
Do Oil Price and Institutional Quality Matter for Dividend Policy in Nigeria?

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The study investigates the impact of oil price, institutional quality (proxied by corruption and legal environment) and firm-implicit elements on the dividend policy of listed Nigerian companies for a period of 2001-2016. System-GMM analysis was used in the estimation process and findings revealed that oil price, quality of institutions and firm-inherent drivers play significant roles in firms' dividend decisions. Oil price, institutional quality and firm-implicit variables exerted statistically significant influence on dividend per share. This study thus suggests, that prevailing institutional and macro-economic conditions should be considered when making dividend policy decisions and that the nation's high corruption index poses great threats to dividend behaviors of Nigerian corporate life.

Key Words: Dividend per share, Corruption, Legal System, Generalized Moment method, Oil Price Volatility, Nigeria.

INTRODUCTION

The issues surrounding dividend puzzle have been an on-going research problem with the revolutionary thesis of scholars like Modigliani and Miller (1958; 1961); Litner (1956; 1961); Gordon (1959) on the subject matter. These have, therefore, given rise to many controversial research issues and questions and the responses and reactions are still mixed and unrequited till date in the extant literature. Various factors driving dividend pay-out policy have been advanced but there has never been a common ground as to the actual drivers of dividend dynamics. For instance, studies revealed that performance exerts significant and upward influence on dividend policy (Batool & Javid, 2014; Aqel, 2016; Kajola et al., 2015; Nuhu, 2014). Others revealed a significant negative influence (Zhoa, 2014) while some also reported absence of significant impact between these two variables (Rafique, 2012) all of which depict relatively conflicting positions as to the effect of dividend policy on performance.

Divergences in empirical facts were also noticeable on the influence of size and dividend. While some studies reported a momentous association between size and dividend policy (Rafique, 2012; Komrattanapanya & Suntrauk, 2013; Kajola &

Do Oil Price and Institutional Quality Matter for Dividend Policy in Nigeria?

Desu, 2015; Batool & Javid, 2014), others reported a trivial relationship (Sanicki, 2009; Aqel, 2014; Fairchild et al., 2014). These empirical controversies may be as a result of the different periods in which the studies were carried out and besides, most of the scholarly works were done across countries with a considerable different business environment.

Despite the abounding extant studies on the drivers of corporate dividend decisions, it has been severally debated that there is absence of wide-ranging opinions on what factors actually influence dividend policy (Patra et al., 2012; Elyansiani et al., 2019). The reasons advanced for these divergent opinions have been ascribed to the attempts and inclinations by scholars and financial economists to develop a universal description on the factors driving pay-out policy in all markets regardless of the facts that dividend decisions are sensitive to various firms' characteristics, divergent corporate governance, legal and political environments (Baker et al., 2016).

Recently, another trend of empirical studies has emerged, which described and investigated macroeconomic and institutional quality factors as other major constraints to corporate dividend decisions in an organisation. It was argued that corporate organisations also operate within the macroeconomic milieus and institutional framework in which the companies have little or no control over. Hence, it is generally understood that a good insight into the dynamics of the macroeconomic forces also account for effective and sound corporate dividend decisions of the firm. Therefore, the roles of external forces such as macroeconomic and institutional quality are part of the challenging issues financial managers will need to contend with, when faced with the decision of choosing the appropriate dividend policy the firm

should pursue.

This work is therefore motivated by three significant factors. First, most studies on dividend decisions are carried out in developed markets, although, with some few attentions in emerging markets (Baker et al., 2017). This has therefore raised important and salient concerns as to the validity and relevance of the issues addressed, hypothetical and pragmatic conclusions deduced in the advanced economies to emerging markets like Nigeria given the differences in dividend decisions between the two distinct markets which may stem from such factors as political and social uncertainty, harsh economic conditions, bearish hold of the stock market, weaker corporate governance, poor laws and regulations, differences in ownership structures, and the intensity of information asymmetry (Aivazian et al. 2003; La Porta et al., 2000; Imran et al., 2013; Elyasian et al., 2019).

Secondly, most Nigerian studies only examined firms' implicit determinants of dividend policy (e.g. Kajola et al., 2015; Simon-Oke & Ologunwa, 2016; Turakpe & Legaaga, 2017; Uwuigbe, 2013), with little or no known attentions on the outcome of external influences on corporate dividend decisions in Nigeria. Moreover, the existing works (excluding Nigeria) have documented the impact of diverse macro variables such as GDP, consumer price index, unemployment and money supply. None of these studies identified the role of oil price volatility vis-à-vis corporate dividend decisions, apart from Abdulrahman (2018) who examined the role of oil price volatility in Gulf Cooperation Council market in Saudi Arabia. Hence, the argument of oil price volatility is not only green, it has not been well documented in the extant literature.

The motivation behind including oil price volatility

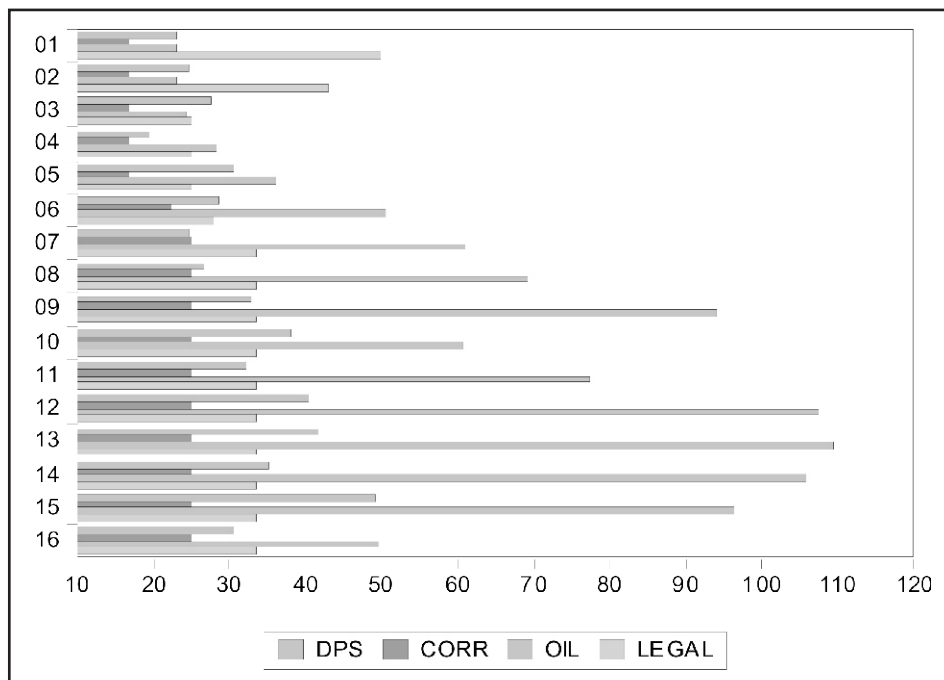
Do Oil Price and Institutional Quality Matter for Dividend Policy in Nigeria?

as one of the external drivers in Nigerian market is born out of the fact that macroeconomic environment in Nigeria is driven and dominated by oil prices as it currently forms the major source of government revenue and foreign exchange earnings. At the moment, exports of crude oil are approximately 90% of foreign exchange reserves and 80% of the government revenue (Moses et al., 2015; Apanisile & Olayiwola, 2019). Additionally, institutional quality factors are also included so as to decipher their roles in swaying firms' dividend decision, as it is argued in the extant literature that institutional quality factors play significant roles in the financial behaviours and major corporate decisions of the firms (Rihab, 2012; Katagiri, 2014).

Figure 1 shows the trend of dividend per share, oil price, legal system and corruptions. The graph on figure 1 reveal that as oil price increases

gradually from early 2001, dividend per share increased proportionately up till year 2003 and fell drastically in year 2003 which may be in response to the drastic fall in oil price as from 2002 to year 2003. Dividend per share began to rise as from 2004 correspondingly in relation to the rise in the oil price and then fell drastically as from 2015 to 2016 also with the drastic fall in oil prices.

Furthermore, an increase in dividend per share all over the period was observable as legal system wane from 2001 to 2016, while dividend per share increase proportionately with the increase in the corruption index throughout the study period as depicted in figure 1. These therefore imply that oil price volatility and legal system play crucial role in driving the dividend policy of quoted Nigerian firms.



Source: Authors' Design, 2019.

Figure 1: Trend of Corruption, Legal System, Oil Price and Dividend

Do Oil Price and Institutional Quality Matter for Dividend Policy in Nigeria?

Finally, unlike Farooq and Ahmed (2019), Alhassan, (2018), Aderemi (2014), Ifuero and Iyobosa (2016) among others, this study employed a system generalized method of moment estimator anticipated by Arellano and Bover (1995) and advanced by Blundell and Bond (1998) as a robustness technique because it deals with the issues of omitted variables, problem of endogeneity, simultaneity issues and problem of heteroscedasticity which is associated with econometric techniques such as Pooled OLS, Fixed effects and random effect models and if these issues and problems are not taken care of, may give a spurious results and also subsequently lead to distorted corporate and business policy .

Thus, the goal of this paper is to investigate the impact of macroeconomic and institutional factors in driving the firm's dividend policy in Nigeria with a considerable prominence on the volatility of oil prices as the main variable in the macroeconomic milieu and institutional quality factors while firm-inherent features are taken as control variables. In achieving this set objective, the study uses 80 quoted firms (both financial and non-financial) on the Nigeria Stock Exchange between 2001 and 2016.

LITERATURE REVIEW

Theoretical issues

There have been close but unclear connections in the extant literature as to the main factors driving corporate dividend policy in an organization. Therefore, in an effort to provide a clear-cut explanation on these issues, several theories have been proposed by different scholars, trying to explain and proffer a lasting panacea to the age long puzzles surrounding dividend policy research. The positions of scholars on the driving force of dividend policy in an organization usually revolve round four major theories: dividend relevance

theory, dividend irrelevance theory, signaling hypothesis and the agency theory. Dividend relevance theory could be traced to the work of Williams (1938) and supported by Graham and Dodd (1951), Godon (1959) and Walter (1963). The theory explains that frequent payment of dividend may serve as an excellent indicator to investors that a firm is doing well. This serves as a means of firms' appraisal based on performance. Dividend irrelevance theory of Miller and Modigliani (1961) pointed out that the value of the firm is solely determined by the investment pattern and risk, and also the decision to either distribute earnings as dividends or to plough back earnings for business growth and expansion has nothing to do with the value of the firms (Gitmen & Zutter, 2012; Lindema, 2016). This, therefore, implies that investors are indifferent as to whether they got dividends from the company now or the management decides to retain profits for capital gains. This theory has been criticized for its assumption of a perfect market.

Signaling hypothesis proposed by Bhattacharya (1979), John and Williams (1985) and Miller and Rock (1985) suggests that firms use dividend payouts to convey information to investors and other principal stakeholders about the future prospect of the company, considering the fact that management of the companies possess more information about the firms than investors and other stakeholders (Nuhu, 2014; Bodgen, 2010). The signaling theory has been analyzed by several scholars and it has been revealed that unequal access to vital information by managers and shareholders permits managers to use dividends as tools to convey information about the firms' potentials and performance to investors and other principal stakeholders (Hearly & Palepu, 1988; Muretefu & Ouma, 2012; Al-Kuwari, 2009). Agency theory, however, provides the foundation for considering the relationship existing among

Do Oil Price and Institutional Quality Matter for Dividend Policy in Nigeria?

stakeholders in corporation, the separation of interest that may arise from such relationships and the possible corrective measures needed to combat this divergence of interest (Akinlo & Olayiwola, 2017). Agency cost thus arises due to the conflict of interest between shareholders and management (Kamal, Rana & Wojond, 2013). Thus, the theory suggested that increasing dividend payout is one of the ways of reducing agency cost and problems. Payment of higher dividends reduces the amount of funds available for perquisite and private company, thus (Easter brook, 1984; Rozeff, 1982), payment of dividend is also a way of monitoring and evaluating the performance of managers in an organisation for the reporting year.

Empirical literature

Several empirical studies have emerged explaining why and what firms' specific factors drive dividend policy of the firm. Their major submission is that firms' characteristics such as size, leverage, retention ratio, profitability among others correlate with dividend pay-out ratio (Easter Book, 1984; Eriotis, 2005; Choi, et.al, 2005; Megginson, 2006; Lily et al., 2007; Malombe, 2008; Chan et al., 2009). In addition, Chai (2010) show that foreign ownership influences dividend decision of firms in Korean industry after using agency theory as a basis. The study of Mirza and Afza (2010) in Pakistani show that managerial ownership, cash flow sensitivity and institutional ownership significantly correlate with dividend paying behaviour of firms. Naimat (2011) also discovers that earnings and liquidity influence dividend decision. Faris Al- Shubiri (2011) analyses that growth opportunity affects dividend policy.

Using London and Paris stock market, Georgiana (2012) shows that dividend policy is affected when a firm has ownership structure with diverse backgrounds. He also discusses that macroeconomic, environment and institutional

factors affect dividend policy. Nang (2012) reveals that sale growth and leverage affect firm dividend decision while El-Shaddy et al. (2012) show that managerial perception influences firms' dividend policy in Kuwait. Other studies that empirically show that firm characteristics and environmental factors influence firms' dividend pay-out policy include: Bremberger et al. (2013), Ebenezer (2013), Wanjiru (2013) , Al-Hassan et al. (2013), Nuhu (2014), Nuhu et al. (2014), Nabaraj (2014), Khoury and Maladjian (2014), Lashgari and Ahmadi (2014) Claudiu and Marilen (2014), Iturriaga and Martin (2015), Awad (2015), Nurul et al. (2016) Echchabi and Azouzi (2016), Santanu (2017), Nishant (2017).

The study of Abdulrahman (2018) empirically analyses how oil price affects firms' investment and dividend policy using 356 firms in Gulf Cooperation Council market for a period of 2005-2015. He discovers that oil price volatility has a negative impact on investment and decision on dividend pay-out. The recent study of Elyas et al. (2019) in Iran reveals that market to book ratio does not influence dividend pay-out of firms while business risk and firm performance correlate significantly on dividend decision likewise Justyna et al. (2019) provide almost the same submission. Farouq and Ahmed (2019) examine the sensitivity of dividend policy to macroeconomic policies (fiscal and monetary policy) and rational security policy in USA for a period of 1996-2016. Using OLS, they discover that these policies influence the dividend decisions of firms

In relation to Nigerian context, there are studies that examine how firms' specific factors affect dividend policy while neglecting the impact of institutional environment. In addition, no study has made an attempt to investigate the role of oil price in firms' 'dividend decision making in Nigeria. For instance, the work of Uwuigbe (2013) evaluates the how dividend policy is being influenced by firms' specific factors for a period of

Do Oil Price and Institutional Quality Matter for Dividend Policy in Nigeria?

2006-2011. Using OLS estimation technique, he shows that financial performance, firms' size and board independence affect firm's decision. Adediran and Alade (2013) reveal that financial performance affect firm dividend decision while Ajide and Aderemi (2014) show that earnings management has positive effect on dividend policy Abiola (2014) documents that policy on dividend serves as a tool for growth and expansion of business in Nigeria.

There are studies that also look at stock price effect on dividend decision in Nigeria. These studies include Oyinlola and Ajeigbe (2014), Matthew, Innocent and Mike (2014), Ojeme et al. (2015), Benjamin (2015), Maude et al. (2015), Akanni and Sweneme (2016). Their regression results show that dividend policy is significantly influenced by market price and value. Sulaiman and Migiro (2015) reveals that stock price volatility significantly impacts dividend policy in Nigeria. Moreover, Ifuero and Iyobosa (2016) analyse that earnings of firm correlates with Nigerian firms' decision on dividend. Furthermore, the study of Ugwuegbe and Ezeaku (2016) shows that broad interest of ownership structure influences firm dividend policy. Omoreige and Eromosele (2016) show that pay-out policy impact on shareholders' wealth is significant after considering panel data of firms for a period of 2010-2014. It is worth of note that most of these studies have common problems of omitted variables, endogeneity and simultaneity which is traced out from the use of OLS and random effect leading to an upward biasedness.

In our study, we take care of problems of omitted variables, endogeneity and simultaneity. In addition, we examine the role of oil price, institutional and macroeconomic environment in firms' dividend policy in Nigeria. This is because the macro economic environment of a nation is usually driven by her fiscal and monetary policies (Gajurel, 2006). The fiscal environment for instance,

determines the spending pattern of the government, while the monetary policy defines the rate of interest which will invariably sway the financial decisions of corporate organisation thereafter. It would be a scholarly contribution to consider these variables and provide their empirical effect on firm dividend decision in Nigeria.

METHODS

In order to achieve the main objective of this study, we employ a panel data of 80 financial and non-financial firms for a period of 2001-2016. Our sources of data on firms specific variables of listed firms in Nigerian stock exchange are drawn from individual annual financial statement, data on macroeconomic variables are sourced from World Bank Development database and Central Bank of Nigeria (CBN) statistical bulletin while data on corruption index and legal environment proxied by Law and order are sourced from International Country Risk Guide.

Model Specification and Estimation Techniques

The empirical model for the study is hereby specified:

$$Y_{it} = \varphi_{it} + \psi X_{it} + \beta Z_{it} + \epsilon_{it} \quad (1)$$

Where X represents the vector of the independent variables and Z is the vector of the control variables, φ_{it} is the intercept and ϵ_{it} is the white noise error term. Y_{it} represents the dependent variable which is the corporate dividend pay-out, and it is proxy by dividend per share.

Hence, specifying this model in explicit terms we have:

$$\ln(DIV_{it}) = \ln(\varphi_{it}) + \ln\beta_1(Oil_t) + \ln\beta_2(GDP_t) + \ln\beta_3(Cor_t) + \ln\beta_4(INF_t) + \ln\beta_5(Exc_t) + \ln\beta_6(Legal_t) + \ln\beta_7(k_{it}) + \ln\beta_8(Z_{it}) \quad (2)$$

Do Oil Price and Institutional Quality Matter for Dividend Policy in Nigeria?

Also, in order to bring in the control variables for this study, $\ln(Z_{it})$ will also be decomposed into three (3) components. Decomposing $\ln(Z_{it})$, we obtain:

$$\ln(Z_{it}) = \ln(Agc_{it}) + \ln(Lev_{it}) + \ln(Prof_{it}) \quad (3)$$

By substituting also equation (3) into equation (2) it then becomes:

$$\ln(DIV_{it}) = \ln(\varphi_{it}) + \ln \beta_1(Oil_{it}) + \ln \beta_2(GDP_t) + \ln \beta_3(Cor_t) + \ln \beta_4(INF_t) + \ln \beta_5(Exc_t) + \ln \beta_6(Legal_t) + \ln \beta_7(k_{it}) + \ln \beta_8(Agc_{it}) + \ln \beta_9(Lev_{it}) + \ln \beta_{10}(Prof_{it}) \quad (4)$$

Where (DIV_{it}) = Firm's corporate dividend; φ_{it} = Intercept; $\ln(DIV_{-i})_{it}$ = Lagged value of dividend; Oil_t = Oil Price; GDP_t = Gross Domestic Product; COR_t = Corruption Index; INF_t = Inflation Rate; EXC_t = Real Effective Exchange Rate; $Legal_t$ = Legal environment; k_t = Capital; Agc_{it} = Agency cost; Lev_{it} = Firm's Leverage; $Prof_{it}$ = Profitability; ϵ_{it} = Error Term.

a-priori Expectations: $\alpha, \beta_1, \beta_2, \beta_6, \beta_9, \beta_{10} > 0$; $\beta_3, \beta_4, \beta_5, \beta_7, \beta_8 < 0$.

On analytical techniques, we select the appropriate model between Random effect and Fixed Effect via Hausman test. In order to estimate dynamic relationship and to take care of potential

Problem of endogeneity we further estimate the model via System Generalised Method of Moment (GMM).

RESULTS AND DISCUSSIONS

Preliminary Tests

(a) Descriptive Statistics of data series of total sampled companies

In Table, we report the descriptive statistics of the data. The mean of leverage is relatively small throughout the study period as it stood at 0.624%. That of dividend stood at 1.04% also signifying that the instability in dividend per share is minimal throughout the period covered. The standard deviations are largely small, indicating that nonconformities of the actual data from the statistical values of mean are insignificant. Nevertheless, the value of the standard deviation of oil price was 24.49 showing volatility when likened with other variables.

(b) Correlation Analysis

The probable extent and the direction of association among the variables of study are presented in the Table 2. Table 2 presents the correlation matrix among variables of sample listed companies (both financial and non-financial)The table depicts the correlation coefficient and the directions of the connection amongst the variables of total sampled companies. Inflation and leverage show a negative association with dividend per share,

Table 1. Descriptive Statistics of Data Series of Total Sampled Quoted Companies

	CORR	DPS	EXC	GDP	GFCF	INF	LEGAL	LEV	LGE	OIL	ROA
Mean	22.86885	1.044003	97.87476	4.97E+13	6.62E+12	11.95891	31.90440	0.624832	19.77159	65.71682	8.195493
Median	25.00000	0.536643	99.25265	5.14E+13	7.96E+12	11.57798	33.33000	0.639926	19.00000	61.00000	5.560000
Maximum	25.00000	12.11687	127.4612	6.98E+13	1.06E+13	18.87365	43.06000	3.868300	53.00000	109.4500	99.16000
Minimum	16.67000	0.000000	72.77419	2.47E+13	2.14E+12	5.382224	25.00000	0.000000	0.000000	23.12000	-50.73000
Std. Dev.	3.495892	1.331486	17.62342	1.45E+13	2.96E+12	3.558555	4.179582	0.286768	12.73341	29.49867	10.63186
Observations	1204	1204	1204	1204	1204	1204	1204	1204	1204	1204	1204

Source: Author's Computation, 2019.

Do Oil Price and Institutional Quality Matter for Dividend Policy in Nigeria?

while other study variables reveal a positive association with dividend per share. Generally, the correlation coefficients are within the toleration rate for the purpose of regression analysis in this study.

(c) Unit Root Test

The unit root test became essential for this research because of the time series data involved. A major challenge associated with time series data is its nature of non-stationarity. If this is not taken into consideration in the estimation process, it may lead to bias and bogus regression results with grave adverse implications on both public and business

policies. Hence, unit root tests are also carried out for the study variables for the total sampled companies, financial and non-financial companies respectively.

The two-panel unit root test methods employed therefore are Levine et al. and Im et al. Their results are presented in table 3 both with trends and without trend. Results as presented on table 3 reveal that all the variables are stationary at levels. However, the measure of performance (proxied by ROA) is stationary at first difference.

Therefore, this study rejects the null hypothesis of unit root.

Table 2 Correlation Matrix of Sampled Total Quoted Companies

	CORR	DPS	EXC	GDP	GFCF	INF	LEGAL	LEV	LGE	OIL	ROA
CORR	1.000000										
DPS	0.107136 (0.0002) *	1.000000 -----									
EXC	0.750423 (0.0000) *	0.128261 (0.0000) *	1.000000 -----								
GDP	0.812799 (0.0000) *	0.130057 (0.0000) *	0.948408 (0.0000) *	1.000000 -----							
GFCF	0.762553 (0.0000) *	0.128430 (0.0000) *	0.909574 (0.0000) *	0.952417 (0.0000) *	1.000000 -----						
INF	-0.568148 (0.0000) *	-0.069081 (0.0165) ***	-0.455222 (0.0000) *	-0.433694 (0.0000) *	-0.463023 (0.0000) *	1.000000 -----					
LEGAL	0.468625 (0.0000) *	0.051519 (0.0739) ***	0.409690 (0.0000) *	0.346146 (0.0000) *	0.375486 (0.0000) *	-0.134724 (0.0000) *	1.000000 -----				
LEV	0.032220 (0.2639)	-0.040391 (0.1613)	0.022795 (0.4294)	0.044735 (0.1208)	0.020496 (0.4774)	-0.061355 (0.0333) **	-0.126340 (0.0000) *	1.000000 -----			
LGE	0.248016 (0.0000) *	0.045042 (0.1183)	0.309840 (0.0000) *	0.321791 (0.0000) *	0.312861 (0.0000) *	-0.131129 (0.0000) *	0.096392 (0.0008) *	0.031990 (0.2674)	1.000000 -----		
OIL	0.733887 (0.0000) *	0.122619 (0.0000) *	0.610199 (0.0000) *	0.640920 (0.0000) *	0.616666 (0.0000) *	-0.517242 (0.0000) *	0.329857 (0.0000) *	0.034704 (0.2289)	0.188885 (0.0000) *	1.000000 -----	
ROA	-0.166762 (0.0000) *	0.016573 (0.5656)	-0.157274 (0.0000) *	-0.182649 (0.0000) *	-0.158812 (0.0000) *	0.111838 (0.0001) *	0.030762 (0.2862)	-0.091892 (0.0014) *	0.228592 (0.0000) *	-0.129592 (0.0000) *	1.000000 -----

*, ** and *** means significance at 1%, 5% and 10% respectively.

Source: Author's Computation, 2019.

Do Oil Price and Institutional Quality Matter for Dividend Policy in Nigeria?

Table 3 Unit Root Test of Total Sampled Companies

*1% level of significance.

Variables	Levine et, al.		Level	Im et, al.		Levels
	With Trend	Without trend		With Trend	Without Trend	
Corr	-23.6106 (0.0000)*	-18.124 (0.0000)*	I(0)	-9.03299 (0.0000)*	-8.38977 (0.0000)*	I(0)
Dps	-11.1672 (0.0000)*	-13.401 (0.0000)*	I(0)	-10.5839 (0.0000)*	-14.7168 (0.0000)*	I(0)
Exc	-27.7657 (0.0000)*	-11.3832 (0.0000)*	I(0)	-6.74372 (0.0000)*	-5.1417 (0.0000)*	I(0)
GDP	-35.0289 (0.0000)*	-9.50923 (0.0000)*	I(0)	-23.0293 (0.0000)*	-14.5041 (0.0000)*	I(0)
GFCF	-20.2622 (0.0000)*	-23.3545 (0.0000)*	I(0)	-10.4697 (0.0000)*	-18.1108 (0.0000)*	I(0)
INF	-7.05662 (0.0000)*	-11.5685 (0.0000)*	I(0)	-6.35514 (0.0000)*	-12.2461 (0.0000)*	I(0)
LEGAL	-37.7295 (0.0000)*	-34.7797 (0.0000)*	I(0)	-5.3006 (0.0000)*	-6.80497 (0.0000)*	I(0)
LEV	-6.98952 (0.0000)*	-13.1306 (0.0000)*	I(0)	-12.0329 (0.0000)*	-17.9057 (0.0000)*	I(0)
LGE	-6.84782 (0.0000)*	-3.32122 (0.0000)*	I(0)	-7.1401 (0.0000)*	-1.91401 (0.0000)*	I(0)
OIL	-12.206 (0.0000)*	-7.76394 (0.0000)*	I(0)	-3.48068 (0.0000)*	-2.96737 (0.0000)*	I(0)
ROA	-4.71727 (0.0000)*	-10.3728 (0.0000)*	I(1)	-5.83405 (0.0000)*	-13.9415 (0.0000)*	I(1)

Source: Author's Computation, 2019

Estimations and Discussion of Findings

The pooled OLS results as portrayed on Table 4, showed that corruption index, legal system and listing age negatively influence dividend per share. Corruption index, listing age, and the legal system are not significant at any conventional level. The exchange rate, volatility of oil price and return on asset exerted significant positive influence on dividend per share while exchanged rate and oil price are significant at 5% level respectively. The implications of all these were that as the perceived corruption index of the society increases, the Directors and management of Nigerian companies distribute lesser dividend to the shareholders. On the surface, it may imply that companies decided

to plough back funds to ensure long term stability and expansion, but digging deep, it may mean that enough funds would be available for perquisites, private consumption and boardroom squabbles and may also escalate the agency problem as argued by Jensen and Meckling (1976). Also, listing age exerted a significantly negative influence on dividend per share, the implication of which is that matured companies on the stock exchange focused more on market dominance and financing investment opportunities through reserves and retained earnings other than constant distribution of dividend while newly listed companies concentrated more on dividend distribution as a way of creating good image about the company to investors and other market participants.

Do Oil Price and Institutional Quality Matter for Dividend Policy in Nigeria?

The impact of exchange rate on dividend per share was a positive one and also significant at 10% level of significance, this implies that as the exchange rate of the nation's currency increases, the companies' investors (especially the local investors) began to request for an increase in rate of return on their investment so as to advance their purchasing power. The effect of oil price and dividend per share is also direct and significant at 10% level. This suggests an advanced influx of funds due to increase in government revenue in the macro-economic environment which in turn positively influence the business performance as there would be a conducive environment for business to operate this then led to higher tendency of corporate organisations in Nigeria to distribute more funds as dividends to investors. While the influence of corporate performance (proxied by return on asset) on dividend per share was positive and significant at 1% which also implies that higher performance encouraged companies in Nigeria to distribute more dividends to shareholders. The results of Pooled OLS also revealed that GDP, GFCF and inflation rate had positive influence on dividend per share but not significant at all conventional levels. Moreover, the results of AR (-1) and AR (-2) show that there is no serial correlation in the estimation.

The results of REM also on table 4 revealed that corruption, legal system and leverage showed a negative impact on dividend per share. This result is consistent with that of pooled OLS, only that legal system is not significant at any conventional level.

Random effect results also showed that exchange rate, GDP, GFCF, inflation rate, listing age volatility of oil prices and return on assets wielded positive influence on dividend per share. However, GDP, exchange rate, GFCF, and inflation rate are also not significant at any conventional level. Listing age and oil price are significant at 10% level while return on asset is significant at 5% level.

This research work chose GMM as the robustness check due to its advantages of accounting for heteroscedasticity and eliminating any trace of serial correlation (Jerome et al., 2019). The outcomes of GMM revealed that all macro, institutional quality and firm-inherent variables have overwhelming impact on dividend per share at 1% level of significance. These findings supported the work of Wanjiru (2013) that macro-economic factors have weighty influence on firms' choices of dividend policy. Variables like previous year's dividend (0.0798) (proxy by lag of dividend per share in the dynamic model), GDP (5.114), GFCF (8.524), inflation (0.048), legal system (0.0063), volatility of oil prices (0.016) and return on asset (0.05) have direct and substantial effect on dividend per share of quoted companies in Nigeria.

This points toward the fact that the higher the influx of fund as a consequence of intensification in government revenue in the macro-economic environment, the greater the inclination of corporate firms in Nigeria to distribute cash dividends to shareholders. This is so because the business environments in which Nigerian companies operated appeared conducive and favorably affected the performance of the companies thereby encouraging companies' directors and managements to declare and distribute enough earnings as dividends. A similar cryptogram is applicable for the growth rate in the output of the country. As the level of output increased in the country, the propensity of corporate organisations to follow active dividend policy also increased. The inflation and oil price volatility results were consistent for all the three estimation techniques, only that the results of GMM were significant at 1% level while, oil price for pooled OLS and random effect were significant at 10% and that of inflation not significant at conventional levels.

GMM results showed that 1 unit increase in inflation will lead to a proportionate increase in

Do Oil Price and Institutional Quality Matter for Dividend Policy in Nigeria?

dividend by 0.048 unit. Companies increase dividend payout as image creating potentials at the period the economic is not performing fairly well may be to send signal to the capital markets that the company is in total control of the business operations despite the economic shock. Also, results revealed that a unit increase in the legal system positively increases dividend payout by 0.063 unit, implying that as the laws protecting consumers, investors and also the rule of law in the country becomes more effective, directors and management of companies are more likely to increase dividend payout, so as to reduce any form of agency conflict between managers and

shareholders of Nigerian companies. Results also showed that a unit increase in return on asset significantly increase dividend payout by 0.05 unit indicating that increase in financial performance of the firm will encourage management of companies to distribute more dividends to shareholders.

Furthermore, GMM results showed that corruption (-0.084), exchange rate (-0.028), leverage (-0.528) and listing age (-0.292) have negative and significant effects on dividend per share of quoted Nigerian companies. This indicated that 1% increase in corruption index will diminish dividend payout by 0.084 unit. This clearly showed that the perceived corruption index is harmful to

Table 4 Estimates of Panel Data for Total Sampled Companies (Dependent Variable: Dividend per Share)

Variables	Pooled OLS	Random Effects	GMM
Constant	0.565(1.261)	0.698(1.553)	-
DPS (-1)	-	-	0.0798***(48.946)
Corr	-0.065(1.024)	-0.0119**(-3.637)	-0.084***(-72.314)
EXC	0.029**(2.0979)	0.0112(0.2113)	-0.028***(-67.511)
GDP	1.601(2.012)	6.2115(0.5867)	5.114***(-58.567)
GFCF	2.481(0.468)	2.114(0.6533)	8.524***(-35.768)
INF	0.0017(0.867)	0.0018(0.1667)	0.048***(-72.674)
LEGAL	-0.0167(-0.661)	-0.0451(-0.5231)	0.063***(-44.341)
LEV	-0.185(-1.201)	-0.2124*(-4.757)	-0.528***(-41.031)
LGE	-0.041(-0.361)	0.012*(2.138)	-0.292***(-58.118)
OIL	0.377**(2.036)	0.0343*(2.505)	0.016***(-12.218)
ROA	0.508*(16.970)	0.0713**(2.169)	0.050***(-185.489)
AR (-1)	-	-	0.507***(-16.970)
AR (-2)	-	-	0.029(0.34)
R2	0.53	0.47	-
Adjusted R2	0.524	0.432	-
F-Statistics	14.708	15.935	-
Durbin Watson	2.103	1.59	-
Hausman Test	-	0.39	-
J-Statistics	-	-	60.539
No of Observation	1,002	1,204	1,065
Cross Sections Included	80	80	80

*1% level of significance.

Source: Author's Computation, 2019

Do Oil Price and Institutional Quality Matter for Dividend Policy in Nigeria?

companies' image and performance as active and potential investors (most especially foreign investors) may be dissuaded to invest or continue with their investments. It also implied that in a more corrupt society, management of companies use firms' fund as freebie and private consumption and the amount usually distributed as dividend are very low.

A percentage increase in the exchange rate will also lessen the dividend payout by 0.028% and this is because high exchange rate greatly affect the operations of companies and it also hinder the ability of most companies to access raw materials because of the devaluation of the nation's currency. This may subsequently lead most companies (most especially those in the manufacturing industry) to engage in backward integration as alternative source of raw materials that are locally unavailable. This is also an expansion business policy for these companies. Leverage and the age of the company (proxied by listing age) also had negative influence on the dividend payout of the companies. The implication is that companies that are highly geared may be committed to payment of interest to bond holders and may also be prevented by a restrictive covenant issued to the companies by the bond holders to distribute dividend until the agreement in the bond are fully met.

CONCLUSION

This study sought to discuss in a consistent and comprehensible framework, recent theoretical and empirical developments in the analysis of the implicit and external drivers of dividend payout policy of selected quoted companies in Nigeria. The determinants of dividend policy of quoted Nigerian companies which have been subjects of numerous studies, based on different models, samples and types of data have all been discussed in the light of recent experience of a group of studies carried out in Nigeria and beyond (both developed and developing economies).

After thorough survey of the corporate financial literature and despite larger volume of empirical evidences focused on the firm specific determinants of dividend policy of quoted companies, a number of substantive issues have not yet been adequately addressed in the recent literatures. Hence, there are several shortcomings of previous empirical studies with regards to the drivers of firms' dividend dynamics of quoted firms in Nigeria which this study has resolved. For example, there are few research works exploring macro-economic and institutional determinants, using firm specific data as control variables. This gap in the existing literature is important; for without a theoretical basis to relate the aforementioned, the empirical findings on the subject matter will still be devoid of some intrinsic aspect which is crucial for business and public policy recommendations. In view of this, the study examined the intrinsic, macroeconomic and institutional drivers of dividend policy of quoted firms in Nigeria from year 2001 to 2016. Results of GMM carried out revealed that macroeconomic factors and institutional quality factors considered are fundamental in driving the dividend policy of quoted companies in Nigeria.

The application of dynamic GMM model in addressing the research problems has been quite instinctive, robust and very appropriate. All variables are significant at 1% level and the diagnostic results reveal that the estimated model is void of any serial correlation problem with valid instruments as shown by J-Statistics, which is over-identified as estimated parameters is less than instruments, while the instruments are also self-sufficient and non-dependent on the stochastic error.

This work therefore concluded that Macroeconomic variables such as Gross Domestic Products (GDP), capital, inflation, oil price volatility and institutional quality variables, that is, legal system, corruption and firm specific

Do Oil Price and Institutional Quality Matter for Dividend Policy in Nigeria?

(profitability, leverage and listing age) are dominant factors that sway dividend decisions and dynamics in quoted Nigerian companies.

RECOMMENDATIONS

From the findings in this study, the following recommendations are made to ensure better dividend policy decisions in corporate organisations in Nigeria:

- i. Results from this work, showed that macroeconomic and institutional variables have positive and significant impact on the dividend per share of the quoted Nigerian companies. Other variables like exchange rate and corruption have negative effects on dividend per share. The policy recommendation in this regard is that Management of corporate organisations in Nigeria should consider prevailing macroeconomic conditions when making choices regarding dividend policy of companies.
- ii. Government being the key player in the macroeconomic environments, should endeavor to regulate the macroeconomic indicators through polices, so as to stimulate the economic performance, as these also will create the conducive environment for quoted companies in Nigeria to operate and function efficiently and optimally.
- iii. The high corruption index poses threats to dividend policy and investment behaviour of corporate organisations in Nigeria. Therefore, government should also come up with stringent and practicable policies that will reduce the nation's corruption index to its barest minimum.

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