
DETERMINANTS OF DIVIDEND PAYOUT OF TROUBLED LISTED FIRMS IN NIGERIA

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ABSTRACT

This study aims at investigating the Determinants of Dividend Payout of Troubled Listed Firms in Nigeria. Three variables are considered as potential determinants of dividend payout of a troubled firm in this study. Both ordinary least square (OLS) and The Kurtosis were run on a sample of 33 manufacturing firm for the period of seven years from 2012 to 2018. In other to ensure the validity and the reliability of our data, we therefore subjected our data to a diagnostic test using descriptive statistical analysis and correlation testing. The Jarque-Bera (JB) which test for normality or the existence of outlier or extreme values among the variables shows that all our variables are normally distributed at 1% levels of significance, the data generated were subjected to different statistical tests such as descriptive statistics, correlation analysis and ordinary Least Square regression analysis. The regression result shows that ownership concentration (OWNC) and capital adequacy (CAPAD) have a positive but insignificant effect on dividend payout of listed troubled firms in Nigeria. While Return on Equity (ROE) has a positive but significant effect on dividend payout of listed troubled firms in Nigeria. In other words, only Return on Equity (ROE), among all our explanatory variables is a determinant of dividend payout of troubled listed firms in Nigeria. It was recommended that, The potential investors that are planning to invest in Nigeria listed firms, using their ownership concentration and capital adequacy of their shares as their guide or determining factor, should avoid investing on troubled listed firms instead invest using their return on equity as a determining factor. The study makes two major contributions to the literature by developing a process that could be used by potential investors to predict troubled listed firms in Nigeria stock market using Altima Z score model and building a model that can be used by investors to determine dividend payout behaviour of troubled listed firms in Nigeria.

Keywords: Dividend payout, troubled firm, Altima Z score, Variables, Ownership Concentration (OWNC), Capital Adequacy (CAPAD), Return on Equity (ROE).

1. INTRODUCTION:

Dividend in a general sense could be referred to as reward or amount of cash paid out of current or retained profit to the shareholders, while dividend payment is cash outflow. Dividend provides a signal to shareholders and other potential investors on the real worth of the companies (Allen & Ranchim, 1996). Hence, firms listed on stock exchange markets return profits to shareholders in the form of dividends. A company eager to pay dividends to their shareholders over times can be providing messages about its financial fundamentals and performance.

Dividend also defined as that portion of company's net earning which recommended for distribution to shareholders in proportion to their shareholdings by director. They are normally paid out in cash (cash dividend) or by stock dividend (bonus issues). When cash is paid to shareholders, it has an adverse effect on the liquidity position and the reserves as it tends to reduce both cash and reserves while stock dividend does not affect the total net worth of the firm, as it is a capitalization of owners' equity portion.

Nwidobie (2013) opined that the higher these dividends, the satisfied are these owners that see such financial investments as rewards, and thus attractive to shareholders to invest in; since the payment reward, dividend, signal good prospects of higher earnings for firms. Firms pay dividend as a reward to their existing shareholders and to persuade potential investors to invest more, however investors pay close attention to dividend since through dividends they get on their shares or investment. Gill, Biger and Tibrewala (2010) is also of the opinion that dividends are attractive for investors looking to secure current income, and it also helps maintain market price of the shares. It is important to investors for it provides certainty about the firm's financial well-being.

Dividend payable is one of the most debatable issues in contemporary corporate finance (Baah, Tawiah and Eric 2014). Aside from the debating issues on the propensity to pay or not to pay dividend by various firms, there are also silently growing issues on the troubled firms' ability to pay dividends to their shareholders (Rihanat, Nuradiana and Woei-Chyuan, 2016).

Troubled firms are those with Altman Z score of less than or equal to 1.80, while the non-troubled firms are those with Z score above 1.80 (Altman, 1968). Hence, these troubled companies listed on the Nigerian Stock Market are expected to pay dividend to shareholders. But in a situation where troubled companies' investment yields negative returns, what are their chances of paying dividend to their expected shareholders and potential investor call for attention.

Dividend payout vary widely across companies and sectors and their effect on company value remains inconclusive among researchers, it is also the most debatable issues and one of the controversial in the corporate finance literature (Frankline & Muthusany, 2010). Dividend payout forces the manager to go increasingly to the capital market and an extensive research by researchers to explain why companies should pay or not pay dividend (Nyour & Adejuwon, 2013). Rihanat, Nur and Woei-chyuan (2016) hold that, there is a significant reduction in the number of firms paying dividends due to dividend disappearing and this evidence is inconclusive as some other studies argued that dividend patterns are changing but not disappearing. A higher

dividend payout is not favorable since it has a tendency to cut down the firm share price where dividends are intemperately taxed more than capital gains (Maude, Jimoh & Okpanachi, 2015), because of an increased role of the finance in the firms overall growth strategy and dividend decision seems as the most centrally important. Dividends are sticky due to firms unwilling to vary dividend, especially, even when earning drops firms avert cutting dividend. Dividend decisions are recognized as centrally important because of increased significant role of finance in the firms overall growth strategy (Ozuomba & Ezeabasili 2017). Apart from argument on the tendency to pay or not to pay dividends, there is also a rapidly growing research questions to be answered on influence of ownership concentration, capital adequacy, investment growth, market to book value and return on equity on dividend payout on manufacturing firms in Nigeria. Proshare (2013) stated that there have been non- payment of dividend as reported in the Nigerian stock market, as the leading financial information service, 43 out of 200 companies listed on the Nigerian stock exchange have not paid dividends in the last five years. Notwithstanding the fact that there are so many research works on the determinant of dividends payout both at local and international level, but to the best of our knowledge based on literatures reviewed, there has dearth of literature on the determinant of dividend payment behavior on troubled listed firms in the Nigeria and this was the gap in knowledge this study filled. This troubled listed firms in Nigeria are those firms with Altman Z score of less than or equal to 1.80 (i.e. those firms that are prone to bankruptcy or liquidation), given the cultural belief that making returns on investment is the essence of engaging in any investment or business plan by shareholders or potential investors. Additionally, using post International Financial Reporting Standard (IFRS) data for the period under consideration for the troubled firms will be another gap the study filled.

Arising from above, the main objective of this study is to investigate the determinants of dividend payout of troubled listed firms in Nigeria. Other sub-objectives of the study are as follows to;

1. Ascertain the influence of ownership concentration on dividend payout of troubled listed firms in Nigeria.
2. Determine the influence of capital adequacy on dividend payout of troubled listed firms in Nigeria.
3. Examine the influence of return on equity on dividend payout of troubled listed firms in Nigeria.

This paper is presented or divided into five (5) Sections, section two is the review of related Literature, section three consists of the methodology while sections four and five comprised the data presentation and analysis.

2. REVIEW OF RELATED LITERATURE

2.1 Conceptual Framework

Dividend Payout

Pandey (2011) defines dividend as a part of a company's net earnings which the directors urge to be paid to the shareholders in ratio to their shareholdings in the company. It is normally expressed as a percentage of nominal value of the company's ordinary share capital or as a fixed

amount per share. Dividend is a periodical cash payment by firms to investors who hold the firms' preferred or common stock.

Dividend payout is a ratio that measures the relationship between the earnings belonging to the ordinary shareholders and the dividend paid to them. It is measured as dividend paid to shareholders divided by net profit after tax available to equity holders (Muhammad & Mooa, 2017).

In the view of Ross, Westerfield and Jaffle (2006) dividend can be seen as allocation of earnings of firms whether those earnings are made in the present or previous period. And once a company generates profit they have to resolve if to retain the profit for capital investment and expansion or for dividend pay out to the shareholders. Dividend could be viewed as the share of profit of a firm by the stockholders on a pro rata basis that is determined by number of shares held by each shareholder

Nuredin (2012) in his opinion that dividend is viewed to be a reward to the shareholders for their contribution in raising fund for a company and for relevant risk. Concerning this, the company management develops a dividend policy to divide and allot earnings among the shareholders for their capital invested.

According to Inyama and Ubesie (2014), whenever dividend is paid by company, the company's value may diminish by the amount of the total payout and investors presume that the company's stock price should go down by the same amount as the dividend to reflect the company's reduced value. They maintained that dividend allotment by corporate organizations is an underlying responsibility to shareholders and hence rates as one of the major crucial corporate decisions, a company's ability to consistently pay out increased levels of dividend over time, conveys information about the management assessment of the firm's future prospects, thereby sending strong signals to the market about its fundamentals.

Nwidobie (2013) opined that when the dividend is higher, it brings more satisfaction to those owners who see such financial investments as rewarding, and as well attracts the non-owners to invest in, as payment of the reward, dividends, indicates beneficial expectation of higher earnings for firms. He declared, while quoting Park (2009) that dividend payments are affiliated with firms with good corporate governance, concluding that firms in legal regimes that focus on protecting investors are more likely to earn more and pay even higher dividends than firms in legal regimes with less investor protection.

Gill, Biger, and Tiberwala (2010) stated that dividend payout is crucial for investors because dividends offer certainty about the company's financial wellbeing, it attracts the investors looking to ascertain current income, as well as helps in maintaining market price of the share. Companies with longstanding record of stable dividend payouts would be negatively affected by lowering or omitting dividend distributions.

Osegbo, Ifurueze and Ifurueze (2014) in their opinion that bank in Nigeria pay dividend with intention of reducing the agency conflict and also maintaining firm's reputation. They apportion more earning to boost growth of banks.

2.1.2 Ownership Concentration

Ownership concentration is the amount of large block owners and the total percentage of the company's shares that they own.

According to Berle and Means (1932), a controlling owner is an owner who holds at least 20 percent of the company shares. Below this threshold firms are regarded to be under management control could be categorized to be high ownership concentration while others had diffused ownership. Diffused ownership is when corporate shareholders are dispersed in the nature of their shares ownership makeup. Diffuse ownership is characterized by a large number of shareholders with smallholdings and is anticipated to produce weak monitoring of managerial decisions.

Knowledge of firm's ownership concentration is of great importance to economists, investors and policy makers. Users of the concentration information could make informed decisions leading to improved firm's performance, better returns and better understanding of market situations.

Easterbrook (1984) documented that in the front of efficient markets, market monitoring would discipline the managers via the threat of hostile takeovers. Owners were expected to exercise more freedom in monitoring the use of firm resources as they would in case of private firms.

Mukhtar (2015) refers ownership structure as the composition of the ordinary shareholding of a company in terms of insider, outsider, institutional and government ownership and other dispersed shareholders. Ownership structure has influence on dividend pay-out decisions since it is the shareholders' meeting which resolves upon the allocation of income to reserves and dividend payments. Where there is a concentrated shareholder base, dividend decisions will reflect the preferences of the majority shareholders. When majority shareholders want to maintain control also new capital issues will pass only if the majority shareholder has the possibility of subscribing the new shares.

Marina (2010), and Shleifer and Vishny (1986) argue that ownership concentration provides the conditions for large shareholders to supervise the management of the firm, thus defeating the free-rider issues connected with diffused ownership where no single shareholder has enough inducements to obtain supervising costs for the welfare of all shareholders. Because of the dynamic supervising of large shareholders, corporate decisions are better aligned with shareholders interest; which should result in higher firm values. Indeed, firms with concentrated ownership appear to display better performance indicators. Because greater monitoring by large shareholders ensures that fewer corporate resources are wasted in poor-quality projects, the implication is that more cash flows can be paid out as dividends.

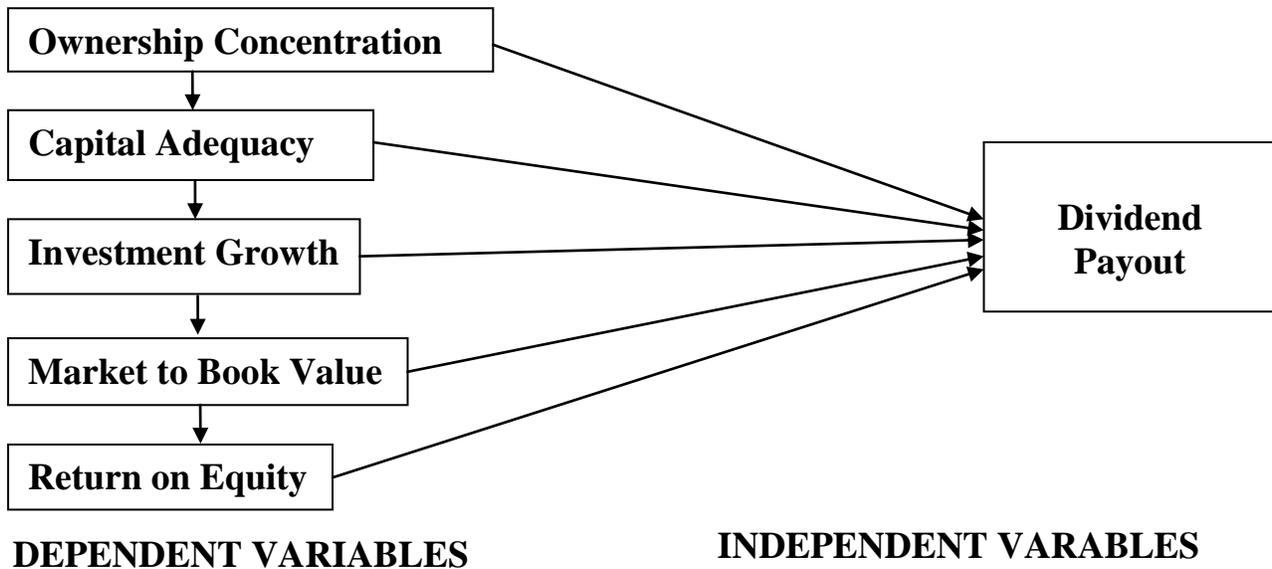
The closer alignment with shareholder interest also explains why good governance firms pay higher dividends, which gives shareholders the option to either cash out or increase their investment by purchasing more shares. By contrast, poorly governed firms tend to retain their cash and return little to shareholders, unless constrained by their legal environment. Consistent with this view, La Porta, Lopez, Shleifer and Vishny (2000) show that in countries with better shareholder protection, like the US, firms pay higher dividends. Likewise, Mitton (2005)

documents that rising market firms with higher corporate governance indicators pay higher dividends. Furthermore, the payout value seems to be higher when investment chances are low.

A usual manner to appraise ownership concentration is to take the percentage of shares held by the largest shareholder or the joint shares held by a number of the largest owners as proposed by (Berle & Means, 1932). Ownership concentration measure is established depending on the fraction of the shares held by the large shareholders. The larger the concentrated ownership structure, the greater the need for monitoring (Mitton, 2005).

Return on Equity

Return on Equity is a measure of how well profit was being generated from shareholders’ fund. Return on equity explained how effective common shareholders money is being employed with which an individual is able to ascertain if a firm is a profit creator or a profit –burner and management’s profit-earnings efficiency. Return on Equity ratio is handled as a significant standard of measuring a company’s earnings performance. The higher a company’s return on equity the better management is at employing investors’ capital to profit (Kijewska, 2016). Equity is a difference between the value of assets and liabilities and is a degree of ownership in assets after all debt associated with the assets is subscribed. Fama and French (2001) stated that Return on equity is an explanatory variable according to many previous studies and the measure of profitability. It is used as the proxy of profitability in most situations and also a ratio of Net profit and shareholders’ equity.



2.2 Theoretical Framework

This study is anchored on two theories namely; The Agency Theory, and The Bird-In-Hand Theory.

The Agency Theory

Jensen and Meckling (1976) developed the agency theory based on the differences between managers and shareholders to which dividend payout and pattern acceptable to shareholders resolve. The agency theory states that dividend policy is determined by agency costs emanating from the divergence ownership and control. Here managers may not adopt a dividend policy that is value maximizing for shareholder rather choose the one that maximizes their own private benefit and interest. Shareholders may develop means of controlling manager's behavior since they are aware (Jensen & Meckling, 1976; Fama, Shlefer & Vishny, 1997).

According to Jensen (1986) the agency theory of dividends depends on the idea that dividends act as a bonding and monitoring device that reduces the agency conflicts between managers and shareholders in diffusely held corporations. Agency considerations affect dividend payout ratio useful constraints of managerial inclination for overinvestment or other wasteful uses of the firm's resources. A high dividend payout ratio forces the management to pay out free cash or compels the firm to go to the capital markets to fund new projects. The stable dividends set the minimum expected operation of the management. Dewing (1920) suggests that dividend policy of firms with diffuse ownership should be more stable than that of firms where directors have substantial equity interests in the firm.

Jensen (1986) noted that, like debt, smoothing performs an important control function by bonding the managers' promise to pay out future cash flows. He noted that, "such promises are weak because dividends can be reduced in the future". That opinion suggested that dividends serve as a crucial control device precisely because managers find it difficult to reduce dividends. Donaldson (1990) criticized the agency theory with the fact that it offered little more than looking at known data patterns, and had no capability in providing future oriented guidance.

Al-Najjar and Hussainey (2009) found that the conflict interest between manager and investors may be reduced by paying dividend to shareholders. Agency theory tries to make that much free cash flows are not left in the hand of the managers for their self-interest rather for the interest of the shareholders. Our study is linked to the agency theory in the sense that we will like to find out to what extent debt affect dividend payout, since controlling and monitoring managers thus reducing agency cost arising from the shareholders and managers conflict. Dividend as a monitoring device that reduces agency costs arising from shareholders and managers conflict and this is be reduced by paying dividend to shareholders.

Bird-In-The-Hand Theory

This theory was first mentioned by Lintner in 1956 and has been supported by various researchers including Gordon (1959, 1963). The Bird-in-the-hand theory argues that investors prefer to receive dividends 'today' because current dividends are more certain than future capital gains that might result from investing retained earnings in growth opportunities. Due to future uncertainties and data asymmetry, dividends are rated in different manner from retained earnings. Thus "A bird in hand (dividend) is worth more than two in the bush (capital gains)". Due to the uncertainties of anticipated cash flow, investors often tend to prefer retained earnings.

The main assumptions of the Bird-in-the-hand theory model are that; investors have weak data concerning the profitability of a firm; cash dividends rate are highly taxed than when capital gain is realised on the sale of a share; and dividends acts as an indicator of expected cash flows. Despite the tax disadvantage of paying dividends, management continues to pay dividends so as to air a confirming indicator about the future prospects of the firm. The price of this signaling is that cash dividends are highly taxed than capital gains. Whereas some investors would rather have capital gains to cut down on tax impact, many prefer dividends because they prefer immediate cash in hand.

Critics and opponents to the bird in hand theory have stated that the theory excludes important factors. Kowaleosk, Statsyuk and Falavera (2007) argues against the theory and points out that increases in current dividends do not decrease the riskiness of the company; it does instead work in the other direction. Because if an increment in dividend payments are made, the managers have to issue new stocks in order to raise the needed capital. Therefore a dividend payment only shifts the risk from the old shareholders to the new one. With a improve evaluation, the firm can easily raise more finance from capital market as long as credit institutions are able to issue loans to the firm since the payout of dividends proves that the firms has the capacity to meet up with its responsibilities.

Our study is linked to this theory as we like to investigate the extend firm cash flow's affect dividend payout, for according to Spermini (1994) states that market are expected to identify companies that offer superior present and future cash flows to shareholders as positive sign is anticipated and market identify company that pays dividend as a positive sign, that the firm is doing well.

2.3 Empirical Review

Many studies have been conducted so as to evaluate the relationship between company ownership structure and dividend policy. Some of these studies found a positive relationship, for example Warrad, Abed, Khriasat and Al-Sheikh (2012) conducted a study to investigate the rate of ownership structure on dividend payout policy used Tobin's Q. The outcome indicated a significant relationship between ownership structure and dividend payout policy.

Ulla, Fida and Khein (2012) evaluated the determining factor of the corporate dividend policy in the context of agency relation. Stepwise multiple regressions were employed to determine the various variable of ownership in connection with the dividend payout policy. The research showed a negative relationship between the managerial ownership and the dividend payout policy.

A study conducted by Ramli (2010) used least square method and empirically showed in the study of Malaysian listed companies where ownership structure is more concentrated that as the shares of large shareholders increases, the firms will be able to make higher dividends.

Dalmacio and Corrar (2007) studied the relationship between shareholders control concentrations and the dividend policies of 438 Brazilian companies listed on the Sao Paulo Stock Exchange (Bolsa de Valores de Sao Paulo-BOVESPA) from 1998- 2005 using regression analysis. The

researcher found out that an increase in shareholder concentration raises the value of dividend paid per share.

Cristiano, Fernanda and Denis (2015) in their study determinant factors of dividend payout in Brazil from 1995-2011 used two econometric models, Tobit and the generalized method of moments and found out that major control and chief executive officers and board of Directors values were significantly positive, as expected which suggested that companies with a majority controller and those led by the chief executive officers who also serves as a board of directors chair offer higher dividend payments. Kimie and Pascal (2011) in their study on ownership concentration and dividend policy in Japan, used Regression analysis and found out that firms with higher ownership concentration pay lower dividends than those of lower ownership concentration.

Alev and Seyina, (2015) study on Corporate Governance and dividend policy with a sample of 19 corporate from the Borasa Istanbul that composed of listed company that accomplished a certain level of corporate Governance principles from 2007-2014 and ordinary least squares panel regression was used and funds a significant negative relationship between ownership concentration and dividend policy.

Hafeez and Attiya (2012) investigated the determining factor of dividend policy in Pakistan listed non-financial firms from 2001-2006, panel regression dividend model of Lintner (1956) was employed and the result was found that ownership concentration has a positive effect on dividend payout policy.

Ahamed and Javid (2009) in their work on Determinants of dividend payout on Pakistan using sample of 320 non-financial firms listed in Karachi stock exchange from 2001-2006. Panel regression was used and found out that ownership concentration have positive impact on dividend payout policy.

Rufus and Soyoye (2014), in their study on determinants of dividend payout in the Nigerian banking industry, from 2006-2008, they employed pooled regression techniques using the data of the Nigerian quoted banks. The result of capital adequacy is significant in the regression of bank specific variables with dividend payout but insignificant in the combined variables with dividend payout.

Manina (2010) examined capital adequacy and dividend policy in Italian banks, primarily a descriptive study was carried out and found out that the capital adequacy of the Italian banking system did not significantly improve over the last 15 years; hence it has a negative significant on the dividend policy of the Italian banking sector.

Frauk and Eyup (2018) investigation on determinants of dividend payout decisions: A Dynamic panel Data Analysis Turkish stock market. Applied panel regression to 853 observations of yearly average of 106 companies listed on the Borsa Istanbul from 2009-2015, a statistically significant positive effect on dividend payout was found in the relationship between dividend payout and return on equity.

Ayman (2015) study on determinants of dividend policy: Evidence from Malaysia firms, a sample of 284 firms listed on Kuala Lumpur stock Exchange. Using pool data level for all sectors, Return on equity has significant positive correlation with dividend payout ratio.

Baah, Tawiah and Eric (2014) studied the determinants of dividend policy for 12 companies covering six different sector of economy in Ghanaian stock market from 2006 -2011. The result shows that Return on Equity, Size and Profit after tax were the major determining factors of dividend payout in the listed companies in Ghana.

Enekwe, Nweze and Agu (2015) study on the impact of dividend payout performance Evaluation: Evidence of quoted cement companies in Nigeria from 2003 – 2015, using ordinary least square and find out that, Return on equity has statistically significant with return on capital Employed .

Bassam, Hikmat and Osama (2018) investigated on determinants of dividend policy for a sample of Non-financial Company in Jordan. Using panel data set and found out that return on Equity was positive and significant that firms with high profitability were paying larger consistent dividend payout.

Ahmed, Muhammad, Muhammad, Sabih and Mustafa (2014) studied impact on dividend policy, Earning per share, return on equity profit after tax on stock prices. A sample of 63 companies listed at Karachi stock exchange firms from 2006-2011.Using OLS regression model and found out that return on equity shows positive insignificant effect on stock price.

3. METHODOLOGY

The research design adopted for this research was an *ex-post facto* since we relied on historic accounting data (secondary) obtained mainly from Nigerian Exchange Fact book, audited annual publication of the Nigeria Stock exchange financial reports, income statements and financial positions of quoted troubled companies account in the Nigeria Stock Exchanged from 2012 to 2018, seven years period. This study also has longitudinal characteristics because it involves a study of a set of companies over a period of time. The study considered a total of thirty-three (33) listed troubled firms for a period of seven years. Based on the data, Eleven out of forty-four (44) companies have not recorded any troubled year within the period, reducing the firm to thirty-three (33). The Altman z-score used in determining troubled listed firms in Nigeria are less than or equal to 1.80 are troubled firms while above 1.80 are free. The study employed ordinary least square (OLS) regression analysis, Eview 8.0; we therefore subjected our data to a diagnostic test using descriptive statistics analysis, to further check for the normality of our variables, a Jarque-Bera normality test was used, in examining the association among the variables, we employed the Pearson correlation coefficient (correlation matrix), to evaluate the impact relationships between the dependent variables and our independent variables and to also test our formulated hypotheses, we used Multicolinerity test and Ordinary Least Square (OLS) regression analysis.

Model Specification

The following model was formulated for this study;

$DIVP = f(OWNC + CAPAD + ROE)$

The model stated above was stated in its econometric form below:

$$DIVP = 0\beta + \beta_1 OWNC_{it} + \beta_2 CAPAD_{it} + \beta_3 ROE_{it} + \mu_i$$

Where;

Dividend Payout (DIVP)

Ownership Concentration (OWNC),

Capital Adequacy (CAPAD),

Return on Equity (ROE)

0β = constant

E= Error term.

Parameters: $\beta_1, \beta_2, \beta_3$, represent the co-efficient.

Apriori sign: $\beta_1 < 0, \beta_2 < 0, \beta_3 < 0$

Decision Rule:

Accept Null hypothesis (Ho), if p-value is 10%; otherwise, reject Ho, to accept alternative hypothesis (H1).

4. DATA PRESENTATION AND ANALYSIS

4.1 Data Presentation

In this study in which we examined the determinants of dividend payout of troubled listed firms in Nigeria, data were generated through secondary sources of data collection. The data generated is presented as appendix 1. In order to ensure the validity and the reliability of our data, we therefore subjected our data to a diagnostic test using descriptive statistical analysis and correlation testing, Variance Inflation Factor (VIF) test and the results of our tests are presented in tables below.

Table 4.1.1 DESCRIPTIVE STATISTICS FOR OUR VARIABLES

	DIVP	OWNC	CAPAD	ROE
Mean	29.22419	0.595316	44.91189	8.657276
Median	13.09000	0.620000	46.24000	10.67000
Maximum	313.5200	1.000000	97.46000	520.5200
Minimum	-307.8600	0.000000	-66.21000	-989.3800
Std. Dev.	56.18379	0.183885	24.57822	89.67435
Skewness	0.325263	-0.721703	-1.038683	-5.311495
Kurtosis	11.60794	3.444254	6.204920	71.79939
Jarque-Bera	934.6034	28.60481	182.9448	60779.48
Probability	0.000000	0.000001	0.000000	0.000000
Sum	8796.480	179.1900	13518.48	2605.840
Sum Sq. Dev.	946985.4	10.14410	181226.6	2412447.
Observations	224	224	224	224

Source: Researcher's computation (2019): Note *1% level of significance, **5% level of significance, ***10% level of significance.

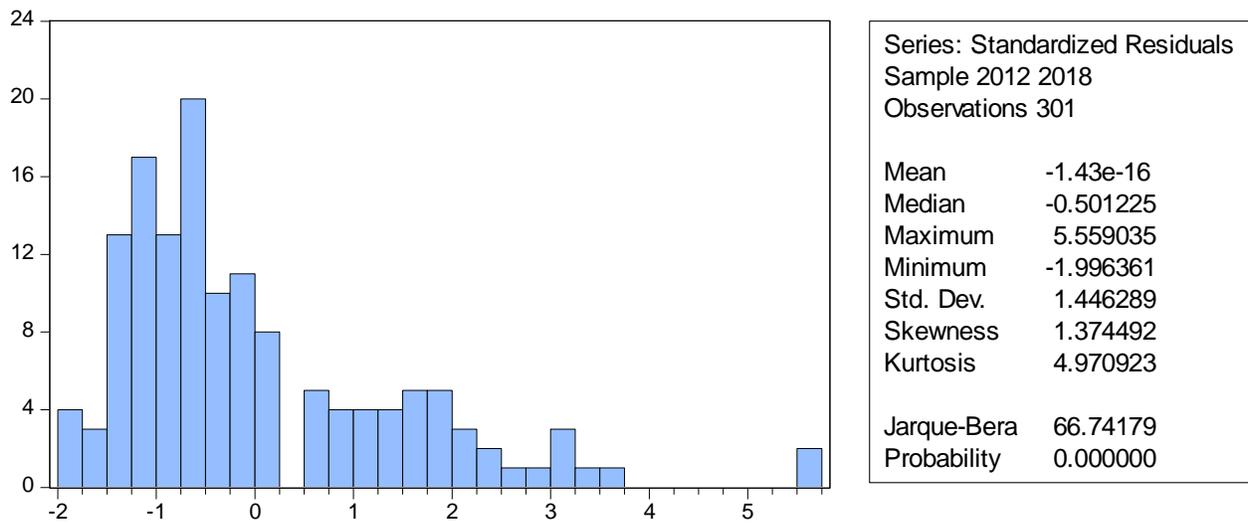
Table 4.1.1 shows the mean (average) for each of the variables, their maximum values, minimum values, standard deviation and Jarque-Bera (JB) statistics (normality test). The result in Table 1 provided some insight into the nature of the selected variables used in this study. Firstly, the large difference between the maximum and minimum values of our explanatory variables namely ownership concentration (OWNC), capital adequacy (CAPAD) and return on equity (ROE) shows that all the firms used for this study belong to the troubled listed firms as their minimum values range from negative values to zeros. The table also shows that on the average, that about 60% of the troubled firms used for this study have high ownership concentration, only 29% of such firms pay dividend, while 8.27% of the firms recorded investment growth over the period under study. We also observed a wide variation in the standard deviation of our explanatory variables which are 0.1840195, 24.57822, and 89.674935 respectively for our variables OWNC, CAPAD and ROE respectively. This means that the companies used for this study are well dispersed, not dominated by either large or small firms.

Furthermore, the table also shows that return on equity value on the average stood at 8.657076, the maximum value was 520.520 while the minimum value stood at -989.3800. This means that on the average, most firms used for this study recorded a positive return on equity value, which is encouraging and further strengthens the need for this study as we expect that such firms despite that they are classified as troubled firms, should payout dividend because of the positive value recorded in their return on equity.

Lastly, in Table 4.1.1, the Jarque-Bera (JB) which test for normality or the existence of outlier or extreme values among the variables shows that all our variables are normally distributed at 1% levels of significance. This also implies that a least square regression as well as panel fixed and random effect regression result can be used to estimate the model specified for this study. The Kurtosis and skewness of our variables also shows that the variables used in this study were normally distributed.

4.2 Normality Testing

To further check for the normality of our variables, a Jarque-Bera normality test was further carried out and the result is presented as a graph in figure 4.2.1 below.



Source: Author's Computation (2019) using Eview software 8.0

Fig. 4.2.1: Jargue- Bera Normality Result

The graph result above shows that the variables used for this study, with the Jargue-Bera value of 66.74179 and probability value of 0.00, are normally distributed at 1% level of significance and therefore fit to be used for this study.

4.3 Correlation Analysis

In examining the association among the variables, we employed the Pearson correlation coefficient (correlation Matix) and the results are presented in Table 4.3.1.

Table 4.3.1: Pearson Correlation Matrix

	DIVP	OWNC	CAPAD	INVGRTH	MARKB	ROE
DIVP	1.00	0.06	0.03	0.00	0.05	0.13
OWNC	0.06	1.00	0.05	0.13	0.00	0.01
CAPAD	0.03	0.05	1.00	0.04	0.09	0.02
ROE	0.13	0.01	0.02	0.06	0.42	1.00

Source: Researcher's computation (2019)

The use of correlation matrix in most regression analysis is to check for multi-collinearity and to explore the association between the each explanatory variables and the dependent variable. Table 4.3.1 focuses on the correlation between dividend payout DIVP and the independent variables which include OWNC, CAPAD and ROE. The findings from the correlation matrix table shows that all our explanatory variables were positively and weakly correlated with our dependent variable, (DIVP, OWNC =0.06; DIVP, CAPAD= 0.03; DIVP, ROE =0.13. In checking for multi-collinearity, we notice that all other explanatory variables were not perfectly correlated. This means that there is no presence of multi-collinearity problem in our model. Multi-

colinearity between explanatory variables may result to wrong signs or implausible magnitudes in the estimated model coefficient, and the bias of the standard errors of the coefficients. To further check for the presence of Mult-colinearity in our variables, the data collected are subjected into higher Multi-collinearity test, using Variance Inflation Factor (VIF). In other words, Variance Inflation Factor (VIF) which was a higher order test was introduced to further check for the problem of multi-collinearity among our variables and the result of our testing is presented in table 3 below:

Table 4.3.2: Variance Inflation Factor Test

Variable	VIF	1/VIF
roe	1.22	0.817723
ownc	1.02	0.980624
capad	1.01	0.985724
Mean VIF 	1.10	

The VIF for each of the variables was much lesser than the threshold of 10 and the overall VIF mean value was less than 5. This indicates that the explanatory variables in our specified fixed and random effect regression model is not substantially correlated with each other and this implies a complete absence of multi-collineality in the explanatory variables used for this study.

Another major regression estimation problem is the existence of heteroscedasticity (that is non-constant residual term) which is often common with cross-sectional data. The existence of this problem may result in wrong t-values and f-statistics. To test for the existence of this problem, the Breusch-Pagan Godfrey heteroscedasticity test was used. The result of this test is presented in table 4.3.3.

Table 4.3.3: Breusch- Pagan Godfrey Heteroscedasticity Test

Test	Value
chi2 (1)	= 2.28
Prob > chi2	= 0.1307

Source: Author's Computation (2019).

The Chi2 (1) value of 2.28 shows that there is the absence of heteroscedasticity problem in our model. The probability value of the Chi2 of 0.13 which is above 5% level, also confirms that we should accept H0 (Absence of heteroscedasticity) and reject H1 (Presence of heteroscedasticity).

4.4 Test of Hypotheses Formulated

In other to examine the impact relationships between the dependent variable DIVP and the independent variables (OWNC, CAPAD and ROE) and to also test the formulated hypotheses given, the study used a panel multiple regression analysis, using fixed and random effect regression analysis, owing to the fact that the data had both time series (2008-2018) and cross sectional properties (20 quoted manufacturing firms in Nigeria). Fixed effect result is presented in table 5, random effect is presented as table 6. Note that the rule is that the decision to interpret

either fixed or random result will be determined by Hausmann test. Hausmann test conducted for this study is presented as table 7.

4.4.1 DIVP MODEL

The DIVP panel regression results examined the determinants of dividend payout of troubled listed firms in Nigeria and the Fixed and Random Effect results obtained are presented in Tables 4.4.1 and 4.4.2 respectively.

Table 4.4.1: DIVP Panel Fixed Effect Regression Result

Cross-sections included: 32

Total panel (balanced) observations: 224

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.652016	26.33602	0.176641	0.8599
OWNC	29.89731	43.66747	0.684659	0.4942
CAPAD	0.148078	0.201153	0.736148	0.4623
ROE	0.063868	0.038046	1.678673	0.0945***

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.349096	Mean dependent var	29.22419
Adjusted R-squared	0.228177	S.D. dependent var	56.18379
S.E. of regression	49.35941	Akaike info criterion	10.78135
Sum squared resid	616397.0	Schwarz criterion	11.37252
Log likelihood	-1574.593	Hannan-Quinn criter.	11.01791
F-statistic	2.887020	Durbin-Watson stat	2.247380
Prob(F-statistic)	0.000000		

Source: Researchers computation (2019): Note: * = 1%, ** = 5%, *** = 10% level of significance

Table 4.4.2: DIVP Panel Random Effect Regression Result

Cross-sections included: 32

Total panel (balanced) observations: 224

Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	11.47640	16.46696	0.696935	0.4864
OWNC	21.37618	24.51502	0.871962	0.3839
CAPAD	0.106292	0.157098	0.676599	0.4992
ROE	0.070939	0.037051	1.914639	0.0565***

Effects Specification			
		S.D.	Rho
Cross-section random		27.49731	0.2368
Idiosyncratic random		49.35941	0.7632
Weighted Statistics			
R-squared	0.349096	Mean dependent var	16.40775
Adjusted R-squared	0.228177	S.D. dependent var	49.24697
S.E. of regression	49.23914	Sum squared resid	715225.5
F-statistic	1.019079	Durbin-Watson stat	1.946998
Prob(F-statistic)	0.006497		

Source: Researchers computation (2019): Note: * 1%, ** 5%, ***10% level of significance

The decision as to which of the table 5 and 6 above will be interpreted was based on the outcome of the Hausmann test conducted and presented as table 4.4.3 below while a detailed result is presented as appendix 4.

Table 4.4.3: Hausmann Test Result.

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	3.564150	5	0.6137

Source: Researchers computation (2019): Note: * 1%, ** 5%, ***10% level of significance

The Hausmann test conducted shows a chi-Square Statistics value of 3.564150 with a Probability value of 0.6137. This probability value is not statistically significant since the P-value is more than 10%. Therefore the rule is that if the p-value is significant (i.e. P-value \leq 10%), interpret fixed effect result, otherwise, use the random effect result and from our Hausmann result, our P-value is not significant. Therefore we interpreted Random effect result (table 4.4.2) for our analysis, following the rule of thumb.

In testing for cause-effect relationship between the dependent and independent variable in DIVP model, we reported the Random effect panel regression result in Table 4.4.2. In table 4.4.2, we observed that from the DIVP result, the R-squared and adjusted R-squared values were 0.35 and 0.23 respectively. This indicates that all the independent variables jointly explain about 35% of the systematic variations in DIVP of our variables.

Test of Autocorrelation: Using Durbin Watson (DW) statistics which we obtained from our regression result in table 4.4.2, it is observed that DW statistic is 1.946998 which is approximately 2, agrees with the Durbin Watson rule of thumb. Showing that our data is free from autocorrelation problem and as such fit for the regression result to be interpreted and result relied on.

The F-statistics value stood at 1.019079 with a p-value of 0.01, showing the goodness of fit of our models, indicating that the regression model is generally significant and well specified. In addition to the above, the specific findings from each explanatory variable from the OLS regression model are provided as follows:

Ownership Concentration(OWNC) and Dividend payout, based on the t-statistics value of 0.871962 and p-value of 0.38 was found to have a positive influence on Dividend payout(DIVP) but this influence is not statistically significant since its p-values is more than 0.10. This therefore suggests that we should accept our null hypothesis one (H_{01}) which states that ownership concentration has no significant effect on dividend payout of troubled firms in Nigeria. This means that on the basis of the use of OWNC to drive dividend payment among troubled listed firms in Nigeria, OWNC has positive influence but this influence is not statistically significant and so should be ignored.

Capital Adequacy(CAPAD) and Dividend payout, based on the t-statistics value of 0.676599 and p-value of 0.50 was found to have a positive influence on Dividend payout(DIVP) but this influence is not statistically significant since its p-values is more than 0.10. This therefore suggests that we should accept our null hypothesis two (H_{02}) which states that capital adequacy has no significant effect on dividend payout of troubled firms in Nigeria. This means that on the basis of the use of CAPAD to drive dividend payment among troubled listed firms in Nigeria, CAPAD has negative influence but this influence is not statistically significant and so should be ignored.

Return on Equity(ROE) and Dividend payout, based on the t-statistics value of 1.914639 and p-value of 0.06 was found to have a positive influence on Dividend payout(DIVP) and this influence is statistically significant at 10% level since the p-values is within 0.10. This therefore suggests that we should reject our null hypothesis five (H_{05}) which states that return on equity has no significant effect on dividend payout of troubled firms in Nigeria. This means that on the basis of the use of ROE to drive dividend payment among troubled listed firms in Nigeria, ROE has positive and significant influence dividend payout of troubled firm in Nigeria and so should be used by investors when taking investment decision.

4.5 Discussion of Results

This study investigated the determinants of dividend payout of troubled listed firms in Nigeria. Using panel data, the data generated were subjected to different statistical tests such as descriptive statistics, correlation analysis, Variance Inflation Factor (VIF) test and Fixed and Random Effect regression analysis. The descriptive statistics revealed the individual characteristics of the variables used in this study which also revealed that the variables were normally distributed.

The regression result shows the following:

- (1) That ownership concentration (OWNC) has a positive but insignificant effect on dividend payout of troubled listed firms in Nigeria. This finding negates our a priori expectation as we expect that ownership concentration (OWNC) will lead to the payment of dividends among troubled firms in Nigeria. This our finding agrees with the findings of Ulla, Fida and Khlein (2012), Alev and Seyina (2015) and negates the findings of

Cristiano, Ferdnanda and Denis (2015), Ahamed and Javid (2009), Hafeez and Attiya (2012).

- (2) Secondly, the regression result also shows that capital adequacy (CAPAD) has a positive but insignificant effect on dividend payout of troubled listed firms in Nigeria. This finding negates our a priori expectation as we expect that capital adequacy (CAPAD) will lead to the payment of dividends among troubled firms in Nigeria. This our finding agrees with the findings of Rufus and Soyoye (2014) and negates the findings of Manina (2010).
- (3) Return on Equity (ROE) has a positive and significant effect on dividend payout of troubled listed firms in Nigeria. This finding support our a priori expectation as we expect that return on equity (ROE) will lead to the payment of dividends among troubled firms in Nigeria. This our finding agrees with the findings of Frauk and Eyup (2018), Bassam, Hikmat and Osama (2018), Ayman (2015) and negates the findings of Ahmed, Muhammad, Muhammad Sabih and Mustafa (2014). In other words, only one of our explanatory variables is a determinant of dividend payout of troubled listed firms in Nigeria.

5. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 Summary of Findings

In this study, we investigated the determinants of dividend payout of troubled listed firms in Nigeria, for the period of 2012 to 2018. A total sample of thirty-two (32) quoted companies who have consistently published their annual accounts were used. Descriptive statistics and correlation matrix were employed alongside the panel regression to investigate these determinants, using fixed and random effect regression result and Hussmann testing to determine the most suitable result to interpret. Added to the above, the variables for this study include Dividend Payout (DIVP) as dependent variable while independent variables include Ownership Concentration (OWNC), Capital Adequacy (CAPAD) and Return on Assets (ROA). The study found that:

- (1) **Ownership Concentration (OWNC)** has a positive but insignificant effect on dividend payout of troubled listed firms in Nigeria.
- (2) **Capital Adequacy (CAPAD)** has a positive but insignificant effect on dividend payout of troubled listed firms in Nigeria.
- (3) **Return on Equity (ROE)** has a positive but significant effect on dividend payout of troubled listed firms in Nigeria.

5.2 Conclusion

In conclusion, based on the findings above while testing for the impact of the five determinate of dividend payout of troubled listed firms in Nigeria. The regression result shows that ownership concentration (OWNC), capital adequacy (CAPAD) have a positive but insignificant effect on dividend payout of listed troubled firms in Nigeria. While Return on Equity (ROE) has a positive but significant effect on dividend payout of listed troubled firms in Nigeria. In other words, only Return on Equity (ROE), among all our explanatory variables is a determinant of dividend payout of troubled listed firms in Nigeria.

5.3: Recommendations

Based on the findings and conclusions of the study, the researcher recommends that;

1. The potential investors that are planning to invest in Nigeria listed firms, using their ownership concentration as a determining factor, should avoid investing on troubled listed firms. These are firms whose Altima Z-score is less than 1.80 as their ownership concentration does not determine the firm's ability to pay dividend to their investors. This is because ownership concentration was found to have an insignificant effect on dividend payout of such firms.
2. Similarly, potential investors that are planning to invest in Nigeria listed firms, using their capital adequacy as a determining factor, should avoid investing on troubled listed firms. These are firms whose Altima Z-score is less than 1.80 as their capital adequacy does not determine the firm's ability to pay dividend to their investors. This is because capital adequacy was found to have an insignificant effect on dividend payout of such firms.
3. Finally, potential investors that are planning to invest in Nigeria listed firms, using their return on equity as a determining factor, can do so. This is because return on equity was found to have a significant effect on dividend payout of such firms. In other words, such firms when recorded a high return on equity, is more likely to pay dividend to their shareholders as return on equity was found to be a strong determinant of their dividend paying ability, based on our studies.

5.4 Contribution to knowledge

Our study contributes to the dividend payout literature in several ways. To be specific, our study makes two major contributions to the literature. First, this study is the first study to the best of our knowledge, to investigate the determinants of dividend payout, using listed troubled firms in Nigeria and the results are quite revealing.

Secondly, the study developed a process that could be used by potential investors to predict troubled listed firms in Nigeria stock market using Altima Z score model.

This model makes prediction of troubled firms among the healthy ones easy in Nigeria.

Thirdly, the study went further to build a model that can be used by investors to determine dividend payout behavior of troubled listed firms in Nigeria and the model is as follows:

$$DIVP = 0\beta + \beta_1OWNC_{it} + \beta_2CAPAD_{it} + \beta_5ROE_{it} + \mu_i$$

This study Contributed to knowledge by revealing this:

$$DIVP = 0\beta + \beta_1OWNC_{it}(0.871962\{0.38\}) + \beta_2CAPAD_{it}(0.676599\{0.50\}) + \beta_3ROE_{it}(1.914639\{0.06\}) + \mu_i$$

Meaning that all the independent variables specified as shown above do not determine the dividend payout ability of listed troubled firms in Nigeria except Return on Equity which shows a statistically significant effect on dividend payout of troubled listed firms in Nigeria.

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