



## UNCLAIMED DIVIDENDS AND MARKET VALUE OF LISTED FIRMS IN NIGERIA

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### ABSTRACT

The study investigated the effect of Unclaimed Dividend on market value of selected listed firms on the Nigeria Stock Exchange. Specifically, the study analysed the effect of unclaimed dividends on market price per share and earnings per share of the selected firms. Data were sourced from the audited financial statement of the firms covering the period from 2010-2019 and seven (7) firms were selected from the consumer goods sector. Pooled Mean Group (PMG)/Panel ARDL estimator was used to analyse the variables. The results showed that unclaimed dividends have a significant and negative long-run effect on market price per share of listed firms in Nigeria. Similarly, unclaimed dividends have a positive and significant long-run effect on earnings per share of the listed firms in Nigeria. Based on these findings, it was recommended that regulators and other stakeholders in the capital market should ensure that the new e-dividend payment system is fully implemented to significantly reduce the volume of unclaimed dividend. Companies are also advised to source for alternative means of cash and short-term funds that will enable management to present true and fair statement of their operations. Also, shareholders should be sensitized on the importance of the e-dividend payment and how they can take advantage of it.

**Keywords:** Unclaimed dividends, E-dividend, Market value, Capital market, Shareholders

### 1. INTRODUCTION

The primary objective of financial management is the maximization of the owners' wealth. To achieve this, management as custodian of owners' interest, strives to create wealth by adding value to the existing assets of the organization on behalf of its owners. In doing this, three important decisions are imperative "financing,



investment, and dividend decisions” (Gbegi & Pavtar, 2018). These strategic decisions are crucial in the achievement of the primary objective of the firm and as such, management must be tactful in their approach especially when it comes to the payment of dividends since they must not only consider the question of how much of the company’s earnings are needed for investment, but also take into consideration the possible effect of their decisions on share prices (Aderemi & Adesina, 2014). Dividends are distributable earnings of a company (Gbegi and Pavtar, 2018). The earnings, which are not distributed, constitute retained earnings. The decision on dividends payout and retained earnings constitute the dividends payout policy. The decision on whether or not to declare dividend rests in the hands of the board of directors of a company. However, when declared, it becomes a liability on the company according to CAMA (1990) as amended.

In recent years, there has been a growing interest in the relationship between the dividend policy of a firm and its value. Extant literature however holds that the ability of a firm to pay dividend is substantially dependent on the firm’s profitability for the period. Where a firm declares profit, it is usually accompanied by dividend declaration and the process of payment set in place after ratification by the shareholders. Shareholders dividends are then conveyed in the form of dividend warrants. These dividends declared and sometimes warrants distributed are however often not claimed by the owners resulting into an accumulation of unclaimed dividends. When a dividend is declared by a company and is not claimed by the shareholder for any reason, it gives rise to the issue of unclaimed dividends (Unegbu 2012).

CAMA (1990) as amended considers dividends as unclaimed after fifteen (15) months from the date of declaration. In Nigeria, the growing incidence of unclaimed dividends has generated serious concern among regulatory authorities, company executives, Registrars of companies and the general public. If dividends remain unclaimed for whatever reason, they become a disincentive to investment and may erode investor’s confidence in the Nigerian capital market (Gbegi and Pavtar, 2018).

Over the years, especially in Nigeria, investors or shareholders face a lot of problems with regard to converting their dividend warrants to cash which leads to consistent increase in unclaimed dividend (Ekwueme & Ezelibe, 2017). In spite of the several efforts by the apex market regulator, the Securities and Exchange Commission



(SEC), the problem seems far from over. In an effort to ameliorate the problem of unclaimed dividend, the SEC in June, 2008 launched the e-payment system which involves dividend payment into shareholder's nominated bank through a direct credit rather than through cheques or warrant. Owolabi and Obida (2013) rightly described those regulators have made some frantic efforts to curtail the incidences of unclaimed dividend by introducing the E-dividend system of payment on June 16, 2008 which was meant to address the delay associated with the verification of proceeds of public offers as well as address delay encountered by investors in getting returns on their investment and also reduce the incidence of unclaimed dividend. However so far, the way and manner of implementation by most of the registrars and the failure of shareholders to fully embrace the e-dividend initiative have continued to increase the incidence of unclaimed dividend.

Dividend can be in the form of cash dividends or shares known as stock dividends (Bonus shares) or stock repurchase (where excess cash is used to buy company shares). Paying a cash dividend reduces corporate cash and retained earnings shown in the balance sheet. In stock dividends, no cash leaves the firm; rather it increases the number of shares outstanding thereby reducing the value of each share. Many investors are attracted to companies, because of their dividend payout policies (Gbegi and Pavtar, 2018). The company's value is reflected from the market value of company's shares. The issue of unclaimed dividends continues to pose a major threat to potential investments by shareholders. This study therefore intends to evaluate the effect this unclaimed dividend has on the market value of firms listed on the Nigeria stock exchange.

### **Statement of the Problem**

In Nigeria today, the issue of unclaimed dividends has remained a topical issue when it comes to investment in stocks. The concern is not only to the shareholders and investors, but to regulators as well. Some investors allege that entities have a greater blame in reasons of unclaimed dividend as they intend to use it to boost their corporate cash base. Companies keep these unclaimed dividend fund in their financial statement. Union bank plc disclosed N880 million in 2012 while First bank of Nigeria revealed N750 million in the same year as unclaimed dividend. Unclaimed dividends may further jeopardize the transparent nature of the Nigerian stock market. The unclaimed portion of these dividends has the potential of affecting the impact of the paid dividends on market price of shares. This can create loopholes for manipulation by directors of companies. There have not been many attempts by



researchers to establish a valued and acceptable relationship between unclaimed dividend and market value of quoted firms in Nigeria. However, given the increasing amounts of unclaimed dividend and the various efforts of the stakeholders in the stock market to nip it in the bud, this study seeks to fill the gap in literature by examining the effect of unclaimed dividend on market value of selected firms listed on the Nigerian Stock Exchange (NSE). Based on the foregoing, the study seeks to:

- 1 Examine the effect of unclaimed dividends on market price per share of listed firms in Nigeria.
- 2 Determine the effect of unclaimed dividend on price earnings ratio of listed firms in Nigeria.
- 3 Ascertain the effect of unclaimed dividends on earnings per share of listed firms in Nigeria.

And thus, we hypothesized that:

1. Unclaimed dividends have no significant effect on market price per share of listed firms in Nigeria.
2. Unclaimed dividends have no significant effect on price earnings ratio of listed firms in Nigeria.
3. Unclaimed dividends have no significant effect on earnings per share of listed firms in Nigeria.

## **2. LITERATURE REVIEW**

Dividend is an appropriation of profits to shareholders after deducting tax and fixed interest obligations on debt capital. It is also the return that is distributed to shareholders as a result of the money invested in acquiring the stock of a company (Duke, Ikenna and Nkamare, 2015). It is a compensatory distribution to equity shareholders for both time and investment risks undertaken (Uwuigbe, et al, 2012). Pandey (2011) establish dividend as a portion of a company's net earnings which the directors recommend to be shared among shareholders in proportion to their shareholdings in the company. It is usually articulated as a percentage of nominal value of the company's ordinary share capital or as a fixed amount per share. Dividend is also defined as the sum of money which is received by a shareholder as his share of the profit earned by the company, measured by his shareholding or part



of the asset which are divisible among shareholders (Oyejide, 2013). Ross & Westerfield (2006) defined dividend as distributions of earnings. This can be in form of cash known as cash dividends or share known as stock dividends (Bonus shares) or stock repurchase, when excess cash is to be gotten rid of. In extreme cases, distribution could be in form of capital known as liquidating dividends. According to them, when a company pays cash dividends, the corporate cash and retained earnings shown in the balance sheet are reduced. In the case of stock dividends, no cash leaves the firm and so it increases the number of shares outstanding, thereby reducing the value of each share. According to Eniola and Akinselure (2016), repurchased stock helps in tax avoidance. When warrants for the reward on investment either that of cash or property are sent to shareholders but could not be received for a stipulated period of time, it will be returned to companies by their registrars as unclaimed. Unclaimed dividends therefore according to the Securities and Exchange Commission (SEC) refer to dividends due to shareholders fifteen (15) months after initial payment. Such dividend which remain unclaimed after fifteen months of being declared are supposed to have been returned to the company from which the beneficiary / investor may make claim not later than (12) years afterwards. Subsequently such unclaimed dividends are considered statute barred and thus forfeited by the shareholders. It is assumed that the dividends have been forwarded by the registrar/company to the beneficiary but same have been returned as unclaimed. As of December 2019, the unclaimed dividends in the Nigerian capital market stood at N158.44 billion (Guardian News online, 2021). News agency of Nigeria (NAN) reports that breakdown of the components shows that unclaimed dividends with companies (15 months and above) stood at N119.01 billion. The ones with registrars amounted to N14.64 billion and unclaimed dividend less than 15 months old stood at N24.77 billion.

The history of unclaimed dividend can be traced as far back as 1972 with the establishment of the Nigerian Stock Exchange (NSE). Those early periods were bedevilled by the inadequacy of trading systems in keeping track of share certificate and signatures and with 12 years ultimatum by Companies and Allied Matters Acts (CAMA) to declare dividend status barred marked the beginning of the growth of unclaimed dividend in Nigeria. The major causes of unclaimed dividend as listed by Nwachukwu (2011), Mgboji (2011) and Akinkugbe (2011) and cited in the works of Owolabi and Obida (2013) are stated below:

- Non-Receipt of Dividend Warrant Timely
- Uninformed Investors



- Deliberate Plans by Companies
- Death of a Shareholder
- Meager Amount/Non-Presentation of dividend
- No Bank Account
- Inefficiency of the Registrars
- Defective Postal System/Unstable Addresses of the Shareholders

From November 2015 when the SEC flagged off the campaign on e- dividend to February 2017, about N42.2 billion has been paid to investors from the backlog of unclaimed dividend. About 2.2 million investors have so far mandated their bank accounts for direct payment of dividend through the e-dividend platform with about 9 million investors yet to join electronic-dividend system where dividend will be paid directly by corporate registrars to the bank accounts of investors (Ekwueme & Omenka, 2017).

There are more than 12 million investors in the stock market. Of this number, Minority retail investors account for more than 80 per cent of the domestic investors' base, although they account for lower turnover. Institutional investors, including pension fund administrators (PFAs), insurance companies, investment banking firms, stockbrokers, dealers and high net worth individual investors among others, account for the larger percentage of transactions. Transactional report by the Nigeria Stock Exchange (May 2017) indicated that retail domestic investors account for 38.5 per cent of total transaction value by domestic investors.

Electronic dividend has a number of benefits attributed to its adoption and implementation. Some of these benefits as identified by Gwarzo (2016) include the following:

- It is a convenient, secure, online means of paying dividend directly to the investor
- Shareholders will receive their dividend promptly, without the hassles of lodging or cashing their cheques or warrants in banks.
- Increase transparency and efficiency in the administration of dividend payment.
- Investors will be able to monitor and track dividend payments more effectively.
- Faster and more secured dividend payments shareholders will get credit for dividend declared within 24 hours of payment.
- More investors will be attracted into the capital market.



- More satisfied investors as dividend are received promptly.
- It implies same day clearance for dividend payment, following which a confirmation letter of the dividend payment is then sent to the shareholder through the Registrars.
- No more waiting for the dividend warrant in the mail or queuing to pay in the bank.
- Eliminate the forfeiture of dividend in the future.
- Enhance ability of shareholders to immediately access and utilize the proceeds of their investments for reinvestment.

In additional, Gwarzo (2016) also identified the demerits of physical dividend warrant to include:

- Shareholders who die intestate without a share certificate and did not indicate any information on their next of kin will lose their entitlements.
- There can be a deliberate act to deny investors their benefit through various schemes by companies who lack liquidity to pay and/or have to borrow to pay.
- There is common cases of poor logistics management and inadequate update of personal data on the part of shareholders.
- In event of change of address of shareholders, wrong or incomplete mailing addresses of shareholders kept by Registrars have prevented them from getting their dividend.
- Small dividends are abandoned for not being worth the effort to collection.

Bannock (2017) noted that a dividend is expressed as a percentage of the nominal value of a share or an absolute amount per share. Richard and Stewart (2003) noted the direct compensation and servicing of share capital involved in dividend paid to shareholders, adding that dividend payment is a trade-off between retained earnings and paying out cash as well as issuing new shares. Chandra (2002) sees dividend policy as that which determines the proportion of earning paid to shareholders by way of dividends and what proportion is ploughed back in the firm for reinvestment purpose. Dividend policy summarily refers to practices that companies follow in making dividend pay-out decisions with reference to size and pattern of distribution to shareholders. It encompasses both the amount paid and the pattern under which changes in amount occur over time. That is, it entails striking a balance between future growth and payment of current dividends to firm's shareholders. In the study own understanding, dividend policy is the decision arrived by participants involved in the dividend decision process on how and when the amount or percentage will be



allocated to shareholders as returns on their equity investment and the portion reserved for precautionary, speculative or transactionary motives. A company's decision regarding what to pay as dividend depends on a number of factors. These factors as proposed by Akinsulire (2006) are;

- **1. Legal:** Company law allow the payment of dividend only out of distributable profits that is; profits arising from the use of the company's property, even though it is a wasting asset; revenue reserves; realized profit on a fixed asset sold, but where more than one asset is sold, the net realized profit on the assets sold; calculated on conventional accounting principles. It is forbidden to distribute dividend out of capital (Section 379 – 382 of CAMA).
- **2. Government regulation:** Government, through some guidelines restricts the amount of dividend payable to shareholders by restricting dividend payment to a certain percentage of the profit after taxation. However, from 1988, dividend payment has been deregulated.
- **3. Statutory requirement:** Some companies are required to transfer a given percentage of profit before tax (PBT)/ profit after tax (PAT) to statutory reserves. For example, insurance companies; Life – 10% OF PBT or 1% of total premium whichever is higher; Nonlife – 20% of PBT or 3% of total premium whichever is higher. Banks; 30% of PAT if statutory reserve is less than minimum paid up capital, 15% of PAT if statutory reserve is less than minimum paid up capital, 10% of PBT to SME reserve.
- **4. Liquidity:** Regardless of other considerations, a company will be unable to pay a dividend if cash is not available to do so. It may however, sometimes borrow for example, by bank overdraft, for this purpose.
- **5. Share valuation:** It has become part of the stock market that investors favour a company if its dividends are basically stable over time. A gentle upward movement is to be desired but violent fluctuations in either direction are not. These factors often lead many companies to adopt a very cautious dividend policy.
- **6. Internal re-investment opportunities:** If external finance is not available or only available by incurring significant transaction costs, then the payment of dividends may mean foregoing worthwhile investment opportunities. Dividend may have to be restricted to provide financing for such investments.





- **7. Access to capital market:** A company can raise new debt or equity from the capital market if it is not liquid enough to pay its dividend. The greater companies access to capital market, the greater its ability to pay dividend.

### **Legal Provisions on Unclaimed Dividends**

The position of the law regarding unclaimed dividend is found in Companies and Allied Matters Act (CAMA) 1990 section 382(1) which states as follows "where dividends are returned to the company as unclaimed the company shall send a list of the names of the persons entitled with the notice of the next annual general meeting to the members". Section 382(2) states that at the expiration of 3 months of notice, the company may invest the unclaimed dividend for its own benefit in any investment outside the company and no interest shall accrue on the dividend against the company. However, it is noted in literature, that not many companies publish the list of unclaimed dividend and even when they do, the amount entitled to individual shareholders are not disclosed either. Section 382(4) states that for the purpose of liability, the date of posting the dividend warrant shall be deemed to be the date of payment and proof of whether it has been sent is a question of fact.

### **Theoretical Review**

This study is anchored on two of the theories of Dividend Policy signalling theory developed by Bhattacharya (1979) and Bird in Hand theory by Linter (1956), Walter, (1963) and supported by Gordon (1962) dividend relevancy theory.

### **Dividend Policy Signalling Theory**

Bhattacharya (1979) developed this theory. Ordinarily, the signalling theory is based on the assumption that information is not equally available to all parties at the same time. This theory hinges on the fact that corporate financial decisions are signals sent by the company's managers to investors. The signalling effect of dividends theory states that dividends convey information about future earnings. It supports the fact that investors can infer information about a firm's future status and cash flows based on the signals that come from the announcements of dividends by a firm, both checking from stability of dividends and changes in dividends. Thus there is a positive reaction to dividend increase and a negative one to dividend decrease. The theory supports the fact that dividend policy affects positively the financial performance of a firm. However, Miller and Modigliani (1961) argued differently. They noted that that a firm's top management has all the information regarding the



operations and strategy of the firm and can easily forecast future earnings of the company. As a result, information asymmetry occurs leading investors to translate every move by the company as a signal to future earnings. Thus, dividends act as a signal to a firm's future performance.

### **Bird in Hand Theory**

This theory was propounded by Lintner (1956), Walter, (1963) and supported by Gordon, (1962) dividend relevancy theory. This theory is synonymous with the saying that 'a bird in hand is worth two in the bush' The traditional view of the bird in hand theory of dividends is that dividends are the singular determinant of the value of shares and that the receipt of the share of profits now, in form of income rather than in the future, in form of capital appreciation, enhances the value of the share. Invariably, investors prefer to receive dividends now rather than wait for capital gains in the future. Investors prefer certainty of dividends as compared to uncertainty of future capital gains. The payment of dividend helps to resolve the uncertainty in the mind of investors about the future earning potentials of the company. Investor place greater reliance on the ability of the firm to earn profits in the future and pay dividends, reduce the risk perception of the company and thus increase the value of the company's shares, all things being equal. Linked to the present study, this theory presupposes that dividend pay-out impacts on firm's share price because it reduces the uncertainty in the mind of the investors making them to discount the firm's return at a lower rate, thereby resulting into higher market values.

### **Empirical Review**

Ekwueme and Ezelibe (2017) examined the effect of unclaimed dividend on profitability and firm value of selected deposit money banks (DMBs) quoted in the Nigerian Stock Exchange (NSE). The population consisted of all the quoted deposit money banks (DMBs) in the Nigerian Stock Exchange for the 5-year period (2012–2016) covered by this study. Nine of the banks were selected for the study. Ordinary least square (OLS) statistical tool was used in the analysis of data. The study found that there is no significant relationship between unclaimed dividend and profitability, similarly it was also observed that no significant relationship exists between unclaimed dividend and firm value of the selected banks. It was recommended that regulators and other stakeholders in the capital market should ensure that the new e-dividend payment system is fully implemented to significantly reduce the volume of



unclaimed dividend. Also, they recommended that shareholders should be sensitized on the importance of the e-dividend payment and how they can take advantage of it.

Ezeudo and Orikara (2017) asserts that the major essence of investment in the shares of an organization is the return on investment which could be in the form of capital appreciation or dividend. Their study examined the implications of large value of unclaimed dividends on the economic growth of Nigeria from 2005 to 2015. To increase the robustness of the study, earnings per share (EPS) was introduced as one of the explanatory variables. The study used the Ordinary least Square (OLS) multiple regression model to investigate the relationship among the variables. The study revealed that there exists a positive and significant relationship between unclaimed dividend (proxied by unclaimed dividend in Nigeria Breweries Plc) and real gross domestic product (proxy for economic growth) in Nigeria. Furthermore, the study showed that there exists a positive and significant relationship between earnings per share (used as a control variable) and real gross domestic product in Nigeria. The study recommends that the government should mobilize all unclaimed dividends by firms in Nigeria and create a pool such that those funds can be channelled into infrastructural development to enhance economic growth in Nigeria.

Ogbodo (2017) studied the effect of unclaimed dividend on the financial statement of selected commercial banks in Nigeria. Time series data and survey research design were used. Data for the study were collected from both primary and secondary sources. This was through questionnaires and 2008 to 2012 annual reports and accounts of the two selected commercial banks in Nigeria. The hypotheses were tested with Z-test statistical tool. Findings showed among others that unclaimed dividend directly affects the financial positions of financial institutions by increasing their total liabilities and so their total assets reducing their owner's equity. Also, that Investors are concerned with what happened to unclaimed dividend and the general impression that the average investors are only concerned about their dividend is proven wrong. It is therefore recommended that companies should make alternative arrangement for the provision of cash and short-term fund in case unclaimed dividends are transferred to a separate account, as this will enable the management to henceforth present true and fair statement of their business operations.

Ekwueme and Omenka, (2017) surveyed the public perceptions of e-dividend and payment system in the Nigerian capital market. Data were collected from both primary and secondary sources. The major data collection instrument is the questionnaire and interviews. On presentation and analysis of data, the study found



among other things that awareness of e- dividend payment system in the Nigerian capital market among the stakeholders was sufficient. This was evidence in the perception of investors in the Nigerian capital market where 60% of respondents affirmed that there is sufficient dissemination of information on the e-divided policy.

Kighir (2002) investigated the impact of dividends payout and unclaimed dividends on stock price in Nigeria. The study employed survey design, using cross-sectional secondary data from 55 companies quoted on the Nigerian Stock Exchange. The statistical tool used was OLS regression analysis. Questionnaires, interviews and group discussions were used to collect the primary data. The study revealed that there is a positive relationship between paid cash dividends and current stock price; there is a positive relationship between unclaimed dividends and current stock price. The study also reveals that 50% of impact of declared dividends on stock price in banking industry, 33.3% in manufacturing industry and 50% in Nigeria as a whole are as a result of inbuilt slack of unclaimed dividends. The study recommended: issuance of a standard on dividends including unclaimed dividends; setting a threshold value above which unclaimed dividends must be reported to Securities and Exchange Commission; establishment of Abandoned Financial Assets Trust Fund and Amendment to CAMA 1990 and ISA 1999 to make it mandatory that above a certain threshold value all companies must include amount, names and addresses of all persons entitled to unclaimed dividends of previous years in notes to the accounts.

### **3. METHODOLOGY**

The research design for this study is ex-post facto. This is because it relies on already existing secondary data collected of which the researcher has no means of manipulating. The data collected are the yearly figures of unclaimed dividend as independent variable and market price per share and earnings per share of seven (7) selected non-financial firms listed on the Nigerian stock exchange as proxy for dependent variables from 2010-to 2019. These secondary data were sourced from audited financial statements of the firms under study.

#### **Model Specification**

$$MPS_{it} = \beta_0 + \beta_1 \text{UND}_{it} + \varepsilon_{it} \dots \dots \dots \text{i}$$

$$PER_{it} = \beta_0 + \beta_1 \text{UND}_{it} + \varepsilon_{it} \dots \dots \dots \text{ii}$$

$$EPS_{it} = \beta_0 + \beta_1 \text{UND}_{it} + \varepsilon_{it} \dots \dots \dots \text{iii}$$

Where:

MPS = Market Price/share

PER = Price/Earnings Ratio



EPS = Earnings per share  
UND = Unclaimed Dividends  
 $\beta$  = Intercept  
 $\beta_1$  = Slope coefficient  
 $\varepsilon$  = Stochastic Error term  
 $i$  = Cross section of firms  
 $t$  = time period

### Techniques of Analysis

This study would adopt panel data analysis because the study combined both time series and cross-sectional data (Gujarati and Porter, 2009). To ensure the quality of the data, test for normality of variables will done using Jarque-Bera (J-B) statistics. The data will be analysed using descriptive statistics and panel regression.

### 4. RESULTS AND DISCUSSION

The results of this study involve descriptive statistics (encompassing the mean, standard deviation, median, minimum and maximum Jarque-Bera statistics). The explanations to these are provided in the subsequent subsections.

**Table 1**  
**Descriptive Statistics**

|              | UND      | MPS      | PER       | EPS       |
|--------------|----------|----------|-----------|-----------|
| Mean         | 3.87E+08 | 192.5567 | 29.59236  | 9.348914  |
| Median       | 71130000 | 30.37000 | 23.76540  | 1.490000  |
| Maximum      | 2.32E+09 | 1555.990 | 216.6000  | 57.63000  |
| Minimum      | 269112.0 | 1.050000 | -81.52985 | -54.29000 |
| Std. Dev.    | 6.03E+08 | 380.1836 | 41.52630  | 17.63727  |
| Skewness     | 1.773901 | 2.477388 | 1.751740  | 0.544213  |
| Kurtosis     | 5.083268 | 8.083758 | 10.06773  | 5.734304  |
|              |          |          |           |           |
| Jarque-Bera  | 46.54897 | 138.5846 | 171.1248  | 23.81800  |
| Probability  | 0.000000 | 0.000000 | 0.000000  | 0.000007  |
|              |          |          |           |           |
| Sum          | 2.55E+10 | 12708.74 | 1953.096  | 617.0283  |
| Sum Sq. Dev. | 2.36E+19 | 9395070. | 112088.2  | 20219.75  |
|              |          |          |           |           |
| Observations | 66       | 66       | 66        | 66        |

Source: Researcher's computation using E-views 9, 2021

Note: UND = Unclaimed dividend, MPS = Market price per share, PER= Price earnings ratio. EPS= Earnings per share



The mean value of unclaimed dividends of the firms for the period under study was ₦387 billion with a standard deviation of ₦603 billion as shown in Table 1. The average PE Ratio of the firms for the period under study is 29.592 with a standard deviation of 41.526. The average market price per share is ₦192 with a standard deviation of ₦380. The average earnings per share is ₦9.35 with a standard deviation of ₦17.64. The Jarque-Bera statistics shows from the probability values less than 0.05% that the data set are normally distributed and as such can be used for inference.

### Panel Unit Root Test

**Table 2**  
**ADF Test for Panel Unit Root**

| Variables | ADF Fisher<br>Chi-square<br>statistic | Probability Value | Order of Integration |
|-----------|---------------------------------------|-------------------|----------------------|
| LOGUND    | 23.3058                               | 0.0097            | 1 (1)                |
| MPS       | 49.9914                               | 0.0000            | 1 (1)                |
| PER       | 53.8808                               | 0.0000            | 1 (1)                |
| EPS       | 27.1491                               | 0.0184            | 1 (1)                |

Source: Researchers' examination using E-views 9

The Augmented Dickey Fuller (ADF) test was used to test for panel unit root in our variables. The results indicate that UND, MPS, PER and EPS are stationery at 1<sup>st</sup> difference or integrated at order 1 indicating that there is unit root. The implication of this is result is that there is most likely a long-run relationship between our variables. The order of integration of the variables justifies the use of pooled mean group/panel auto-regressive distributive lag (ARDL).

### Pooled Mean Group /Autoregressive Distributed Lags

To ascertain the long-run relationships, the study employed Pooled Mean Group (PMG)/Panel ARDL proposed by Pesaran et al. (1999). This model takes the cointegration form of the simple ARDL model and adapts it for a panel setting by allowing the intercepts, short-run coefficients and cointegrating terms to differ across firms. One of the merits of PMG is that of its flexibility and that it can be applied when the variables are of mixed order of integration (Demirgunes, 2015).

### Optimal Lag Selection

The choice of appropriate lags order is critical. The optimal lag order can be determined by SBC or AIC. The study selected the appropriate lag length based on

AIC. The optimal lag for the independent variable LOGUND is 1 as indicated by the selected criteria. The optimal lag for MPS, PER and EPS is 1,1,2 as indicated by the selected criteria.

### **Analysis and Interpretation of Panel ARDL/Pooled Mean Group for Model (1)**

**Table 3**  
**Panel ARDL/Pooled mean group for Model (1)**

| Variable   | Coefficient | Std. Error | t-Statistic | Prob.* |
|--|-------------|------------|-------------|--------|
| Long Run Equation  |             |            |             |        |
| LOGUND   | -96.71460   | 17.64056   | -5.482513   | 0.0000 |
| Short Run Equation   |             |            |             |        |
| COINTEQ01  | -0.430360   | 0.187563   | -2.294479   | 0.0266 |
| D(LOGUND)  | 9.357326    | 38.93341   | 0.240342    | 0.8112 |
| C  | 427.1721    | 176.6705   | 2.417902    | 0.0198 |
| Log likelihood   | -248.6225   |            |             |        |
| *Note: p-values and any subsequent tests do not account for model selection. |             |            |             |        |

Source: Researchers' output using E-views 9

The model for the relationship between MPS and unclaimed dividends was estimated by using the recently developed Pooled Mean Group (PMG)/ARDL estimator. Table 3 presents the results from the ARDL for model 1. The lags order is selected based on Akaike information criterion (AIC). The result reveals that LOGUND is negatively related to market price per share of the firms in the long-run. The negative coefficient of LOGUND indicates that as 1% increase in unclaimed dividends decreases MPS by 0.96 units in the long-run.

The speed of adjustment coefficient of -0.43 is significant at 5% level of significance (prob<0.05), indicating that it will take almost 2 years for the variables to adjust to long-run trend after a short drift to equilibrium state. In the short-run however, LOGUND showed a positive and insignificant effect on market price per share of firms.

**Analysis and Interpretation of Panel ARDL/Pooled Mean Group for Model (2)**

**Table 4**  
**Panel ARDL/Pooled mean group for Model (2)**

| Variable   | Coefficient | Std. Error            | t-Statistic | Prob.*   |
|--|-------------|-----------------------|-------------|----------|
| Long Run Equation  |             |                       |             |          |
| LOGUND   | -0.007453   | 0.379689              | -0.019629   | 0.9844   |
| Short Run Equation   |             |                       |             |          |
| COINTEQ01  | -1.156884   | 0.171592              | -6.742067   | 0.0000   |
| D(LOGUND)  | -23.21299   | 19.97081              | -1.162346   | 0.2512   |
| C  | 30.57498    | 11.52355              | 2.653261    | 0.0110   |
| Mean dependent var   | 0.119450    | S.D. dependent var    |             | 57.27290 |
| S.E. of regression   | 35.25703    | Akaike info criterion |             | 7.528568 |
| Sum squared resid  | 55937.63    | Schwarz criterion     |             | 8.252497 |
| Log likelihood   | -230.2070   | Hannan-Quinn criter.  |             | 7.815028 |
| *Note: p-values and any subsequent tests do not account for model selection. |             |                       |             |          |

Source: Researchers' examination using E-views 9

Table 4 presents the results from the Panel ARDL (1,1) for model 2. This model establishes the relationship between price/earnings ratio (PER) and unclaimed dividends in the long-run and in the short run. The lag orders were also selected based on Akaike information criterion (AIC).

The results revealed that unclaimed dividends have no significant influence on the price/earnings ratio of the firms in the long-run at prob. of 0.9844 (prob>0.05). The cointegration coefficient of -1.156884 was significant at 5% alpha level (prob<0.05), and it indicates the speed of adjustment at which variables will adjust to long-run trend after a short drift to equilibrium state. The short-run effect here is also not significant as expected.



### Analysis and Interpretation of Panel ARDL/Pooled Mean Group for Model (3)

**Table 5**  
**Panel ARDL/Pooled mean group for model 3**

| Variable   | Coefficient | Std. Error            | t-Statistic | Prob.*   |
|--|-------------|-----------------------|-------------|----------|
| Long Run Equation  |             |                       |             |          |
| LOGUND   | 0.910154    | 0.059870              | 15.20223    | 0.0000   |
| Short Run Equation   |             |                       |             |          |
| COINTEQ01  | -0.856128   | 0.266955              | -3.207017   | 0.0027   |
| D(EPS(-1))   | 0.482775    | 0.428318              | 1.127141    | 0.2668   |
| D(LOGUND)  | -7.051322   | 8.120903              | -0.868293   | 0.3907   |
| C  | 1.405275    | 4.763466              | 0.295011    | 0.7696   |
| Mean dependent var   | -0.009998   | S.D. dependent var    |             | 22.57336 |
| S.E. of regression   | 13.68035    | Akaike info criterion |             | 3.529397 |
| Sum squared resid  | 7111.774    | Schwarz criterion     |             | 4.483667 |
| Log likelihood   | -89.23480   | Hannan-Quinn criter.  |             | 3.907004 |
| *Note: p-values and any subsequent tests do not account for model selection. |             |                       |             |          |

Source: Researchers' output using E-views 9

Table 5 presents the results from the ARDL model for model 3. This model establishes the relationship between earnings per share and unclaimed dividends in the long-run and in the short run. The results revealed that unclaimed dividend has positive and significant effect on the earnings per share of the firms in the long-run (prob<0.05). The positive coefficient of LOGUND indicates that 1% increase in unclaimed dividends increases EPS by 0.9101 units in the long-run.

The cointegration coefficient of -0.8561 is significant at 5% alpha level, and it indicates the speed of adjustment at which the variables will adjust to long-run trend after a short drift to equilibrium state. The short-run equations show that unclaimed dividends have no significant short run effect on EPS.



## **Test of Hypotheses**

### **Hypothesis 1**

To test the hypothesis that:

$H_0$  = Unclaimed dividends have no significant effect on market price per share of listed firms in Nigeria.

$H_1$  = Unclaimed dividends have a significant effect on market price per share of listed firms in Nigeria.

**Decision Criteria:** The decision rule provides rejecting  $H_0$  if the p-value of the t-statistics is less than 0.05, otherwise accept  $H_0$ .

Since the coefficient of the t-statistic has probability value of 0.0000, the study concludes that  $H_0$  is not sustained hence based on the ARDL model estimate from table 3, the study upholds that unclaimed dividend have significant long-run effect on market price per share of listed firms in Nigeria.

### **Hypothesis 2**

To test the second hypothesis:

$H_0$ : Unclaimed dividends have no significant effect on price earnings ratio of listed firms in Nigeria

$H_1$ : Unclaimed dividends have a significant effect on price earnings ratio of listed firms in Nigeria

**Decision Criteria:** The decision rule provides for rejecting  $H_0$  if the p-value of the t-statistics is less than 0.05, otherwise accept  $H_0$ .

Since the coefficient of the t-statistic has probability value of 0.9844, the study cannot reject  $H_0$ , thus the study concludes that unclaimed dividends have no significant effect on price-earnings ratio of listed firms in Nigeria in the long run.

### **Hypothesis 3**

To test the hypothesis that:

$H_0$  = Unclaimed dividends have no significant effect on earnings per share of listed firms in Nigeria.

$H_1$  = Unclaimed dividends have significant effect on earnings per share of listed firms in Nigeria.

**Decision Criteria:** The decision rule provides for rejecting  $H_0$  if the p-value of the t-statistics is less than 0.05, otherwise accept  $H_0$ .

Since the coefficient of the t-statistic has probability value of 0.0000, the study rejects  $H_0$  and based on the ARDL model estimate from table 4, we conclude that unclaimed



dividends have a significant long-run effect on earnings per share of listed firms in Nigeria.

### **Discussion of Findings**

The results of the panel ARDL/PMG estimator revealed that unclaimed dividend has a significant negative effect on market price per share. This result contrast with the findings of Ekwueme and Ezelibe (2017). This results reveals that an increase in unclaimed dividends would bring about a decrease in market price per share in the long run. The implication of these findings is that as the value of unclaimed dividends rises, this could be affecting the demand of stocks of listed firms. Secondly, the study reveals that unclaimed dividends have a negative and insignificant effect on price earnings ratio (PER). This is not surprising since prices are the present value of future earnings. Ordinarily, PER indicates what the market is willing to pay today for a stock based on its past or future earnings. So after a dividend is declared stock prices would often increase in response to such declaration, but if such dividends eventually remain unclaimed overtime; a negative effect could set in. Thirdly, the study also revealed a positive and significant effect of unclaimed dividends on earnings per share (EPS) a significant positive effect on earnings per share of the listed firms included in the study. This result agrees with the findings of Ezeudo and Orikara (2017), implying that an increase in unclaimed dividends would bring about an increase in earnings per share of the firms in the long run. This may be due to the fact that such unclaimed dividends have been ploughed back or reinvested in such firms to generate more earnings for the firm.

### **5. CONCLUSION**

The study examined the how unclaimed dividend affect market value of listed firms in Nigeria. The study found that there is significant but inverse long-run relationship between unclaimed dividend and market price per share, secondly an insignificant and inverse relationship between unclaimed dividends and price earnings ratio. While a long-run positive relationship subsists between unclaimed dividend and earnings per share of listed non- financial firm in Nigeria. This finding, therefore, suggests that the incidence of unclaimed dividend has impact on market value of listed firms in Nigeria. Though the incidence of unclaimed dividend does not affect the market value of firms in the short run, it no doubt defeats the purpose of shareholders' investment.



## **6. RECOMMENDATIONS**

Based on the above conclusions, the study recommends that regulators and other stakeholders in the capital market should ensure that the new e-dividend payment system is fully implemented to significantly reduce the volume of unclaimed dividend. Companies are also advised to source for alternative means of cash and short-term funds that will enable management to present true and fair statement of their operations. Also, shareholders should be sensitized on the importance of the e-dividend payment and how they can take advantage of it.

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