

Evaluation of Key Performance Indicators as Determinants of Dividend Paid on Ordinary Shares in Nigeria Banking Sector

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Abstract : The aim of the research is to evaluate the key financial performance indicators that help both managers and their shareholders of Nigerian Banks to determine the appropriate dividend payout to their ordinary shareholders in an accounting year. Profitability, total asset, and earnings of commercial banks were selected as key performance indicators in Nigeria Banking Sector. They represent the independent variables of the study while dividend per share is the proxy for the dividend paid on ordinary shares which represent the dependent variable. The effect of profitability, total asset and earnings on dividend per share were evaluated through the ordinary least square method of multiple regression analysis. Test for normality of frequency distribution was conducted through descriptive statistics such as Jacque Bera Statistic, skewness and kurtosis. Rate of dividend payout was subsequently applied as an alternate dependent variable to test for robustness of the earlier results. The 64% adjusted R-squared of the pooled data indicates that profitability, total asset, and earnings explain the variation in dividend per share during the period under research while the remaining 36% variation in dividend per share could be explained by changes in other variables not captured by this study as well as the error term. The study concentrated on four leading Nigeria Commercial Banks namely; First Bank of Nigeria Plc, GTBank Plc, United Bank for Africa Plc and Zenith International Bank Plc. Dividend per share was found to be positively affected by total assets and earnings of the commercial banks. However, profitability which was proxied by profit after tax had a negative effect on dividend per share. The implication of the findings is that commercial banks in Nigeria pay more dividend when they are having a dwindling fortune in order to retain the confidence of the shareholders provided their gross earnings and size is on the increase. Therefore, the management and board of directors of Nigeria commercial banks should apply decent marketing strategies to enhance earnings through investment in profitable ventures for an improved dividend payout rate.

Keywords : assets, banks, indicators, performance, profitability, shares

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