This study sought to examine the dynamic relationship between corporate earnings, dividend payments and market prices of Nigerian deposit money banks’ shares. Time series and cross-sectional data covering seven years (2009-2015) were sourced from the selected banks published annual reports and accounts. Using both panel data regressions and granger causality tests, the static and dynamic relationships amongst corporate earnings, dividend information and market prices of shares were examined. Results from the study revealed that both corporate earnings and dividend payout have positive and significant impact on market price of shares. It was also discovered that corporate earnings and dividend information granger cause market prices of Nigerian banks shares. It is therefore recommended amongst others that management of Nigerian banks should place emphasis on profitability in all their operations; design appropriate dividend policy that should maximize stock returns and above all deposit money banks corporate managers should consider several other variables such as investment opportunities, available financing, tax and prevailing interest rates before declaring dividend to shareholders.

Keywords: Corporate Earnings, Dividend Payout, Share Prices, Panel Data Regression

INTRODUCTION

The real impact of corporate earnings and dividend payments is still generating heated debate among the academia and corporate financial managers all over the world. Olowe (2011) asserts that the dividend decisions have presented different issues to academicians and practitioners. Recent empirical evidences on the impact of corporate earnings and dividend payment produced three schools of thought; the dividend relevance school; the dividend irrelevance school and recently the dividend signaling school, thereby leaving the academia and practitioners in a state of quandary.

Meanwhile, available data from Nigerian Bureau of Statistics revealed that despite the robust corporate earnings and attractive dividend payment to shareholders, share prices on the Nigerian Stock Exchange remained sluggish. For example, equities market capitalization lost 6.2% down from ₦9.86tn on January 1 2016 to ₦9.25tn on December 30, 2016, the Nigeria Stock Exchange all share index shed 1, 495.7 points over the same period to close year at 26874.62 basis points from 28370.32 points on January 1, 2016. About 35% of the 169 stocks listed on the main board of the NSE recorded no price movement in 2016 with the financial services sector accounting for the largest number of inactive stocks. The banking sector stocks which are supposed to be vibrant over and above other stocks considering reported “bumper” corporate returns remained stagnant.

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The return of banking stock is very low when compared to other sectors like food and beverages that recorded an average return of 1,126 points and 1,106 points in 2015 and 2016 respectively. The above features seem to lend credence to dividend irrelevance hypothesis which posit that dividend payment do not influence stock prices as huge dividend payment signal lack of profitable business opportunities. However they posit that huge dividend payment could cause “share dumping”. Moreover, since prior studies have indicated that the channel through which dividend payment affect share price is the announcement effect, it is however unclear whether or not the Nigeria banking Stock have been affected as a result of corporate earnings and dividend payment.

The theoretical basis of dividend signaling hypothesis is anchored on the bird-in-the-hand hypothesis that makes shareholders to prefer shares of regular dividend paying firms to non-dividend paying firms. Since corporate earnings are essential under this arrangement, enhanced dividend payment from corporate earnings should excite investors. Owuala (2000) and Olowe (2009) in their study asserts that corporate earnings could be ploughed back and invested in profitable investment opportunities instead of distributing it to shareholders. For corporate earnings to affect share price of firms, two necessary conditions must hold. First corporate managers must have profitable business opportunities than individual and institutional investors. This is because, if investors have better profitable business, they would demand for full dividend payment from earnings. Secondly, management should reassure investors of better returns on investment in subsequent years.

The rest of this study is structured as follows: Section 2 summarizes previous studies related to this study. Section 3 discusses the methodology adopted in achieving the objectives of this study. Section 4 presents the results of the findings, and finally, section 5 presents the conclusion and recommendation.

LITERATURE REVIEW

There has been growing concerns and controversies on the relationship between corporate earnings, dividend information and market prices of shares. The theoretical survey indicated that the dividend payout policy of a firm has a lot of implication for share price movement. Dividend payment, information contents in particular, are important in providing the vehicle through which corporate earnings impact share prices. A survey of empirical literature on the impact of corporate earnings and dividend payout on share price movement indicates that while a lot of studies have been conducted on this all-important topic, empirical evidences from these studies are mixed in both magnitude and direction. For example, while some studies (Chang, Chen, Su, & Chang (2008); Mohammad and Tanbir (2010); Mlonzi, Kruger and Nthoesene (2011) amongst others found negative relationship between corporate earnings and dividend payment on share price, others such as Khan, Aamir, Qayyum, and Nasir (2011); Hussainey, Mgbame and Chijoke (2011), Ilyas Adnan, and Farzand (2015) amongst others found positive relationship between corporate earnings and dividend payment on market price of shares.

Specifically, Chang, Chen, Su and Chang (2008) analysed the relationship between stock prices and earnings per share. The study also examined whether stock prices respond to EPS under different levels of growth rate of operating revenue. Utilizing a panel co-integration technique, the study observed a long run relationship between stock prices and earnings per share. The result of the study also showed that earnings per share has less power in explaining the stock prices for firms with a high level of growth rate while for the firm with a low level of growth rate, earnings per share has a strong power in predicting stock prices.

Mohammad and Tanbir (2010) examined the reaction of stock price to dividend announcement for a list of twenty-five banks. Employing a standard event technique, the result of the study showed that out of 25 sampled banks, market adjusted stock price declines for 11 banks, rises for 6 banks and no changes for 8 banks. The statistical pooled t-test also revealed that stock price reaction to dividend announcement is not statistically significant. The study also showed that dividend announcement does not convey any information due to strong contribution of the insider trading in the capital market.

Khan, Aamir, Qayyum, and Nasir, (2011) examined the effect of dividend payment on stock prices by taking a sample of fifty five companies listed at Karachi Stock Exchange. Results from the study showed that dividend yield; earnings per share, return on equity and profit after tax are positively related to stock prices while retention ratio has negative relation with Stock Prices.

Hussainey, Mgbame, and Mgbame (2011) studied the impact of dividend policy on stock prices. The results of their study showed a positive relationship between dividend yield and stock price changes and negative relationship between dividend payout ratio and stock price changes. The results of the study further indicated that the firms’ Earnings, growth rate, level of debt and size also cause the change in stock price of UK.

These conflicting results are also prevalent in Nigeria. Uwalomwa Olowe and Agu (2012) examined the determinants of share prices in the Nigerian stock exchange market for a sample of 30 listed firms in the Nigerian stock exchange market for the period spanning 2006 – 2010. The study basically modeled the effects of return on asset, return on equity, dividend payout and
In Nigeria, most studies have concentrated on investigating dividend policy-share price nexus, most of these studies failed to consider the effect of previous year announcement of earnings and dividend on market price of shares. In view of the above, this present study intends to fill this existing gap by assessing the impact of corporate earnings and dividend payout on market price of deposit money banks in Nigeria. Specifically, this study sought to examine;

(i) The relationship between banks corporate earnings and share price movement in deposit money banks in Nigeria.

(ii) The relationship between dividend payout and share price movement of deposit money banks in Nigeria.

(iii) One year lagged effect of earnings and dividend payment information in the share price movement of deposit money banks in Nigeria.

(iv) Causal relationship between earnings and dividend on market price of shares of banks under study.

METHODOLOGY

Population of the study

A total of 24 deposit money banks currently operate in Nigeria. Out of these 24 banks, 14 banks made our inclusion list. The 14 banks were selected because they operate during the period under study (2009 – 2015).

Analytical framework

The analytical framework adopted for the study is the panel data regression. The attractiveness of panel data regression over cross section or time series data is that since panel data relate to individual firms over time, there is likely to be heterogeneity problems. The technique of panel data estimation will take such heterogeneity into account by allowing for subject-specific variables. Besides, by combining time series and cross-section observations, panel data gives more informative, more variables, more degree of freedom and more efficiency Baltagi (1995) in Gujarati and Porter (2009).

Therefore the general framework for panel data is of the form:

\[ Y_{it} = \alpha_0 + \beta_0 X_{it} + \mu_{it} \]  \hspace{1cm} (1)

Where:

\( i = 1, \ldots, n \) is the individual (group) index, \( t = 1 \) is the time index and \( \mu_{it} \) a random disturbance term of mean 0.

Model specifications

In order to investigate the impact of earnings and dividend on market price of shares, models (2) (3) and (4) are specified below:

\[ \text{LOGSHP}_{it} = \beta_1 + \beta_2 \text{EPS}_{it} + \beta_3 \text{DPS}_{it} + \beta_4 \text{ROA}_{it} + \beta_5 \text{ROE}_{it} + \beta_6 \text{TQ}_{it} + \mu_{it} \]  \hspace{1cm} (2)

\[ \text{EPS}_{it} \]

\[ \text{DPS}_{it} \]

\[ \text{ROA}_{it} \]

\[ \text{ROE}_{it} \]

\[ \text{TQ}_{it} \]

\( i = 1, 2, \ldots, 6 \)

\( t = 1, 2, \ldots, 7 \)

Model (2) above assumes there is no distinction between the individual banks. By lumping together different banks at different times we hide the heterogeneity that may exist among the banks.

Fixed Effect Model (FEM)

Fixed effect model is a statistical model in which the model parameters are fixed. In this study, it is estimated with the assumption that there is no difference between the individual banks and this may cause heterogeneity issues. The model is therefore stated below:

\[ \text{LOGSHP}_{it} = \alpha_1 + \alpha_2 \text{EPS}_{it} + \alpha_3 \text{DPS}_{it} + \alpha_4 \text{ROA}_{it} + \alpha_5 \text{ROE}_{it} + \alpha_6 \text{TQ}_{it} + \varepsilon_{it} \]  \hspace{1cm} (3)

a priori expectation: \( \alpha_2, \alpha_3, \alpha_4, \alpha_5, \alpha_6 > 0 \)
Random Effect Model (REM)

This is also called a variance components model. It assumes that the data being analysed are drawn from a hierarchy of different populations whose differences relate to that hierarchy. In this study, it is estimated with the assumption that the sampled banks are drawn from a much larger universe. The model is therefore stated below;

\[
\log_{10}\text{SHP}_{it} = \Omega_2 \text{EPS}_{it} + \Omega_3 \text{DPS}_{it} + \Omega_4 \text{ROA}_{it} + \Omega_5 \text{ROE}_{it} + \Omega_6 \text{TQ}_{it} + \omega_{it} \tag{4}
\]

\[
\omega_{it} = \Sigma_i + U_{it} \tag{5}
\]

a priori expectation: \( \Omega_2, \Omega_3, \Omega_4, \Omega_5, \Omega_6 > 0 \)

In model (4), we assume that the 14 banks included in one sample are drawing from a much larger universe.

The implicit assumptions of REM are that \( \Sigma_i \sim N(0, \sigma^2) \)

\[
\mu_{it} \sim N(0, \sigma^2) \tag{6}
\]

\[
E(\Sigma_i \mu_{it}) = 0; E(\epsilon_i \epsilon_j) = 0 \quad (i \neq j) \tag{6}
\]

Objective three: One year lagged effect of earnings and dividend payment in the share price movement of deposit money banks in Nigeria.

The one year lagged effect has to do with information signal. This signal is significant to potential investors in the sense that previous year dividend will convey information to potential investors that the banks are doing well or not.

\[
\log_{10}\text{SHP}_{it} = \Psi_2 \text{EPS}_{it} + \Psi_3 \text{DPS}_{it} + \Psi_4 \text{EPS}_{it-1} + \Psi_5 \text{DPS}_{it-1} + \epsilon_i \tag{7}
\]

a priori expectation: \( \Psi_2, \Psi_3, \Psi_4, \Psi_5 > 0 \)

Objective four involve estimating the Granger causality test. The granger causality test is a statistical concept of causality that is based on prediction. The existence of a relationship between variables as stated in objectives (1), (2) and (3) does not prove causality or the direction of influence. But in regression involving time series data, the situation may be different because time does not run backward. That is, if event A happens before event B, then it is possible that A is causing B. However, it is not possible that B is causing A. In other words, events in the past can cause events to happen today. Future events cannot. This is roughly the idea behind the so-called Granger Causality Test. The test involves estimating the following pair or regressions.

\[
\text{SHP}_t = \sum \alpha_i X_{t-i} + \sum \beta_j \text{SHP}_{t-j} + \mu_{1t} \tag{8}
\]

\[
X_t = \sum \lambda_i X_{t-i} + \sum \Omega \text{SHP}_{t-j} + \mu_{2t} \tag{9}
\]

Where \( \mu_{1t} \) and \( \mu_{2t} \) are uncorrelated.

**Variable measurement and sources of data**

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>MEASUREMENT</th>
<th>SOURCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share price</td>
<td>Natural logarithm of market price of shares</td>
<td>Banks annual report and account. Various years</td>
</tr>
<tr>
<td>(LOGSHP)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings per share</td>
<td>This is calculated by diving net profit after taxes and preference dividends by the number of ordinary shares outstanding</td>
<td></td>
</tr>
<tr>
<td>(EPS)</td>
<td>( \text{EPS} = \frac{\text{Profit after tax} - \text{Preference dividends}}{\text{No of shares outstanding}} )</td>
<td>Banks annual report and account. Various years</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>This is expressed as the ratio of earnings distributed to ordinary shareholders to the number of shares outstanding.</td>
<td></td>
</tr>
<tr>
<td>(DPS)</td>
<td>( \text{DPS} = \frac{\text{Earnings paid to shareholders}}{\text{No. of ordinary share outstanding}} )</td>
<td>Banks annual report and account. Various years</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>This is expressed as the ratio of profit after tax to the total number of ordinary share outstanding</td>
<td></td>
</tr>
<tr>
<td>ROE</td>
<td>( \text{ROE} = \frac{\text{Profit after tax}}{\text{No of shares outstanding}} )</td>
<td>Banks annual report and account. Various years</td>
</tr>
<tr>
<td>Tobin q</td>
<td>This is measured as the ratio of the market value of a firm’s asset (or equity and debt) to its assets replacement costs</td>
<td></td>
</tr>
<tr>
<td></td>
<td>( \text{TQ} = \frac{\text{Market value of asset}}{\text{Replacement cost of asset}} )</td>
<td>Banks annual report and account. Various years</td>
</tr>
</tbody>
</table>
RESULTS AND DISCUSSION

Regression analysis

Table 1 below presents the panel regression result of deposit money banks corporate earnings, dividend payment and share prices. The result is presented in columns a, b and c for pooled OLS, fixed effect and random effect models respectively.

<table>
<thead>
<tr>
<th>TABLE 1: Regression Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Objectives 1 &amp; 2: Impact of Corporate Earnings and Dividend Payment on Share Price Movement</strong></td>
</tr>
<tr>
<td>Dependent Variable: LOGSHP</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Variable</th>
<th>Pooled OLS</th>
<th>Fixed Effects</th>
<th>Random Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>0.7357***</td>
<td>1.0181***</td>
<td>0.9243***</td>
</tr>
<tr>
<td></td>
<td>(7.1722)</td>
<td>(13.2585)</td>
<td>(7.5711)</td>
</tr>
<tr>
<td>ROA</td>
<td>0.6358</td>
<td>0.8550</td>
<td>0.7868</td>
</tr>
<tr>
<td></td>
<td>(0.3668)</td>
<td>(0.7473)</td>
<td>(0.6962)</td>
</tr>
<tr>
<td>ROE</td>
<td>0.4353***</td>
<td>0.1850**</td>
<td>0.2399***</td>
</tr>
<tr>
<td></td>
<td>(3.6895)</td>
<td>(2.3808)</td>
<td>(3.1271)</td>
</tr>
<tr>
<td>TQ</td>
<td>2.3351***</td>
<td>2.6034***</td>
<td>2.5601***</td>
</tr>
<tr>
<td></td>
<td>(7.7049)</td>
<td>(13.1105)</td>
<td>(13.0195)</td>
</tr>
<tr>
<td>EPS</td>
<td>0.1425***</td>
<td>0.0415</td>
<td>0.0684**</td>
</tr>
<tr>
<td></td>
<td>(3.7305)</td>
<td>(1.4683)</td>
<td>(2.5028)</td>
</tr>
<tr>
<td>DPS</td>
<td>1.0436***</td>
<td>0.3772**</td>
<td>0.5903***</td>
</tr>
<tr>
<td></td>
<td>(6.7427)</td>
<td>(2.7863)</td>
<td>(4.7238)</td>
</tr>
</tbody>
</table>

Diagnostic Statistics

| R²       | 0.71       | 0.90       | 0.69       |
| Adj R²   | 0.69       | 0.88       | 0.68       |
| Prob(F-stat) | 1.66 | 1.77 | 1.69 |
| D – W    |            |            |            |

**SOURCE:** Authors Computation from E-views, 2017

**Note:** t-statistics in parenthesis *, **, *** denotes significance at 10%, 5% and 1% respectively.

The result showed that the three control variables, return on asset, return on equity and Tobin q, are significant in explaining share price movements of Nigerian banks except return on asset that is not significant in the three models.

The coefficient of return on equity and Tobin q is positive and statistically significant in the three models, while the coefficient of return on equity is statistically significant at 1% in pooled OLS and random effect models at 5% level in the fixed effect model.

The coefficient of market performance (Tobin q) is statistically significant in the three models at 1% significant level. Specifically, a percentage point increase in market performance would result in 2.33, 2.60 and 2.56 basis point increase in share prices in the pooled OLS, fixed effect and random effect models respectively.

The focal variables, earning per share (EPS), dividend per share (DPS) are also significant in determining the share price movement of Nigerian banks. The coefficient of earnings per share is statistically significant at 1% and 5% in pooled OLS and random effect models respectively. The coefficient of EPS is not statistically significant in the fixed effect model.

The coefficient of dividend per share is positive and statistically significant in the three models. The result shows that a percentage point increase in dividend would culminate in 0.79 basis point increase in share price in the pooled OLS, fixed effect and random effect models respectively.

The coefficient of determination (R²) shows that the explanatory variables, return on asset (ROA) return on equity, Tobin q, earning per share and dividend per share explained about 71%, 90% and 69% changes in the share prices of deposit money banks in the pooled OLS, fixed effect and random effect models respectively. The F-statistics and its highly statistically significant probability at 45(0.0000), 42(0.0000) and 42(0.0000) confirms the adequacy of the three models. The Durbin Watson statistics of 1.66, 1.77 and 1.69 for the pooled OLS, fixed effect and random effect confirmed absence of serial auto correlation.

Table 2 presents the result of potential effects of earnings and dividend payment information on share price movement of deposit money banks. The coefficient of previous year earnings as well as previous and current year dividend positively and significantly explain the market price of Nigerian banks shares during the period under study holding other variables constant. Specifically, a percentage point increase in current year dividend payment would-result in 0.79 basis point increase in share price and the result is statistically significantly at 1% level.

<table>
<thead>
<tr>
<th>TABLE 2:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Variables</td>
</tr>
<tr>
<td>------------------</td>
</tr>
<tr>
<td>Coefficient</td>
</tr>
<tr>
<td>C</td>
</tr>
<tr>
<td>EPS</td>
</tr>
<tr>
<td>DPS</td>
</tr>
<tr>
<td>EPS(-1)</td>
</tr>
<tr>
<td>DPS(-1)</td>
</tr>
</tbody>
</table>

Diagnostic Statistics

| R-squared | 0.57 |
| Adj R-squared | 0.54 |
| Prob (F-stat.) | 26(0.0000) |
| Durbin-Watson | 1.64 |

**SOURCE:** Authors Computation from E-views, 2017

**Note:** *, **, *** denotes significance at 10%, 5%, and 1% respectively.
Similarly, the coefficient of one-year lagged dividend is positive and statistically significant at 1% level. Holding other variables constant, a percentage point increase in previous year dividend would result in 0.96 basis point increase in market prices of Nigerian banks shares.

The coefficient of determination ($R^2$) shows that the explanatory variables (EPS, DPS, EPS(-1), DPS(-1)) jointly explain about 57% variation in market shares prices of banks. Also, the F-statistics and its probability 26(0.0000) signifies that the model is adequate in explaining the market price of shares. Finally, Durbin-Watson statistic of 1.64 indicates absence of serial auto correlation.

**Pairwise granger causality tests**

Table 3 presents the pair wise granger causality test of dependent variable (LOGSHP) and the independent variables (DPS and EPS).

The result shows a unidirectional causality between earning per share and share price. The causality runs from earning per share to share price at 5% level.

**TABLE 3: Pair wise Granger Causality Tests**

<table>
<thead>
<tr>
<th>Null Hypothesis</th>
<th>Obs</th>
<th>F-stat</th>
<th>Prob.</th>
<th>Decisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPS does not Granger cause LOGSHP</td>
<td>70</td>
<td>3.6192</td>
<td>0.0323**</td>
<td>Reject</td>
</tr>
<tr>
<td>LOGSHP does not Granger cause EPS</td>
<td>1.3615</td>
<td>0.2635</td>
<td>Accept</td>
<td></td>
</tr>
<tr>
<td>DPS does not Granger cause LOGSHP</td>
<td>70</td>
<td>4.0124</td>
<td>0.0227**</td>
<td>Reject</td>
</tr>
<tr>
<td>LOGSHP does not Granger cause DPS</td>
<td>2.6570</td>
<td>0.0778</td>
<td>Accept</td>
<td></td>
</tr>
<tr>
<td>DPS does not Granger cause EPS</td>
<td>70</td>
<td>0.7169</td>
<td>0.4921</td>
<td>Accept</td>
</tr>
<tr>
<td>EPS does not Granger cause DPS</td>
<td>0.0864</td>
<td>0.9173</td>
<td>Accept</td>
<td></td>
</tr>
</tbody>
</table>

**SOURCE:** Authors Computation from E-views, 2017

Similarly, a unidirectional causality was found between dividend per share and share price, running from dividend per share to share price at 5%.

Conversely, there is no causal relationship between dividend per share and earnings per share.

**DISCUSSION OF RESULTS**

The study sets out to examine the interactions among corporate earnings, dividend payment information and the market price of Nigerian bank shares. Clearly, the issue of corporate earnings and dividend payment information has long been contentious in corporate financial management, in fact, it has sharply divided the academia, financial managers and shareholders into three distinct schools, and till date, the debate still rages.

In order to place the issue in the right perspective in Nigeria, several empirical analyses involving descriptive and inferential statistics were carried out. The panel regression result revealed that earnings and dividend influence share price of Nigerian banks positively. This result is consistent with the finding of Sare, Akuoko and Esumanba (2013); Luwembe, Njangiru and Mungami (2014); Ordu, Enekwe and Anyanwakoroko (2014); and Majanga (2015).

These findings are not surprising, considering the informational value derivable from information content of earnings and dividends. Corporate financial managers often make statements about present and future earnings through dividend payments. When companies significantly alter their dividend policy, it conveys strong message to shareholders that the organization is profitable and better managed. The findings of this study not only lend credence to dividend relevance hypothesis, but also, readily validate the dividend-signaling hypothesis. A review of extant literature revealed that dividend payments resolve the issue of uncertainty in the minds of investors and, therefore would prefer dividends to capital gains (Pandey, 2005). In a related development, Gordon in his famous bird-in-the-hand argument posits that investors are risk-averse and therefore would readily prefer near dividends to future dividends. The result of this study also strongly supports this view. The result clearly revealed that Nigerian banks shareholders are risk averse. This could be as a result of “unpalatable” previous experience where a lot of them lost huge sums of money to CBN induced reform occasioned by erosion of their shareholdings due to non-performing loans. Nigerian investors now see banks’ shares as high risk, hence their preference for cash dividend to capital gains.

Another interesting finding from this study is the issue of causality that has been ignored by previous studies. It has since been discovered by econometricians that even though regression analysis deals with dependence of one variable on other variables, it does not imply causation. In effect, even though it has been found that market prices of Nigerian bank shares depends on the banks earnings and dividend payments, it does not imply that corporate earnings and dividend payment cause market prices of share to rise. The result showed that both corporate earnings and dividend payment cause bank share price movement and not vice versa. This result is also consistent with the findings of Inyiama and Ozoouli (2015).

**CONCLUSION**

The study examines the impact of earnings and dividends on the market prices of deposit money banks shares. Using panel regression analyses and granger causality tests, this study validates dividend relevance hypothesis in Nigeria. The implication is that shareholders of deposit
money banks in Nigeria are risk averse since they prefer near dividends to future earnings. This is in line with the conclusion reached by many writers including Hemadivya and Devi (2013); Al Troudi and Milhem (2013); Inyiama and Ozouli (2014) amongst others.

The study confirms that earning per share and dividend payment granger cause share price movement of deposit money banks in Nigeria. Overall, corporate earnings and dividend payout are significant determinants of share prices. The diagnostic statistics such as $R^2$, F-test, probability of F-test and Durbin Watson statistics show that the models are adequate in explaining the determinants of share prices of deposit money banks in Nigeria.

A startling revelation from the study is that when organizations declares dividend, it conveys a strong message to shareholders that the company is profitable and well managed. Announcement of changes in dividend policy influences share prices and managers use dividend changes to convey information about the future earnings of their companies.

RECOMMENDATIONS

Based on the findings and conclusion the following recommendations are made;

First, Nigerian deposit money banks management should place emphasis on profitability in their operations since corporate earnings was observed to be a strong performance indictor of dividend payment,

Second, Appropriate dividend policy that would maximize return should be designed. In order words, the dividend payout ratio should be such that would maximize the wealth of shareholders.

Thirdly, Corporate managers should consider several other variables such as investment opportunities, available financing, tax and prevailing interest rate before declaring dividend to shareholders.

RECOMMENDATIONS AND FURTHER STUDIES

The following are recommendations for further studies;

First, Aside the six variables used (share price, earnings per share, dividend per shares, return on asset, return on equity and Tobin q) in this study, there are other variables such as liquidity ratio, corporate tax of the bank, revenue growth of the bank, and size of the bank, thus this study recommendation for further studies is that all these variables should be incorporated for wider discussion of this study.

Second, the scope of this study was for the period of 2009 -2015. For further studies, it is strongly recommended that the scope be expanded for a period of ten years for proper analysis.

Thirdly, since we have 24 deposit money banks in the country. For proper analysis of deposit money banks in Nigeria, It would be interesting for further study of corporate earnings, dividend payment, and share price movement of deposit money banks in Nigeria to focus on the whole of 24 banks in the country.

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