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Evaluating the Effect of Financial Performance on Dividend Payout of Deposit Money Banks in Nigeria

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ABSTRACT

This study evaluated the effects of financial performance measures on the dividend payout of deposit money banks in Nigeria. The specific objectives are to determine the effect of earnings per share on dividend per share of deposit money banks in Nigeria, to examine the effect of return on assets on the dividend per share of deposit money banks in Nigeria, to assess the effect of return on equity on dividend per share of deposit money banks in Nigeria and to evaluate the effect of profit for the year on dividend per share of deposit money bank in Nigeria from 2011 to 2020. The proxies for the independent variables, Financial performance, are earnings per share, return on assets, return on equity and profit for the year while the proxy for dividend payout is dividend per. The study adopted ex post factor research design. Secondary data were obtained from the annual audited reports of the banks from 2011 to 2020. Correlation coefficient was used to determine the strength of association among the variables while multiple regression analysis was used to analyze the data obtained. The finding of the study revealed that earnings per share and return on assets had significant positive effects on dividend per share; return on equity had insignificant positive effect on dividend per share while profit for the year had significant negative effect on dividend per share of deposit money banks in Nigeria. The researcher concluded that financial performance measures had significant positive effect on dividend per share except for profit for the year that had negative and significant effect on dividend per share of deposit money banks in Nigeria. It was recommended among others that Management should improve on their Earnings Per Share (EPS), Return on Assets (ROA) and Return on Equity (ROE) as they are of importance in determining the dividend payout of deposit money banks in Nigeria. Banks' management to design an optimum dividend policy that will enhance performance as well as shareholders' value by striking a balance between payout and retention ratio.

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1. INTRODUCTION

1.1. Background of the Study

Investors in Nigerian banks are interested in the return on their investment. Akirisulire[5] stated that this return can come in the form of dividend which can be cash or additional stock. Return on investment can also come in the form of increase in share prices. No matter the form, it is important that the firm's objective of maximizing shareholders wealth is achieved either by increasing shareholder's purchasing power through cash dividend or increasing share price through reinvestment of retained earnings. According to Emekekwue[16], retained earnings helps to reduce the impact of potential decline in the future earnings capability of the firm and as such, a drop in the future retained earnings will cause the market value of the stock to decline. This implies that dividend whether paid or retained has effect on the future growth of the company.

The importance of the study of dividend policy of banks cannot be overemphasized because of its consequences on the future performance of banks. Akinsulire[5] stated that dividend policy is extremely important because of its significant effect on the value of shares of companies and that a stable dividend policy will likely lead to higher share prices because the investors now have confidence on the company's future performance. In other words, investors are likely to invest more in a company that provides hope of regular dividend payments while at the same time expecting appreciation in the value of their investments through share price increases and wealth creation through investment diversification. This is a dilemma in the sense that achieving regular dividend payment may prevent the company from taking viable investment opportunities that will eventually result to increased profitability. Retaining all the profits for reinvestment will likely result to the loss of investors' confidence in the company and possible fall in share price.

Al-Najjar and Kilincarslan[8] stated that dividend policy remains a matter of great controversy in corporate finance despite all the great deal of academic research on the rationale behind dividend payments. This situation was described by Black [12] as, ''dividend puzzle''. He stated further that the ''harder we look at the dividend picture, the more it seems like a puzzle, with pieces that just do not fit together''.

Inyiama, Okwo and Inyiama [24] opined that dividend is the share of profit of a firm by the shareholders in proportion to the number of shares held by each shareholder. Zameer, Rasool, Igbal and Arshal [46] defined dividend as the distribution of company's profit to its shareholders which depends on the shares one owns. In Olowe and Moyosore [33], dividend policy is seen as the payout policy that guides managers in deciding how to distribute the profits to the shareholders at the end of the financial year.

Being aware of the proportion of the earnings to distribute as dividend and the form of the distribution does not proffer solution to this puzzle. Banks should understand in clear terms the reason behind dividend payment. Gill, Biger & Tibewala[18] pointed out that dividend payment is important because of the fact that it provides assurance about the company's financial strength, attracts investors looking for current income and also helps to maintain the market value of the company's share.

On the order hand, Akinsulire[5] stated that retained earnings are important because they are attractive source of finance for investment projects since investments can be undertaken without involving shareholders or any outsider to raise fund, adding that retained earnings have no associated costs, no issue costs and there is no possibility of change in control. The forgoing statements indicate that dividend payments and retained earnings are two opposing forces in the sense that the higher the retained earnings the lower the fund available for distribution as dividend to shareholders and vice versa.

The major challenge facing deposit money banks in Nigeria today is how to balance the two sides and arrive at a dividend payout policy that maximizes the shareholders' wealth without jeopardizing the confidence reposed on the banks by their shareholders and other investors. According to Dada, Malomo and Ojadiran[14], dividend policy still remains a puzzle despite several academic discourses on the subject matter. The recent increasing competition among deposit money banks on profit declaration and dividend payments triggered a lot of comments from shareholders and the general public and also resulted to change in the perception of shareholders and the banking public about the various banks in Nigeria. The fact that banking sector is the second largest after the oil sector in Nigeria according to Dada et al [14] suggests that care should be taken to study the interaction between financial performance measures and dividend payment policies of banks with a view to providing a guide for a stable and optimum dividend policies for the banks. This is so because the future of the banks depends partly on their dividend policies and we cannot underestimate the fatality the collapse of banking industry may bring upon Nigeria economy.

The study and the understanding of the interplay of the various financial performance measures and the dividend payout will enable deposit money banks to adopt dividend policies that guarantee their continuous existence by ensuring according to Stephen, Nneji and Nkamare[38] that banks should be capable of maximizing the shareholders wealth through increase in share price /value. It is worthy to note here that it is the duty of the finance manager to decide whether to adopt higher payout ratio and then borrow to finance investment opportunities or low payout ratio and utilize the retained earnings to finance available viable investments. It should also be noted that whichever option should depend on the prevailing economic situation.

1.2. Statement of Problem

The banking industry through its financial intermediation function plays an important role in Nigeria economy. Prior to the recapitalization of deposit money banks in Nigeria in December 2005 by the Central bank of Nigeria, there were several incidents of failed and distressed banks. The recapitalization required all deposit money banks to increase their capital base form N2billion to N25billion which resulted to merger and acquisition as banks struggled to beat the deadline, Olowe and Moyosore[33]. The recapitalization brought t bare stronger and reliable banks with increased branch network and profitability as well as regular dividend payout.

Thereafter, the Central Bank of Nigeria continued to exercise its supervisory power over these banks through continuous downward review of charges, fees and commission charged by banks, Central bank of Nigeria Circular of March 27, 2013[13]. These and the effects of Covid-19 pandemic and its resultant drop in economic activities with increasing non-performing loans ratios resulted to decline in banks' earnings as each bank struggled to survive. The continuous depreciation of Naira and high inflationary rate which has eroded the recapitalization of banks from N2billion to N25billion under Prof Chukwuma Soludo Led Central bank of Nigeria in December 2005 calls for concern as we examine the adequacy of the existing capitalization. This situation has put a lot of banks under pressure as they strive to meet the shareholders dividend payment expectation and at the same time meet the regulatory requirements on liquidity ratio; cash reserve ratio and capital adequacy ratio.

Based on the foregoing challenges, this study is set to evaluate the effect of financial performance on the dividend payout of Nigeria deposit money banks in Nigeria with a view to making recommendations on how to achieve optimum dividend payout policies for banks in Nigeria. The study covers a period of ten years from 2011 to 2020. Seven banks were selected for the study namely Zenith Intl Bank PLC, UBA PLC, GTB PLC, First Bank Of Nigeria Ltd, Access Bank PLC and Fidelity Bank PLC. These banks are classified by central Bank of Nigeria as Domestic Systematically Important Banks.

1.3. Objective of the Study

The main Objective of this study is to evaluate the effect of financial Performance on dividend Payout of Deposit Money Banks in Nigeria. The specific objectives are:

1. To determine the effect of earnings per share on dividend payout of deposit money banks in Nigeria.
2. To examine the effect of return on assets on dividend payout of the deposit money banks in Nigeria.
3. Assess the effect of return on equity on dividend payout of deposit money banks in Nigeria.
4. To evaluate the effect of profit for the year on dividend payout of deposit money banks in Nigeria.

1.4. Research Question

The researcher in order to provide solution to the stated problems answered the following questions:

1. To what level does earnings per share affect dividend payout of deposit money banks in Nigeria?
2. To what extent does return on assets affects dividend payout of deposit money banks in Nigeria?
3. To what degree does return on equity affect dividend payout of deposit money banks in Nigeria?
4. To what extent does profit for the year affect dividend payout of deposit money banks in Nigeria?

1.5. Statement of Hypotheses

The following hypotheses were generated and tested

1. Ho_1: Earnings per share have no significant effect on dividend payout of deposit money banks in Nigeria.
2. Ho_2: Return on assets has no significant effect on dividend payout of deposit money banks in Nigeria.
3. Ho_3: Return on equity has no significant effect on dividend payout of deposit money banks in Nigeria.
4. Ho_4 Profit for the year has significant effect on dividend payout of deposit money banks in Nigeria.

2. Review of Related Literature

2.1. Conceptual Review

2.1.1. The concept of Dividend/ Dividend Policy

Inyiama *et al* [24] stated that dividend could be viewed as the share of profit of a firm by the shareholders in proportion to the number of shares held. According to Zameer *et al* [46], dividend is the distributions of a company's profit to its shareholders which depends on the share one owns. In other words, it is part of company's profit that is distributed to the shareholders in proportion to the number of shares held. Dividend policy decisions pose a lot of challenges to the management of organizations especially banks. According to Akinsulire[5], dividend policy is concerned with the decision to pay dividend now or retain the earnings which can be invested for future capital gains or rather to determine an optimum payout ratio that will enable the company to maximize the combined value of dividend paid and capital gains. The foregoing statements supports the fact that dividend policy is a puzzle that cannot be resolved. It is the responsibility of every organization's management to ensure that they strike a balance between what should be transferred to reserve and what is paid out as dividend.

Dividend policy is a policy that dictates the amount of profit of a company that should be paid out to the shareholders and the frequency of such payment. It also involves how much of the profits should be retained for investments and expansion. Sunday {39} noted that the primary concern of dividend policy is the decision about dividend payout and retention. Given that some investors prefer cash dividend while others prefer capital gains through retained earnings, deposit money banks as well as other organizations try to adopt a dividend policy that seek to balance the two conflicting sides, so that while a proportion of the earnings is paid out as dividend, the remaining proportion is retained for future investments and growth. The essence is to arrive at an optimum dividend policy that maximizes the combined value of dividends paid plus capital gains, Akinsurile[5].

Dividend policy according to Pandy[35] has objective of maximizing shareholders' returns so that the value of their investments are maximized. Dividend policy is made up of retention ratio and payout ratio. While retention ratio is the proportion of the profit that is retained for reinvestment, payout ratio is the proportion that is distributed to shareholders as dividend. Striking a balance between the two is the concern of the dividend policy of every organization.

Imeokpakaria and Ezeokoli[23] noted that management can only retain income if they can reinvest those retained earnings at a higher return than what the shareholders could earn by themselves. The two way policy which is either retention or payout is therefore a function of what the shareholders stand to gain. It is the duty of the management of the firm to convince the shareholders to accept whichever direction they are taking.

2.1.2. Active and Passive Dividend Policies

Proponents of active dividend policy according to Akinsurile[5] argue that dividend payment is crucial in determining the value of the firm as well as shareholders wealth. Companies that follow active dividend policy treat retention as residue. In other words dividend payment is paramount and considered first before the amount of retention. On the other hands, passive dividend policy sees dividend payment as residual, hence dividends are paid only if the company has no profitable investment opportunity. This means that as long as there is profitable investments, companies with passive dividend policy will not pay dividend.

2.1.3. Forms of Dividend

Akinsulire [5] pointed out the following forms of dividends:

A. Cash Dividends: This type of dividend involves cash payment/ transfer into shareholders' bank accounts.

B. Scrip Dividends: Scrip Dividends are paid through issue of ordinary shares of the company; hence cash transfer is not involved. This type of dividend is essentially a transfer of additional equity shares to the shareholders as alternative to payment of cash dividend. It is a means of preserving company's liquidity. Scrip dividend attracts withholding tax just like cash dividend and it is optional.

C. Scrip Issue: This is the capitalization by issuing additional shares to the existing shareholders in proportion to their existing holdings, usually at no cost. It is also called Bonus Issue or capitalization issue. It has the effect of increasing the paid up capital of the company and reducing the reserve and surplus. It does not attract tax payment.

2.1.4. Factors Affecting Dividend Payment

ICAN Pack [19] discussed the factors that shape the dividend policies of organizations. The factors are as discussed below:

A. Legal Constraint: The management of a company must comply with the laws that guide payment of dividends. For instance, companies are not allowed to pay dividend out of capital but can pay dividend in compliance with Companies and Allied Matters Act (CAMA 1990 as amended) out of:

1. Profit arising from the use of company's property;
2. Revenue reserves; and
3. Realized profit on fixed assets sold.

According to CAMA 1990 in ICAN Pack[19] it is the responsibility of the directors to recommend the amount to be paid as dividend and such amount as recommended cannot be increased by the annual general meeting, but can be reduced.

B. Future Financial Requirements: Payment of dividend requires management to consider its future financial needs and availability of profitable investments prior to deciding how much to pay as dividend.

C. Liquidity: Payment of dividend depends on the availability of cash resources. Cash has alternative uses in an organization and management may consider the alternative use instead of paying dividend.

D. Capacity for Borrowing: A firm must consider its ability to borrow at short notice before deciding to pay dividend to shareholders. The ability of a firm to borrow especially at short notice, will largely affect its ability to meet its short term obligations including dividend payment

E. Access to Capital Market: large companies have less worries over liquidity because they have easy access to corporate bond market, hence they are better positioned to pay dividend. This is because the company can easily raise fund by issuing bonds in the capital market to beef up its liquidity if need arises.

F. Existence of restrictive Agreement: If there is restriction on payment of dividend entrenched in an agreement to which the company is a party to, this will affect the firm's ability to pay dividend. For instance, a loan agreement may include a clause restricting a firm from paying out dividend throughout the tenor of the loan.

2.1.5. Dividend Payout Ratio (DPO)

Ullah Saqib and Usman [47], define DPO as the amount of earnings paid out as a dividend to shareholders. It measures the amount of the profit distributed as a dividend to stockholders. Investors can use the payout ratio to determine what companies are doing with their earnings. The higher the dividend payout ratio, the more attractive the stock is to the stockholders (Ullah, *et al,* [47]. It is the sum of the cash dividend paid to common shareholders divided by the earnings per share for each year.

2.2. Financial Performance

Al-Eitan and Khalid [6] stated that financial performance measures the overall financial wealth of a company over a period of time usually one year. It can be used to compare similar firms in the same industry or sectors against another.

Also Adeusi and Dada[4] stated that financial performance of banks is expressed in terms of profitability and that profitability has no meaning except where it results to increase in the net asset of the banks, adding that profitability occurs when a bank earns reasonable profit on the owners' investment. In other words, we cannot talk about profit when the shareholders wealth is not increasing.

Usman and Olorunnisola[41] stated that corporate performance involves measuring the result of the policies and operations of organizations in monetary terms. This is evidenced in the amount of earnings generated by the firm and translates to profit over a period of time usually twelve months. For the purpose of this study, return on assets, return on equity, earnings per share and profit for the year were used as proxies for financial performance of deposit money banks in Nigeria.

2.2.1. Return on Assets (ROA)

Nwoha[31] stated that return on assets measure how well the management managed the available total resources, adding that it focuses on the earning power of assets without regard to how they are financed. Abu &Okpe[2] noted that Return on Assets measures how much the firm is earning after tax for each naira invested in the firms' assets. In other words, it measures how efficient the management of a company is at generating earnings with the available assets. The higher the return on asset the better it is for the company. It is measured as Net Income (NI) divided by Total Assets (TA).ROA = x 1

2.2.2. Return on Equity (ROE)

Imas and Rukmini[22] stated that Return on equity is one way of measuring how efficient a company is by comparing the profit generated with the available capital that generated the profit. Return on Equity according to Abu & Okpe[2] is the ratio that indicates how the management team of a company is efficiently utilizing the money (capital) contributed by shareholders to generate profit. Put differently, it measures how good a company is in generating earnings from the investments received from its shareholders. This is calculated as Net Income (NI) divided by shareholders' equity (SE).

2.2.3. Earnings per Share (EPS)

Igben[21] defined earnings per share as a ratio that gives an indication of the amount of profit after tax and preference share dividend (but before taking into account the extra-ordinary incomes and expenses) attributable to each ordinary share in issue and ranking for dividend during the period. Wood and Sangster[44] stated that it is one of the frequently used ratios that indicates how much of the company's profit belong to each ordinary share of the company. Earnings per share tells shareholders how much each one naira of their investment is earning for them. It is measured as Profit for the year minus preference dividend divided by number of ordinary shares ranking for dividend.

2.2.4. Profit for the Year (PFY)

Lucey[26] Stated that Profit is a widely used absolute measure of performance and is familiar to management and acceptable to them. The use of profit for the year as a measure of performance enables organizations to compare performance, from one period to another period and also, between or among companies operating within the same industry. Profit for the year is arrived at after deducting operating expenses and taxes. It is an important measure of performance in the banking industry. Most often, dividends are paid out of the year's profit, hence the higher the profit the more likely that a bank will pay dividend. This is also seen in the study of Zameer et al [46] where they stated that dividend policy is affected by the profit stability, past dividend, current year's profit and projected profits. Log of profit for the year was used to reduce the absolute figure to ratio for uniformity of data for analysis.

2.3. Theoretical Framework

Akinsurile[5] stated that there are two major theories of dividend. They are the dividend Irrelevancy theory and the dividend supremacy/relevancy theory. This study will be anchored on the dividend supremacy/relevancy theory.

2.3.1. Dividend Irrelevancy Theory

According to Akinsurile[5], the irrelevancy theory was first suggested by Modigliani and Miller (M & M) in 1961. M & M and argued that under perfect market condition, shareholders are indifferent between dividend and capital gains; hence the value of the company is not dependent on dividend payment, but rather depends on the earnings power of assets and investments. In other words, shareholders are indifferent between dividend and capital gains because whatever they lose in dividend payment, will be gained from increase in share price as a result of more investments and vice versa. This theory stipulates that as long as the company has capital project with positive Net Present value, it should continue to invest in them as the action will increase the value of the firm. The assertion of M & M in 1961 was based on the assumption of perfect capital market where there are:

A. No transaction cost,
B. No floatation cost,
C. No taxes,
D. Nonexistence of risk of uncertainty and
E. Certainty about the future earnings of the firm.

The existence of market imperfection provided basis for the development of various theories in contrary to the dividend irrelevance theory as stated in Malajam and Khoury[27].

2.3.2. Dividend Supremacy/Relevance theory

According to Akinsurile[5], the proponents of this theory Professor James E. and M.J Gordon in 1959 argued that dividend payment is all that matters if a company must pursue increase in share price. The theory according to Akinsurile[5] assumes that:

A. The market value of company shares depends on
1. The size of dividend paid
2. The growth rate in dividend and
3. The shareholders' required rate of return.

B. The growth rate in dividends is a function of how money is reinvested in the company, and the rate of earnings retention.

C. Shareholders will accept retention policy as long as it maximizes the value of their shares.

The following sub theories relates to dividend policy of deposit money banks in Nigeria..

A. The bird-In –Hand Theory

This is also referred to as dividend relevance theory on which this study will be anchored. Gordon in Akinsurile[5] argued that investors are afraid of risk and would prefer income now to future capital gain. In the words of Zameer et al[46], ''a bird in hand is worth more than two in the bush'', referring to bird as dividend payment and bush as future capital gains which is not guaranteed.

B. The Residual Theory

Akinsurile[5] stated that the residual theory purports that dividends are paid if all projects with positive net present value are fully undertaken and there are funds left over. Sunday[39] stated that firms under residual policy follows net present value rule and can only distribute excess cash, which he described as internally generated cash flow less desirable capital expenditure. Ozuomba, Anichebe and Okoye [34] noted that the residual theory of dividend policy stipulates that firms pay dividends from earnings left after they must have financed all investment with positive net present value. This implies that payment of dividend depends on the availability or otherwise of projects with positive net present value.

C. Dividend Signaling and Information Asymmetry Theory

Inyiama, *et al* [24] stated that this theory assumes that managers have access to more information relating to the value of the firms' assets than other outside agent and investors. Basil and Erhan[11] stated that signaling theory is the most widely studied explanation and managers, according to them, they use dividends to signal superior information about the current situation and the future prospects of the firm. In other words, dividend payment sends a signal to investors that a particular firm is making profit and is worth investing in.

2.4. Empirical Review

2.4.1. The effect of Earnings Per Share on Dividend Payout of Deposit Money Banks in Nigeria

Abu and Okpe[2] assessed the effect of dividend policy on the profitability of listed agro allied companies in Nigeria. They used secondary data obtained from the annual audited financial reports of all the listed agro-allied firms from 2005 to 2018. The research methodology adopted was ex post facto research design while regression and descriptive analysis were used to determine the effect of explanatory variables. The result revealed that return on assets had significant positive effect on dividend policy of listed agro-allied companies in Nigeria while return on equity had an insignificant negative effect on dividend policy of agro-allied companies in Nigeria. Earnings per share were found to have non-significant negative effect on dividend policy of agro-allied companies in Nigeria.

Usman and Olorunisola [41] studied the effect of dividend policy on corporate performance of Deposit Money Banks in Nigeria. They adopted purposive sampling method. Secondary data were collected from the annual reports of seven banks selected based on the size of their assets from 2009 to 2018. They employed panel regression analysis to assess the effect of dividend policy on corporate performance of Nigeria Deposit Money Banks. The result showed that Retained earnings, Earnings per share and dividend per share had significant positive effect on corporate performance.

Simon-Oke and Ologunwa [37] evaluated the effect of dividend policy on performance of corporate firms in Nigeria. They used time series data obtained from publications in Nigeria Stock Exchange and the financial statements of the companies. Ordinary least square multiple regression technique was used to establish relationship among the variables of dividend policy and corporate performance of firms in Nigeria. The findings revealed that dividend policy is affected by return on investment, earnings per share and dividend per share.

Inyiama, *et al.*,[24] examined the effect, causalities, co-integration, magnitude and strength of the relationships between dividend payout policies and other financial performance indicators such as Total Assets, earnings per share, retained earnings, market price of shares and Net Asset value per share of Nigerian Brewery Sector. They found that dividend per share is positively and significantly influenced by earning per share and market price of equity shares. On the other hand, Net Asset Value per share and Total Asset had negative and insignificant influence on dividend per share.

Applying ordinary least square regression technique to study the determinants of dividend policy of financial institutions in Nigeria, Bassey, Elizabeth and Asinya[10] found that earnings per share, dividend per share in the preceding year and lending rate are positively and significantly related to dividend payment; hence they are the major determinants of dividend payout. Lending rate and liquidity exert insignificant influence and therefore did not influence dividend payment.

Imeokparia and Ezeokoli [23] examined the effect of dividend payout on financial performance of Deposit Money Banks in Nigeria from 2007 to 2016. Random sampling technique was used to select ten banks listed on the Nigerian Stock Exchange.

The secondary data was collected from the annual reports of the selected banks and analyzed using pooled ordinary least square regression model, descriptive statistics and correlation analysis. The result showed that there was a significant relationship between firm performance and dividend payout variables. There was a positive significant relationship between earnings per share and firm size.

Torbira and Olokwala[40] examined the determinants of dividend policy decision of Deposit Money Banks in Nigeria. Secondary data from 2000 to 2015 were used to conduct the study. They employed the dynamic multivariate model specifications for the panel data. The Johansen-fisher panel co-integration techniques were employed to estimate the adjusted long run parameters among the variables. Vector error correction method was used to estimate the joint and individual short run and long run dynamic influence of the variables. The result showed that leverage ratio, liquidity ratio, earnings per share and dividend payout interact in the long run. Individual dynamic short run test result shows that there is a short run causality running from leverage ratio, liquidity ratio and earnings per share to dividend payout ratio.

Mohammed, Ademola, and Olatunde[29] examined the determinants of dividend payout among Listed Banks in Nigeria. Secondary data obtained from the annual reports of five selected banks from 2001 to 2010 were analyzed using multiple regression analysis. The result of the analysis revealed that earnings per share, return on investments, net asset turnover, corporate tax and growth in sales did not have significant influence in determining dividend payout among the selected quoted banks. However, holding other variables constant, earnings per share and corporate tax show a positive value meaning that increase in any of the two would result to increase in dividend payout ratio by the same value.

2.4.2. Effect of Return on Assets on Dividend Payout of Deposit Money Banks in Nigeria

Abdullahi, Adebayo and Aliyu[1] evaluated the determinants of dividend policy of listed Deposit Money Banks in Nigeria. They used secondary data of the nine selected Deposit Money Banks from 2013 to 2019 and adopted ex-post facto research design and panel data analysis technique to analyze the data. The result showed a significant positive effect of profitability on dividend per share while return on assets and risk has a significant negative effect on dividend per share. Firm size and growth had negative and insignificant effect on dividend per share while return on equity had positive insignificant effect on dividend per share.

Imas and Rukmini[22]the effect of financial performance measured with rentability ratio against dividend payout ratio of manufacturing companies listed on Indonesia stock exchange from 2013 to 2015. They utilized secondary data collected from the annual financial reports of the companies which was analyzed using descriptive analysis, multiple linear regression, correlation coefficient and coefficient of determination. The result showed that return on assets, return on investment and profit margin had significant positive relationship with dividend payout ratio.

In a similar study, Enekwe, Nweze and Agu[17] investigated the effect of dividend payout on performance evaluation of quoted companies in Nigeria from 2003 to 2014. They used secondary data obtained from the audited annual reports of selected cement companies in Nigeria. They employed ordinary least square techniques as panel estimation while descriptive research method and simple linear regression were used to analyze data. The findings showed that dividend payout ratio had positive relationship with return on capital employed, return on assets and return on equity. They further found that dividend payout ratio had statistically significant effect on return on capital employed and return on assets of quoted cement companies while at the same time maintained a statistically insignificant effect on return on equity of quoted cement companies in Nigeria.

Pradip[36] evaluated the impact of dividend policy on financial performance of selected companies registered on Bombay Stock Exchange. They adopted correlation matrix and regression model for analysis of data. The result of their study showed a low positive association of price earnings ratio and dividend payout ratio. They also found that there was strong relationship between return on assets and return on equity.

Anh, Cuong, Nga, Trang, Hieu and Tu[7] investigated the effect of dividend payout on firm's financial performance. They for the study was obtained from the financial statements of 450 firms listed on the stock market of Vietnam from 2008 to 2019. Descriptive analysis, correlation test, multicollinearity, f-test and hausman test were conducted on the data. Data analysis were done using ordinary least square regression. Findings showed that dividend payment had negative impact on Vietnamese firms' performance using accounting based performance such as return on assets and return on equity

2.4.3. Effect of Return on Equity on Dividend Payout of Deposit Money Banks in Nigeria

James and Iwedi[25] examined the relationship between dividend policy and return on investment of selected Nigerian quoted manufacturing firms from 1985 to 2014. Multidimensional data were sourced from Nigeria Stock Exchange fact book and financial statements of the quoted manufacturing firms. Ordinary least square analysis with the e-view software were conducted. Co-integration test, granger causality test and augmented Dickey fuller unit root test were used to analyze stationarity and long-run relationship between the dependent and the independent variables. They found that Dividend Payout Ratio, retention ratio and dividend yield have non-significant positive relationship with Return on Investment

Idewele and Murad[20] investigated the effect of dividend policy on financial performance of selected Deposit Money Banks in Nigeria. They used panel data regression analysis on a sample of fifteen Deposit Money Banks quoted in Nigeria Stock Exchange from 2009 to 2014. Pooled least square estimation technique was used to estimate the model. The findings revealed that there was a significant positive relationship between dividend payout ratio and financial performance (Return on Equity) while negative relationship existed between dividend yield and financial performance.

Uwuigbe[42] examined the determinants of dividend policy: A study of selected listed firms in Nigeria. The author sampled fifty firms listed under Nigeria Stock Exchange from 2006 to 2011. Data from corporate annual reports were analyzed using regression analysis method. It was found that there was significant positive relationship between firms' financial performance (Return on Equity), firm Size, financial leverage and board independence on dividend payout decisions of listed firms in Nigeria.

Yusuf [45] studied the effect of dividend payout ratio on performance of Deposit Money Banks in Nigeria. The explanatory research design was used, while correlation analysis and multiple regressions were used to analyze the data. The result of the findings showed that dividend payout ratio had negative relationship with banks' leverage and profitability (Return on Equity).

Marakinyo, David, Adeleke and Omojola[30] investigated the determinants of dividend policy of listed Deposit Money Banks in Nigeria.. Secondary data collected from the annual reports of selected fifteen Deposit Money Banks in Nigeria from 2006 to 2015 were analyzed using panel data regression model. it was found o that board size, leverage, financial crises and political factor dummy variables had negative impact on dividend policy while firm size, profitability (return on Equity) and board independence had positive impact on dividend policy of deposit Money banks in Nigeria.

2.4.4. Effect of profit for the Year on Dividend Payout of Deposit Money Banks in Nigeria

Dada, Malomo and Ojediran[14] while evaluating the determinants of dividend policy of banking industry in Nigeria and using panel data discovered that dividend payment has significant positive relationship with profitability as measured by earnings per share, leverage, last year dividend. Liquidity was found to be negatively related with dividend payment.

Sunday[39] carried out a study on the determinants of dividend policy of Nigerian quoted companies. Secondary date from 2002 to 2016 were obtained from twenty sampled quoted companies Nigeria Stock Exchange publication, Central Bank of Nigeria statistical bulletins, the Securities and Exchange Commission bulletins and published annual reports of the companies. They employed panel data methodology while random effect model was used as estimation technique at 5% level of significant. The result of the findings showed that profitability and historical dividend were positively related to dividend payout while liquidity and state of the economy had a negative relationship with dividend payout.

Maladjian and Khoury[27] investigated the factors that determine the dividend payout ratio. Such as profitability, liquidity, leverage, firm size, growth, firm risk and previous year's dividend of Lebanese listed Banks. They used ordinary least square technique and the dynamic panel regression to analyze their data and discovered that dividend payout policies had positive effect by the firm size, risk and previous year's dividends, while growth and profitability have negative influence.

Wasike and Ambrose[43] studied the determinants of dividend policy in Kenya. Using ordinary least square regression, they found that profitability, corporate tax and liquidity or cash flow have positive and statistically significant relationship with dividend payout. Growth in sales and market to book value were found to have statistically significant negative association with dividend policies.

Md[28] applied both pooled ordinary least square and dynamic panel regression model on secondary data obtained from sample of ten listed commercial banks in Bangladash to study the determinants of dividend payout policy of listed private commercial banks of Dhaka Stock Exchange Limited. The results showed that leverage, liquidity, firm growth, previous year's dividends and profitability were key determinants of dividend payout of listed private commercial banks in Bangladash. While liquidity, firm growth, previous year's dividends had positive effect on dividend payout ratio, leverage and profitability have negative influence on dividend payout ratio..

Abubakar and Nasiru[3] examined the determinants of dividend payout in Nigerian banking industry. They applied multiple regressions analysis and found that profitability and liquidity had significant and positive relationship with dividend payout. Size and leverage had negative relationship with dividend payout.

Odawo and Ntoiti[32] studied the determinants of dividend policy in public banks in Kenya. They used secondary data obtained from published result of CFC Stanbic Bank from 2003 to 2013. They adopted descriptive research design while descriptive and inferential statistics were used to analyze data. They found that while profitability, firm size and leverage had significant positive relationship with dividend payout, liquidity had non-significant negative relationship with dividend payout.

Zameer et al, [46] investigated the determinants of dividend policy of Pakistani Banking sector. They applied stepwise regression analysis and discovered that last year dividend, profitability and ownership structure had positive effect on dividend payout while liquidity had negative effect. Size, leverage, agency cost, growth and risk had non insignificant relationship with dividend payout.

2.4.5. Summary of Review

Table 1 Summary of Review

S/N	Year	Author(s)	Topic of Study	Area	Methodology	Findings
1	2021	Anh,Cuong, Nga, Trang, Hieu&Tu	The Effect of Dividend Payout on Firm's Financial Performannce: An Empirical study of Vietnam	Vietnam	Secondary data, Correlation test, multicollinearity test, Hausman Test, Ordinary least square Regression analysis.	Dividend payment had negative impact on Vietnamese firms' performance using accounting based performance such as return on assets and return on equity.
2	2020	Pradip	Impact of Dividend Policy on Financial Performance	Australia	Secondary Data, Correlation matrix and Panel regression model	Low positive association between price earning ratio and dividend payout ratio. Strong Association between return on assets and return on equity.
3	2020	Abu &Okpe	Dividend Policy and Profitability of Agro-Allied Companies in Nigeria.	Nigeria	Secondary data, ex-post facto research design. Regression and descriptive analysis.	Return on asset had positive and significant effect on dividend policy. Return on equity had negative and insignificant effect on dividend policy. Earnings per share had negative and insignificant effect on dividend policy.
3	2020	Abdullahi, Adebayo &Aliyu	Determinants of Dividend policy of Listed Deposit Money banks in Nigeria.	Nigeria	Ex-post factor research design and panel data regression analysis technique	Profitability has positive significant effect on dividend Per share. Return on assets and risk had negative and significant effect on dividend per share. Firm Size and growth had negative and insignificant effect on dividend per share. Return on Equity had insignificant effect on dividend per
4	2019	Usman & Olorunnisola	The Effect of Dividend Policy On Corporate Performance of Deposit Money Banks in Nigeria	Nigeria	Purposive sampling method, secondary data, descriptive and inferential statistics, and panel regression model	Dividend per share had positive significant effect on corporate performance.
5	2019	Idewele & Murad	Dividend Policy and Financial Performance: A Study of Selected Deposit Money Banks in Nigeria.	Nigeria	Panel data regression model, pooled least square estimation technique.	Positive and significant relationship between dividend payout ratio and financial performance (Return on Equity). Negative and insignificant relationship between dividend yield and financial performance.

6	2019	Torbira & Olokwala	Determinants of Dividend Policy Decision of Deposit Money Banks in Nigeria.	Nigeria	Secondary data, dynamic Multivariate Model specification for panel data, the Johansen-fisher Panel co-integration techniques and vector correlation model.	Leverage ratio, liquidity ratio,earnings per share and dividend payout interact n the long run. The individual dynamic short run test shows that there short run causality running from leverage ratio, liquidity ratio and earnings per share to dividend payout ratio.
7	2018	Imas & Rukmini	The Effect of Financial Performance Measures on Dividend Payout Ratio (Empirical Study of on Manufacturing Companies Listed on Indonesia Stock Exchange)	Indonesia	Secondary data, Descriptive analysis, multiple linear regression, correlation coefficient and coefficient of determination.	Return on assets, return on equity, return on investment and net profit margin had significant positive relationship with dividend payout ratio.
8	2018	Morakinyo, David, Adeleke & Omojola	Determinants of Dividend Policy of Listed Deposit Money Banks in Nigeria.	Nigeria	Secondary Data, panel data regression technique.	Board size, leverage, financial crises and political factor dummy variables had negative impact on dividend policy. Profitability (Return on Equity) and board independence had positive impact on dividend policy of deposit money banks in Nigeria.
9	2017	Sunday	Determinants of Dividend Payout Policy of Nigerian Quoted Companies.	Nigeria	Secondary data source, Pane data methodology, random effects model.	Profitability and historical dividend were positively related to dividend payout while liquidity and state of the economy had a negative relationship with dividend payout.
10	2017	Imeokparia & Ezeokoli	Dividend Payout Ratio and Financial Performance of Deposit Money Banks in Nigeria,	Nigeria.	Random Sampling method, poolrd ordinary least square regression model, descriptive statistics and correlation analysis.	Firm performance and dividend payout had significant relationship while earnings per share, and firm size had a positive and insignificant relationship with firm financial performance.
11	2016	Md	Determinants of Dividend Payout Policy: A Study on Listed Private Commercial Banks of Dhaka	Bangldash.	Secondary data, Pooled ordinary regression square and dynamic panel regression models and Fixed effect	LEVERAGE, Liquidity, firm growth, previous year's dividends and profitability were key determinants of dividend payout. There was

			Stock Exchange Limited in Bangldash.		regression model.	positive and significant effect of of leverage and profitability on dividend payout.
12	2016	Simon-Oke & OLogunwa	Evaluation of the Effect of Dividend Policy on the Performance of Corporate Firms in Nigeria.	Nigeria.	Time series data, Ordinary least square multiple regression analytical techinique	Dividend Policy is a function of strong variables such as return on investment, earnings per share and dividend per share.
13	2015	Yusuf	Dividend Payout Ratio and Performance of Deposit Money Banks in Nigeria.	Nigeria.	Secondary data, Explanatory research design, correlation analysis an multiple regression.	Dividend payout had negative relationship with banks' leverage and profitability.
14	2015	Maude, Jimoh & Okpanachi	Dividend Payout Pattern: Nigeria Deposit Money Banks in Perspective.	Nigeria.	Secondary data and multiple regression.	Inflation, share price and earnings per share had significant impact on dividend payout.
15	2015	Mohammed, Ademola & Olatunde	The Determinants of Dividend Payout Among Listed Banks in Nigeria.	Nigeria.	Secondary Data. Multiple regression analysis.	Earnings per share return on investment, net asset turnover, corporate tax and growth in sales had no significant effect influence in determining dividend payout among selected quoted banks. Holding Other variables constant, earnings per share and corporate tax showed a positive value, hence an increase in any of the two would result to an increase in dividend payout ratio.
16	2015	Enekwe, Nweze & Agu.	The Effect of Dividend Payout on Performance Evaluation: Evidence of Quoted Cement Companies in Nigeria.	Nigeria.	Ordinary least squares techniques for panel estimation. Descriptive research method and simple linear regression for data analysis.	Dividend payout ratio had positive relationship with return on capital employed, return on assets and return on equity. Dividend payout had statistically significant effect on return on capital employed and return on assets. Dividend payout ratio had no statistically significant effect on return on equity of quoted cement companies in Nigeria.
17	2015	Odawo & Ntoiti	Determinants of Dividend Payout Policy in Public	Kenya.	Secondary data descriptive research design, descriptive	Profitability, firm size and leverage had significant positive

			Banks in Kenya: A case Study of CFC Stanbic Bank.		and inferential statistics	relationship with dividend pay-out while liquidity had insignificant negative relationship with dividend payout.
18	2015	Inyiama, Okwo & Inyiama	Dividend Payout Policy, Determinants of Selected Brewery Firms in Nigeria.	Nigeria.	Secondary data, regression model, granger causality, Johansen Cointegration test, Augumented Dickey Fuller, Phillip-Perron'sans Kwiatkowski-Phillip's Schwidt-Shin tests	Dividend pershare is positively and significantly influenced by earnings permarket price of equity shares.Net Asset value per share and total asset had negative and insignificant influence on dividend per share.
19	2015	Wasik & Ambrose	Determinants of Dividend Policy in Kenya.	Kenya	Panel regression techniques	Negative association between dividend policy, and risk, institutional holding, growth and market-to- book value. Positive relationship between dividend policy and profitability, cash flow and tax.
20	2015	Abubakar & Nasiru	Determinants of Dividend payout in Nigerian Banking Industry.	Nigeria	Secondary data, multiple Regression analysis and Pearson Correlation.	Profitability, liquidity, size and leverage proved to be determinants of dividend payout in Nigeria banking industry, while liquidity and profitability were found to be the most critical factors determining dividend payout in Nigerian banking industry.
21	2015	Dada, Malomo & Ojediran	Critical Evaluation of Determinants of Dividend Policy of Banking Sector in Nigeria.	Nigeria.	Panel regression techniques	Dividend payment had significant positive relationship with profitability as measured by earnings per share, leverage andlast year dividend. Liquidity was found to be negatively related with dividend per share.
22	2014	Maladjian & Khouri	Determinants of Dividend Policy. An empirical Study on the Lebanese Listed Banks.	Lebanon.	Ordinary Least square regression and dynamic panel regression.	Dividend payout policy positively affected firm size, risk and previous years dividends. Growth and profitability had negative influence on dividend payout policy

23	2014	Olewe & Moyosore	Determinants of Dividend Payout in Nigerian Banking Industry	Nigeria.	Secondary Data and Pooled Regression Techniques.	Profitability, liquidity,size and activity mix exert significant and positive influence on dividend policy of Nigerian banks while revenue growth, debt-equity ratio, retained earnings, loan-deposit ratio and loan loss provision negatively influence dividend policy.
24	2013	Uwuigbe	Determinants of Dividend Policy: A Study of selected Listed Firms in Nigeria	Nigeria.	Regression analysis Mthod	Significant positive relationship between firms' financial performance, firm size, financial Leverage and board indepence and dividend payout decisions of listed firms in Nigeria.
25	2013	Zameer, Rasool, Igbal & Arshad	Determinants of Dividend Policy: A Case Study of Banking Sector in Pakistan.	Pakistan	Secondary data and stepwise regression analysis.	Profitability, last year dividend and ownership structure had significant positive effect on dividend payout while liquidity had significant negative effect on dividend payout. Size, leverage, agency cost, growth, and risk were found to have insignificant relationship with dividend payout of banks.

2.4.6. Gap in Literature

A lot of literatures exist on Dividend policy and financial performance of banking industry in Nigeria and across the globe. In spite of all the studies, dividend policy and financial performance has remained a puzzle. Usman and Olorunisola[41] used retained earnings and earnings per share as proxy for financial performance for the period 2009 to 2018. Bassey, et al[10] earnings per share, previous year dividend and lending rate as proxy for performance. On the other hand, Imeokparia and Ezeokoli[23] used dividend payout, earnings per share and size as proxy for performance for their study from 2007-2016.The current study intended to fill the time and variable gap by including the 2020 financial year which was met with a lot of economic challenges stemming from covid-19 pandemic and its effect on banks performance especially as it affect credit risks and also return on equity which was rarely used by existing literature.

3. Methodology

3.1. Research Design

The study adopted *ex post facto* research design which according to Asika[9] opines that *ex post facto* research is expected to provide systematic and empirical solution to research problems with historical concern. The research adopted *ex post facto* research design because it made use of data which were in existence in annual report and account of the selected Deposit money banks from 2011 to 2020.

3.2. Area of Study

The study was carried out in the banking industry in Nigeria. The focus of the study was on the effect of financial performance on dividend payout of deposit money banks in Nigeria.

3.3. Sources of Data

The study used secondary data obtained from the annual reports of the selected banks in Nigeria from 2011 to 2020.

3.4. Population of the Study
The population of the study was the Thirty (30) deposit money banks listed on the floor of Nigeria Stock Exchange as at 31st December 2020.

3.5. Sample Size Determination
Purposive sampling technique was used to select Seven (7) out of the thirty (30) deposit money banks in Nigeria as at December 31, 2020. The seven banks were selected based on central bank of Nigeria classification which brought those banks under domestic systematically important banks. They include Access bank Plc, Fidelity Bank Plc, First bank of Nigeria Ltd (FBN Holding), Guaranty Trust Bank plc, First City Monument Bank Plc, United Bank for Africa plc and Zenith International Bank plc.

3.6. Model Specification
The model specified below was used to establish the relationship as well as the effect of the various variables on dividend payout ratio.

$$DPO = \beta_0 + \beta_1 EPS_{it} + \beta_2 ROA_{it} + \beta_3 ROE_{it} + \beta_4 \log PFY_{it} + \mu (1)$$

Where,

EPS = Earnings Per Share

ROA = Return On Assets

ROE = Return on Equity

PFY= Profit for the year

β_0 = constant error term

β_1 to β_4 = co-efficient of independent variables

i represents individual deposit money banks

t represents time period

3.7. Description of Variables
The Variables were structured into dependent and independent variables for the purpose of analysis. The dependent variable is dividend payout represented by dividend payout ratio while the independent variables are earnings per share, return on assets, return on equity and profit after tax.

Table 2: Description of Model Variables.

Short-form	Meaning	Source(s)
EPS	Earnings per Share	Annual Reports & Accounts
ROA	Return on Assets	Annual Reports & Accounts
ROE	Return on Equity	Annual Reports & Accounts
PFY	Profit For the Year	Annual Reports & Accounts
DPO	Dividend Payout Ratio	Annual Reports & Accounts

Source: Author's Computation (2021)

3.8. Method of Data Analysis
Descriptive statistics, graphical representations, correlation analysis and panel data analysis were used as the statistical tools for the analysis of data.

3.9. Procedure for Data Analysis
The data were analyzed in the following sequence:
1. Descriptive Statistics to describe the data and the statistics.
2. A correlation analysis was conducted to examine the relationship dividend per share and financial performance of deposit money banks in Nigeria.
3. Multiple regression analysis was conducted to ascertain the effect of dividend per share on financial performance of deposit money banks in Nigeria.

4. Data Analysis

4.1. Descriptive Statistics

Table 3 Descriptive Statistics for the variables

	DPO	EPS	ROA	ROE	PFY
Mean	0.853429	2.290571	3.567857	15.22457	29.45068
Median	0.575000	1.840000	1.945000	15.57000	10.71467
Maximum	45.57000	96.67500	82.2370	72.68496	62.01508
Minimum	23.60000	32.45300	28.68970	24.17650	21.15148
Std. Dev.	6.821744	11.89473	12.73407	7.967095	5.188455
Skewness	0.125817	0.256713	0.077339	0.3010301	0.222620
Kurtosis	2.219837	2.765816	2.445780	2.884720	1.262015
Jarque-Bera	15.11135	16.31629	12519.17	1.061226	67.39681
Probability	0.716595	0.819526	0.813078	0.706911	0.72760
Sum	59.74000	160.3400	249.7500	1065.720	2.06E+09
Sum Sq. Dev.	46.59318	247.7120	11188.80	4379.748	1.86E+17
Observations	70	70	70	70	70

Source: Computed by Researcher using Eviews 10.0 Software

The maximum values of these series are 45.57000, 96.67500, 82.2370, 72.68496 and 62.01508 for dividend per share, earnings per share, return on asset, return on equity and profit for the year, respectively. The minimum values are 23.6000, 32.45300, 28.68970, 24.17650 and 21.151480 for dividend per share, earnings per share, return on asset, return on equity and profit for the year respectively. The value of skewness and kurtosis reveals to what extent normality is achieved in the distribution.

Table 3 reveals that the observed distribution for dividend payout ratio, earnings per share, return on asset, return on equity and profit for the year respectively have skewness coefficient of 0.125817, 0.256713, 0.077339, 0.301301and 0.222620 respectively; which are not in excess of unity. The table further indicates that the kurtosis coefficient for dividend payout ratio, earnings per share, return on asset, return on equity and profit for the year are 2.219837, 2.765816, 2.445780, 2.884720 and 1.262015 respectively. These are to some extent within range of normality except for the profit for the year. The implication of these findings is that the frequency distribution of dividend payout ratio, earnings per share, return on asset, return on equity for the period were to a large extent normally distributed while the frequency distribution of profit for the year was not normally distributed.

Jarque-Bera statistics is also necessary to test whether the series are normally distributed. Coefficient of Jarque-Bera statistics is significant when it has a small probability value. The significant coefficient of Jarque-Bera statistics is an indication that the frequency distributions of the series are normal. The table indicates that dividend payout ratio, earnings per share, return on asset, return on equity and profit for the year have reported p-value of 0.716595, 0.819526, 0.813078, 0.72762 and 0.706911 respectively. The implication of the findings is that the frequency distributions of dividend payout ratio, earnings per share, return on asset, return on equity and profit for the year are normal. This confirms our earlier position when skewness and kurtosis were applied for test of normal distribution except for the profit for the year.

A measure of the dispersion or spread in the series was also done through the computation of standard deviation. Return on asset, earnings per share and return on equity are relatively more volatile than dividend payout ratio. The dispersion with respect to profit for the year is the least compared to other variables.

4.2.1. Correlation Analysis

Table 4.Correlation Analysis.

	DPO	EPS	ROA	ROE	PFY
DPS	1.000000	0.929765	0.475321	0.695378	0.468143
EPS	0.929765	1.000000	0.029696	0.373407	0.493141
ROA	0.475321	0.029696	1.000000	0.064029	0.001618
ROE	0.695378	0.373407	0.064029	1.000000	0.454287
PFY	0.468143	0.493141	0.001618	0.454287	1.000000

Source: Computed by Researcher using E-views 10.0 Software.

In this study, the correlation between dividend payout ratio and earnings per share is very strong one which stands at 93%. Correlation quantifies the strength of the linear relationship between two variables, provides an estimate about their degree of association and test for the interdependence of the pair of variables.The strength of the linear relationship between the variables varies among themselves with DPS/EPS (0.929765) which is 93%. DPO/ROA (0.475321) which is 48% and DPO/ROE (0.695378) which is 70%.DPO/PFY (0.468143) which is 47%. There is strong relationship between DPO/EPS (0.929765) which is 93% and DPO/ROE (0.695375) which is 70%. There is a weak relationship between DPO/ROA (0.475321) which is 47% and DPO/PFY (0.468143) which is 47%.Other variables show weak relationships among themselves.

Table 5 Multiple Regression Analysis Result of Deposit Money Bank

Dependent Variable: DPO				
Method: Panel Least Squares				
Date: 09/08/21Time: 03:20				
Sample: 2011 2020				
Periods included: 10				
Cross-sections included: 7				
Total panel (balanced) observations: 70				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	-0.066842	0.080224	-0.833194	0.4078
EPS	0.445743	0.031235	2.786778	0.0320
ROA	0.003047	0.002807	2.738193	0.0277
ROE	0.003584	0.007201	1.4971 3	0.6204
PFY	-1.94E-09	8.69E-10	-2.228659	0.0293
R-squared	0.877731	Mean dependent var		0.853429
Adjusted R-squared	0.870207	S.D. dependent var		0.821744
S.E. of regression	0.296048	Akaike info criterion		0.472158
Sum squared resid	5.696883	Schwarz criterion		0.632765
Log likelihood	-11.52553	Hannan-Quinn criter.		0.535953
F-statistic	4.346541	Durbin-Watson stat		2.088043
Prob(F-statistic)	0.023500			

Table 4 reveals that earnings per share has a significant and positive effect on dividend payout ratio, with a probability value that is less than 0.05 (0.0320) and t-statistics that is greater than 2 (2.78778). The return on asset has significant and positive effect on dividend payout ratio with a probability value that is less than 0.05 (0.0277) and t-statistics that is greater than 2(2.738193). The return on equity has an insignificant and positive effect on dividend payout ratio with a probability value that is greater than 0.05 (0.6204) and t-statistics that is less than 2 (1.49713). The profit for the year has an significant and negative effect on dividend payout ratio with a probability value that is less than 0.05 (0.0293) and t-statistics that is less than 2 (2.228659).The adjusted R-squared (R^2) measure the percentage of profit for the year that could be explained by changes in the independent or explanatory variables. In this case, R^2 is 0.870207 (87%). This indicates that about 87% of the changes in dividend payout ratio is accounted for by the independent or explanatory variables. The remaining 13% could be explained by other factors capable of influencing dividend payout ratio of deposit money bank in Nigeria. The probability of the f-statistic is significant which shows the statistical fitness of the multiple regression result. There is an absence of serial autocorrelation in the panel data extracted from annual reports and accounts of deposit money bank in Nigeria as suggested by Durbin-Watson stat of 2.088043.

4.2. Test of Hypotheses

In the introduction, we formulated four principal testable hypotheses to evaluate the effect of dividend payout ratio on financial performance of deposit money 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. The decision rule is based on the significances of the t-statistics which are represented by the p-values.

Statement of Decision Rule: Reject null hypotheses (H_0) if the p-value tabulated is less than the A-value calculated (0.05) and t-statistics is greater than 2 (>2).

4.2.1. Hypothesis One

Earnings per share have no significant effect on dividend payout ratio of money deposit banks in Nigeria.

Decision: From the multiple regression analysis in Table 4.2.3, the p-value of 0.0320 is < 0.05 A-value, the 2.786778 t-statistics is > 2. Therefore, the null hypothesis is rejected and the alternative hypothesis is accepted. This implies that earning per share has a positive and significant effect with dividend payout ratio of money deposit banks in Nigeria.

4.2.2. Hypothesis Two

Return on asset has no significant effect on dividend payout ratio of money deposit bank in Nigeria.

Decision: From the multiple regression analysis in Table 4.2.3, the p-value of 0.0277 is > 0.05 A-value, the 2.738193 t-statistics is > 2. Therefore, the null hypothesis is rejected and the alternative hypothesis is accepted. This implies that return on asset has a positive and significant effect with dividend payout ratio of deposit money banks in Nigeria.

4.2.3. Hypothesis Three

Return on equity has no significant effect on dividend payout ratio of deposit money banks in Nigeria.

Decision: From the multiple regression analysis in Table 4.2.3, the p-value of 0.6204 is >0.05 A-value, the 1.49713 t-statistics is < 2. Therefore, the null hypothesis is accepted and the alternative hypothesis is rejected. This implies that return on equity has no significant effect with dividend payout ratio of deposit money banks in Nigeria.

4.2.4. Hypothesis four

Profit for the year has no significant effect on dividend payout ratio of deposit money banks in Nigeria.

Decision: From the multiple regression analysis in Table 4.2.3, the p-value of 0.0293 is < 0.05 A-value, the 2.228659 t-statistics is > 2. Therefore, the null hypothesis is rejected and the alternative hypothesis is accepted. This implies that profit for the year has a negative and significant effect with dividend payout ratio of deposit money banks in Nigeria.

5. Discussion of Results, Conclusion and Recommendations

Hypothesis one: In the test of hypothesis one, regression analysis result reveals that earnings per share have a significant and positive effect with dividend payout ratio of deposit money banks in Nigeria. This implies that increase in earnings per share of deposit money bank in Nigeria increases their profit that will result in high earns and dividend payout.

Hypothesis Two: In the test of hypothesis two, regression analysis result disclosed that return on asset has significant and positive effect with dividend payout ratio of deposit money bank in Nigeria. The findings is in line with the a priori expectation of the researchers because asset is an item of economic value, which are expended over time to yield benefits to the deposit money banks, hence, the more the asset, the more the profit potentials of the deposit money banks and consequently the more profit to declare as dividend as the increase in asset is increase in profit

Hypothesis Three: In the test of hypothesis three, regression analysis result reveals that return on equity has insignificant effect with dividend payout ratio of deposit money banks in Nigeria. The findings of this study is in consonance with the result of previous research that changes in return on equity has insignificant effect on dividend payout of deposit money bank in Nigeria.

Hypothesis four: In the test of hypothesis four, regression analysis result reveals that profit for the year has a significant and negative effect with dividend payout ratio of deposit money banks in Nigeria. This implies that payment of dividend dwindle the profit of deposit money bank in Nigeria.

The study has therefore established that for a period of ten years covered, from the statistics of seven listed deposit money bank in Nigeria, financial performance had significant positive effect on dividend per share of deposit money banks in Nigeria.

The study made the following recommendations:

1. Management should improve on their Earnings Per Share (EPS), Return on Assets (ROA) and Return on Equity (ROE) as they are of importance in determining the dividend payout of deposit money banks in Nigeria.
2. Management of deposit money banks should devote adequate time in designing a dividend policy that will enhance firm's performance and shareholder value.
3. Managers need to focus on measures which could improve the profitability and the financial position of deposit money banks towards maximizing the shareholders' value, and indeed increase dividend payout on sustainable basis.
4. The management of the banks should also modernize their services towards customers' satisfaction to increase turnover and profitability as this will go a long way in attracting investors which will result to increase in the shares prices of the banks
5. Government should create a conducive environment for investment, production and diversification of the economy since this will go a long way in improving the profitability of deposit money banks as well as the dividend per share of deposit money banks in Nigerian.

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