

IMPACT OF DIVIDEND POLICY ON SHARE HOLDERS'S WEALTH: A STUDY OF SELECTED FIRMS ON THE NIGERIAN STOCK EXCHANGE (2000-2014)

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Abstract

The study is concerned with the impact of Dividend policy on shareholders' wealth with reference to public liability companies in Nigeria from 2000-2014. Samples were drawn using the availability sampling method drawn from the non-probability sampling technique. The pooled Fixed, as well as random Effect Estimators, have been applied on a panel Sample of 76 firms quoted on the Nigerian Stock Exchange has drawn from 18 industries. The major findings of the study revealed that although all the variables in the model are jointly significant with MPS proxy for Market Price of Shares, the individual independent variables gave varying results. Of the 14 industries, gross retained earnings showed that 06 of the industries have a significant positive impact on MPS. Earnings per share revealed that 08 out of the 14 industries have significant positive impact on MPS. Price Earnings Ratio as a determinant of MPS showed that 10 of the 14 industries have a significant positive impact on the wealth of Shareholders. With respect to dividend per share (DPS), 07 industries have a significant positive impact on MPS, Gross dividend payment however shows that three independent industries have a significant positive impact on Market price of shares. In the final analysis, the individual industry in the pooled data has all the variables jointly significant with Market Price of Shares (MPS). It is however established that 09 of the 14 industries have significant positive relationship with market price of shares. Another significant outcome of the Cross Industry analysis is that going by WALD Restriction Test results, nine of the fourteen industries showed that they are significant at 1 percent; three are significant at 5 percent and only one of the industries is positive but insignificant. Recommendations proffered in the course of this study are as follows:

Keywords: MPS, DPS, RE, PER, EPS, NSE, Dividend Policy