EFFECT OF OWNERSHIP STRUCTURE ON DIVIDEND POLICY: EVIDENCE FROM SELECTED FIRMS IN THE NIGERIA STOCK EXCHANGE (2011-2015)

Charles Emenike Ezeagba
Department Of Accountancy, Nnamdi Azikiwe University, Awka
Email: charlesemenekeezega@yahoo.com

Abstract
Ownership structure is one of the main variables affecting dividend policy. This study therefore adopting the agency theory, examined the effect of ownership structure on dividend policy: evidence from selected firms in the Nigeria Stock Exchange. Four research questions and hypotheses were formulated to achieve the objectives of the study. The data for the study were collected from five years (2011-2015) annual report and accounts of banks and oil & gas firms quoted in the Nigeria Stock Exchange. The data were analyzed and the hypotheses tested using Pearson’s correlation statistical technique. The findings of the study shows that there is no significant relationship between managerial shareholding and dividend policy (dividend yield and payout) and no significant relationship between institutional shareholding and dividend policy. It was recommended that firms in the Nigeria Stock Exchange should pay limited attention to the ownership structure of the company but the bottom line, it is the earning that matters not the dividend or ownership structure because dividend per share is determined significantly by earnings not how the company is owned. Security and Exchange Commission (SEC) and Corporate Affairs Commission (CAC) should design future policies where dividend payment could be encouraged and the diverse range of shareholders to be satisfied most especially minority shareholders. In addition, Central Bank of Nigeria (CBN) should intervene in policies related to stock ownership by discouraging excess concentration of ownership in the hand of individual or group so as to make ownership wider.

Keywords: Ownership Structure, Managerial Ownership, Institutional Ownership, Dividend Yield, Divided Payout Ratio.

Introduction

Dividend policy is one of the most issues widely addressed in modern financial literature. The decisiveness of theories on perceived importance of dividend policy in determining the corporation’s value has made it one of the most debatable topics for researchers. This is because the vast majority of empirical work does not provide the optimal explanation of corporation’s value with dividend policy (Mohammad, Ziad & Khaled, 2013).

Dividend is one of the rewards to the shareholder for their contribution in raising fund for a company and for bearing the relevant risks (Kabiru, Musa & Latifat, 2015). Dividend policy have crucial influence on the value of firms. This is because a company has to maintain a state of equilibrium between firm’s growth policies and the dividend payout policies. A minor mistake can lead to shareholders dissatisfaction as well as can shake the firm’s growth. Dividend policy is vital for investors, managers, lenders and other stakeholders. It is important for investors because they consider dividend as not only the source of income but also a way to access firms in terms of investment. It is also the way of accessing the ability of a company to generate positive cash flows (Al-Masum, 2014). Modern corporations are viewed as a sort of agency relationship between managers (agent) and owners (principal) of corporations. This leads to
The association of agency cost and dividend policy has been a current development in the corporate finance theory that focus on how dividend payout can be used to control the agency cost of the firm (Syed, Wasim & Baqir, 2011). According to Jensen and Meckling (1976), firms pay dividend because of “free cash flow hypothesis” which is based on the notion that there is conflict of interest between managers and shareholders interest (dividend to receive). Managers may decide to allocate the firm resources for their own benefit. As such, this will definitely create agency problems because they may be used to finance negative net present value (Thanatawee, 2013). Dividend mechanism reduces managerial intention to make an over investment decision which will be financed by internal free cash flow (Shehu & Buba, 2011). Investors prefer to be distributed free cash flows in the form of distributed profit in order to reduce agency cost related to free cash flows. Because according to agency theory, where there is a conflict between the benefit of managers and shareholders, regular paying of dividend can reduce agency conflict and through this, the range of future probable misuse of resources by management reduces (Hossein, 2012).

Evidence from literature suggests that dividend payment can be influenced by different classes of shareholders. But, literature did not provide consensus as to which categories of shareholders facilitate or discourage dividend payment (Idris & Hussani, 2016). It is expected that when managers have more control (shares), they tend to pay dividend regularly or even decides not to pay; preferring instead to retain resources under their control. Dividend payment tend to reduce when managerial shareholding’s voting power increases and getting to zero when they have absolute control (Mehrani, Moradi & Eskandar, 2011). But the existing literature shows a divergence of opinion on the relationship between managerial shareholding and dividend policy, suggesting that it limit dividend payment. Others indicate that managerial shareholding is not significantly related with dividend payout policy (Idris & Hussani, 2016). Therefore, further research is needed to confirm the validity of the findings.

Furthermore, literature suggests that institutional shareholders could provide an effective monitoring role and influence managers to pay dividend. Dividend payment increases with the increasing power of institutional investors. Eckbo & Verina (1994) presumed that institutional investors want free cash flows to be paid to the shareholders in the form of dividend. Therefore, the agency perspective hypothesized a positive relationship between institutional ownership. But prior empirical studies have reported different statistical association between institutional shareholding and dividend payout policy. Some studies found negative association, some found positive association and others found insignificant association between the two variables. Therefore, it is not out of place to conduct further research on the area to ascertain a position.

Statement of Problem

Ownership structure is one of the main variables affecting dividend policy and it is pertinent to investigate whether dividend policy is dependent on different owners such as management, institution, family, state, foreign, employee and so on. This study is focusing on managerial and institutional shareholding. As mentioned in the work of Anila & Kapoor (2008), there is a consensus that a single factor cannot explain the behavior of dividend. For this reason, financial researchers determined some factors specific to corporations in terms of taking dividend decisions (including the ownership structure). The first of these factors proposed for dividend decision is the problem of information asymmetry between executives and shareholders associated with imperfect capital markets. This factor is described as the signal problem. According to this theory, dividend policies are assuming the task of special knowledge transfer from dividend management policies to shareholders. Empirical evidences not only prove that there is a relationship between the recent past, future business performance and dividend policies but also confirm investors are familiar with the value of the company shares (Ilker & Selim, 2015). The second factor affecting dividend decision is agency problem which is caused by conflict of interest between shareholders and managers. According to this theory, also referred to as dividend agency costs, power of attorney and proxy should maximize the benefits of their own behavior. As a result of this situation, it can be seen that each interest group, who are subject of the contract, focused on increasing their own interest. Dividend can reduce this problem of restricting the power and authority of the administrator on management who continuously refers to the capital market for funds (Ilker & Selim 2015).

Another important factor affecting dividend policies is ownership and control structures of companies. Shareholders having different potential in companies, have different rights in management according to the proportion of their share.
Controlling shareholders who have more shares can have a voice in shaping the minority shareholders who have interest of the company; directly intervening the decision making and execution activities (Yildiz, Gokbulut & Korkmas, 2014).

Dividend policy will not only assist in reducing the agency cost but will also act as a signal to give information to the shareholders about the firms valuation (Hamid, Asma&Shaﬁullah, 2012). Carvalhal-da-silva & Leal (2004) argued that ownership structure is very important and inﬂuential factor in determining the efﬁciency of the market by giving information about two signiﬁcant things; ﬁrst, it will show the extent of risk diversiﬁcation of shareholders. Secondly, it will give information about the possible agency problem in the management of the corporation. They further found that a strong association exists between the dividend policy, governance structure and market valuation. Maury and Pajuste (2002) observed that the ﬁrm’s control structure inﬂuences the dividend payout policy and that large and leading shareholders in a control structure may generate private beneﬁts that they do not prefer to share these beneﬁts with the minority shareholders. There are different shareholders type but the institutional shareholders and the managerial shareholders have a greater control over the ﬁrm’s policies as compare to other types (Hamid, et al. 2012).

The presence of large institutional shareholders or managerial ownership are expected to align the interest of both shareholders and managers (Desender, 2009). Hence, one could expect that the ownership structure would affect the corporate dividend decisions.

Therefore, the aim of the study is to ascertain the effect ownership structure has on dividend policy of ﬁrms listed in the Nigeria Stock Exchange for the period of 2011-2015.

Objectives of the Study

General Objective: The main objective of this study is to investigate whether there is a link or relationship between the ownership structure of listed ﬁrms in Nigeria Stock Exchange and their dividend policy.

Specific Objectives:

1. To investigate whether there is any signiﬁcant relationship between Managerial Shareholding and Dividend Yield of Nigeria listed ﬁrms.
2. To determine if there is any signiﬁcant relationship between Managerial Shareholding and Dividend Payout of Nigeria listed ﬁrms.
3. To determine if any relationship exist between Institutional Shareholding and Dividend Yield of Nigeria listed ﬁrms.
4. To investigate whether there is any signiﬁcant relationship between Institutional Shareholding and Dividend Payout of Nigeria listed ﬁrms.

Research Questions

To achieve the objectives of this study, the aim of this study will be channeled towards answering the following research questions:

1. Has Managerial Shareholding any signiﬁcant effect on Dividend Yield of Nigeria listed ﬁrms?
2. Does Managerial Shareholding have any signiﬁcant effect on Dividend Payout of Nigeria listed ﬁrms?
3. Does Institutional Shareholding have any signiﬁcant effect on Dividend Yield of quoted ﬁrms in Nigeria?
4. Has Institutional Shareholding any signiﬁcant effect on Dividend Payout of Nigeria listed ﬁrms?

By answering this questions, using a set of control variables and hypotheses, the aim is to investigate if the mentioned ownership structure has an effect on dividend policy (dividend yield and payout) or whether there are other factors and variables affecting it.

Research Hypotheses

In order to establish whether any signiﬁcant relationship exist between ownership structure or more speciﬁcally ownership types and dividend policy in Nigeria listed ﬁrms, the following hypotheses will be tested statistically:

H01: There is no signiﬁcant relationship between Managerial Shareholding and Dividend Yield among Nigeria listed ﬁrms.
H02: There is no significant relationship between Managerial Shareholding and Dividend Payout of Nigeria listed firms.

H03: There is no significant relationship between Institutional Shareholding and Dividend Yield among Nigeria listed firms.

H04: There is no significant relationship between Institutional Shareholding and Dividend Payout of Nigeria listed firms.

**Review of Related Literature**

**Conceptual review**

**Dividend policy**: Dividend policy is the financial decision on how much dividend should be paid to the shareholders which will not jeopardize with the firms’ growth as well as retaining and maintaining shareholders fund and value maximization (Idris & Hussaini, 2016).

The aim of this study is to investigate the relationship between ownership structure and dividend policy of Money deposit banks and Oil and Gas firms quoted in the Nigeria Stock exchange within the period of 2011-2015.

The dependent variable in this study is dividend policy. In order to quantify dividend policy, two different dependent variables are used; Dividend yield (DivYld) and Dividend payout ratio (DivPr).

**Dividend yield (DivYld)**: Defined as dividend paid divided by the price per share. Since the dividend yield is based on the share price, we deemed it to be a relevant variable to include since it may be of more interest to investors rather than managers. By looking into whether certain ownership structures affect the dividend yield, it could possibly generate a method for investors when developing investment strategies based on key performance indicators (such as dividend yield).

**Dividend payout ratio (DivPr)**: Defined as the relative amount of dividend paid by the amount of cash available to be distributed (earnings). The dividend payout ratio measures the ratio of dividends paid in relation to an internal performance indicator, thus allowing it to be used for fundamental analysis purpose and may be used by both managers within the company as well as outside analysts.

These two variables are among the most common ways of measuring dividend. Other researchers such as Al-Najjar & Kilincarslan (2016), Idris & Hussaini (2016), Mukhtar (2015), Iker & Selim (2015), Nuradden & Hasnah (2015) Kabiru et. al (2015), Thanatawee (2014, 2012), Mahmoud (2013), Ziad & Khaled (2013), Warrad et. al (2012), Eskander et. al (2011) and Syed et. al (2011) used dividend payout ratio in their study when measuring the effect of ownership structure on dividend. We have also decided to include dividend yield as another dependent variable. Although, it is relatively closely related to dividend payout ratio, dividend yield is commonly used by analysts when analyzing firms as well as by management when deciding on dividend policy. The decision was therefore made to include both variables in an attempt to capture both the insiders’ as well as outsiders’ perspective.

**Ownership Structure Concept**

Ownership structure refers to the composition of the ordinary shareholder of a company in terms of insiders, outsiders, institutional and government ownership, as well as other dispersed shareholders (Mukhtar, 2015). Ownership structure is an influential factor on firm policies, one of these policies is dividend policy. Prior researchers have conducted studies in order to determine the relationship between company owner structure and dividend policy. The ownership structure concept is in two variables, that is, “the ownership concentration” and the “ownership composition”. Ownership concentration focus on the individual or corporate shareholders proportion of shares they own in the distribution of shares of the company. Whereas, ownership composition determines the individual and enterprise shareholders. In other words, the identity of the shareholders (whether they are managerial, foreign or institutional shareholders in companies).

In our study, effect of “ownership composition” concepts on dividend policy will be observed. In order to measure ownership structure, the relative amount of shares held by each of the ownership types (management and institutions) are used as independent variables. According to Hamid et, al (2012), there are different shareholders types, but the
institutional shareholders and the managerial shareholders have a greater control over firms policies as compare to other types.

**Managerial Shareholding:** in our concerned study is meant to be the sum of proportion of managers, executive directors and their families divided by the total capital shares of the firm. Different studies have shown different results of managers’ role in ownership. Many researchers have observed that managerial ownership may adequately advocate the interests of management and shareholders as it will minimize the conflict among the interest (Hamid et. al 2012). The relationship between managerial ownership and dividend policy has been existing for long (Wiberg, 2008). Mehrani et. al (2011), found a negative association between managerial ownership and dividend payout policy which is in support of Chen, Cheng& Hwang (2005) and Short, Zhang & Keasey (2002) whom indicated a negative association between managerial ownership and dividend payment policy of bank holding company. Similarly, Chen, Cheung, Strouraitis & Wong (2005), reported a negative association between managerial ownership and firm performance.

**Institutional Shareholding:** Institutional investors are corporate investors who are different corporate entities like financial institutions, banks, insurance, pension funds and other corporate institutions (Koh, 2003). Institutional investors’ intervention may change the attitude of the managers towards dividend policy (Nuraddeen & Hasnah, 2015). Hamid et. al (2002) using a sample market KSE-100 index, found institutional ownership has a positive association with dividend policy communicating the higher dividend payout. Mahmoud (2013), studied the dividend policy and ownership structure using a sample of 62 listed firms. The study revealed that institutional ownership is positively and significantly associated to dividend policy. However, Mehrani et. al (2011) reported a negative relationship between institutional ownership and dividend policy.

**Theoretical Framework**

**Agency Theory**

Jensen & Meckling (1976), argued that agency relationship take place when the principals engage the agents to perform some of their duties on their behalf. Agency cost arises because of conflicting interests of the managers and owners. Short et. al (2002), argued that dividend policy perform crucial role in reducing agency cost which have arisen from the conflicting interests of both the parties. According to Hamid et. al (2012), dividend payment is a device to reduce agency cost. Even if a firm does not have free cash flow, dividend payment can still be useful for the shareholders in order to control the overinvestment problem (Kabiru et. al 2015, Strouraitis & Wu, 2004 and Jensen, 1986).

In order to examine how the agency problem affects dividend policy, La Porta, Lopez-de-silanes, Shleifer & Vishny (2000), created two agency models of dividend. One considered the possibility that dividend payout is a result of efficient legal protection, especially for shareholders which allow small shareholders to obtain dividend payments from the firms insiders. The second model suggested that dividend is a replacement of effective legal protection which increases the reputation of the firm when it comes to treating investors in environments that are highly unprotected. This is done by using different dividend policies.

La Porta et. al (2002), found that if the legal environment is highly protected for small shareholders, the firm often pays higher dividend and firms with a high growth tends to pay lower dividend. Agency theory is one of the main theories that explain dividend policy, because it assumes a sort of agency relationship between shareholders and managers (Mukhtar, 2015).

This research work will therefore be anchored on agency theory because the presence of large institutional or managerial ownership is expected to align the interest of both shareholders and managers. Hence, one could expect that the ownership structure would affect corporate dividend decision, as such this study seeks to determine the relationship that exists between the ownership structure and dividend policy.

**Managerial Ownership and Dividend Policy**

Researchers argued that managers prefer to retain earning instead of giving out to shareholders as a dividend. Managers want to use the resources for the growth of the firm as well as for personal benefits. The relationship between managerial ownership and dividend policy has been existing for long (Wiberg, 2008).

Naraddeen & Hasnah (2015), studied the impact of ownership structure and dividend policy of eight listed conglomerate firms in Nigeria for the period of 2001-2010 and found a negative relationship between managerial ownership dividend policies. Kabiru et. al, (2015), in their study on corporate shareholding and dividend payout ratio
of chemical and paints companies listed in Nigeria Stock Exchange for the period of 2008-2013, found a significant negative impact of managerial shareholding on dividend payout ratio. Shah, Ullah & Hasnain (2010), studied the relationship between ownership and dividend policy of Karachi Stock Exchange. Data of the companies were obtained for the period of 2002-2006. They measure ownership structure as percentage of share held by directors only. The result showed that there is a positive and significant relationship of ownership structure and dividend policy. He stressed out that this reduces the agency conflict and developed the trust of the outsiders and shareholders of the company. He concluded that in the developed market were ownership is highly varying, the market power may force the management to distribute dividend and to meet the demand of the investors. Mirzael (2012), in his research survey of the relationship between ownership structure and dividend policy of Teran Stock Exchange found insignificant relationship between managerial ownership and dividend policy. Hamid et. al (2012), investigated the determinant of the corporate dividend policy in the context of agency relationship by selecting seventy firms during the period 2003-2010. The study found a negative relationship between managerial ownership and dividend policy using both partial and full adjustment models. Sehrish & Afzal (2010), applied OLS, Logit and Probit regression and found that insiders’ ownership (management ownership) and profitability showed significant negative impact on dividend payment. While, the result of logit and probit model showed that individual ownership and insider ownership are negatively related with dividend policy but, profitability is positively significant to dividend policy. Short et. al (2002), did not find evidence in support of the hypothesis that a negative association exist between dividend payout policy and managerial ownership for the UK companies. Strouraitis & Wu (2004), found that the impact of managerial ownership on dividend yield is positive particularly of the low growth firm in Japan. Kumar (2003) found that corporate and directors’ ownership is positive and related in level with dividend policy.

Hsu & Koh (2005) expanded Koh’s (2003) study and examined the extent of the association of long term and short term managerial ownership effect on dividend policy in Australia. The study established that managerial ownership for all linear specification is statistically significant but insignificant for the non-linear specification models. However, managerial ownership is found positively related with the dividend policy. Bergstresser & Philippon (2006) related these findings to the CEO compensation. The more closely a CEO’s compensation is tied to the value of stock and option, the more likely dividend increases.

**Institutional Ownership and Dividend Policy**

These are investors with main characteristics that they are legal entities without any physical persons involved in the process (Celik & Isaksson, 2014). Dividend serves as a mechanism used to compensate shareholders’ for contributing to the asset of a company. Institutional shareholders like banks, insurance companies, trustee funds and investment companies hold peoples’ money in trust to utilize it into profitable ventures. Therefore, they are expected to facilitate dividend payment in order to meet investors’ expectation but divergent of opinion and empirical findings make the assertion inconclusive (Idris & Hussain, 2016).

A study by Nuraddeen & Hasnah (2015) on impact of ownership structure on dividend policy of eight listed conglomerates firms in Nigeria for the period 2001-2010 showed a positive relationship between institutional ownership and dividend policy. Kabiru et. al (2015), also found a significant positive impact of institutional shareholding on dividend payout ratio in chemical paints companies in Nigeria. Hamid et. al (2012) using a sample of Pakistan market KSE-100 index, found institutional ownership has a positive association with dividend policy, communicating the higher dividend payout.

Thanatawee (2013), examined the relationship between ownership structure and dividend policy in Thailand. The result shows that firm with high ownership concentration and an institution compared with an individual is more likely to pay dividend. Short et. al (2002), examined the potential association between ownership structure and dividend policy for the UK companies and results showed that strong support for the hypothesis that a positive association exists between dividend payout policy and institutional ownership. Sheriff, Salehi & Bahadori (2010), analyzed the influence of shareholders’ ownership on payout ratio. They found a significant positive correlation between institutional ownership and payout ratio. But, Mehrani et. al (2011), found that there is negative relationship between institutional shareholders and dividend policy. Also, Kumar (2003) and Mirzael (2012), further found that institutional ownership has inverse relationship with dividend payout policy. In addition, Azzam (2010) also found that private institutional ownership has negative impact on dividend payout ratio. Bichara (2008), investigated the relationship between institutional ownership and dividend initiatives announcement as they adjust their portfolio by buying or increasing their holdings of the dividend paying stock following the announcement. On the other hand, Abdullah, Ahmed & Roslan (2012), did not find a significant relationship between institutional ownership and dividend policy in Malaysian
companies based on Lintner model. Wallgren (2006), investigated whether ownership structure has linkage with dividend policy in Swedish firms and found that institutions does not seem to have any significant effect on dividend level. Many theories are considered important for the relationship between institutional ownership and dividend policy. Among them agency theory and signaling theory are commonly consulted (Hamid et. al 2012).

**Research Design**

Historical data were mainly used for this study. Basically, data were obtained from the annual reports and account of the listed firms in Nigeria Stock Exchange. This study adopt the Ex-post factor design method. This is because the study investigates the effect of corporate ownership structure on dividend policy of listed firms in Nigeria.

**Population and Sample Size of the Study**

The population and sample size of this study is the same. The study covered all firms in Money deposit banks and Oil & Gas industry quoted in the Nigeria Stock Exchange as at September 2015. The quoted deposit money banks are fourteen (13), while the quoted oil and gas firms are thirteen (14). In total, this study covered twenty-seven (27) listed firms in the Nigeria Stock Exchange with reference to five years (2011-2015) annual accounts and report. These two sectors are chosen based on judgmental sampling.

Listed below are firms covered by this study

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<thead>
<tr>
<th>S/N</th>
<th>QUOTED FIRMS</th>
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<tr>
<td></td>
<td><strong>Deposit Money Banks</strong></td>
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<tr>
<td>1</td>
<td>Access Bank Plc.</td>
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<td>2</td>
<td>Diamond Bank Plc.</td>
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<td>3</td>
<td>FBN Holding Plc.</td>
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<td>4</td>
<td>FCMB Group Plc.</td>
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<td>5</td>
<td>Fidelity Bank Plc.</td>
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<td>6</td>
<td>Guaranty Trust Bank Plc.</td>
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<td>7</td>
<td>Skye Bank Plc</td>
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<td>8</td>
<td>Stanbic IBTC Holding Plc.</td>
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<td>9</td>
<td>Sterling Bank Plc.</td>
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<td>10</td>
<td>Union Bank Plc.</td>
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<td>11</td>
<td>United Bank for Africa Plc.</td>
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<td>12</td>
<td>Wema Bank Plc.</td>
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<td>13</td>
<td>Zenith Bank Plc.</td>
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<td></td>
<td><strong>Oil and Gas</strong></td>
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<tr>
<td>14</td>
<td>Anino International Plc.</td>
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<tr>
<td>15</td>
<td>Beco Petroleum Product Plc.</td>
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<td>16</td>
<td>Capital Oil Plc.</td>
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<td>17</td>
<td>Conoil Plc.</td>
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<td>18</td>
<td>Eterna Plc.</td>
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<td>19</td>
<td>Forte Oil Plc.</td>
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<td>20</td>
<td>Japaul Oil &amp; Maritime Service Plc.</td>
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<td>21</td>
<td>Mobil Oil Nig. Plc.</td>
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<td>22</td>
<td>MRS Oil Nigeria Plc.</td>
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<td>23</td>
<td>Navitus Energy Plc.</td>
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<td>24</td>
<td>Oando Plc.</td>
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<tr>
<td>26</td>
<td>Seplat Nigeria Plc.</td>
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<tr>
<td>27</td>
<td>Total Nigeria Plc.</td>
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</table>

Source: Nigeria Stock Exchange Online.

**Method of Data Collection**

To obtain reliable information that will help the researcher to ensure the effectiveness of the study in question, data were collected from only secondary sources. This data is obtained from five years (2011-2015) annual reports and account of the listed firms covered by this study.
Measurement Variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Definition</th>
<th>Measurement</th>
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<tr>
<td>Dependent Variables</td>
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<tr>
<td>DivY</td>
<td>Dividend Yield</td>
<td>Dividend per share Market price per share</td>
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<tr>
<td>DivPr</td>
<td>Dividend Payout ratio</td>
<td>Dividend per share Earnings per share</td>
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</tbody>
</table>

Independent Variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Definition</th>
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<tbody>
<tr>
<td>MO</td>
<td>Managerial Ownership Proportion of shares held by managers and executive directors.</td>
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<tr>
<td>IO</td>
<td>Institutional Ownership Proportion of shares held by institutions</td>
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</table>

Control Variables

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<tr>
<th>Variables</th>
<th>Definition</th>
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<tbody>
<tr>
<td>a1-a2</td>
<td>Beta coefficient Coefficient of independent variables</td>
</tr>
<tr>
<td>a0</td>
<td>Intercept Constant</td>
</tr>
<tr>
<td>µt</td>
<td>Error term</td>
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Method of Data Analysis

Pearson correlation statistical technique was used to analyze and test the hypotheses. This is because it measures the relationship between two or more variables, it shows when the hypothesis should be accepted or rejected, it is also significant because it determines the positive or negative association between the dependent and independent variables. The tool of analysis was SPSS Version 20.

Decision rule will be to accept null hypothesis if the calculated t value is more than or equal to -1.6561 at p = 0.05.

Model Specification

The model specification of the study is as follows;

\[ \text{DivP} = f (\text{MO}, \text{IO}) \]

Where DivP, MO, IO represent Dividend Policy, Managerial ownership and Institutional ownership respectively. The econometric form of the model is as follows;

\[ \text{DivP} = a_0 + a_1 \text{MO} + a_2 \text{IO} + \mu_t \]

\[ \text{DivY} = a_0 + a_1 \text{MO} + a_2 \text{IO} + \mu_t \quad (1) \]

\[ \text{DivPr} = a_0 + a_1 \text{MO} + a_2 \text{IO} + \mu_t \quad (2) \]

Where a0, a1, a2, and \( \mu_t \) represent intercept, effect of MO, IO and error term respectively. DivY and DivPr that is, Dividend Yield and Dividend Payout ratio respectively, is used as a proxy for Dividend Policy.

Data Presentation

This chapter contains present and analyze the data collected from annual reports and interpreting the results, with the aim of providing answers to the research questions and determining whether or not the hypothesis should be accepted.

Data Analyses

Data were analyzed using the Pearson’s Correlation Statistics. The hypotheses were tested using the t value calculated from the correlation coefficient.

H01: There is no significant relationship between Managerial Shareholding and Dividend Yield among Nigeria listed firms.
The strength of the association between the variables was specified by Pearson correlation scale where: values between 0.0 to 0.3 indicate that there is no correlation, between 0.31 to 0.5 shows a weak correlation, between 0.51 to 0.7 a moderate correlation and between 0.71 to 1.0 indicates a strong correlation between the variables (Pearson and University of London, 1985). The findings in table 4.1 above reveal that there was no correlation between managerial shareholding and dividend yield of listed firms. The correlation which is represented by R is -0.071 at p=0.208. The probability value is higher than 0.05, level of significance adopted for the study. The t value is calculated using the correlation coefficient thus:

\[
t = \sqrt{\frac{n - 2}{1 - r^2}}
\]

where:

- \( r \) = correlation coefficient
- \( n \) = number of items

\[
t = \sqrt{\frac{132 - 0.0071}{1 - (-0.071)^2}} = 0.8136
\]

The calculated t-value of '0.8136' is greater than the critical value of t at 0.05 level of significance and 131 degree of freedom '1.6561'.

**Decision Rule:** Accept null hypothesis if the calculated t value is more than -1.6561 at p = 0.05. We therefore reject the alternate hypothesis and accept the null hypothesis that there is no relationship between managerial shareholding and dividend yield among Nigerian listed firms.

**H₀:** There is no significant relationship between Managerial Shareholding and Dividend Payout of Nigeria listed firms.

The calculated Pearson Correlation Coefficient (R) of managerial shareholding and dividend payout to be -0.077. The p or sig value on the table is greater than the level of significance adopted for the study, that is sig= .190< 0.05. To test the hypothesis, R was applied via the student t-test and is presented as follows:

\[
t = \sqrt{\frac{n - 2}{1 - r^2}}
\]

where:

- \( r \) = correlation coefficient
n= number of items

\[
t = \frac{-0.077\sqrt{132-2}}{1 - (-0.077)^2} = \frac{-0.8779}{0.9941} = -0.883
\]

The result shows that there is no significant relationship between managerial shareholding and dividend payout as the calculated t-value of ‘-0.883’ is greater than the critical value ‘-1.6561’ at 0.05 level of significance.

**Decision Rule:** Accept null hypothesis if the calculated t value is more than -1.6561 at p = 0.05. We therefore accept the null hypothesis and reject the alternate hypothesis. According to the results, there is no significant relationship between managerial shareholding and dividend payout of listed Nigerian firms.

**H03:** There is no significant relationship between Institutional Shareholding and Dividend Yield among listed Nigerian firms.

### Correlations between Institutional Shareholding and Dividend Yield

<table>
<thead>
<tr>
<th></th>
<th>Institutional Shareholding</th>
<th>Dividend yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional Shareholding</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (1-tailed)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>132</td>
</tr>
<tr>
<td>Dividend yield</td>
<td>Pearson Correlation</td>
<td>.101</td>
</tr>
<tr>
<td></td>
<td>Sig. (1-tailed)</td>
<td>.126</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>132</td>
</tr>
</tbody>
</table>

**Source:** SPSS Version 20

The findings in the table above revealed a correlation of 0.101 between institutional shareholding and dividend yield of listed firms p=0.126. The probability value is higher than 0.05, level of significance adopted for the study. The acceptance or rejection of the hypothesis is decided using the t value calculated via R below:

\[
t = \frac{r\sqrt{n - 2}}{1 - r^2} \quad \text{where: } t = t \text{ value}
\]

\[r = \text{correlation coefficient}\]

\[n = \text{number of items}\]

\[
t = \frac{0.101\sqrt{132-2}}{1 - 0.101^2} = \frac{1.1516}{0.9898} = 1.1635
\]

The calculated t-value of ‘1.1635’ is less than the critical value ‘1.6561’ at 0.05 level of significance.

**Decision Rule:** Accept null hypothesis if the calculated t value is less than 1.6561 at p = 0.05. We therefore reject the alternate hypothesis and accept the null hypothesis that there is no significant relationship between institutional shareholding and dividend yield among listed Nigerian firms. **H04:** There is no significant relationship between Institutional Shareholding and Dividend Payout of listed Nigerian firms.

### Correlations between Institutional Shareholding and Dividend Payout

<table>
<thead>
<tr>
<th></th>
<th>Institutional Shareholding</th>
<th>Dividend payout</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional Shareholding</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (1-tailed)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>132</td>
</tr>
<tr>
<td>Dividend payout</td>
<td>Pearson Correlation</td>
<td>.042</td>
</tr>
<tr>
<td></td>
<td>Sig. (1-tailed)</td>
<td>.315</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>132</td>
</tr>
</tbody>
</table>

**Source:** SPSS Version 20
The calculated Pearson Correlation Coefficient (R) measured the relationship between institutional shareholding and dividend payout stood at 0.042 as is seen in Table 4.4. This relationship was however, not found to be significant as sig value in table is higher than the level of significance adopted for the study, that is sig=.315 > 0.05. To test the hypothesis, R was applied via the student t-test and is presented as follows:

\[ t = \frac{r \sqrt{n - 2}}{\sqrt{1 - r^2}} \]  
where: \( t = t \) value 
\( r = \) correlation coefficient 
\( n = \) number of items 

\[ t = \frac{0.042 \sqrt{138} - 2}{1 - 0.042^2} \approx \frac{0.4789}{0.9982} = 0.4798 \]

The result shows that there is no significant relationship between institutional shareholding and dividend payout as the calculated t-value of ‘0.4798’ is more than the critical value ‘1.6561’ at 0.05 level of significance.

**Decision Rule:** Accept null hypothesis if the calculated t value is more than or equal to -1.6561 at p = 0.05. We therefore reject the null hypothesis and accept the alternate hypothesis that there is no significant relationship between institutional shareholding and dividend payout of listed Nigerian firms.

**Discussion of Findings**

The dividend policy of the firm entails decisions on how much to pay out as cash dividends, how much to retain and whether to give scrip issues. This is a very strategic decision in any organisation as it falls under the financing decisions. Dividends also affect the image of the firm to investors as companies that pay dividends are seen by most investors as being good grounds for investment. This study on the relationship between dividend policy on one hand and institutional and management shareholding on the other sought to determine whether the latter variables have a lot to do with the former.

From the analyses of collated data, managerial shareholding was not found to have a significant association with dividend policy (dividend in relation to earnings per share and market price per share). Stated differently, managers and executive directors having interest in shares does not improve or reduce the level of dividend payments. This should be as a result of the presence of non-executive and independent directors dominating the board so that strategic decisions made are to a large extent bias-free and optimal for the firm rather than for the gain of management. For studies that claim dividends serve as incentives to management, this study negates that managers and executive directors are full employees of the company and have incentives in form of their entitlements as employees (like basic salary, allowances, share bonuses and share of profit for excellent performances) rather than in dividend payments. The findings of Syed et al (2010); Trojanowski (2004); Gugle (2003); and Kumar (2003) however found a positive association between managerial ownership and dividend policy. Idris & Hussaini (2016); Ilker & Selim (2015); Kabiruet et al (2015); Nuraddeen & Nasim (2015); Mukhtar (2015); Mohammad et al (2013); Mahmoud (2013); Hamid et al (2012); Mirzael (2012); Wen & Jia (2010); Afza & Mirza (2010); Harada & Nguyen (2009); Hardjopranoto (2006); Chen et al (2005); Gugler & Burion (2003); and Short et al (2003) all found negative relationship.

The relationship between institutional ownership and dividend policy was not different. An insignificant relationship was also found. The interest of other organisations in relation to shareholding was not found to affect dividend payout of dividend yield significantly. This is because the directors who occupy fiduciary positions make decisions that optimise shareholders’ wealth. Optimising the wealth of shareholders imply they brainstorm and determine what proportion of earnings to pay out or retain to finance viable investment opportunities for the firm. No doubt institutional shareholders with high proportion of shares influence the strategic move of the firm but not a significant one on dividend policy. The findings of this study are in consonance with Al-Malkawi (2005), Douglas & Jin (2006) and Wallgren (2006). The findings of others like: Idris & Hussaini (2016); Kabiruet al (2015); Nuraddeen & Nasim (2015); Mohammad et al (2013); Mahmoud (2013); Thanatavee (2012); Hamid et al (2012); Mirzael (2012); Syed et al (2010); Sherif et al (2010); El Masry et al (2008); Bichara (2008); Julie et al (2004); Trojanowski (2004); Gugle (2003); and Short et al (2002) revealed that institutional shareholding increases dividend payout. Al-Najjar & Kilincarslan (2016); Thanatawee (2014), Mehrani et al (2011), Al-Shubiri et al (2010), Wen & Jia (2010), Kouki & Guizani (2009) on the other hand, found negative correlation.
Summary of Findings

Based on the analysis of the data, the findings were summarized as follows;

1. There is no significant relationship between managerial shareholding and dividend yield among Nigerian listed firms.
2. There is no significant relationship between managerial shareholding and dividend payout of listed firms in Nigeria.
3. There is no significant relationship between institutional shareholding and dividend yield among listed Nigeria firms.
4. There is no significant relationship between institutional shareholding and dividend payout among Nigerian listed firms.

Conclusion

This study focused on the important corporate decision that can have a great impact on the sentiments of the investors, which is the corporate dividend policy of the firm. The study investigated the likelihood effect of ownership structure on dividend policy of Nigeria listed firms in the context of agency relation. In order to study this likelihood effect, two regression analysis were made, one for each dependent variable(dividend yield and dividend payout ratio) versus the independent variables(ownership types and control variables). Ex-post factor research design was adopted by using secondary data. The population and sample size for this study is the same. It covered the quoted firms under the banking industry (13) and the oil and gas industry (14) as at September 2015. The study uses data for 27 firms for the period of 5 years ranging from 2011-2015.

In light of study of objectives and in order to answer research question outlined at the beginning of this study, the research has reached the following as overall conclusions;

1. The result shows there is no significant relationship between managerial shareholding and dividend policy of listed firms in Nigeria.
2. The result further shows that institutional shareholding has no significant relationship on dividend policy in Nigeria listed firms.
3. Managers and executive directors having interest in shares does not improve or reduce the level of dividend payment. This should be as a result of the presence of non-executive and independent directors dominating the board so that strategic decision made are to a large extent bias-free and optimal for the firm rather than for the gain of management.
4. The interest of other organizations in relation to shareholding was not found to affect dividend payout of dividend yield significantly. This is because the directors who occupy fiduciary position make decision that optimise shareholder’s wealth.
5. No doubt institutional shareholders with high proportion of shares influence the strategic move of the firm but not a significant one on dividend policy.

Recommendations

Based on the findings and conclusions, it is recommended that;

1. Firms in the Nigeria stock exchange (NSE) should pay limited attention to the ownership structure of the company but the bottom line, and it is the earning that matters not the dividend or ownership structure. This is because dividend per share is determined significantly by earnings not how the company is owned.
2. Security and Exchange Commission (SEC) and corporate Affair Commission (CAC) should design future policies where dividend payment could be encouraged and the diverse range of shareholders to be satisfied most especially minority shareholders.
3. In addition, Central Bank of Nigeria (CBN) should intervene in policies related to block ownership by discouraging too much concentration of ownership in the hand of individual or group (as obtained in developed economy) so as to make ownership wider.
References


