

**ASSESSING THE IMPACT OF DIVIDEND POLICY ON
INVESTOR DECISIONS IN THE NIGERIAN BANKING
SECTOR**

Research dissertation presented in partial fulfilment of the requirements
for the degree of MSc in Accounting and Finance

Management

Griffith College, Dublin

Dissertation Supervisor: Josh Keith Moran

Chinedu Okogwu

22nd May 2020

Candidate Declaration

Candidate Name: Chinedu Okogwu

I certify that the dissertation entitled:

**ASSESSING THE IMPACT OF DIVIDEND POLICY ON INVESTOR DECISIONS IN
THE NIGERIAN BANKING SECTOR**

Submitted for the degree of: MSc in Accounting and Finance Management is the result of my own work and that where reference is made to the work of others, due acknowledgment is given.

Candidate signature: **Chinedu Okogwu**

Date: 22nd May 2020

Supervisor Name:

Supervisor signature:

Date:

Dedication and Acknowledgement

I would like to express my gratitude to God almighty for the successful completion of this programme.

I dedicate this work to my late father Mr. Sunday Okogwu and also brother Mr. Monday Okogwu for his inestimable support throughout the duration of this programme.

Firstly, I would like to thank my mother Mrs. Maria Okogwu and other of my siblings; Ifeanyi, Samuel and Ada for their support and words of advice throughout the process. I could not have done this without your belief and words of encouragement.

Also, I would like to thank Kingsley, for his words of support throughout my masters, and I must say, you have been a blessing to me.

Lastly, I would like to appreciate my supervisor Josh Moran for his patience and guidance during this research.

At this point, I would like to appreciate my good friends, Charles, Fabiola, Seun and Rang for their help right from the first time we all met at Griffith. To my course mates also, who has been a part of this journey, a big thanks to you all.

To the respondents who took part in this study, I am thankful for your time and efforts.

Abstract

Assessing the Impact of Dividend Policy on Investor Decisions in the Nigerian Banking Sector

Chinedu Okogwu

This study set out to examine the impact of dividend policy on investors' decision-making, with evidence from the Nigerian banking sector. This research sought to evaluate the dividend policy strategy adopted by the banking sub-sector of the Nigerian Stock Exchange, in relation to the dividend preferences of the investors of major commercial banks within the Nigerian economy. In order to achieve the research objectives, recourse was had to the application of established dividend literature and theories on the Nigerian market or banking sector. Evidence was based on the primary data obtained through the use of semi-structured interviews with participants recruited from the executive members of the Nigerian Investment Forum (NIF). Input from expert body was supplemented with the use survey questionnaire on non-executive member of aforementioned body. Response data from both sources was thereafter subjected to rigorous analysis using the mixed method or approach. Thematic analysis was applied to interpret data from interview conducted and descriptive statistics used for survey data. It was found that banking sector management in Nigeria strategically and adequately utilize payout policies that majorly reflect investor's preferences by ensuring steady profitability level and valuable, consistent payouts and the right mix of payout-reinvestment options. It was also observed that banks and investors are helped by the much-needed confidence in the sector made possible by adequate regulatory effort and reforms by the Central Bank of Nigeria and other bodies.

Keywords: Dividend policy, Investors, Banking Sector, Preferences

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List of Abbreviations

- BDC** - Bureau -De-Change
- CBN** - Central Bank of Nigeria
- DHs** – Discount Houses
- DMB** – Deposit Money Bank
- EPS** – Earning Per Share
- FCI** – Other financial Institution
- ICT** – Information and Technology Companies
- MFB** - Micro Finance Bank
- MTN** – Mobile Telecommunication of Nigeria
- NDIC** -Nigerian Deposit Insurance Corporation
- NIF** – Nigerian Investment Forum
- NIPC** – Nigerian Investment Promotion Commission
- NPV**- Net Present Value
- NSE** - Nigeria Stock Exchange
- SEC** – Securities and Exchange Commission.

CHAPTER ONE

1.0 Introduction.

1.1 Overview

The Nigerian banking sector is a major player in the Nigerian economy. Having undergone a series of recapitulations, involving many mergers and acquisitions, the sector is now dominated by 23 large commercial banks. Although there exists also a host of smaller, microfinance banks who are not listed but are vital in terms of providing credit support to thousands of Nigeria's small businesses. The major banks in Nigeria are formidable subset of the financial services sector of the Nigerian Stock Exchange (NSE), which, as the largest sector of the exchange. The key sector accounts for about one-third of the entire market capitalization, while it regularly averages over 80% of the daily volume of trade (NSE, 2020).

As the Nigerian banking sector commands volume, so it commands a teeming number of investors who regard the sector as the best in terms of returns in the relatively young exchange. Based on the implications of liquidity in the banking sector, dividend policy in this sector comes with added interest and twists to the banks themselves, the regulators and investors alike (Irfan et al., 2002). As a result, assessing the dividend policy behaviour of the banking sector in Nigeria makes a hazy situation worth exploring. It is important to examine also, whether the long-established signalling effect and behaviour (Tse, 2005), has any significant impact on the decision of investors in this sector.

While this whole research will be assessing the dividend policy of Nigerian banking sector viz-a-viz their effect on investor's decision, this section of the paper will introduce the study and give a layout or plan of its execution. This will proceed with details about its research purpose, after which it will highlight the significance of the study. Next, will be a presentation of the main research objectives set to be achieved by this paper. The structured of the study delivery conclude this chapter as a clear roadmap is set for what will be expected from each chapter going forward.

1.2 Research Purpose

With the increasingly volatile nature of the global stock market, investors across the world continue to seek niche market that will guarantee the highest possible returns they can obtain to compensate for the risk and capital (Modigliani and Miller, 1958). Such a decision to look far and near for return is also attractive as a way of diversifying portfolios, especially for big or institutional investors. This behaviour is not uncommon with investors' behaviour on the Nigerian Stock exchange or market where risks may be relatively higher due to the 'young age' of the market and also some other underlining macro-economic

indicators of the West African nation. This picture of added risk makes returns an issue of added interest in the Nigerian market. These returns may be by share price appreciation or tangible dividend payout, which indeed tend not to be very common in the developing economy or market like Nigeria. The banks and financial services sector of the market, however, provide a leeway or near certainty of dividend payout as they have shown consistency in their distribution of dividend. Dividend policy pertains to established policies, guideline and principles that corporate organization follow in the determination of the value of dividend which they regularly pay to shareholders (S. A Adediran and Alade, 2013). This, therefore, is deemed to have the potency to make their stock attractive as every investor wants to receive some periodic, concrete returns due to inherent volatility and uncertainty of markets (Adaoglu, 2000).

The purpose of this research, therefore, is to contribute to the knowledge base of dividend payout and the broader corporate policies as it relates to the Nigeria banking sector, specifically on dividend policy. The idea would be to employ theories such as the dividend relevancy theory, the clientele effect or the pecking order theory which have previously been used to explain the behaviour of sector constituents (Al-Malkawi et al., 2010). Thus, this research will strive to contribute its own quota in the long-existing dividend puzzle or debate on what determines the adoption of dividend policy to any business or section of a market. The decision to distribute dividend in lieu of reinvestment or share buy-back are decisions involving some form of distribution of funds which can generate significant interests and solidify their liquidity ratios or base (Irfan et al., 2002). But the study, therefore, will delve into why these banks would distribute dividend and not consider delaying their investor returns.

Being that there are about 23 large commercial banks currently operating and quoted on the Nigerian Stock Exchange, it is important to evaluate their dividend behaviour as a sector and see if they reflect a striking difference from the generality of the market. The purpose will also involve digging deeper into specific components of this sector or individual banking institutions in a manner that will reveal their strategy as they seek to position themselves in such a way to retain existing shareholders while attracting prospective ones (Adesola and Okwong, 2009). The purview and purpose of this dissertation will extend to assessing the aggregate investor preferences for the Nigerian banking sector, so, that we can ascertain why they may prefer this sector over another.

1.3 Significance of the Study

Firstly, the significance of this study stems from the point of view that it will contribute to the body of knowledge in the aspect of dividend policy in particular and corporate governance breakthrough works in general, typified by the likes of (Modigliani and Miller, 1958). It will also expose the dividend strategy of the banking sector in Nigeria, while also mirroring how the bank positions themselves to investors. This

is more significant to study because of the liquidity and capitalisation implication to banks that must have a uniquely complex situation as it relates to dividend payout. Also, as the biggest sector by market capitalisation, the financial services sectors account for about 31.62% of the total market capitalisation of the Nigerian Stock Exchange. Being that the banking sub-sector is a major player in the larger financial services sector, this therefore further indicates the strategic position and huge nature of the market, thus justifying the need for better exploration and understanding as to its dividend behaviour (Osegbue et al., 2014).

Another angle to the significant nature of the study is because it will offer glue to the understanding of the Nigerian investors. It will highlight the banking sector dividend decision pattern in terms of its investors. These are because there many sectors in the exchange, but this study targets the preferences of the banking sector and the interrelationship between the sectors and its shareholders in relation for the manner of compensation or returns (Obamuyi, 2013). At the end of this study, the literature would have been improved in this area and foreign investors will better appreciate the level and nature of returns of Nigerian banking sector.

1.4 Research Objective

The overall objective of this research is to examine the applicability of dividend policy in the Nigerian Banking Sector. For better comprehension and execution, the objectives of this research are broken down into three (3), namely:

- (i) To evaluate the dividend policy strategy adopted by the banking subsector of the Nigerian stock exchange.
- (ii) To properly assess the dividend preferences of investors in the banking sector of the Nigerian economy.
- (iii) To examine the impact of the banking sector's dividend policy on the investors' decision-making.

1.5 Structure of the Study

Including the current introductory chapter, this study will involve a total of five (5) chapters. Chapter 2 will explore the literature on dividend policy and all the relevant explanatory theories relating to the concept. Some of these will be dividend relevancy theory, the clientele effect, the dividend-agency theory and also dividend as a bird-in-hand theory. In evaluating these theories and past contributions in the area, regard will be had to the context of the local market being Nigerian in general and it's banking sector in particular.

This is followed by the methodology which will occupy us in Chapter 3. This chapter will detail the data sources and ways or manner through which these will be collected; that is whether primary data or secondary data will be utilized for this research. I wish to state in advance that this study will source its data primarily from the focus group. And a mixed method will be employed for this study. As usual, the methodology will be further backed up with some narrative analysis, aided by responses from a survey/structured interview of the investor's perception of dividend policy in the Nigerian banking sector.

Next will be Chapter 4 which entails the presentation and analysis of the finding carried out in this study. Presentation of the findings in terms of thematic analysis of the respondent's feedback will take a good part of this chapter as the researcher try to interpret and explain any indication of impact or relationship between the Nigerian investor's decision and the banking dividend policy.

Finally, Chapter 5 will bring the study to a close with recommendations and conclusion. It will reflect the implication of the study, state clearly the limitations for the research and how these were minimized, while also giving a direction for further research. It will end with final thoughts and reflections from the study in general.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Overview

Dividend policy is perhaps one of the greatest puzzles and talking point in the realm of corporate governance. While business organisations are always in shortage of capital, dividend payout is concerned with the decision of distributing profits to shareholders as a return on their investments. While a proportion is commonly retained to support investment and new business development, giving out precious cash appear to puzzle business leaders. (Lee, 2009) also suggests that dividend policy offers a means to answer several key questions like how to compensate company shareholders and those who put faith in the board. While might make perfectly good sense to reward investors, the questions are often whether distributing cash is the best way to reward them as distribution of dividend means the company is smaller and less strong than investors want it to be. Despite the need to retain cash or capital, the justification for dividend has risen to the extent that the issue has moved from not whether a company should pay dividend but by what value or how.

Distribution of dividend is much more puzzling in sectors where cash is much more the king. Such sectors in which liquidity is a serious regulatory issue makes dividend a lot more enthusiastic even as it is more puzzling. Banks and other financial institutions constitute such sectors where cash or share distribution are seen as a strong asset and liquidity concerns or issues (Hussainey et al., 2011). The reason for this is that such business has an intricate tie with the economy and savings of a large section of the economy, thereby making the government a major interested party in the liquidity issues. This special nature of banks has made the sector to be over-regulated and often requiring recapitalisation which required capital. This requirement is much more stringent in countries with below robust financial services oversight. Such situation is the experience of banks and investors in the Nigerian banking sector. But the big question is what really is dividend or dividend policy is all about in this sensitive sector.

2.2 Meaning of Dividend and Dividend Policy

According to Graham et al., (2003) dividends are regular payments made to shareholders of a company by the board. Put differently, dividend is the portions of an organisation's profits, decided to be distributed to the across classes of holders of the firm's stock, as return to for their provision of capital to support the company's operations. Firms who pay out dividend are publicly quoted on the Stock Exchanges where stocks are traded based on information of the company's performance, earning or profitability. Although dividend is commonly regarded as cash dividend, it may nevertheless take different forms.

2.3 Classification of Dividends:

(i) **Cash Dividend:** This is the most common form of dividend payment. Shareholders receive cash based on the number and class of share they hold. Payment of this form of dividend can be made through electronic transfers to shareholders account, cheques and notably actual cash distribution in less developed systems. Board of companies that adopt to distribute cash dividend must ensure that they meet certain financial obligations, especially those relating to liquidity, like banks.

(ii) **Stock Dividend or Bonus Shares:** In this dividend payment arrangement, shares are given in lieu of cash. One notable way of this is the stock dividend or bonus shares. Companies are more eager to adopt this when there are concerns about cash requirements. Stock dividends take the form of issuance of new shares to shareholders of the company and operate to increase the number of the company's outstanding shares.

(iii) **Scrip Dividend:** Like stock dividend, scrip dividend can take the form of share issues in property to the number of ordinary shares previously held, if the company so describes. The more common style of scrip shares, however, is through the issuance of certificates or promissory notes acknowledging a promise to receive a certain number of shares at a future date. Once again, it is used as a stop-gap for companies that are cash strapped or in the process of implementing a significant capital requirement investment or expansion but do not intend to issue shares to the general public in the short-term.

(iv) **Bond Dividend:** The bond dividend is largely similar to the scrip dividend in that it also comes as a promise to equity shareholders. However, a bond dividend is designed for a longer-term and so, carries a longer maturity date or period.

(v) **Property Dividend:** This involves the payment of dividends to shareholders in the form of assets. Although this may appear untraditional, it offers companies a smart way for disposing of assets that may have depreciated significantly are no longer useful to the company's strategic plan. The shareholder who accepts this type of dividend distribution is sufficiently aware of the asset nature and is required to accept this form of uncommon dividend payout.

2.4 Dividend Policy

Dividend policy is one of the most complicated aspects of corporate finance (Kapoor, 2010). Since the grand work of (Miller and Modigliani, 1961), understanding dividend policy has been as puzzling as it is simple and intricate. According to Copeland and Weston (2004), dividend policy determines the part of earnings distributed to shareholders and the portion reinvestment into the firm's operations. Put

differently, Nielsen, (2010), dividend policy mirror the firm's decision whether to plough back earnings as retained earnings or payout earnings to shareholders as dividends.

Irrespective of the semantics, dividends are costs in themselves to the firm (Abdelghany, 2005), and so must be determined carefully and with ideal sharing or payout formula. Dividend, therefore, connotes all the calculations and considerations that go into the decision of what, how, when to distribute dividends, including previous precedents and consistencies in payouts. Thus, accordingly, to (Kapoor, 2010), dividend policy involves the payout policy which managers pursue in deciding the size and pattern of cash distribution to shareholders over time.

Perhaps the extent or impact dividend policy is even more puzzling. For example, in a paper by (Akbar and Baig, 2010), in which they examined the effect of dividend announcement on stock market prices. They observed that mere announcements of cash or stock dividends or a combination of stock and cash dividends have the potential of significantly impacting the share price and total market value of firms. However, what determines or influences a company's dividend structure may be as varied as there are sectors or markets. One valid point is the finding that businesses seem to adopt dividend policies that suit their life cycle and the stage they are in business (Kapoor, 2010). This proposition support the claim that firms who have been long established may care less about dividend and pay just enough to keep investors happy while relying more on share price appreciation, those who are younger companies tend to build a reputation of splashing high-value payout. This is similar to Lee, (2009) where he recorded that firm size plays a role in company performance and profitability, and so also does its dividend policy and size of the payout.

2.5 Theoretical Framework

Commercial banks and most public companies each year are faced with challenging; financing, operating and investing decisions, with the latter being a decision on whether or not to return cash to shareholders, and also in what proportion. In order to navigate this problem or puzzle, a host of theories have been developed as a possible explanation on the dynamism of the dividend policy and analysis. Some of these are discussed in turn.

(i) The Dividend Irrelevance Theory

The work of Miller and Modigliani, (1961) signaled the first and most popular dividend theory development. The theory propounds that the dividend policy or investment decisions of the firm does not have an impact on the firm's share price or value. This theory was based on the view that the financial

market being perfect, there are no transaction cost in the sales of shares nor capital gains taxes, shareholders, therefore, are deemed to have full information about the share value, and there is no mix up between the firm's financing and investment decisions (Wang, 2010).

One major criticism of the dividend irrelevance theory is that firms always make their investment decisions in a way that ensures optimum growth of the shareholders' wealth (Fairchild, 2010). The assumption of the existence of a perfect financial market appears to impossible as there is always brokerage cost in the transaction of shares, like agency or information costs, and companies and shareholders are not excepted from the payment of capital gains taxes.

(ii) Dividend Policy Agency Theory

According to Kapoor, (2010) and I quote "Managements' primary goal is shareholders' wealth maximization, which translates into maximizing the value of the company as measured by the price of the company's common stock".

While this view incorporates the assertion that share price and dividend have a positive relative relationship, it also appears to cement the existent of the agency theory dividend. Interestingly, Kapoor, (2010) further noted that shareholders are keen to reward managers who regularly pay dividend, with tangible benefits or rewards which may take the form of stock options, perks and pay raise. As a result of these managers who are similarly keen on these may mindlessly advise the board to authorize the distribution of dividend based on the expectation of material reward from shareholders at AGMs.

(Khang and King, 2002), also recorded strong evidence that information asymmetry in the dividend and corporate world, to the extent that it found evidence to support dividend reduces information asymmetry by acting as a signaling effect. Similarly, Okpara, (2010) found that the relationship between asymmetric information and dividend policy in the Nigerian market. Kai Li and Xinlei Zhao, (2008), were also of the opinion on the information asymmetry effect on dividend policy, thus indicating that since information cannot be complete between the manager and the asset or company owners, dividend policy-agency problem will remain. They asserted that in such situations where only the agent-manager has more or all information, chances are that they may leverage on such information to seek personal benefits that are possible of destroying shareholder value. In a nutshell, scholars referenced insiders trading been the result of information asymmetry, and in which case it resulted in harming shareholder value.

(iii) The Catering Theory of Dividend and the Clientele Effect

This catering theory of dividend presupposes that firms must endeavour to 'cater' for their shareholders. The theory, therefore, stresses the need of firm to reduce agency cost for instance and ensure that the cost

of carrying on businesses is in such a way that avail the business to be profitable as dividend can only be distributed from profits. In this sense, ‘catering’ for shareholders will imply that their interests are placed high in the decision and profitability drive of the company. In line with this, it has been confirmed that profit has a correlation with dividend payout (Nnadi and Akpomi, 2005).

By extension, the clientele effect theory goes a step further to treat or recognize shareholders as ‘clients’ on whose behalf they operate and make decisions. Firms, therefore, on the authority of Shefrin and Statman, (1984) take steps to understand the preferences of their ‘clientele’ base and go ahead to formulate dividend policies that would retain existing shareholders and attract potential investors of like sentiments.

(iv) The Bird in Hand Dividend Theory

The “Bird in Hand” theory explains cash dividends from the view of time value of money and the radical uncertainty associates with businesses (Schlarbaum et al., 1978) and (Al-Malkawi, 2010). In a related study by Calandro, (2009) argued that a dollar (\$) of dividends payout to its shareholders has, on average, four times the impact on stock prices as a dollar (\$) reinvested.

Baker et al., (2001) constructed a “bird-in-the hand” hypothesis (BIHH) and argued that a high dividend payout ratios maximize a firm’s value by reduces its capital serving charges. Therefore, increasing dividend payments, all things being equal, will increases the firm value. As the current dividend reduces uncertainty about future cash flows, a high payout ratio will reduce the cost of capital.

(iv) The Residual Dividend Theory

This theory views dividend as the amount paid to shareholders based on profit or the ‘residue’ or leftover after all operating and investing costs have been taken care of. It is based on the right of shareholders for bearing the burden of the financial cost of the firm, hence dividend has been described as simply cost which the business must pay (Abdelhany, 2005). This is in line with the view that an investor and bearer of risk must be compensated with returns that commiserate with the level of risk.

Shareholders right or claim to the residue has also been confirmed in Greenwood (2006), and Jiraporn and Yixi Ning, (2006) in like manner, the announcement of firm’s earnings are most impactful on investor’s confidence in the company when they are accompanied with dividend payout (D’Souza and Saxena, 1999). In other words, since announcements raise the hope of dividend in investors, it is only fair that they have a taste of the residue after all costs have been accounted for.

(vi) Dividend Signaling Theory

The signaling effect of dividend stipulates that dividend announcements, especially changes to the dividend policy or payment has the potential to signal to shareholders and prospective investors alike about future earnings prospects of a firm. While an increase in dividend payout is viewed as positive signal conveying positive information about the future stream of revenue, prospects or earnings prospects for a firm causing an increase in the share price of the company's stock, a decrease in value or consistency of payment will send a negative signal about the future earnings and revenue prospects for the firm resulting in a fall in company's share price (Tse, 2005).

This theory was also confirmed to be true by Khan, (2012), when he found that stock dividend, earnings and other profit indicators have a significant positive effect on the share price. Interestingly, there appears to be a contrary opinion as to whether share price and dividend have a positive or a negative relationship. In Hashemijoo et al., (2012), it was recorded that a significant negative relationship exists between share price volatility and dividend yield and payout. However, in terms of the degree of impact, the aforementioned scholars found that only dividend yield and size of payout have the most impact on share price volatility.

2.6 Firm-Specific Characteristics and Dividend Policy.

2.6.1 Profitability and Dividend Payout

Aside from deciding whether or not the company will pay dividend, management or board of companies also play a key role in the dividend policy. They must first ensure that the business is sufficiently profitable as it is against trading or corporate rules to pay dividend from debt capital. The decision of whether a company will distribute a dividend to its shareholder, therefore, depends on its ability to make a profit. As a result, profitability is seen as one of the important factors that could influence the company's dividend behaviour (Nissim and Ziv, 2001), much so its management profile. When a firm makes profit overtime and announces dividends to its investors, it serves as an indication that the firm is performing well and also has good external investors. Therefore, the relationship between profitability and dividend behaviour of the firm is supported by catering and signaling theory.

More so, a company's profitability plays a major role in shaping and predicting the dividend payout ratio of selected money deposit banks. Usually, profitability is measured as the ratio of net profit before tax to total equity of the firms. Investors, on the other hand, shareholders based on declared dividend, are often interested in the earnings per share of the stock they hold. Empirical studies have also found that EPS is positively related with dividend payout or policy (Copeland et al, 2004). Nizzim and Ziv, (2001), for example, investigated the relationship between dividend changes and future profitability, in terms of either future earnings and found that dividend changes provide information about the level of profitability

and company performance. Also based on their study on the impact of taxes on dividend, Nnadi and Akpomi, (2005), found that dividend positively correlates with the level of profit.

Another twist on profitability connection to dividend was shown in Al-Malkawi et al., (2010), which suggested that firms that earn high profit prefer to pay more dividends if they have no investment opportunities or immediate plans for expansion; hence channeling the 'excess' funds to investors via dividend payout in this context, would imply attracting more equity investment by the bank or company since dividend is known to signal growth or appreciation in share price and increase the value of the company indirectly. But banks situation is crucial as liquidity which has been confirmed to play a significant role on liquidity and cash flow (Marfo-Yiadom and Agyei, 2011), is a lot more pronounced when it comes to banking services.

Conversely, studies conducted in the pharmaceutical sector by Yusof and Ismail, (2016) confirmed that firm profitability is negatively related to dividend payout of the firm concerned, confirming what Adediran and Alade, (2013) said. Baah et al., (2014) observed to the effect that dividend may not be a good predictor of profitability. The main reason behind this outcome was put forward in the work of Michayluk et al., (2007) who suggested that there may be a situation where firms would need to plough back a major proportion of its profit to support their investment opportunities, and as such the firm may declare a low dividend payout ratio. In a related study, Zhang and Fu, (2014) observed that while ownership structure and profitability are the most important determinant of dividend yield, the size of the firm has a negative effect on the dividend policy.

2.7 The Nigerian Banking Sector Experience

2.7.1 Historical Overview and Background:

The commencement of banking in Nigeria dates back to the establishment of the African Banking Corporation (now First bank plc) in 1892. Nigeria at this period was governed by a colonial government; thus, as expected some foreign banks found Nigeria attractive to invest. Barclays Bank was established in 1925 and 1948 the British and French Bank for Commerce and Industry (now United Bank for Africa) was established.

The first indigenous bank, the Industrial and Commercial Bank was established in 1929 but it was liquidated after 15 months and taken over by the Mercantile Bank in 1931. This was followed by the establishment of the Nigerian Farmers and Commercial Bank in 1947. In 1949, Dr. Nnamdi Azikiwe who later became the Governor-General of Nigeria established the African Continental Bank.

The first attempt to set out a regulatory policy for the Nigerian banking sector was initiated in 1947 through the appointment of G. D. Paton by the Colonial government to look into the business of banking in Nigeria and make recommendations. In 1952, submitted his report, and this formed the basis of the Banking Ordinance Act which was promulgated in the same year to guide banking activities.

Currently, there are 23 commercial banks, 920 Microfinance banks (MFBs), 35 Primary Mortgage Banks (PMBs), 5 merchant banks, 5 Development banks and 2 non-interest banks approved by the CBN (CBN, ACT, 2020). Prior to the year 2004, there existed about 89 commercial banks in Nigeria, but the banking reform aimed at creating more strong and reliable banks led to a decrease in the number of banks to 25 and later down to 22 and now back up once again. One of the major reform policies was the increase in the capital-based of commercial banks from 2 billion naira to 25 billion naira which resulted in the mergers of many banks.

Other regulatory bodies closely linked to the activities of the Nigerian banking sector include.

(i) Central Bank of Nigeria (CBN)

The Central Bank of Nigeria (CBN) was established on the 1st of July 1959 as the main regulatory body for the supervision of banking activities in Nigeria. Its regulatory focus is on deposit money banks (DMBs) and other financial institutions (OFIs), comprising primary mortgage institutions (PMIs), bureau-de-change (BDCs), microfinance banks (MFBs), finance companies (FCs), discount houses (DHs) and development finance institutions (DFIs).

(ii) The Securities and Exchange Commission (SEC)

The SEC is the apex regulatory institution in Nigeria's capital market. It was created in 1962 to protect investors and maintain fair and orderly functioning of the securities market.

(iii) The Nigeria Stock Exchange (NSE)

The NSE facilitates the trading of securities. It also has authority over the rules and regulations guiding the trading of securities in the Nigerian capital market.

Another regulatory body in the Nigerian banking sector is the Nigerian Deposit and Insurance Corporation (NDIC).

2.8 Review of Empirical Studies from the Nigeria Market.

Dividend policy is gradually receiving attention in Nigeria as the country's financial sector continues to receive global attention. As a result, a number of empirical studies are growing that investigate the

dividend experience from the market. However, there remains limited evidence and empirical work specifically in relation to the dividend experience in the Nigerian banking sector which is the main focus of this research. On a general note, one of such dividend studies however, focusing on the Nigerian stock exchange and the market is Okafor and Chijoke-Mgbame, (2011), which investigated the link between dividend policy and share price volatility using a sample of 10 firms publicly quoted on the Nigerian Stock Exchange during the period 1998-2005.

The scholars recorded that dividend payout ratio had positive significant and also negative significant relationships with share prices in some years, while dividend yield has a negative significant relationship with share prices of quoted firms in Nigeria. The sample size used in the study is small considering the number of quoted companies in Nigeria. The study also was based on companies quoted generally on the stock exchange and not directly in the banking or financial services sub-sector and therefore do not have similar characteristics with the constituents under review. Also, Okafor et al, (2011) analysed the association between dividend policy and share price changes in the Nigerian stock market which is largely material when viewed with respect to the subject matter. They utilized a multiple regression model analysis to explore the relationship between share price changes and both dividend yield and dividend payout ratio and concluded that dividend payout ratio and dividend yield had a significant impact on share price movements.

Furthermore, of the two measures of dividend policy studied (dividend yield and payout), dividend yield showed a generally negative impact on share price risk. On the other hand, the dividend payout ratio was observed as showing a mixed result in that it indicated a negative influence in some years and positive influences on some others. Aside from that, these results were at lower significant levels. The study, however, supported the fact that dividend policy is relevant in determining share price changes for a sample of firms listed on the Nigerian Stock Exchange.

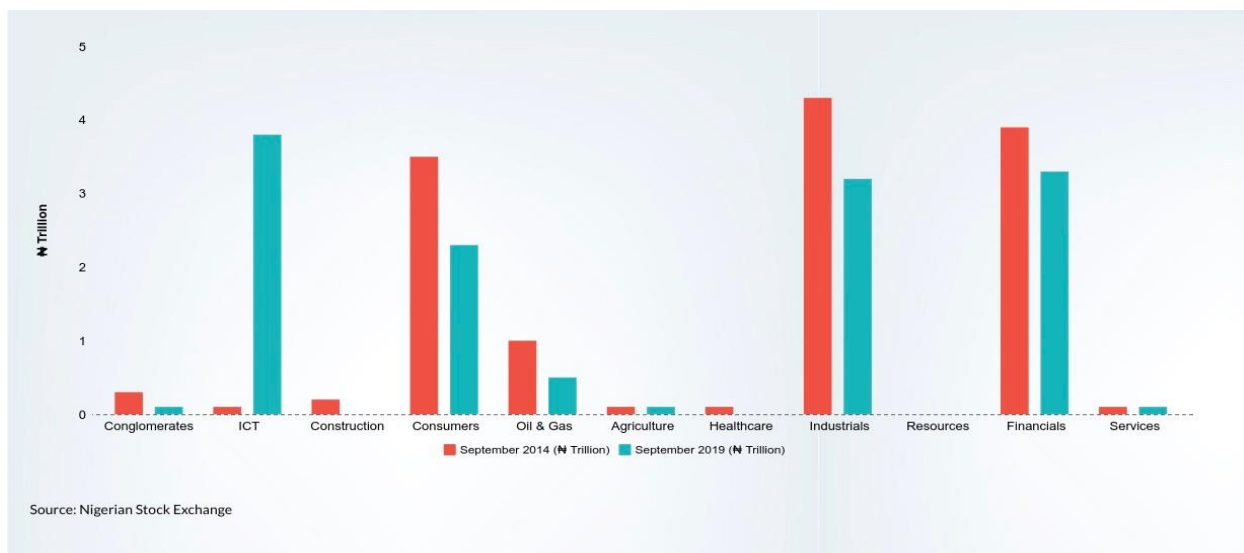
Similarly, Matthew et al., (2014) analysed the effect of dividend payment on the market price of shares of quoted firms in Nigeria. They used a sample of 17 firms quoted on the Nigerian Stock Exchange to study dividend per share, dividend yield and dividend payout ratio from 2000-2011. They reported that the empirical results arising from the panel least squares revealed a positive effect between market price per share and dividend per share. They, therefore, concluded that a rise in dividend per share brings about an increase in the market price per share of quoted firms. Based on their sample, they also recorded that dividend yield does not have a significant positive effect on the market prices of a share of quoted firms in Nigeria. In terms of impact and connection with share price, it was further concluded that there is a direct relationship between dividend payout ratio and price per share. The study was cross-sectional and

so the results cannot be generalized for the larger Nigerian market, and certainly not for the banking sub-sector.

Further, Oyinlola and Ajeigbe, (2014) in a study on 22 companies listed on the Nigerian Stock Exchange using secondary data on their firms’ fundamentals as available from their respective annual reports from fiscal years 2009-2013. A regression model analysis, correlation and granger causality tests were employed to test the hypotheses on the 22 observations. They found that both dividend payout and retained earnings significantly correlated with the market price per share of the studied firms. Likewise, the sample size selected given as 100 is considered small considering the large number of listed companies in Nigeria. In addition, the period covered is similarly short to justify a valid explanation of the impact of dividend policy on stock prices of firms in Nigeria.

Perhaps, of a more direct and relevant study is the work by Duke et al. (2015) in which the study investigated the impact of dividend policy on share valuation in Nigeria. A sample of 2 commercial banks (Guaranty Trust Bank Plc and the United Bank for Africa) was used with the study spanning the 10-year period from 2003-2013. The scholars utilized the multiple regression models and found that dividend yield had a significant and positive impact on the share price in the sector. They recorded that the retention ratio was found to have a significant and negative impact on the share prices of listed banks in Nigeria. The findings of this study, however, cannot be used to generalize the impact of dividend policy on the stock prices of bank stocks in Nigeria based on the obvious weakness of what I might describe as a ‘case study’ approach used in that it focused on just two banks used in the study.

Figure 1: Industries Market Capitalisation



As has been rightly observed, dividend policy is one of the most complicated aspects of corporate finance (Kapoor, 2010). It, therefore, means that it is not a realm that should be analysed with any form of incomplete information or time scale. While Duke et al., (2015) may be fairly recent and relevant to the sector, market and subject matter under study here, still, at best it cannot be viewed to sufficiently nor satisfactorily explain how dividend payments decisions of banks affect the market prices of banks in the entire banking industry in Nigeria. Another significant gap is the fact that these studies did not evaluate the perception of investors which is key in gaining a broader understanding of the market. The study at hand, however, overcomes these weaknesses and seeks to provide a thorough analysis and inclusion of investor's perception which is a key ingredient in understanding how deeply dividend policy is entrenched in this market.

Also, figure 1.0 above picture showed a rather dire situation for Nigeria listed stocks. A close examination will reveal that nearly every sector of the market had experienced a steep fall in the past 5-6 years, except the Information and Communications Technology sector having been boosted significantly by a new debutant into the exchange, MTN Nigeria communication Plc which listed in May 2019. The drop of the Financial Services Sector gives a worrying sign which justifies the dividend policy study of such critical sub-sector of a fragile economy, especially given that banks liquidity is usually of serious interest.

2.9 Conceptual Framework

This section gives a brief view of concepts, events, processes, and variables, stakeholders/key actors, and action areas for this study. In other words, it gives a brief of the conceptual framework of the study. It lays bare the intricate processes, and dynamism or workings of the dividend experience in the banking sector in Nigeria as the position and attempt to predict and capture investor preferences as the latter weigh in on their investment decisions. The conceptual framework of this research will review how these factors each influences the decision of investors to continue to hold, sell or buy a new share in the Nigerian banking sector.

Nigerian Stock Exchange (NSE) and Securities and Exchange Commission (SEC):

The NSE and SEC are major (external) actors in terms of regulation and trading platform for bank shares and securities. SEC also ensures that investor interest is protected while both bodies provide rules of fair trading and dividend/shares transactions. Another big regulator is the CBN although its influence in stock trading and dividend may not be as pronounced with NSE and SEC.

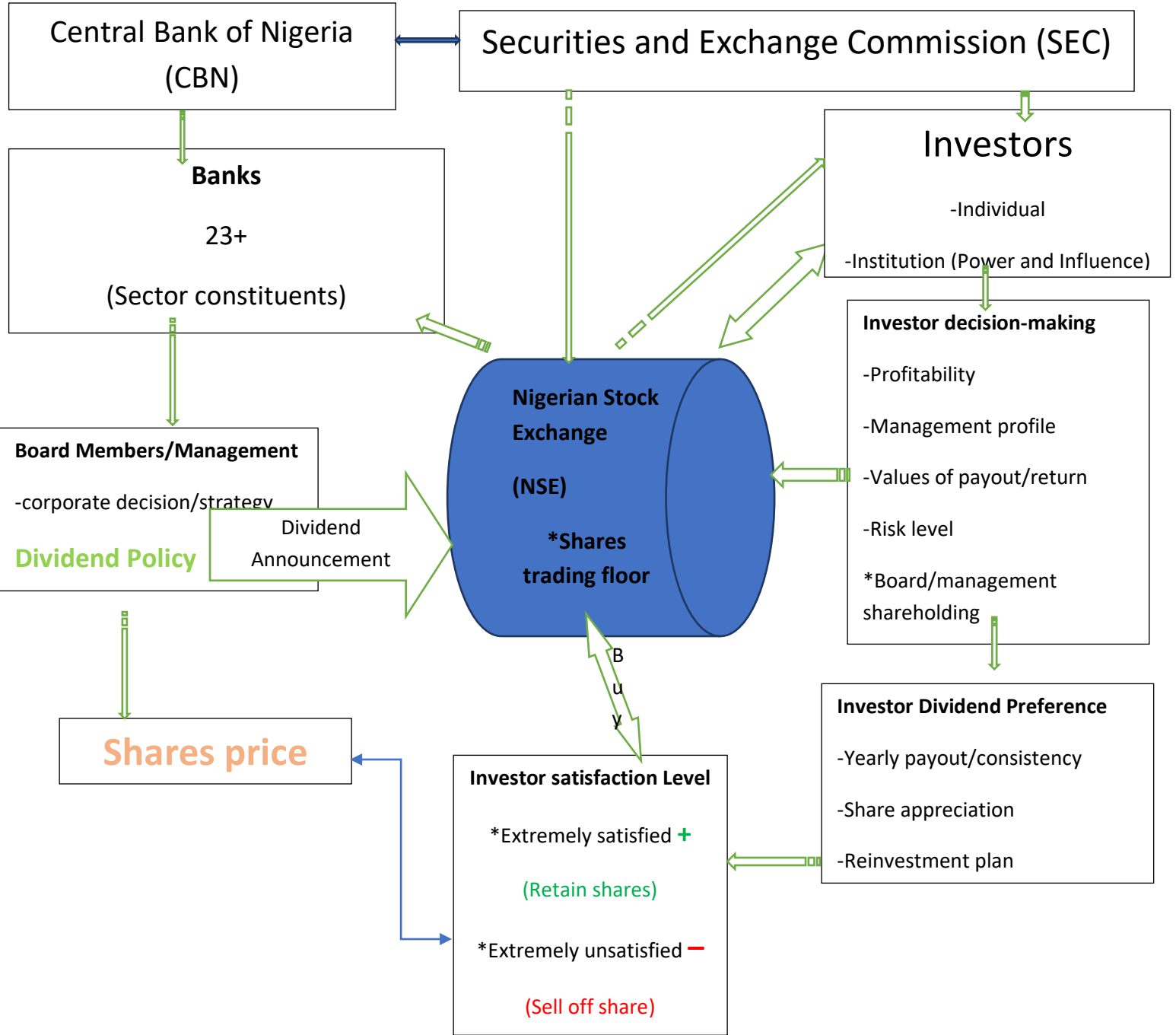


Figure 2: Conceptual Framework

Banks or Board of Directors: The actors here are the board members. The board of directors makes dividend decision in terms of to pay or not, how and how much. Such decision is given as dividend announcement which is expected to impact on share price ((Duke et al., 2015) in the Nigeria Stock Exchange.

Corporate Decision and Strategy (Dividend Policy): When a decision is made against dividend or when the consistency of payout and value is not maintained, investors may then decide to sell off their shares, otherwise they may sell or buy more when expectations are met. The Investors are known for their King Power . We will be considering two categories of investors; the individual investors and the institutional investors.

Investors: Investors are a huge group of stakeholders in this conceptual framework. These may be individual investors or institutional investors who are a lot more powerful and influential due to their large shareholding.

Aggregation of Preferences and Decision-making: Investors' preferences influence the banks/boards in the dividend policy adoption while the investors themselves react to the filtering information of the announced dividend. Preferences of the investors would be the consistency of payout, the value of payout/return and reinvestment plans. Existing investors may make the decision of buying more and selling based on these preferences being reflected in dividend policy or impact on shares. Some of the factors that could influence investor's decisions to invest in stock are also noted are profitability (Nizzim and Ziv, 2002), level of risk, management profile and others. Here we will consider preference decisions of investors on dividend payment and returns such as yearly payout (paid full), reinvestment of stocks, share price appreciation

Dividend Announcement, Share Price and Satisfaction: As noted above, different factors serve to attract existing or potential investors to buy stocks in a new company. These include profitability, dividend policy, management profile (Franc-Dąbrowska et al., 2019). Announcements are also a major event in the dividend policy dynamics. These may come as good news and spur the market or it may dissuade investors from holding the shares or reducing their number. These have an impact on share prices as empirical research have shown (Adesola and Okwong, 2009). When investors are satisfied, they likely would opt to retain their share while they may choose to sell off their shares but when they are unsatisfied with the payout or policy.

CHAPTER THREE

3.0 METHODOLOGY AND RESEARCH DESIGN

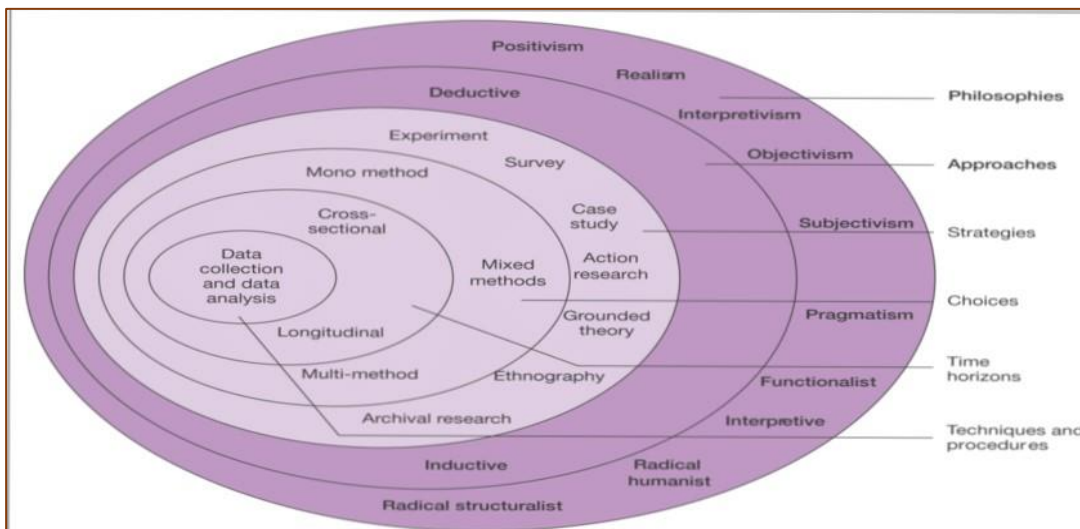
3.1 Overview

With the research objectives and conceptual framework already formulated in previous chapters, this chapter is focused on describing the method and design that will ensure the study objectives are systematically achieved. The evaluations of appropriate research philosophy, method, strategy, sources and data collection approach to be adopted, as well as techniques for the data analysis, are the predominant issues to be resolved under the methodology and design.

3.2 Research Philosophy and Approach

Research Philosophy entails knowledge developed in a specific field of study basically through assumptions and beliefs (Saunders et al., 2016). The decisions made by researchers are influenced by their beliefs and assumptions, which significantly affect the decisions on the methods to be employed during business research (Saunders et al., 2016). There are number of philosophies for a researcher to aligned with in a research process, this is tied with the methods to be employed, data collection approach and research techniques as elucidated by Saunders et al., (2016), in its research onion model.

Figure 3: Research Onion



Source: Saunders et al., (2016)

Research paradigm therefore, defines research philosophy as the beliefs, assumptions, knowledge of different theories and practices used to carry out research. In a research process, there are three (3) main assumptions made by the researcher as identified by Saunders, et al, (2016), and these includes;

- i. Ontology: This is about researcher perception of the nature of reality, which informed research questions formulation (Bryman et al., 2008).
- ii. Epistemology: This deals with the researcher assumptions that explain knowledge that is valid and acceptable in the course of research work. (Saunders et al., 2016), and
- iii. Axiology: It entails what a researcher believes to be valuable and ethical for participants in conducting a research (Killam, 2013). This philosophical framework has been embedded in this study ranging from the nature of data, previous background knowledge of the Nigerian banking sector and also, the value and right of participants.

As proposed by Collis and Hussey, (2013), scientific investigations are controlled by a philosophical framework and structure. With recourse to different ways and manners, events are perceived by individuals and their approach to social reality. The approach could either be positivism which is triggered by the convictions that reality is specific and objective; or is guided by the beliefs that companies exist as a concrete entity about which data can be collected and a conclusion reached. On the other hand, is interpretivism with the belief that reality is subjective and numerous. It entails gaining access to an individual's viewpoints and perceptions about social reality and interprets afterwards.

This research will apply the interpretivism approach as it will help to drive the objective of this study by interpreting the views, perspectives and experiences of Nigerian investors within the purview of this paper. Because of the subjective nature of the research questions posed to investors with the truth being dependent upon individual experience, perspectives and view of dividend policy in the Nigerian banking sector. The interpretivism approach is used because the expected variations in investor's views need to be captured and interpreted in line with the objective of this study. This approach will also help enhance the application of an inductive procedure for clarifying and explaining the subject matter.

3.3 Research Strategy

The research is focused on an in-depth examination of participant's perspectives, in order to aggregate the views of all shareholders in light of the subject matter, being dividend policy. This is so because dividend policy is an area that comes with rigorous complexity that has to do with investors-business relationship.

In entirety, to achieve the goal of this study, a quantitative approach alone will fail to appropriately measure and quantify variables such as investor's perceptions, perspectives, attitudes, experiences and the

relationship that exist between these variables. Although a quantitative approach would provide the needed measure, it may not give the depth needed to achieve the goals set for this research. A qualitative approach, therefore, is needed to provides detailed individuals perspectives and viewpoints, thereby guaranteeing more comprehensive understanding of the phenomenon of interest (Curry Leslie A. et al., 2009)

A mixed method will be used by this research because it provides a better understanding and enhances the confidence of findings (Bryman et al., 2008). While this will be a combination of qualitative and quantitative approaches, it is important to note that a qualitative approach will be the main approach used in this research. The qualitative approach will permit the participants to answer the research questions with some degree of details and thoroughness that would help to form an inductive generalisation, especially as some phenomena required multiple perspectives in order to understand fully the subject matter. As a result, open-ended questions were administered.

According to Curry Leslies, (2009), qualitative research is a strategy for systematic collection of data and interpretation of phenomena that are hard to measure quantitatively. This approach provides deep insight and knowledge about the individual investor, thereby ensuring a more comprehensive understanding of the subject matter. The use of a qualitative method availed researcher the chance to see through the eyes of the Nigerian investors under study.

When considering the use of a qualitative approach, the set target should be the ability to generate relevant data that will provide the extensive understanding and descriptions of the views of recruited participants in totality. The set of data to be collected for this study is solely based on individual perceptions, knowledge and experience. To this end, a semi-structured interview was used for the executive members, while survey questionnaire was applied to non-executive members; this helped gain a deep insight into the general pattern of the Nigerian investors to dividend policy in the banking sector.

Also, to establish a bedrock that underpinned the generalisation of this study, the Nigerian Investment Forum (NIF) will be divided into two (2) segments; the executive and non-executive members. This is aimed at getting a wider view of Nigerian investors as it would form the basis for the generalisation of findings. To further add credibility to the interview findings within the executive members of the Nigerian Investment Forum, survey responds among the non-executive members will be descriptively analysis to provide facts to the already built opinion from the semi-structured interview conducted.

So, the use of qualitative and quantitative data collection methods will involve a mixed research strategy, both methods will enable this study to generate narrative and numerical data among the two class of

respondents, thereby, increase confidence in the findings as well as the convergence of research objectives.

3.4 Collection Primary Data

Data collection is an essential part of every business research. Data collection process involves how the researcher generates or gathers relevant data that provides actual or near actual answers to the questions posed in the research design phase. As the data collection approach is underpinned by every research strategy. This research collected data using both qualitative and quantitative approaches. Data was generated primarily from the interviews and survey questions conducted and administered respectively among members of Nigeria investment forum.

3.4.1 Qualitative Data Collection - Interviews

In providing answers to the questions raised in this paper only primary data that will be utilized. This is in line with the study objective of gaining insight into the viewpoints of the Nigerian investors on the dividend policy operational in the banking sector. It is obvious that the relevant data here are subjective in nature as it based on the investor's experience and knowledge and the need for qualitative approach becomes imperative. This paved way for the series of interviews conducted in search of data.

A semi-structured interview was carried out in a way that allowed the respondents to give open-ended responses to the interview questions. This helped eliminate the barrier to new ideas from interviewees and accommodate wider viewpoints. To attained an in-depth understanding of the Nigerian investor's perspective to the dividend policy of commercial banks in the country. A total of ten (10) executive members was originally targeted for the semi-structured. However, due to the short notice which was further impacted by the Covid-19 pandemic, only seven (7) serving executive members from the Forum were successfully interviewed. Although there was no random selection, the 7 participants were the ones that either took 1 of 3 direct calls for the interview or returned the call/email.

The executive members were scheduled for interview as they are known to possess some degree of experience, educational qualifications with basic accounting literacy as a prerequisite for entry into the executive board. This will help get an expert range of views on the dividend policy and investors stances in the banking sector of the Nigeria economy. Also, the wider views and ideas expected among these financial experts would drive the focal point of the subject matter towards saturation of ideas within the scope and purview of this study.

The interviews were conducted on a one-on-one basis via telephone and Zoom. The extent or level of biasedness is expected to remain at a minimum considering the fact that respondents are sharing their personal experience and views irrespective of distance. Moreover, video conferencing popularly known as Voice over Internet Protocol (VoIP) was justified by Archibald et al., (2019) to replicate the whole features of in-person interview methods by providing real-time interaction between the researchers and participants.

To ensure consistency of views and provide room for different perspectives, the semi-structured interview question was designed in the light of research objectives as well as the conceptual framework. The interview guide contained five (5) main questions and directly linked to the research objectives. To connect all part of a research together, the literature, conceptual framework and research questions need to be in agreement (Rocco and Plakhotnik, 2009). Below are the outlined interview questions:

1. Do you or have you owned a share in the Nigeria banking sector?
2. What informs your decision to invest in the banking sector?
3. What is your view about dividend policy in the Nigeria banking sector?
4. Do you favour dividend payout or reinvestment of profits within the banking sector? (If so, why?)
5. If your company stops paying dividend, would you still hold their shares?

3.4.2 Quantitative Data Collection - Survey

For a more valid and balanced responses of the members, a quantitative questionnaire was designed and administered to all non-executive members of Nigeria Investment Forum, out of which 71 successful attempts were made and completed. This primary data was generated through the use of surveys designed via Survey Monkey and links send to NIF WhatsApp group, while some were sent via email. The survey questionnaires incorporated some numerical scaling of relevant variables within the domain of dividend policy particularly, in the Nigerian Banking Sector. The respondents ranked and chosen preferred variables and factors that impact on their decisions to invest in the banking sector.

Below are the questions asked in the survey for which responses are measured at the presentation stage of the paper:

1. Which of the following class of investor do you belong?		
An individual investor	A member of institutional investor	Both

2. Do you have interest in investing in the Nigeria banking sector?		
Yes	No	I am already an investor in the sector

3. Which amongst these dividend factors influences you most when making investment?		
Return	Risk	Both

4. Does dividend policy, profit level and management profile affect your decision to invest in a bank?		
Yes	No	Other (Please specify)

5. How would you rate each of these factors on your investment decision in bank share?					
Variables	Extremely Important	Important	Neutral	Unimportant	Extremely unimportant
Dividend policy					
Profit level					
Management profile					

6. How would you rate the following preference about a dividend payout or policy?					
Variables	Extremely Important	Important	Neutral	Unimportant	Extremely unimportant
Consistency of payout					
Value of payout					
Impact on share price					

7. Overall, do you prefer yearly payout or share price appreciation?		
Yearly payout	Share price appreciation	Both

8. Would you rather have your company reinvest all profits or pay dividend?	
I would love for them to pay me my full dividend	
I would want a reinvestment of all profits	
I would want part earnings in dividend and reinvest part	

9. Overall, how would you rate your satisfaction on your company's dividend policy?				
Extremely Satisfied	Satisfied	Neutral	Unsatisfied	Extremely Unsatisfied

3.4.3 Sources of Data - The Nigerian Investment Forum (NIF)

The data required of this research was sought primarily from the above-mentioned organization through semi-structured interviews and survey questionnaire. The Nigerian Investment Forum (NIF) operates

under the auspices of the Nigerian Investment Promotion Commission (NIPC). NIF is a group of individuals with financial skills, formed with the mandates to provide professional advice and supports to members basically on financial services such as investment decisions, diversification of portfolio and risk mitigation strategies.

3.4.4 Access and Ethical Issues

Based on the mode of operation, access to the NIF was secured through two (2) pioneers of the forum, namely, Head of Advisory Committee and Investor Portfolio Manager. Interviews were conducted for executive members only, as a means to tap into their vast knowledge on the subject matter - dividend policy; while the survey was administered to other members (existing shareholders or potential investors captured in this group).

Prior to the beginning of each interview, the respondents were informed of their rights. Perspective and responses to the interview questions were kept confidential during and after the research period and permission was requested of, to have the interview recorded. Upon completion of interviews, a line of correspondence was left open to allow additions/fresh ideas to be added to recent responds to the questions.

Transcribed copy of interviews was likewise sent to each of the respondents to guarantee nothing has been taken outside context. Where corrections were made, such amendments to specific answers given would also be indicated on the transcribed document. This helped to ensure that there was no misinterpretation of views and the consent to use the information for this study is given and guaranteed by members all of whom, over 18 years of age. A consent form was sent to all members before the meeting, which was signed by the researcher and participants. Members that participated in the interview and survey were informed the purpose was for a master's dissertation and they were guaranteed that their identity would remain secret and confidential. They were also informed that their right to withdraw at any point is assured without any liability.

3.5 Approaches to Data Analysis

3.5.1 Qualitative (Thematic Analysis)

The interviews conducted were recorded and transcribed. Transcripts copy was then analysed with the use of 'coding system'. This entails reading and rereading of interview transcripts from the respondents and identifying the type of answers associated with each of the interview questions and assigned labels

(Berends, 2011). The coding system was used to analyze and find themes in the context of concepts and terms used in providing answers to each of the interview question (Berends, 2011)

The classification of these themes into relevant dimensions and subthemes helped to identified relevant and commonly used concepts by respondents and then connect back to the literature review and conceptual framework of this paper. This helped to describe, interpret findings and form an opinion based on the data collected and analysis done with the use of thematic analysis.

Theme is the main product of data analysis that yields practical results in a research work (Vaismoradi et al., 2016). Thematic analysis is therefore, carried out through identification of themes in the transcripts. These include the frequency in occurrence of certain concepts, descriptors, phrase and terms from the transcripts.

Summary of major steps to Thematic Analysis as mentioned by Vaismoradi et al., (2016), are as follows.

- Read and reread thoroughly the initial transcripts from the interview session.
- Read through transcripts document again and this time notes are taken, particularly words, phrase, terms and concepts that struck your mind with strong connection to your research objectives.
- Lastly, review of codes (words, phrase and concepts) with transcripts and connect back to the literature review, specifically developed conceptual framework. This helped to erase certain relevant concepts that not directly linked with the research framework.

The essence of the above steps, in thematic analysis is to reduce and filter the vast amount of data in your disposal.

3.5.2 Quantitative Analysis

Data from the survey was analysed with the use of descriptive tools to depict respondents' preferences, the value attached to relevant dividend variables and level of satisfaction on existing dividend policy in place. These were presented with the use of charts and tables in order to made better sense of result, findings and information. Descriptive statistics was employed to draw conclusions based on aggregate respondents' dividend policy preferences.

3.6 Conclusion

In line with the research objectives and conceptual framework as set out in chapter one and two respectively, this chapter has been dutifully designed in line with the overall research objectives. This narrows down how data was collected, analyzed and results duly interpreted in Chapter 4, and as a precursor to Chapter 5.

CHAPTER FOUR

4.0 PRESENTATION AND DISCUSSION OF FINDINGS

4.1 Overview

This chapter is dedicated to presentation of results and discussion of findings. Analysis of results and findings was done in line with the objectives of this research. In so doing, the researcher was guided by the conceptual framework and also key theories and previous findings, especially on their implication on the validity of current research findings. This research is focused on assessing the impact of investor decision on the dividend policy of the Nigerian banking sector. The researcher, therefore, analysed investor preferences and how these may bring about changes in the dividend policy of Nigerian commercial banks.

This result will be derived from the use of analytical techniques and interpretation of data obtained using the semi-structured interviews and surveys. The data collected were feedbacks or responses obtained from the executive members of the Nigerian Investors Forum (NIF). Interview questions were designed to elicit those responses based on the level of satisfaction they derived from their first-hand dividend policy experiences of the respective banks of which they are shareholders.

In addition, the ethics of the study requires that the anonymity of the respondents is protected. For this reason, the approach adopted is to represent the respondents by the use of codes. For example, Respondent 1 will be represented by R1, Respondent 2 by R2, and so on for the executive respondents of the semi-structured interview. In terms of the respondents for the surveys, quantitative data was collated together and analysed alongside qualitative data.

4.2 Qualitative Analysis

4.2.1 Respondents Profile/Background

For purposes of validity and reliability of research findings, the respondents for semi-structured interviews and surveys were carefully targeted as those that have relevant experience and knowledge of the basics of investments and dividend in the banking sectors of the Nigerian economy. Of great importance are the demographics of members of the Nigerian Investment Forum (NIF) which are those that took part in the semi-structured interview. Below are the data distribution tables of the 7 respondents in terms of their ages, sex, educational or professional qualifications, shareholding information and years investing experience in the Nigerian banking sector.

Table 1.0: Age Distribution of Respondents

Age Range	Frequency	Percentage (%)	Cumulative Percentage (%)
31 – 40	1	14	14
41- 50	2	29	43
51 – 60	3	43	86
61 and above	1	14	100
Total	7	100	

Source: Interview Data

From the table, we can observe that respondents between the age of 41 and 60 years constitute the highest number of investors. These 2 age groups represent approximately 72% of the sample for these interview contributors. While 30 and under have no investors on record for this sampling, age groups 31 – 40 and 60 and above have 1 respondent each. This distribution also reflects the actual experience of having older shareholders in the Nigerian stock market (Adesina et al., 2015).

Table 2.0: Sex Distributions of Respondents

Sex	Frequency	Valid Percentage (%)	Cumulative Percentage (%)
Female	1	14	14
Male	6	86	100
Total	7	100	

Source: Interview Data

Table 2.0 above shows the sex distribution of respondents for this research. The proportion of males to females is given as ratio 6:1, implying that males account for 86% of the respondents while females

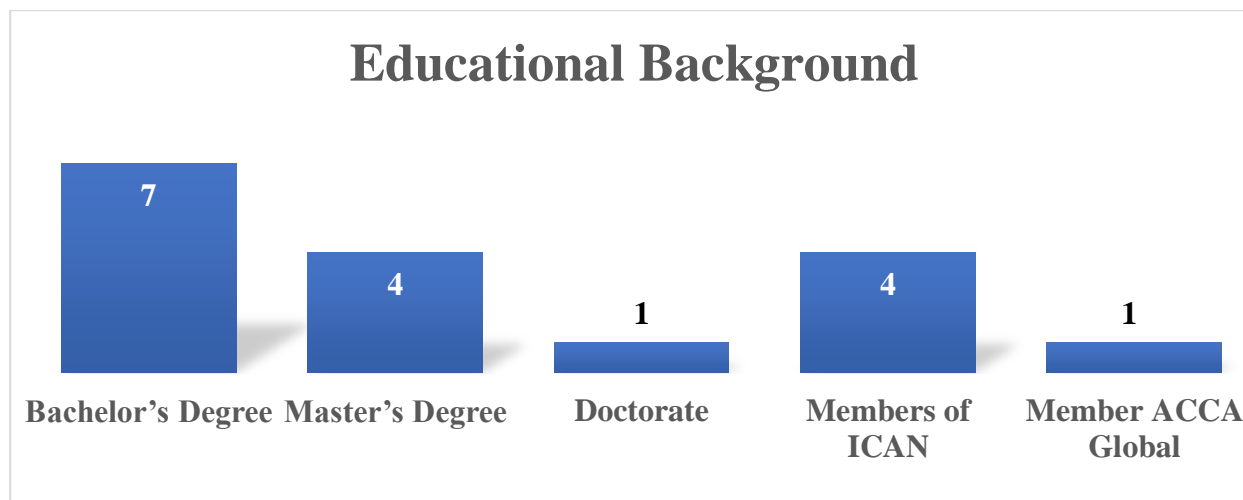
represent 14%. This skewness in favour of males as the predominate investors for this sample also captures the reality of the Nigerian market (Adesina et al., 2015).

Table 3.0: Professional/Educational Distributions of Respondents

Educational Background	Frequency	Percentage (%)	Valid Percentage (%)
Bachelor’s degree	7	100	100
Master’s degree	4	57.14	57
Doctorate	1	14.28	14
Members of Institute of Chartered Accountant Nigeria (ICAN)	4	57.14	57
Member ACCA Global	1	14.29	14

Source: Interview Data

Figure 4: Educational Distribution of Interview Respondent



Source: Interview Data

From the breakdown of the educational or professional qualification of respondents shown in Table 3.0 above, it can be seen that investors interviewed are very well educated, as all respondents have a minimum of bachelor’s degree. Over 57% have master’s degree, while 72% of them equally have one

form of professional certification or another. This means that they are very well informed as to investing and dividend payout (Aburime, 2008).

Table 4.0: Distribution Respondents with Shares in the Banking Sector

Investor Status	Frequency	Percentage (%)	Cumulative Percentage (%)
Shareholder	6	86	86
Non shareholder	1	14	100
Total	7	100	

Source: Interview Data

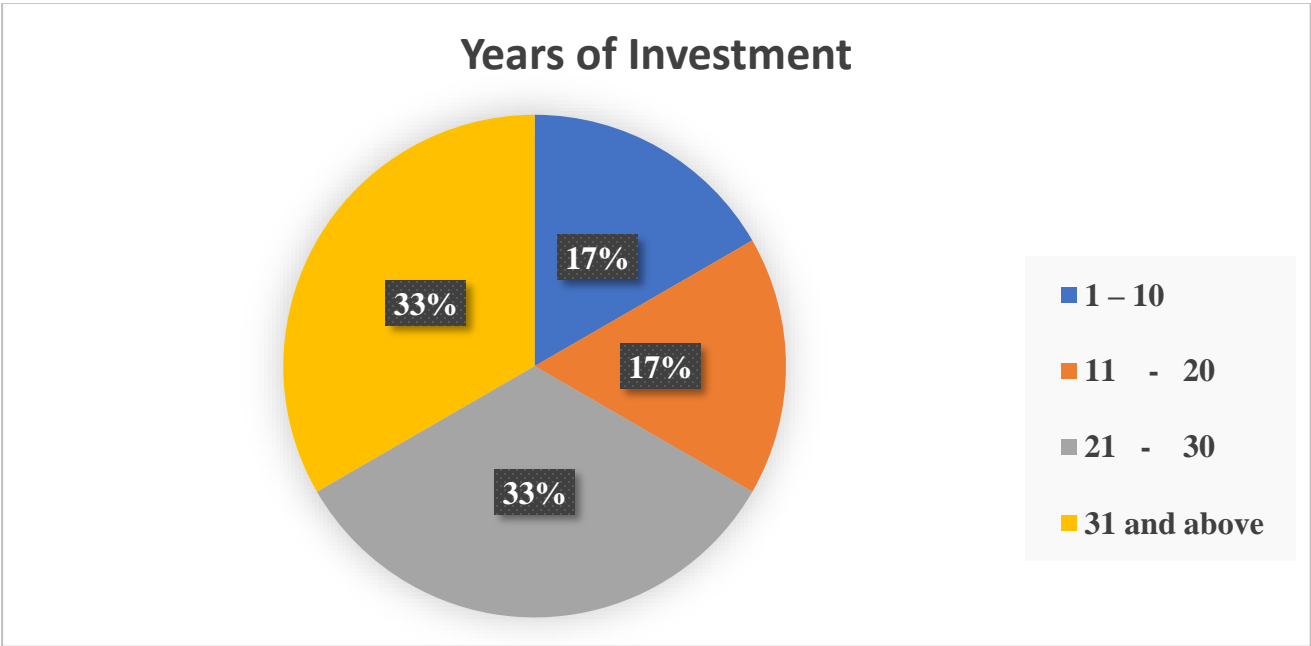
Table 4.0 shows that a very large majority of interviewees (86%) actually own shares in the Nigerian banking sectors.

Table 5.0: Distributions of Respondents Years of Investment in the Banking Sector

Age Range	Frequency	Percentage (%)	Cumulative Percentage (%)
1 – 10	1	17	17
11 - 20	1	17	34
21 - 30	2	33	77
31 and above	2	33	100
Total	6	100	

Source: Interview Data

Figure 5: Showing Respondents' Years of Investment in the Banking Sector



Source: Interview Data

Based on data gathered, 83% of the respondents have over 10 years of investment experience in the Nigerian banking sector. In fact, 66% of them have experience in the sector in excess of 20 years. This information is vital in terms of their knowledge base of the market and subject matter, implying that this research is based on first-hand information.

4.2.2 Interview Data Findings

This is approached in a way that will help us identify and discuss the common trends that reflect actual perspectives and preferences of these respondents. More specifically, this will help to identify the shareholder’s individual or aggregate returns preference as it affects their decisions to buy or hold bank shares.

This section analysed the responses or comments from respondents based on questions asked. Thereafter researcher summed up the aggregate findings based on strong majority opinion that is sufficient and appropriate to form a valid conclusion with respect to their dividend policy preferences. Participants were asked series of questions ranging from their rationale for investing in the Nigerian banking sector to the preferred dividend policy that suits or cater for their returns preference.

Based on their responses, 6 out of the 7 respondents currently hold shares in the Nigerian banking sector. This means that overwhelming majority, 86% of the sample size are existing shareholders in the sector, while 1 participant had no interest in the sector. From the information gathered, approximately 17% of the respondents have held shares in the banking sector for about 10years, 66% for over 20years and a further 33% have owned banking shares for upward of 31 years. This showed how knowledgeable and years of experience the respondents have in the Nigerian banking sector's corporate practices.

Secondly, respondents when asked the factors that inform their decisions to invest in the Nigerian banking sector. Of all, 4 out of 7 respondents (57%) attributed their rationale for investing in the sector to mainly the profit level and the remarkable reforms/recapitalization programmes of the Central bank, while 3 out of 7 (43%) claim to have invested in the sector solely based on the high profit level and returns for investors compared to other sectors.

Specifically, Respondent 4 drew researcher's attention to the volume of dividend after profit declared by Guaranty Trust Bank for distribution to shareholders (**N81 billion approximately €192 million**) for the 2019 financial year end. It is obvious from the above the attention and priority given to the profit level of the industry by the respondents.

On respondents' perspectives of Nigerian banking dividend policy, 5 out of 7 respondents (71%) preferred the dividend policy of the Nigerian banking sector to other sectors of the economy. Emphases were however placed on the proportion of profits announced as dividend, the consistency at which dividend is paid, as the competitive nature of the banking businesses put management on their toes.

Fourthly, respondents were asked about their preference between dividend payout and reinvestment option. All (100%) indicated that they favour dividend payout citing uncertainties and unpredictable nature of the Nigerian market. However, 2 respondents representing 29% who are pro-growth, stated that the choice of what they prefer may depend on the plan the management has for reinvestment of profits (whether they are transferring it to reserve or diversifying). While claiming some part of their returns in the form of concrete dividend payout, they insisted that they would favour a mix of both payout and reinvestment.

The fifth and final question for the respondents was on whether they would still hold a bank's share if they stopped paying dividend. This question received different answers from the respondents. All or 100% of them insisted the policy change would affect their shareholding in some way, but subject to a satisfactory reason such a change is not as a result of bad news that would impact on the going concern of the company. 1 respondent said that he would seriously consider his shareholding if the reason is related

to the governments who can unilaterally sink a good company. About 29% however, are ready to be patient for 4-5 years and see if the financials of the company would improve. These are initial quantitative illustration of interview data, before the main qualitative analysis.

4.2.3 Discussion of Findings (Thematic Analysis)

The data gathered from the interview was discussed and analysed with emphasis on the respondents' relevant concepts and terms as it relates to the study framework and objectives. The analysis was done through the use of themes coined from the transcripts of the interviews conducted. The themes found include:

- i. Share ownership
- ii. Investment determinants
- iii. Dividend consistency
- iv. Return options
- v. Risk appetite and justification

While themes emerged from cluster of ideas as gathered from the interview data, codes (eg R1, R2, R3...) were used to denote respondents.

(i) Share Ownership

In the course of interview data examination, it was found that all the 7 respondents used certain key concepts or phrases to describe their interest and status in the sector. One common thread is the way R1 to R6 responded with "yes, I own shares", although individual share ownership time and structure was distinct.

R7 replied with a simple "No" to indicate not currently owning shares in the banking sector, indicating preference for other sector by saying "*I don't have any share in the Nigeria banking sector, I preferred lower risk sector like telecommunication or real estate*"

(ii) Investment Determinants

Respondents emphasized similar concepts, determinants and reasons why they chose to invest in the banking sector; these ranged from Central Bank reforms and recapitalization programmes, consistency of banks dividend payout, active nature of its shares and Shareholders Protection Reform Act. They viewed these developments as competitive advantages to the banking sector when compared to other sector of the economy.

R1, R2, R3 and **R4** all referenced the reforms and *recapitalisation policy of the Central Bank of Nigeria, the Shareholder's Protection Act, sustainability, reassurance of good returns on investment which is a function of profitability level, and the confidence in the sector compared to any other sector in the economy*, as some of the key determinants for their investment in the banking sector.

Perhaps, **R5** was more technical stating that banking sector stock “...is one of the active stocks in the market”.

According to **R6** “the banking sector has experienced a boom in recent years compared to other sector of the economy”.

R7 was however, skeptical about the prospects of the sector stating that not having shares yet in the banking sector is because “I am more risk adverse and I stay off sectors or companies exposed to higher risks like banking”.

(iii) Dividend Consistency

The respondents made note of some terms within the concept of consistency of dividend policy (Shefrin and Statman, 1984), based on their experience and knowledge. However, the researcher noticed that the most recurrent concepts by respondents centered on consistency and value of dividend.

For example, **R1, R2, R4, R5** and **R6** *harped on consistency of dividend policy as the most importantly and crucial element for shareholders of the Nigerian banking sector*. This implies that most of the respondents have significant amount of knowledge of the profitability nature of the banking sector of the economy.

Furthermore, **R3** noted that “the policy is in line with residual dividend where the firm makes distribution on the residual earnings”. Likewise, **R3** appears to be very vast in terms of subject matter and financial management literature.

On the other hand, **R7** maintained that they are observing the encouraging, consistent, changing trend, and does not rule out “making good investment in bank stock in their nearest future”.

(iv) Return Options

On the choice between outright dividend payout or reinvestment of profits within the banking sector, respondents majorly favoured payout or a blend of both payout and reinvestment. The researcher noted some common concepts in the respondents' comments in relation to their preferred return options.

R1, R2, R3, R5 and R6 prefers their return as best guaranteed by yearly dividend which is in line with the theme of consistency. They noted that they can take only payout or at worst a mix of both payout and reinvestment, but they would not accept only reinvestment option for their returns.

R4 summarized this best, noting that “ *the radical uncertainty companies particularly, the financial institutions operate under today makes it sensible to have a mixture of dividend payout and reinvestment option* ”. Likewise, R7 who states that “ *although my position is in-between; I prefer to receive some in cash payout and part in reinvestment*”.

(v) **Risk Appetite and Justification**

Respondents’ reaction on sudden stoppage or inconsistencies of payout was fairly uniform, indicating that they do not have such risk appetite to continue to hold shares when dividend is stopped or interrupted, unless of course, there are justifiable reasons for that. Their comments, almost together, reflect above key terms and concepts they majorly or commonly used, and underscored the extent of the risk they accept to bear.

All respondents except R4 indicate that they would not hurriedly dispose of their shares upon dividend stoppage or inconsistencies, unless a valid, satisfactory reason for the change is not offered. In short, **R1** noted that some years may be given to allow the company to resume dividend payout before a decision may be made to sell off share, stressing that “ *the company financials will be analysed for some years and if the situation doesn't improve, the shares would be disposed*”.

Perhaps R4 was quite emphatic on the decision to sell of the share altogether, stating that “ *it is worthless holding a share of a company that can't pay dividend at the end of its financial year*”.

From the above results and thematic analysis, the researcher found that there were instances the respondents were in complete agreement on certain matters as their responses tend to perceive and explain some matters in similar manner. For example, ownership of banking sector shares and preference for returns appears to receive a near unanimous response. Also, in this instance, **R1-R6** were even eager and willing to state the name of the banks they have shares. It was found that all respondents except **R7** happened to be an existing shareholder in the sector. However, most of the respondents particularly those that are existing shareholders have a consensus view of the Nigerian banking sector dividend policy. They generally perceived the sector to be very competitive and agree that the only way for the banks to remain attractive to potential investors and retain the already shareholders is to consistently cater and guarantee their dividend for capital provided (Jiraporn and Yixi Ning, 2006).

Secondly, the respondents were clear about their reasons for investing in the Nigeria banking sector ahead of other sectors. Some concepts were mentioned by respondents based on their personal experience and knowledge of the sector. There was agreement among some respondents like **R1**, **R2** and **R4** who attributes their rationale for holding the banking sector shares to establishment of shareholders' protection right, recapitalisation policy, restructuring agenda of the central bank of Nigeria.

The active nature of banking stocks, the boom in the sector and the profitability index are some reasons given by the **R5** and **R6**. However, **R7** however, seemed yet to be very convinced as to the important and protection of shareholder with respect to the high risks involved in such highly exposed and delicate sector like the Nigerian Banking sector.

In a nutshell, results from themes analysis showed that there is **high preference for investment in the banking sector and the determining factors lies more on the profitability level of the sector, the consistency** at which dividend payout are adhered to by the bank and also the impact of the Central Bank of Nigeria in increasing the **confidence** of Nigeria investors.

4.2.4 Survey Findings and Analysis

A total of 71 took part in the survey questionnaire, out of which 100% was returned valid. Survey questions and feedback breakdown are presented below.

Table 6.0: Class of Investor

1. Which class of investor are you?		
Investor Class	Frequency	Percentage (%)
An individual investor	59	83
A member of institutional investor	4	6
Both	8	11
Total	71	100

Source: Survey Data

The above table shows that 59 out of 71 participants (83%) are individual investors while 6% are representatives/member of an institutional investor. Participants that cut across both classes of investors account for 11% (8 out of 71) of total participants.

Table 7.0 Stakeholders in Nigerian Banking.

2. Do you have interest in the Nigerian Banking Sector?		
Preferences	Frequency	Percentage (%)
Yes	38	53
No	16	23
I am already an investor	17	24
Total	71	100

Source: Survey Data

The proportion of survey participants who have interest in the Nigerian banking sector represents 77% of participants. Of these class, 31% already have confirmed interest in the of share ownership of banking stock. Approximately 23% of the total participants indicated that they do not have shares nor interest in the banking sector. The inclusion of these group makes the study balanced, and without any biases. These current non-investors also showed significant knowledge in the banking sector, thus giving a wider perspective and dimension in understanding the banking sector dividend policy.

Table 8.0: Dividend Variables

3. Which among these dividend factors influences you most when making investment decision?		
Preferences	Frequency	Percentage (%)
Return	29	41
Risk	10	14
Both	32	45
Total	71	100

Source: Survey Data

A total of 41% indicated that they are mostly influenced by returns when making investment decisions. While 14% (10 out of 71) claimed they mostly consider risk in their choices, 45% of respondents were found to be influenced by a combination of risk and return considerations.

Table 9.0: Investment Determinants in the Nigerian Banking Sector

4. Do dividend policy, profit level and management profile affects your decision to invest in a bank share?		
Preferences	Frequency	Percentage (%)
Yes	67	94
No	3	4
Other (Please specify)	1	2
Total	71	100

Source: Survey Data

An overwhelming 94% of the survey participants confirmed that dividend policy, profit level and management profile affect your decision to invest in a bank share, while 4% (3 out of 71) indicated that they do not care about these factors in making their investment decision. However, 1 participant commented that, although these 3 factors influence his choice of bank stock, he/she is nevertheless equally influenced by the bank's rating and reputation.

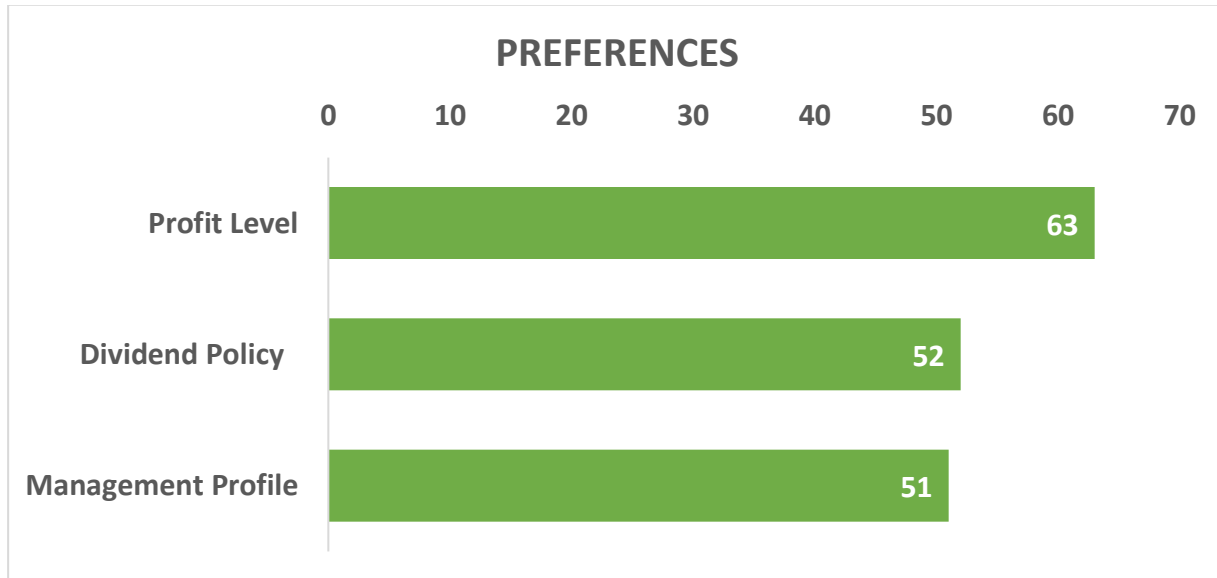
Table 10: Rating of Investment Determinants

5. How would you rate each of these factors on your investment decision in bank share?					
Preferences	Extremely Important(%)	Important(%)	Neutral(%)	Unimportant(%)	Extremely Unimportant(%)
Profit level	63	27	4	4	1
Dividend policy	52	39	7	0	1
Management profile	51	38	11	0	0

Source: Survey Data

An average of 90% rates profit level, dividend policy and management profile as important factors on their investment decision on bank share. While a combined average of 7% are neutral about these factors, less than 2% on the average consider them simply unimportant considerations.

Figure 6: Showing Investment Determinants



Source: Survey Data

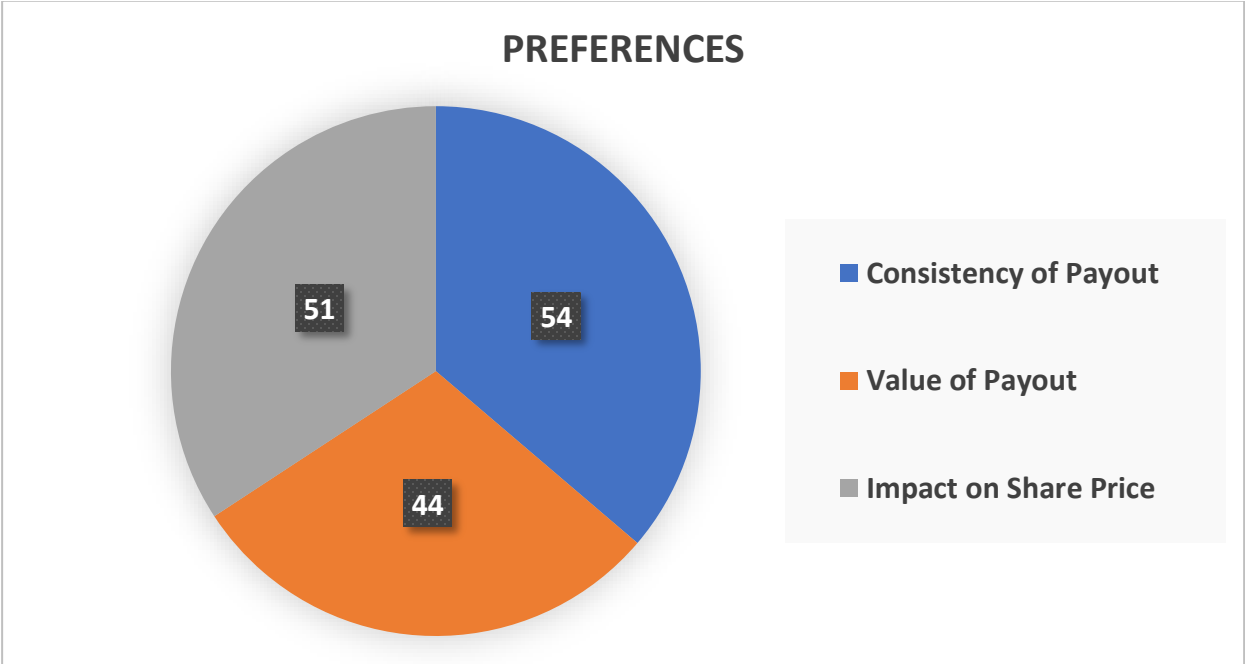
Table 11: Investors Preference for Dividend

6. How would you rate the following preferences about a dividend payout or policy?					
Preferences	Extremely Important(%)	Important(%)	Neutral(%)	Unimportant(%)	Extremely Unimportant(%)
Consistency of payout	54	38	4	0	4
Value of payout	44	46	8	1	1
Impact on share price	51	34	11	0	4

Source: Survey Data

Again, a very high percentage of 92%, 90% and 86% respectively consider consistency of payout, value of payout and impact on share price as important preferences in their view about a dividend policy, which is consistent with the view from the qualitative data. An average of 3% deemed these factors as extremely unimportant, while 7% on the average are indifferent.

Figure 7: Investors Dividend Preference



Source: Survey Data

Table 12: Investor’s Dividend option

7. Overall, do you prefer yearly payout or share price appreciation?		
Preferences	Frequency	Percentage (%)
Yearly payout	28	39
Share price appreciation	16	23
Both	27	38
Total	71	100

Source: Survey Data

While 39% (28 out of 71) of the survey participants prefer yearly payout, a combined 38% indicated that they prefer a mix of payout and share price appreciation. Overall, pro-growth participants or those who prefer just share price appreciation amounted to only 23% of all participants.

Table 13: Dividend Payout decision

8. Would you rather have your company reinvest all profits or pay dividend?			
Preferences	Frequency	Percentage	Commutative
I would love for them to pay me my full dividend	30	42	42
I would want a reinvestment of all profits	11	16	58
I would want part earnings in dividend and reinvest part	30	42	100
Total	71	100	

Source: Survey Data

Percentage of those who indicated they would rather have their bank or company reinvest all profits was 16% compared to those who preferred receiving their dividend payout in full which accounted for approximately 42%. This was similar to those that indicated a mixture of part dividend and reinvestment of profits in semi-structured interview qualitative data.

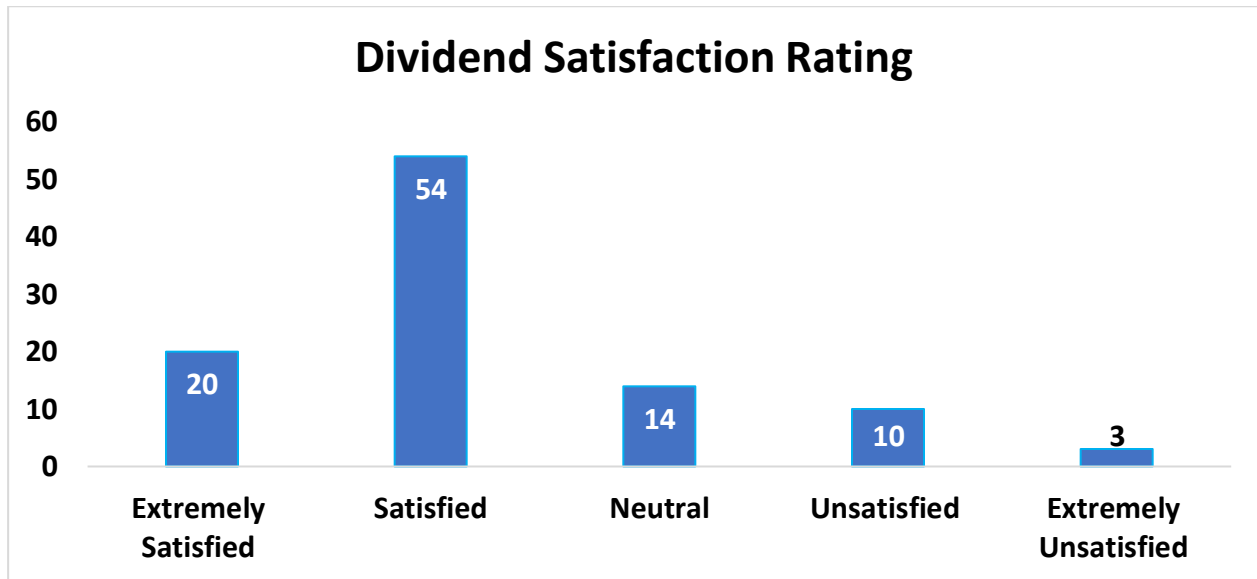
Table 14 Investors Dividend Satisfaction Rating

9. Overall, how would you rate your satisfaction on your company’s dividend policy?				
Extremely Satisfied (%)	Satisfied (%)	Neutral (%)	Unsatisfied (%)	Extremely Unsatisfied (%)
20	54	14	10	3

Source: Survey Data

Overall, 74% (of 52 out of 71) of survey participants rated their bank’s dividend policy as satisfactory compared to 13% (9 out of 71) of participants who think they are unsatisfied. There are however, 10 survey participants who are unconcerned about the level of satisfaction with respect to their bank’s dividend policy.

Figure 8: Dividend Satisfaction Rating



Source: Survey Data

4.3 Summary of Findings (Interview and Survey)

This section details the summary of findings of this work which is aimed at the evaluation of dividend policy strategy adopted by the banking sector of the Nigerian Stock Exchange, as well as determining the investor's dividend preference and examine the impact of banking sector dividend policy on investor decision-making.

In the course of resolving the research objectives, the researcher designed and applied interview and survey questions that were capable of eliciting responses relevant to the determination of investor preferences which helped in assessing the impact of dividend policy in the banking sector of the Nigerian economy. Relying on both interview and survey data information, the researcher observed that participants of the semi-structured interview had more knowledge of dividend policy. To this end, the researcher identified that respondent' background knowledge of the banking sector's past performance also serves as motivating factor (Malomo and Ojediran, 2015). Respondent equally showed preference for profitability level above dividend policy and management profile (Ahmed, 2018). They also preferred dividend payout to reinvestment of profits, although respondents from survey questionnaire adopted a mixture of payout and reinvestment as their preference.

Overall, the results from both the qualitative and quantitative data highlighted the impact of dividend policy on investor's decision by internalizing or embedding in the policy, the major preferences of their existing and potential investors. Findings equally showed that the sector is very competitive, and so dividend policy as corporate strategy is used to entice or charm current and potential investors on the Nigeria Stock Exchange. As shown by the study, the main determinants or driving force for investors in the Nigerian banking sector were confirmed to be profit level, consistency of payout and the confidence made possible by reforms and strong supervisory role played by the Central Bank of Nigeria.

4.4 Comparison to Literature Review

From the review of literature on dividend policies, some scholars postulated theories that helped explain the subject matter and the trade-off between risk and returns and how shareholders and investors react by way of their preferences (Yusuf, 2015). While some theories have received criticisms among scholars in this field, others have been embraced as they reflect the reality about investor's preferences or choice of dividend policy (Modigliani and Miller, 1961; Nissim and Ziv, 2001). This study provides some concrete additional evidence either against or in support of already laid down theories, while at the same time contributing to the overall body of knowledge in this area. At this point, it may be meaningful to examine the results of this study in a way to compare and contrast findings based on similarities and difference as elucidated in literature review.

4.4.1 Similarities between Findings and Literature Review

To resolve the aims of this study, the researcher evaluated the investor's dividend preferences for returns and its impact on their investing decisions. The results of this study showed that Nigerian investors and shareholders in the banking sector preferred a consistent and yearly cash payout dividend policy as only way to guarantee their rewards for funds invested. This confirms the application of the "a bird-in-hand dividend theory" as demonstrated in Schlarbaum (1978) and Al-Malkawi (2010). The study also confirms the Nigerian market and world of business to be characterised by radical uncertainty and information asymmetry which underscores the dividend policy and consistency of payout (Okpara, 2010). The study did this by highlighting the reforms needed to protect shareholders and also the fact that 1 out of 7 respondents still consider the sector very risky for investment. To this end, Investors will always prefer "a bird in the hand" or cash dividends they can obtain now as return in its present value rather than "two in the bush" which implies future capital gains (Baker et al., 2001).

Also dominant in this study is the preference and effect of profit in the dividend policy decision. Respondents confirm this point which is well documented in literature on dividend policy-profitability

relationship (Nissim and Ziv, 2001) and (Copeland, 2004). This applies so much as the banking sector is viewed as crucial on issues of liquidity, hence profitability is aptly considered as relevant. Also, dividend is seen to impact bank stocks in Nigeria which is in line with Calandro (2009), where it was argued that a dollar of dividends payout to its shareholders has, on average, four times the impact on stock prices as a dollar reinvested.

Another area where there were similarities to the results of this research comes from the work of Greenwood (2006), and Jiraporn and Yixi Ning (2006), to the effect that the announcement of firm's earnings are most impactful on investor's confidence in the company when they are accompanied with dividend payout (D'Souza and Saxena, 1999). In other words, this scenario is true about the Nigerian banking sector and the market where stoppage or inconsistency was shown to be a reason to sell off shares. As R4 and R6 suggested, since announcements raise the hope of investors dividends, it is only fair that they have a taste of the residue after all costs have been accounted for (D'Souza and Saxena, 1999).

4.4.2 Differences between Finding and Literature

To achieve the objectives of this paper, being investor's dividend preferences for returns and its impact on their investing decisions. Some financial management literature in this field was captured with emphasis on their findings. Though, the findings of this paper contradict some established work by other scholars.

The difference between this study and literature is that the outcome of this study directly contradicts the popular work of Miller and Modigliani (1961). The scholars' dividend irrelevancy theory which propounds that dividend policy or investment decisions of the firm does not have an impact on the firm's share price or value, completely contradicts the reality of the Nigerian market. All participants in this study stressed the place of dividend in the banking sector in Nigeria. In fact, failure to pay dividend may affect the confidence and fundamentals of the bank as most investors in the sector appear to have sound knowledge of the workings and impact of dividend policy, most especially dividend have shown to be very relevant in this sector. Likewise, one major criticism of the dividend irrelevancy theory is that firms always make their investment decisions in a way that ensures optimum growth of the shareholders' wealth (Fairchild, 2010), and this point is reflected in the dividend policy behaviour of the Nigerian banking sector (Oyinlola and Ajeigbe, 2014).

4.5 Conclusion

Based on the interviews, survey responses and analysis carried out on the subject matter, it is crystal clear that impacting factors such as profitability, consistency of dividend payout and confidence in the banking sectors made possible through the reform programmes, especially the **N25 billion naira** recapitalisation

implemented by the Central bank of Nigeria, made the banking sector a preferred choice in Nigeria. Investors see dividend payout policy of Nigerian banking sector as a way of risk mitigation.

The study shows that Nigerian banks make strategic use dividend policy as an attractive mechanism in portraying their performance and positioning themselves and shares as viable return on investment. This stems from their understanding about investor's low appetite for risk, especially given the uncertainty in the Nigerian business climate, which the banks are at the heart of it. This challenge therefore made investors in the banking sector to be relatively vast and experiences as that represents a good mitigation standpoint.

CHAPTER FIVE

5.0 Contributions, Limitations, Recommendations and Implications of Research

The overall objective of this research is to examine the applicability of dividend policy in the Nigerian Banking Sector. The researcher modeled and explored the reality associated with the subject matter in the Nigerian banking sector from the perspectives of the key stakeholders (investors and banks), and assessed the impact of management decisions on investor decisions. The research examined critically, the dividend policy as a strategic management tool used to wooed and lure investors within the sector.

The researcher evaluated the investor's dividend preferences for returns and its impact on their investing decisions. The researcher also conducted a series of structured interviews and administered survey questionnaire to participants. Questions were designed based on research objectives and conceptual framework with deep reflections on the unique setting and events in the Nigerian Stock Exchange. Data was generated based on the responses or comments from participants. . It was found that investors respond or invest in the Nigerian banking sector based on the underlining variables:

- Profitability level.
- Consistency **and** value of dividend payout,
- Channels or means of dividend payout,
- management profile and
- Level of confidence in the sector as a component of the Nigerian economy.

This chapter closes this research and dwells on the implications of findings, its contributions to the field of corporate financial management, limitations as well as recommendations for further research.

5.1 Implications of Research Findings

This research shows the application of dividend policy by Nigerian banks and how this affects and aligns with their investors' preferences. The research results show their policies majorly reflect investor's high preference for consistent and cash dividend demands in the Nigerian banking sector against outright reinvestment of profits or capital gain. This dividend appetite or phenomenon, however, has implications for the banking sector, the investors and also the economy at large.

On the part of management, the practice of holistic and consistent dividend payout to shareholders will result to reduction in working capital, which can lead to inadequate cash flows to execute NPV projects in sights. The shortage of capital will leave management with two options; forfeiture of NPV projects completely or uses alternative sources to finance the projects which will lead to payment of interest

charges as cost of capital. The overall impact or implication of this is that the organic growth of the company is slowed. The company profitability therefore will become impaired as a result high capital cost and outright abandonment of viable projects. In extreme cases this, could ground insolvency or in the minimum lead to stunted growth (Modigliani and Miller, 1961).

On the part of investors, if consistency means that dividend is paid out with substantial part of profits, banks requiring more capital for growth and other projects may have no option than to offer more shares for sale to the public in order to raise capital. This action will then operate to dilute shareholding ratio which invariably will impact and draw down value of future dividends. Taking more dividends will also impact dividends although it is not clear how this will operate when part dividend and reinvestment is applied. Either way, dividend payment implies an increase in the level of risk as the banks become less liquid, but then investors have mitigated this by receiving dividend, no matter the margin (Baker et al., 2001).

5.2 Contributions of Research

Broadly speaking, this research contributes to the general body of knowledge and literature on the subject matter of dividend policy of investing decisions. In a narrower view, it also adds to the research and findings from the Nigerian market (Okafor and Chijoke-Mgbame, 2011), especially as it relates to the dividend policy or decisions of the banking sub-sector of the Nigerian Stock Exchange.

Specifically, this study attempted to explore the impact of dividend policy on investor decision. This has been achieved by;

- It exposed the intricacies and elements of the dividend policy model which managements of major Nigerian commercial banks should incorporate into their dividend policy formulation.
- Offer insights into the information level and investment skills of Nigerian banking sector investors as it relates to better appreciation of their preferences.
- The impact of the regulators in terms of the effective reforms that have positively impacted the confidence of the sector investors.

5.3 Limitations of Research

Firstly, a major limitation of this research is in the aspect of application of findings. Because the study is based on a sub-set (banking sector) of the Nigerian market, it will not make for a fair representation generalizing for the entire Nigerian stock exchange or a global scale. A limitation of this research is the fact that in-person interview was not possible due to distance and the impact of the novel coronavirus

pandemic, thus making it impossible to observe the countenances and gesture of participants. Another challenge was on the issue of getting the right size and quality respondents considering the technical nature of the subject matter. The resulting slightly low sample size therefore makes for a limitation for this research.

Finally, limitation is also observable from the point of view of research methodology used in this research. This is based on the fact that result was not empirically tested to confirm its statistical significance, although this weakness was controlled by the use of primary data and a mixed method or approach.

5.4 Recommendations for Future Research

One direction for further studies will be to examine:

- Whether investment size or value affect the dividend preferences of an investor.
- The impact of withholding tax with respect to dividend and how this could affect the investor preferences, may also ground a research as additional or hidden cost and charges may result of very low returns or dividend.
- A study that is focused on how additional transaction cost may affect investor preferences will help better understand investor's decision-making
- Behavioural pattern of investor decision in the sector. This is intricate areas that require time and careful observation of investors' behaviour using a psychological theory or perspective.

5.5 Recommendations for Practice

Investment in banks shares showed that knowledge of the financial sector and risk-return interplay is crucial. While investors exhibit considerable amount of knowledge and access to information more opportunities and sound investor training should be encouraged. Rules of the Nigerian Stock Exchange and the Nigerian Investment Forum should be strengthened in providing information with respect to charges, taxes and imperfections in the system such as insider dealing.

Bank managements should also guarantee returns (dividend or share price) to shareholders in the most preferred way. This will require the banks to cater for or take into account the peculiarity of each class of shareholders. As part of maintaining confidence in the sector, regulators and banks may also reform board composition such that would mandate minimum shareholding for executive and non-executive member.

5.6 Conclusion and Reflection

This study has demonstrated that dividend policy directly impacts investor's decision in the Nigerian banking sector. The research explored the investor preferences that bank management incorporate into dividend policies and how these in turn, retain and attract investors or shareholders who share those preferences.

Profitability level is seen as the highest factors that influence investors, before dividend policy itself. This means that it takes a profitable bank to retain and attract investors as payout consistency and value are dependent on profit.

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Appendices: Appendix A. Study Preview/ Introduction

Participants Invitation Letter

My name is Chinedu Okogwu, an MSc student at Griffith College Dublin. I will be doing a research on impact of dividend policy on investor's decision in the Nigerian banking sector and would like you to participate in my research.

The aim of the study is to find out the investor's dividend preferences for returns and its impact on their investing decisions within the Nigerian banking sector.

The participation method is through an interview and surveys, via Telephone or Zoom, which every means that suits your convenience for about 20-25mins. The list of questions has been attached in this email. **DO LET ME KNOW THE BEST TIME THAT SUITS YOU FOR THE INTERVIEW.**

As participants at no point during and after the study will your name, firm or any of your personal information is revealed as I will be following and subject to the GDPR regulations.

You will also be sent a transcript of the interview for your approval before I analyze and submit it to my supervisor.

A consent/ethics form detailing how your information and any data you have supplied would be treated has been attached as well.

At the end of the research, if you choose, I will be happy to share my findings with you to help you in anyway it can.

If you have any questions, please do not hesitate to contact me. I look forward to hearing from you.

Appendix B

Interviews Transcripts Document

Chinedu: Do you or have you owned a share in the Nigeria banking sector?

R1: Yes, I have shares in the Nigerian Banking sector. I acquired my shares in 2013.

R2: Yes, I have share in Nigeria Bank. I actually an investor in this sector since 2001.

R3: Yes, first, my father acquired shares for me and siblings as teenagers in one of the bank. I have added more as an adult from other banks.

R4: I owned shares in the Nigerian banking sector.

R5: Yes, I do. I have been a shareholder in for over 10years now.

R6: Yes, I do have shares in the Nigerian Banking sector.

R7: No, I don't have any share in the Nigeria banking sector, I preferred lower risk sector like telecommunication or real estate.

Chinedu: What informs your decision to invest in the banking sector?

R1: It was due to the recapitalisation policy of professor Soludo the then Governor of the central bank of Nigeria at the time I purchased my shares. The consistency of dividend payout in the banking sector can't be compared with other sectors of the economy. I am concerned about my returns for capital invested and which the First bank has guarantee within our agency and shareholders relationship

R2: My decision was informed by a Banker friend who actually drew my attention to investment in bank's equities, I am talking about 19 to 20 years ago. Prior to the remarkable reform of 2005 by the then Governor of Central Bank of Nigeria I was already holding shares in the sector. The reform indeed is a milestone in the banking sector and the economy at large. Most importantly is the shareholder's protection act, which have today increased stakeholders confidence in the sector compared to any other sector in the economy. Following the shareholders protection act coupled with my experience with Ecobank plc, I can tell you that I have expands my holdings to three more banks across the sector.

R3: The restructuring of the banking sector gave a positive signal of sustainability which prompted my decision and reassurance of good returns on investment.

R4: As an investor, the first time that comes to mind when deciding whether or not to invest in any quoted company is the 'return' which is a function of their profitability. The banking sector

has experienced a boom in recent years compared to other sectors of the economy. For instance, in the last AGM of Guaranty trust bank which I was in attendance a whopping sum of **N81 billion** was declared as a dividend for the period and I tell you no other sector can guarantee you this level of return in one financial year.

R5: It is one of the active stock in the Market. It is highly liquid and you are most likely expecting dividend every Financial Year End. The Nigeria banks are good example of blue chip companies remain profitable even in the boom and burst of our economy.

R6: Having been a banker myself with first-hand knowledge about the financials and fundamentals of the sector, it was worth the risk is given the expected future returns and the importance of the sector to the Nigerian economy.

R7: I am more risk adverse and I stay off sectors or companies exposed to higher risks like banking. I can tell you during the 2008 world financial crisis Nigerian bank's stocks were the hit hard shares compared to other sectors shares in the Nigeria economy.

Chinedu: What is your view about dividend policy in the Nigeria banking sector?

R1: The dividend policy is one of the best in the banking sector in Africa. If there is enough profit after tax. The board apportioned part of this profit for dividend payment to shareholders. Most importantly and crucial in this argument is the consistency at which the Nigeria banking sector pay dividend to their shareholders and this has been the main reasons while Nigerian investors always managed portfolio within the banking sector.

R2: The dividend policy of Nigeria banks is still preferable compared to other sectors, except for some ICT companies recently listed in the Nigeria Stock Exchange. The banking sector are known for distribution of significant portion of profits as dividends to shareholders.

R3: The policy is in line with residual dividend where the firm makes distribution on the residual earnings. This has reduced shareholders dividend, especially from banks with high Non-Performing Loans, NPLs, and low Capital Adequacy Ratio, CAR. The retained earnings to general reserve are growing and as a shareholder, I am not happy with the situation. The banking sector is a very competitive market with over 23 bank's shares in an offer for public subscription. The market is characterised by multiple sellers of identical service, (being bank's equities) to remain attractive and being noticed by potential investors your dividend policy must be juicy enough to send signal to investors.

R4: In my opinion, the sector is very competitive and the only way to attract investors is to ensure consistency in the dividend payout ratios and this has become a normal and routine practice in the banking sector. Every investor looks forward to its dividend at the end of each financial year and I represent one of such shareholder.

R5: For Nigeria, everything is competition in the banking industry. So every quoted bank in Nigeria ensures they declare dividend at every financial year. This is how their performance and financial reports credibility are usually measured by their shareholders. Usually at the beginning of a financial year, a certain level of dividend is set as a target by management to be achieved.

R6: The Nigerian banking sector has exhibited a good dividend policy over the years, which has become a norm and also an area of competition between the players in the sector. Personally, I reinvest my dividend. But I think dividend has this feel-good effect on shareholders and when it is not forthcoming without cogent reasons from the management, then this might have a negative effect on the psyche of the shareholders thereby affecting the fortunes of the company.

R7: I don't contend with the profitability capacity of the Nigerian banking sector, it tends to be too fragile for me. However, I keep making my personal evaluation and appraisal of the sector for a good investment in the nearest future if trends change.

Chinedu: Do you favour payout dividend or reinvestment of profits within the banking sector and why?

R1: Yes, I favour dividend payout because it is a reward for capital outlay and risk-bearing. And in a scenario where the company needs to raise more capital to finance a project with positive NPV after paying dividend a rights issue will become the way to go. I have experienced this in First Bank PLC and I partook. That is, buy one and get two for existing shareholders. Also part dividend payout and part reinvested for business continuation and expansion for more value to be created is considerable as against reinvestment of all profits. This is a mixed dividend policy and I equally support this in the banking sector.

R2: Yes, I will always favour Payout Dividend any time. The future is unpredictable especially the business world. You can imagine the unforeseen outbreak of Corona Virus to businesses across the world, and the impact afterwards. Needless to say many companies are going to be out of business as you can see for yourself already. With the uncertainty in mind, I will always prefer to get my dividend paid at the end of each financial year.

R3: I favour Payout dividend. This gives me the choice to decide on investing in the same stock depending on its market value or another stock different from the one that generated the dividend. This also prevents me from being forced to buy additional shares of the stock that paid the dividend.

R4: I favour payout dividend. The radical uncertainty companies particularly, the financial institutions operate under today *makes it sensible to have a mixture of dividend payout and reinvestment option*'. My preference for payout dividend is in line with the bird at hand theory. The declaration raises the dividends hope of investors. You can't guarantee the going concern of any business, so this availed me an option to get dividend annually and decide where elsewhere to invest as a form of diversification. In a nutshell, I care about a yearly return contrary to profit reinvestment dividend policy of any bank.

R5: Most investors in Nigeria, like me, Favour dividend payout. We want to see what our investment is yielding in every year. Do not tell me that profit has been transferred to reserves

R6: Due to shareholder perception a dividend payout is always better than reinvestment of profits but in cases where the management can come with a grand plan on why the profits should be reinvested, surely it will not be a hard sell to the shareholders. Since announcements raise the hope of investors dividends.

R7: Investment is meant to yield returns in all ramification particularly, for the owners of the companies (ordinary share holders) I would prefer to receive some of my returns in cash payout and part in reinvestment

Chinedu: If your company stopped paying dividend, would you still hold the share of the company?

R1: Yes, I will analyse the company financials for some years and if the situation doesn't improve. I will dispose of the shares.

Chinedu: So, if i may ask, how many financial years can you wait before disposing of your shares in First bank plc in the absent of dividend payout?

R1: I will be ready to availed grace of 4 to 5 years to improves the business situations and get back to normalcy 'being payout dividend' but any period over aforementioned I will dispose of my shares in the company. Though I might consider selling half holding say 50% and still watch their activities for possible improvement in the future.

R2: If any of my company stopped paying dividend for my shares with substantiated reasons and explanations, I will still hold it shares. This will depend on my going concern evaluation of the company.

R3: The most prudent way to make this decision is to determine why the company is stopping its dividend. If the stock has a good growth outlook and is well-positioned to offer strong returns in the near future, a dividend stoppage may not be a good reason to sell.

R4: It is worthless holding a share of a company that can't pay dividend at the end of its financial year. In my view, it is translated that such a company can no longer add value which is the sole objective of a business.




R5: It is not likely, except I get a good reason and a reassurance that more dividend is going to come in next year. In Nigeria, I feel you should get what you can at any particular time because Government pronouncement can sink that company.

R6: Being a seasoned investor with a sound knowledge of financial statement analysis, i will have to be convinced on the reasons behind stopping the dividend payment from the financial statement and when such suffices then i will have no problem if dividend is not paid as long as the shares could be considered to be growth stocks.

R7: I have to be convinced on the going concern of the company and its capacity to remain profitable in the foreseeable future. I don't have issues with the stoppage of dividend payout but it have to come with detail and concrete evidences.

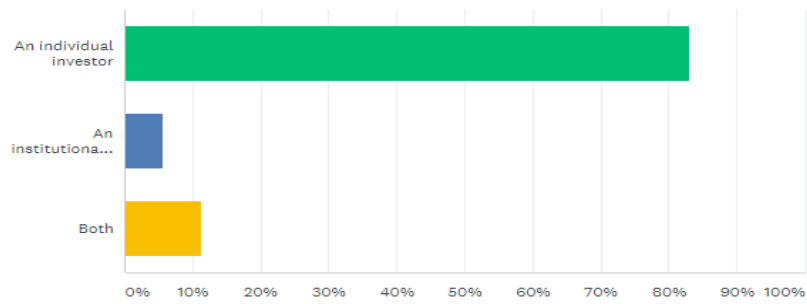
Appendix C : Survey Data Analytics

Q1

 Customize  Save as 

Which of the following class of investors do you belong?

Answered: 71 Skipped: 0



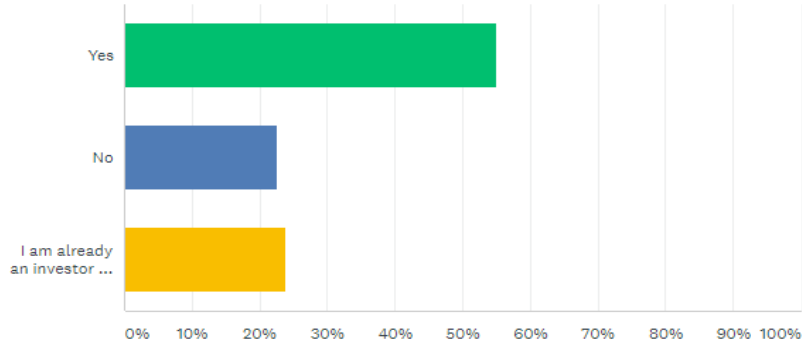
ANSWER CHOICES	RESPONSES
▼ An individual investor	83.10% 59
▼ An institutional investor	5.63% 4
▼ Both	11.27% 8 
Total Respondents: 71	

Q2

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Do you have interest in investing in the Nigeria Banking Sector?

Answered: 71 Skipped: 0



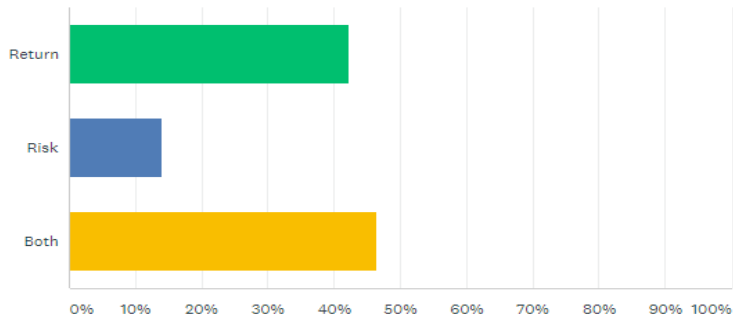
ANSWER CHOICES	RESPONSES
Yes	54.93% 39
No	22.54% 16
I am already an investor in the sector	23.94% 17
Total Respondents: 71	

Q3

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Which among these dividend factors influences you most when making investment decision?

Answered: 71 Skipped: 0



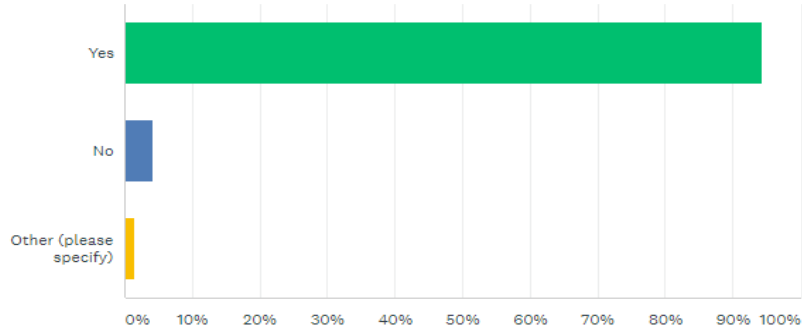
ANSWER CHOICES	RESPONSES
Return	42.25% 30
Risk	14.08% 10
Both	46.48% 33
Total Respondents: 71	

Q4

Customize Save as

Does dividend policy, profit level and management profile affect your decision to invest in a bank share?

Answered: 71 Skipped: 0



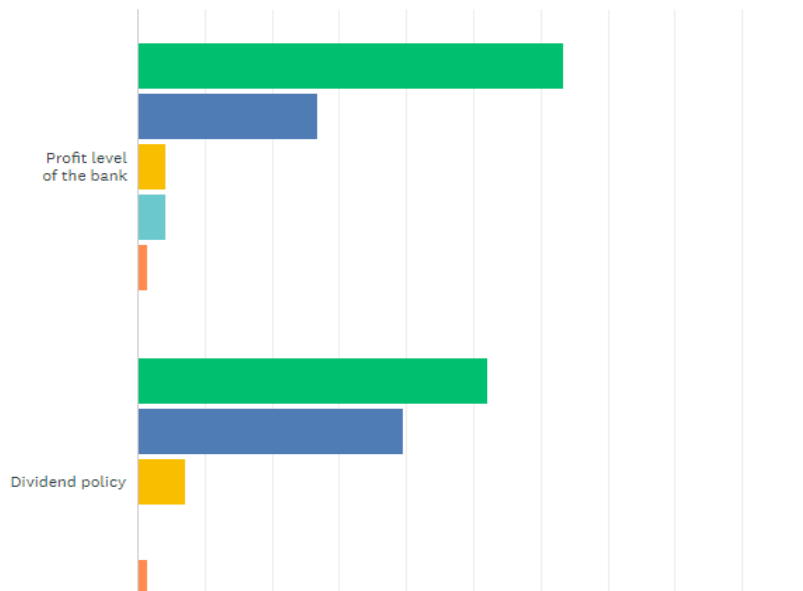
ANSWER CHOICES	RESPONSES
Yes	94.37% 67
No	4.23% 3
Other (please specify)	Responses 1.41% 1
Total Respondents: 71	

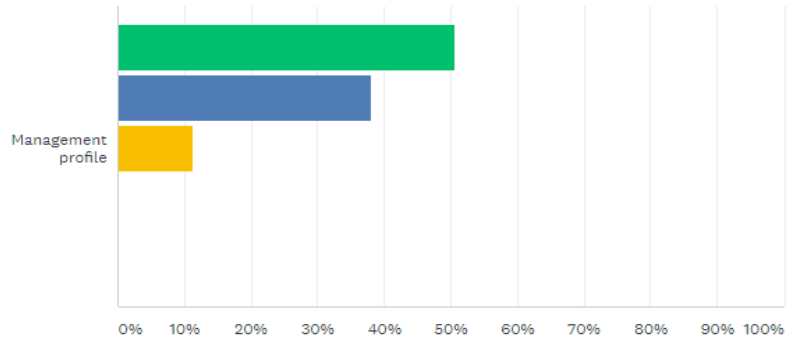
Q5

Customize Save as

How would you rate the following factors on your investment decision in a bank share?

Answered: 71 Skipped: 0





■ Extremely important
 ■ Important
 ■ Neutral
 ■ Unimportant
 ■ Extremely unimportant

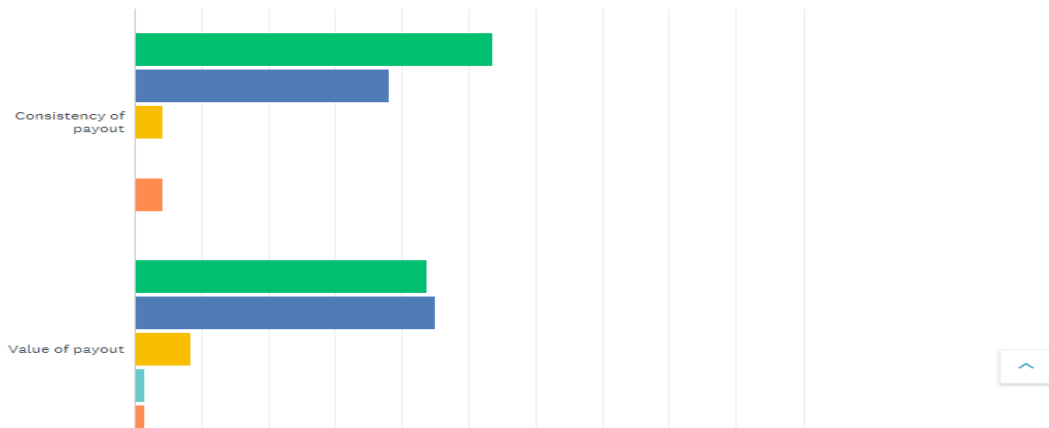
	EXTREMELY IMPORTANT	IMPORTANT	NEUTRAL	UNIMPORTANT	EXTREMELY UNIMPORTANT	TOTAL
Profit level of the bank	63.38% 45	26.76% 19	4.23% 3	4.23% 3	1.41% 1	71
Dividend policy	52.11% 37	39.44% 28	7.04% 5	0.00% 0	1.41% 1	71
Management profile	50.70% 36	38.03% 27	11.27% 8	0.00% 0	0.00% 0	71

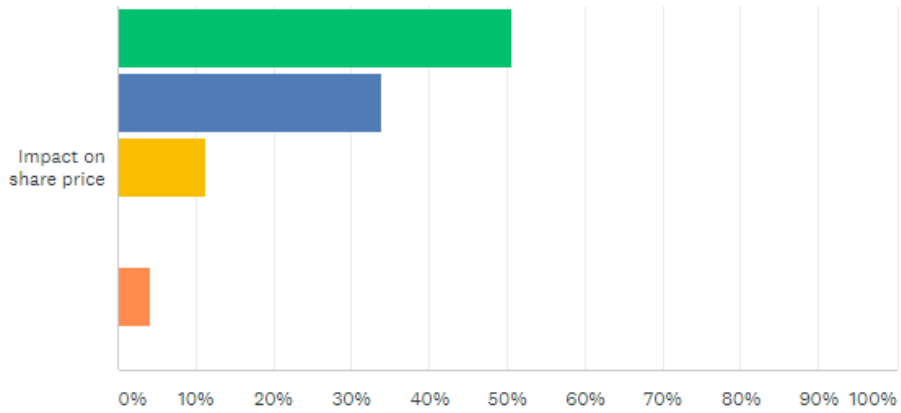
Q6

Customize
 Save as

How would you rate the following preference about a dividend payout or policy?

Answered: 71 Skipped: 0





■ Extremely important
 ■ Important
 ■ Neutral
 ■ Unimportant
■ Extremely unimportant

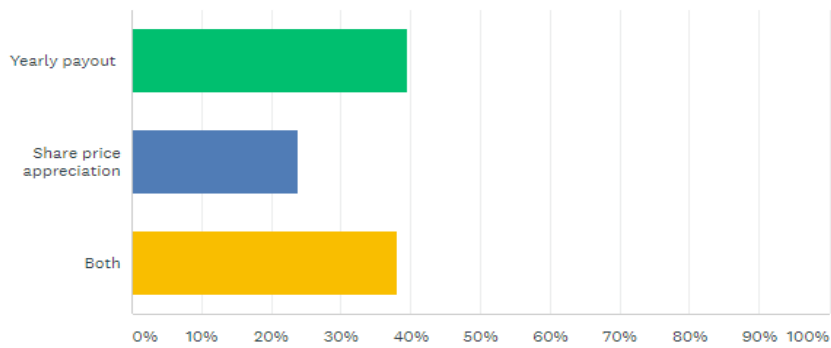
	EXTREMELY IMPORTANT	IMPORTANT	NEUTRAL	UNIMPORTANT	EXTREMELY UNIMPORTANT	TOTAL
Consistency of payout	53.52% 38	38.03% 27	4.23% 3	0.00% 0	4.23% 3	71
Value of payout	43.66% 31	45.07% 32	8.45% 6	1.41% 1	1.41% 1	71
Impact on share price	50.70% 36	33.80% 24	11.27% 8	0.00% 0	4.23% 3	71

Q7

Customize
Save as

Overall, do you prefer yearly payout or share price appreciation?

Answered: 71 Skipped: 0



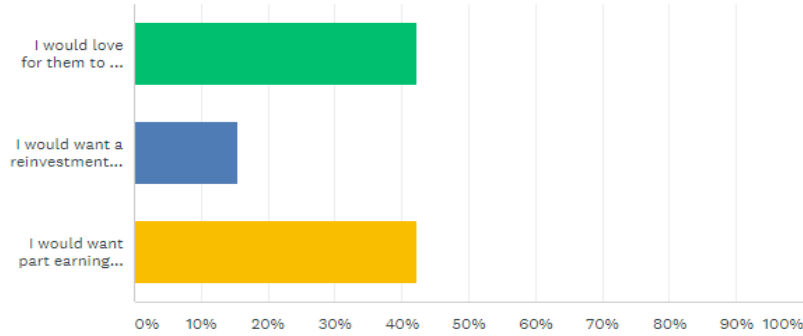
ANSWER CHOICES	RESPONSES
Yearly payout	39.44% 28
Share price appreciation	23.94% 17
Both	38.03% 27
Total Respondents: 71	

Q8

Customize Save as

Would you rather have your company reinvest all profits or pay you dividend?

Answered: 71 Skipped: 0



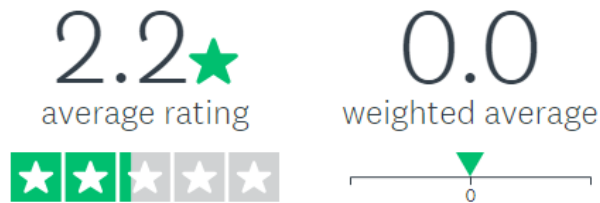
ANSWER CHOICES	RESPONSES
I would love for them to pay me my full dividend	42.25% 30
I would want a reinvestment of all profits	15.49% 11
I would want part earnings in dividend and reinvest part	42.25% 30
Total Respondents: 71	

Q9

Customize Save as

Overall, how would you rate your satisfaction on your company's dividend policy?

Answered: 71 Skipped: 0



	EXTREMELY SATISFIED	SATISFIED	NEUTRAL	UNSATISFIED	EXTREMELY UNSATISFIED	TOTAL	WEIGHTED AVERAGE
☆	19.72% 14	53.52% 38	14.08% 10	9.86% 7	2.82% 2	71	0.00