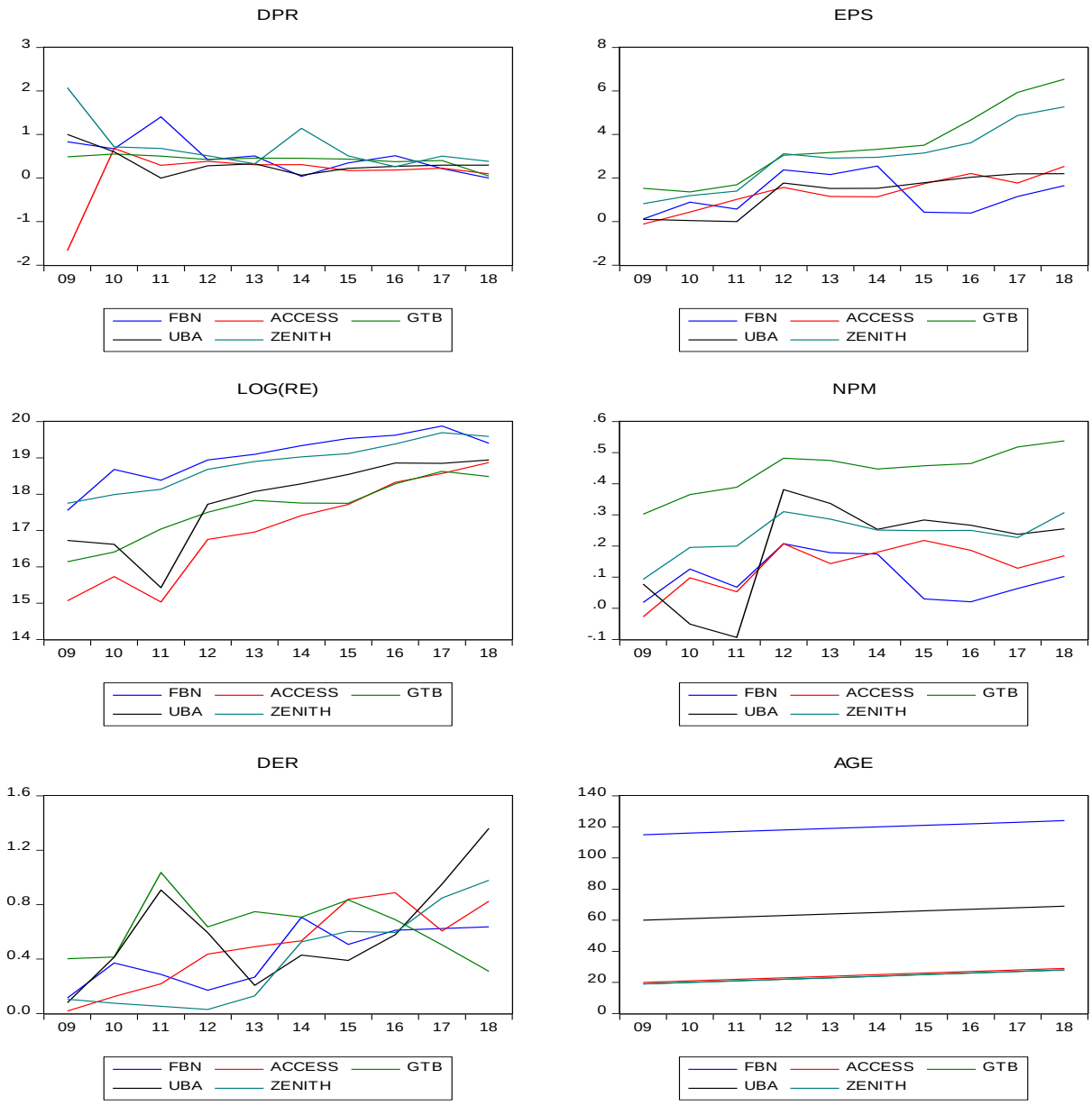

Figure 1. Line Graph of the Focal and Explanatory Variables

Source: Eviews 10.0 Statistical Software

The above graph shows the movement pattern of the variable within the period under study. From the graph, it could be observed that DPR and EPS have a dissimilar patterns of movement. Also, DPR is seen to have a different pattern of movement with NPM and AGE of commercial banks in Nigeria. However, DPR has a similar pattern of movement to RE and DER. This is the situation of the focal and explanatory variables of commercial banks in Nigeria.

Table 1. Descriptive Statistic Result for the Focal and Explanatory Variables

	DPR	EPS	LOG(RE)	NPM	DER	AGE
Mean	0.410908	2.060200	18.05868	0.222076	0.508683	51.10000
Median	0.382734	1.755000	18.30415	0.212769	0.517100	27.00000
Maximum	2.073171	6.540000	19.87434	0.537735	1.359970	124.0000
Minimum	-1.666667	-0.120000	15.03250	-0.093553	0.018088	19.00000
Std. Dev.	0.468145	1.523838	1.226839	0.152721	0.306047	38.14700
Skewness	-0.602266	0.984340	-0.807065	0.177865	0.295149	0.971322
Kurtosis	12.06626	3.803782	2.998461	2.491336	2.715834	2.353690
Jarque-Bera	174.2664	9.420341	5.427958	0.802675	0.894173	8.732464
Probability	0.000000	0.009003	0.066273	0.669424	0.639489	0.312699
Sum	20.54541	103.0100	902.9338	11.10379	25.43416	2555.000
Sum Sq. Dev.	10.73884	113.7821	73.75158	1.142860	4.589563	71304.50
Observations	50	50	50	50	50	50

Source: Eviews 10.0 Statistical Software

Table 1 above reveals the variable description of the 50 observations. From the table, the industry minimum DPR is -1.666667. While the industry maximum DPR is 2.073171. The banking industry means and median DPR are 0.410908 and 0.382734 respectively. The table further revealed that on average, the sampled banks have an EPS of 1.755000, a RE of 18.05868 (in natural logarithm value), an NPM of 0.222076, and a DER of 0.508683, and an AGE of 51.1. The industry maximum includes: EPS - 6.540000, LOG(RE) - 19.87434, NPM - 0.537735, DER - 1.359970, and AGE - 124. In the same line, the industry minimum includes: EPS - -1.666667, LOG(RE) - 15.03250, NPM - -0.093553, DER - 0.018088, and AGE - 19. The standard deviation of the variables among the sampled firms includes DPR – 0.468145, EPS - 1.523838, LOG(RE) - 1.226839, NPM - 0.152721, DER – 0.306047, and AGE – 38.14700.

The table also depicts the normality test of the data series using the coefficients of Skewness, Kurtosis, and Jarque-Bera Probability. From the result above, the panel data for the focal and explanatory variables are normally distributed with a skewness coefficient of less than one. The kurtosis coefficient suggests that among the variables under study, only DPR (12.06626) and EPS (3.803782) are not normally distributed with a Kurtosis coefficient greater than three. An insignificant Jarque-Bera Probability for all the variables except DPR and EPS further justifies that the panel data are normally distributed. This is the case with the data extracted from annual reports and accounts of sampled commercial banks in Nigeria.

Table 2. Multiple Regression Result

Dependent Variable: DPR

Method: Panel Least Squares

Date: 11/08/19 Time: 03:17

Sample: 2009 2018

Periods included: 10

Cross-sections included: 5

Total panel (balanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EPS	0.003694	0.105169	0.035122	0.9722
LOG(RE)	-0.400978	0.178770	-2.242984	0.0305
NPM	-0.886830	1.180316	-0.751350	0.4568
DER	-0.170170	0.283824	-0.599563	0.5522
AGE	0.156974	0.066959	2.344338	0.0241
C	1.309147	2.006910	0.652320	0.5179

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.359051	Mean dependent var	0.410908
Adjusted R-squared	0.214838	S.D. dependent var	0.468145
S.E. of regression	0.414821	Akaike info criterion	1.254916
Sum squared resid	6.883049	Schwarz criterion	1.637320
Log likelihood	-21.37290	Hannan-Quinn criter.	1.400538
F-statistic	2.489718	Durbin-Watson stat	1.737803
Prob(F-statistic)	0.023082		

Source: Eviews 10.0 Statistical Software

Table 2 reveals that EPS, NPM, and DER have an insignificant effect on DPR with a probability outcome higher than 0.05 (0.9722, 0.4568, and 0.5522 respectively) and at-Statistic less than 2 (0.035122, 0.751350, and 0.599563 respectively). While RE and AGE

have a significant effect on DPR with a probability outcome less than 0.05 (0.0305 and 0.0241) and a t-Statistic higher than 2 (2.242984 and 2.344338). The table further depicts that a unit change in RE, NPM, and DER will result in 0.003694, 0.886830, 0.156974, and a decrease in DPR respectively. While a unit change in EPS and AGE will increase DPR by 0.400978 and 0.170170 respectively. The coefficient of determination adjusted R-squared (R^2) indicates that about 21% of the change in DPR is accounted for by the explanatory variables. The probability of the F-statistic is significant which shows the statistical fitness of the multiple regression. There is an absence of serial autocorrelation in the panel data extracted from annual reports and accounts of the sampled commercial banks, as suggested by the Durbin-Watson stat of 1.737803.

3.5 Test of Hypotheses

In section One, we formulated five principal testable hypotheses to evaluate factors that determine the dividend payout rate of commercial banks in Nigeria, against which this study is anchored. These propositions are subjected to empirical testing drawing from the results of our inferential statistical analyses.

Statement Decision Rule: Reject H_0 if the P-value tabulated is less than the A-value calculated (0.05), and accept the null hypotheses if the reverse becomes the case.

Hypothesis One: Earnings per share does not have a significant effect on the dividend payout ratios of commercial banks in Nigeria.

Decision: From the panel regression analysis, the P-value of 0.9722 is greater than the 0.05 A-value. Therefore, the null hypothesis is accepted and the alternate hypotheses rejected. This implies that earnings per share have an insignificant effect on the dividend payout ratio of commercial banks in Nigeria.

Hypothesis Two: Retained earnings do not have a significant effect on the dividend payout ratios of commercial banks in Nigeria.

Decision: From the panel regression analysis, the P-value of 0.0305 is less than the 0.05 A-value. Therefore, the null hypothesis is rejected and the alternate hypotheses accepted. This implies that retained earnings have a significant effect on the dividend payout ratio of commercial banks in Nigeria.

Hypothesis Three: Net profit margin does not have a significant effect on the dividend payout ratios of commercial banks in Nigeria.

Decision: From the panel regression analysis, the P-value of 0.4568 is greater than the 0.05 A-value. Therefore, the null hypothesis is accepted and the alternate hypotheses rejected. This implies that the net profit margin has an insignificant effect on the dividend payout ratio of commercial banks in Nigeria.

Hypothesis Four: Debt-equity ratio does not significantly affect the dividend payout ratio of commercial banks in Nigeria.

Decision: From the panel regression analysis, the P-value of 0.5522 is greater than the 0.05 A-value. Therefore, the null hypothesis is accepted and the alternate hypotheses rejected. This implies that the debt-equity ratio has an insignificant effect on the dividend payout ratio of commercial banks in Nigeria.

Hypothesis Five: Bank age does not significantly affect the dividend payout ratio of commercial banks in Nigeria.

Decision: From the panel regression analysis, the P-value of 0.0241 is less than the 0.05 A-value. Therefore, the null hypothesis is rejected and the alternate hypotheses accepted. This implies that the debt-equity ratio has a significant effect on the dividend payout ratio of commercial banks in Nigeria.

4. Discussion of Results

In hypothesis one, earnings per share were found to have nonsignificant effect on the dividend payout ratio of commercial banks in Nigeria. This is in tandem with the findings of Malik, Gil, Khan, Rebman, and Khan (2013), Inyiama, Okwo and Inyiama (2015), Kiboi (2015), Harun (2016), and Kajola, Desu, and Agbanike (2015) found a positive and significant effect on dividend payout ratio. However, Hasan, Ahmad, Rafiq, and Rehman (2015), and Demirgüneş (2015), found either nonsignificant or negative effect on dividend payout ratio. The difference in the findings could be attributed to sectorial differences or period and economic differences.

Hypothesis two revealed that retained earnings have a negative and significant effect on the dividend payout ratio of commercial banks in Nigeria. This is in tandem with the findings of Echchabia and Azouzi (2016), Sani (2013), Khan and Ahmad (2017), King'wara (2015), Leon and Putra (2014), Mubin, Ahmend, Farrukh, Lal, and Hussain (2014) who found either a significant or negative effect on dividend payout ratio.

Hypothesis three revealed that net profit margin has a negative and nonsignificant effect on the dividend payout ratio of commercial banks in Nigeria. This is in tandem with the findings of Ogheneochuko and Abigirl (2015), Maude, Jimoh, and Okpanachi (2015), Echchabia and Azouzi (2016), Sani (2013), Khan and Ahmad (2017), King'wara (2015), Leon and Putra (2014), Mubin, Ahmend, Farrukh, Lal, and Hussain (2014) who found either an nonsignificant or negative effect on dividend payout ratio.

Hypothesis four revealed that the debt-equity ratio has a negative and nonsignificant effect on the dividend payout ratio of commercial banks in Nigeria. This is in tandem with the findings of Nuhu, Musah, and Senyo (2014), Yong, Mui and Mazlina (2016), Sani (2013), Khan and Ahmad (2017), King'wara (2015), Leon and Putra (2014), Mubin, Ahmend, Farrukh, Lal, and Hussain (2014) who found either an nonsignificant or negative effect on dividend payout ratio.

Hypothesis four revealed that the debt-equity ratio has a negative and nonsignificant effect on the dividend payout ratio of commercial banks in Nigeria. This is in tandem with the findings of Nuhu, Musah, and Senyo (2014), Yong, Mui and Mazlina (2016), Sani (2013), Khan and

Ahmad (2017), King'wara (2015), Leon and Putra (2014), Mubin, Ahmend, Farrukh, Lal, Hussain (2014), Harun (2016), and Kajola, Desu, and Agbanike (2015) who found either nonsignificant or negative effect on dividend payout ratio.

5. Conclusion and Recommendation

This research intends to investigate the factors that impact the dividend payout ratio of commercial banks. If the extent of the effect of these financial factors on dividend payout ratio is established, it will help the management of commercial banks to make an informed decision as it concerns how to increase the rate of dividend they pay to shareholders by identifying those factors that contribute to changes in dividend payout, thus working on improving these financial factors positively.

From the regression analysis findings, it was shown that profits per share had a positive and negligible influence on the dividend payout ratio. Meanwhile, net profit margin and debt-equity adversely and nonsignificantly effect the dividend payout ratio of commercial banks un Nigeria. However, retained earnings have a negative and significant influence on the dividend payout ratio. While bank age has a positive and significant influence on dividend payout ratio. This is in parallel with the life cycle hypothesis which holds that as organizations grow more mature, they tend to pay greater dividends to their shareholders. The study, therefore, concludes that only retained earnings and bank age can be used to predict the movement in the dividend payout ratio of commercial banks in Nigeria. The following are hereby recommended:

i. Commercial banks should always strive to increase their profit. This is because as profit increases, the rate of dividend they payout to shareholders also increases.

ii. Commercial banks should strive to reduce their revenue reserve as it decreases the amount paid to equity owners as a dividend. Other sources of corporate financing like equity capital should be utilized.

iii. The margin of profit to sales should be looked into to identify the cause of its negative effect on the dividend payout ratio.

iv. They should seriously avoid the use of debt as a corporate financing option. This is because the income that should have gone to shareholders as dividends is to service debts.

v. Shareholders of younger banks should not panic about low or zero dividend payout ratio because as banks mature, it tends to pay higher dividends to shareholders. However, younger banks should strive to increase their earnings to encourage shareholders by giving them profitability signals in the form of dividend payments.

An important dimension of every research work is how that work contributed to the body of knowledge. This work has contributed to the body of knowledge in the following areas and as such will significantly influence the decision making of commercial banks: Firstly, prior studies in this sector are out of date and cannot be relied upon while taking dividend payout decisions this recent time. Also, the variables used in prior literature differ from the ones

employed in this study. All of these created a gap in the literature that this study attempts to fill.

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