THE IMPACT OF COMPANY INCOME TAX ON THE DIVIDEND POLICY OF QUOTED DEPOSIT MONEY BANKS IN NIGERIAN STOCK MARKET

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Abstract

This study examined the impact of company income tax on the dividend policy of quoted deposit money banks in Nigeria. Specifically, the study sought-after the relationship between companies income tax and dividend per share of deposit money banks in Nigeria; investigated the impact of education tax on dividend per share of deposit money banks in Nigeria; assessed the effect of profit after tax on dividend per share of deposit money banks in Nigeria and determined the direction of causality between companies income tax and dividend per share of deposit money banks in Nigeria. The study adopted the ex-post facto research design. Panel data sets spanning 2012-2020 was pooled for five (5) quoted deposit money banks. Data obtained was estimated using pooled OLS regression analysis, fixed effect and random effect panel analysis, panel granger causality test alongside post estimation was carried out. Findings from the study indicated that companies income tax exerts negative significant impact on dividend per share of deposit money banks (DMBs) in Nigeria .0053184 ($p=0.046<0.05$); education tax exerts negative significant impact on dividend per share of deposit money banks in Nigeria -.0563712 ($p=0.017<0.05$); the impact of profit after tax on dividend per share of deposit money banks in Nigeria was positive with 0.936993 ($p=0.014<0.05$), a bidirectional causal relationship exists between dividend policy, company income tax and education tax while a unidirectional causal relationship exists between dividend policy and profit after tax. Premised on these findings, the study suggested that government should implement standardize tax audit and investigation practices as well as demonstrate caution with the use of penalties on defaulters; management of deposit money banks should harness other investment alternatives with relatively low tax rates and maintain good dividend policy and management of deposit money banks should exert increased effort on the expansion of their operational scope and also explore tax policy initiatives including tax relief, tax holiday and tax amnesty to legitimately reduce tax liabilities.

Keywords: Company Income Tax, Education Tax, Profit After Tax, Dividend Policy, Quoted Deposit Money Banks.

1. Introduction

The issue of dividend policy of corporate firms is an elaborate and critical discourse in corporate finance; it is concerned with the decisions associated with dividend payout and retention. Dividend policy describes the portion of profit to be withheld by the company for re-investment and that to be shared amongst the owners of the business (Uwuigbe & Olusegun, 2013). The essence of dividend is to influence shareholders wealth; albeit, the pattern of dividend policy that firms should adopt in attaining this aim has remained a contentious issue (Obayagbona & Ogbeide, 2018). Brealey, Myers & Marcus (2008) averred that dividend policy and factors that drives it forms part of the ten complicated issues in finance. Yet, the issue has been consistently debated as it is a decision that is very significant in improving the stock price, performance, capital structure, firm value and ascertaining the amount of taxes to be paid by shareholders; this is despite taxes being a determinant of dividend as tax is paid before dividend is disbursed (Obayagbona & Ogbeide, 2018).

Tax is a levy made compulsory and charged by government on the inflows of individuals and corporate firms in the bid to cause optimal responsiveness of the government to social welfare and economic development of the nation (Abiahu & Amahalu, 2018). Agbo (2014) averred that tax refers to a compulsory contribution imposed by the government; He further maintained that tax payers especially corporate citizens might not merit any direct benefit to their business for the payment but they are sure to have a safe, healthy, educated and most importantly developed society which indirectly aid the survival of their business (Agbo, 2014). Hence, it is expected that every corporate firm pays tax as it suggests an enviable corporate citizenship and responsibility to the government and the society; tax in itself is just a means for government to accumulate resources but it has a noticeable role in the attainment of equal distribution of social and economic needs (Samuel & Inyada, 2010).

Numerous arguments have stemmed from the association between taxes including companies' income tax and dividend policies of corporate forms. Modigliani and Miller (1961) in the dividend irrelevance theory posited that in a perfect capital market, a firm's dividend policy has no effect on its value which is formed by continuous its performance as only the investment modalities matters. Albeit, varying suggestions and assumptions have been laid concerning the relationship between corporate taxes paid and approach of dividend payment. Onwuka (2019) maintained that corporate tax is envisaged to distort dividend payout policy as well as financing decisions and since almost consistent change in tax policy by the government is obtainable in Nigeria considering its poor tax structure, volatile dividend payment is practically inevitable hence suggesting uncertainty as regards dividend payment which ultimately exert adverse effect on shareholders' value.

Financial scholars including Bennan (1970) in Hamid, Hanif, Shahzada & Wasimullah, (2012) and Masulis and Truceman (1988) in Hamid *et al.* (2012) affirmed that taxes affects firms' corporate dividend policy very noticeably. However, the Nigerian tax system has been designed to generating funds to satisfy the needs of the government at all levels with little or no concern about the causing and sustaining a system effective enough to occasion rapid development in the financial sector which undoubtedly holds significant growth in the economy of Nigeria (Ezugwu & Akubo, 2014). Evidently, the poor height of infrastructural facilities, ease of doing business stemming from poor distribution of revenue generated by the government for developmental projects and activities that should cause business operations including the banking business to be carried out without hitch has been unduly diverted and misappropriated thereby giving little or no justification for payment of tax especially by deposit money banks as the equivalent is still unattained (Oloyede, Olaoye & Oluwaleye, 2018). Hence, firms now explore alternatives to present delusive tax returns towards avoiding tax, adopt evasion as well as transfer tax burden to the society.

Corporate firms especially deposit money banks indulge in such act by shooting up the price of their product and services usually against the regulations of Central Bank of Nigeria which in effect reduce customer satisfaction; the most common act of transferring the effect of tax burden suffered is exerted on shareholders by denying them returns on their investment as the relatively low profit after tax is often retained for reinvestment (Oloyede *et al.,* 2018). Most shockingly, firms tend to be completely undisturbed and relaxed even without declaring dividend at the end of the financial year. Again, the unstable dividend payment of deposit money banks in Nigeria has been associated with the amount of corporate tax paid including companies income tax and education tax as caused by changes in government tax policies and the resultant effect which is reduced profit after tax (Onwuka, 2019). Shareholders considering their cascading value have consistently bemoaned low dividend payment of deposit money banks and this sends adverse signal that is capable of discouraging existing shareholders and potential investors thereby constraining deposit money banks to operate with its retained earnings which restricts the growth of these banks and ultimately drag down the performance of the financial sector (Obafemi, Araoye & Ajayi, 2021).

Despite the urgency of this issue, relatively few studies have tracked the impact of company income tax on the dividend policy of quoted deposit money banks in Nigeria stock exchange as most studies focused on the determinants of dividend policy (Torbira & Otokwala, 2019; Sasona, 2017; Mukhtar 2015; Odeleye, 2015; Odesa, & Ekezie, 2015; Kurawa & Ishaku, 2014; Ajide & Aderemi, 2014). Another strand of studies focused on dividend policy on profitability and performance of firms (Omodero & Ogbonnaya, 2018; Akani & Sweneme, 2016; Jacob & Akinselure, 2016; Abdul & Muhibudeen, 2015; Yusuf 2015; Abiola, 2014). However, the findings of the few studies conducted on corporate taxes and dividend policy still remains divergent as Anaeto, Eche, Abubakar & Salawu (2020), Abiahu & Amahalu, (2017), Odia & Ogiedu (2013) determined negative association between corporate taxes and dividend policy. Omodero & Ogbonnaya (2018), Oloyede, Olaoye & Oluwaleye (2018), Uwuigbe & Olowe, (2013) discovered positive relationship while Mohammed & Hauwa (2015), Obayagbona & Ogbeide (2018) ascertained that no significant association exists between corporate taxes and dividend policy of listed firms in Nigeria. Observably, most of these studies adopted pooled OLS and panel estimation techniques (fixed and random effect) that tracked the dynamic effect of these variables but the causal relationship of these variables which could mediate the contrasting findings existing in literature is evidently lacking in literature; hence, this study despite employing the usual panel estimation techniques intends using the panel based granger causality analysis to examine the causal relationship between company income tax and dividend policy of quoted deposit money banks in Nigeria.

2. LITERATURE REVIEW

Dividend

The word "dividend" comes from the Latin word "dividendum" ("thing to be divided") (Online Etymology Dictionary, 2001). Also, Frankfurter and Wood (2003) define dividends as the distribution of earnings (past or present) in real assets among the shareholders of the firm in proportion to their ownership. The definition has three equally important parts; the fact that dividends can be distributed only from earnings and not from any another source of equity, dividends must be in the form of a real asset e.g. cash and that all stockholders share in dividends relative to their holdings in the corporation.

In extending the concept of dividend, O'Sullivan and Sheffrin (2003) describe it as a payment made by a corporation to its shareholders, usually as a distribution of profits. In the financial history of the world, the Dutch East India Company (VOC) was the first recorded (public) company ever to pay regular dividends (Huston, 2015; Freedman, 2006 & Kindersley, 2014).
The VOC paid annual dividends worth around 18 percent of the value of the shares for almost 200 years of existence (1602-1800) (Chambers, 2006).

Dividend Policy

Dividend policy means the payout policy that managers follow in deciding the size and pattern of cash distribution to shareholders overtime (Baker *et al*, 2011).The term, policy, rejects the possibility of randomness and arbitrariness in determining its pattern and size and implies some consistency and predictability (Allen and Michealy, 2003). It is important to understand how the firm's profits are divided between dividend payment and retained earnings. Corporate managers in their daily routine of life are exposed to a number of crucial decisions regarding finance of a company. Among all such decision dividend payout policy is the one of the most important financial decision that came across (Baker & Powell, 1999). The firm's dividend policy and its capital structure are interrelated. Watson and Head (2007) view dividend policy as being directly connected with the theories of capital structure. If any enterprise pays dividend, it decreases the degree of financing of equity capital from internal sources, and therefore may require external financing sources. Therefore, the dividend decision of affirm and its capital structure are interrelated. A company's dividend policy can depend on: its shareholder, Market signaling and its growth potential.

Companies Income Tax

This tax also refers to as corporate tax and it is a levy placed on the profit of a firm to raise taxes. After operating earnings is calculated by deducting expenses including the cost of goods sold (COGS) and depreciation from revenues, enacted tax rates are applied to generate a legal obligation the business owes the government. Rules surrounding corporate taxation vary greatly around the world and must be voted upon and approved by the government to be enacted (Abiahu & Amahalu, 2017). The corporate income tax is the tax on corporate profits. Broadly defined, corporate profit is total income minus the cost associated with generating that income. Business expenses that may be deducted from income include employee compensation; the decline in value of machines, equipment, and structures (that is, deprecation); general supplies and materials; advertising; and interest payments (Keightley & Sherlock, 2014).

Taxation and Dividend per Share

Afuberoh, Dennis & Okoye (2014) states that income tax can be regarded as a tool of fiscal policy used by government all over the world to influence positively or negatively particular type of economic activities in order to achieve desired objectives. The primary economic goals of developing countries are to increase the rate of economic growth and hence per capita income, which leads to a higher standard of living. Progressive tax rate can be employed to achieve equitable distribution of resources. Government can also increase or decrease the rates of tax, increase or decrease the rate of capital allowances (given in lieu of depreciation) to encourage or discourage certain industries (for example in the area of agriculture, manufacturing or construction) or may give tax holidays to pioneer companies. Income tax therefore can be used as an agent of social change if employed as a creative force in economic planning and development.

3. METHODOLOGY

This study adopts the ex-post facto research design. The model of Oloyede, Olaoye and Oluwaleye (2018) which examined the impact of corporate taxation on dividend policy of quoted firms in Nigeria was moderated and followed in developing a relatively robust model in this study. Oloyede *et al* (2018) captured corporate taxation with tax surrogates including company income tax and education tax which dividend per share was used in proxying dividend policy of firms sampled in the study while firm size was considered as a control variable in the model. For clarity, the model of Oloyede *et al* (2018) is presented in equation 3.1

DPS = *f* (CIT, EDT, FZ) ………………………………………………………………………. 3.1

$DPS_{it} = \alpha_0 + \alpha_1 CIT_{it} + \alpha_2 EDT_{it} + \alpha_3 FZit + \mu_{it}$ ………………………………………………. 3.2

Where:
DPS = Dividend per share
CIT = Company income tax
ED = Education tax FZ
= Firm size α_0 = Intercept
$\alpha_1, \alpha_2, \alpha_3 =$ Coefficients μ_{it}
Error term

However, this study observed that the profit after tax of firms which reflects remains of the effect of companies income tax was not considered in the model of Oloyede *et al* (2018). Hence, the model is modified to contain profit after tax and for simplicity; the modified model is specified in its functional and linear forms below:

Functional representation:
DPS = *f* (CIT, EDT, PAT, FIS, U) 3.3
Linear representation:

$$\mathrm{DPS_{it}} = \delta_0 + \delta_1 \mathrm{CIT_{it}} + \delta_2 \mathrm{EDT_{it}} + \delta_3 \mathrm{PAT_{it}} + \delta_4 \mathrm{FIS_{it}} + \mu_{it}$$

………………………………3.4

Where:
DPS = Dividend Per Share
EDT = Education Tax
PAT = Profit after Tax FIS =
Firm Size
μ = Error term

Sources of Data and Method of Data Analysis

Data considered in this study are secondary data which was gathered from the published financial statements of deposit money banks on the Nigeria Stock of various issues. Data amassed from this sources spanned from 2012-2020 as stated in the scope of the study. The study static panel data analyses including pooled OLS estimator, fixed effect estimator, and random effect estimator, alongside post-estimation tests such as restricted f-test, Hausman test and Dumetrescu-Hurlin granger causality estimation.

4. RESULTS AND DISCUSSION

Table 4.1 Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
DPS	45	.363311	.185589	.038	.865
CIT	45	14.52022	2.47909	9.39	17.72
EDT	45	11.774	2.443619	8.06	16.86 PAT
45	16.95778	1.551742	14.3	19	
FSI	45	22.37511	2.156309	19.77	26.43

Sources: E-View Version 7. *Author's Computation, (2022)*

Descriptive statistics reported in table 4.1 revealed that the mean divined per share, company income tax, education tax, profit after tax and firm size for 2012-2020 across the five deposit money banks sampled in the study stood at: .363 naira, 14.5 million, 11.774 million, 16.957 million and 22.375 billion respectively. Reported minimum and maximum values stood at: .038 and .865 naira for dividend per share, 9.39 and 17.72 million for company income tax,
8.06 and 16.86 million for education tax, 14.3 and 19 million for profit after tax, 19.77 and
26.43 billion for firm size respectively.

Table 4.2 Multicollinearity Test

The presence of strongly correlated variables in a model tends to create a multicollinearity problem. Therefore, the Variance Inflation Factor (VIF) test can be used to confirm the existence of multicollinearity among the independent variables. Based on the rule of thumb, the VIF must be less than 10 to confirm that the estimates of the regression would not be biased due to the presence of multicollinearity.

Table 4.2 Result of Multicollinearity Test

Variable	VIF
CIT	9.96
PAT	5.88
EDT	5.54
FSI	3.91
Mean VIF = 6.32	

Sources: E-View Version 7. *Author's Computation, (2022)*

Table 4.2 shows that all the variables have a VIF value of less than 10, thus implying that there is no strong evidence of collinearity among the independent variables.

Pooled OLS Estimation

Table 4.3: Pooled OLS Parameter Estimates

Series: *DPS CIT EDT PAT FSI*

Variable	Coefficient	Standard Error	T-Test Values	Probability
C	-1.355609	.7870131	-1.72	0.093
CIT	-.0053184	.0311115	-0.17	0.865
EDT	-.0563712	.0235455	-2.39	0.021
PAT	.0936993	.0381873	2.45	0.019
FSI	.0389239	.0224143	1.74	0.090

R-square=0.6061
Adjusted R-square=0.5368
F-statistics=4.41
Prob(F-stat)=0.0048

E-View Version 7.

Pooled OLS panel estimation presented in table 4.3 reported coefficient estimate of .0053184, -.0563712, .0936993 and .0389239 for company income tax, education tax, profit after tax and firm size with the probability values of 0.865, 0.021, 0.019, 0.090. The result showed that company income exert negative insignificant impact on dividend per share of the sampled banks, education tax exerts significant negative impact on dividend per share, profit after tax impacted dividend per share positively and significantly and the effect of firm size on dividend per share is positive and insignificant. R-square value reported in table 4.3 revealed that about 53% of the systematic variation in the dividend policy of the selected deposit money banks measured in terms of dividend per share can be explained by company income tax, education tax, profit after tax and firm size. Reported f-statistics of 4.41 and the probability value of 0048 validate the fact that all the included explanatory variables jointly influence dividend policy of deposit money banks sampled in the study.

Fixed Effect Panel Analysis

Table 4.4 Fixed Effects Estimates (Bank and Period Specific)

BANK SPECIFIC EFFECT			TIME SPECIFIC EFFECT		
Variables	**Coefficients**	**Prob**	**Variables**	**Coefficients**	**Prob**

C	-3.261359	0.124	C	-1.711716	0.045
CIT	-.05333	0.107	CIT	.0378443	0.308
EDT	-.044114	0.062	EDT	-.0896661	0.003
PAT	.178003	0.000	PAT	.0778008	0.055
FSI	.0766859	0.440	FSI	.518483	0.036
Effects			**Effects**		
GTB	.1942018	0.389	2013	.0111219	0.914
WEMA	.3548302	0.024	2014	.0267996	0.796
UBA	.3860943	0.000	2015	.0408351	0.691
FBN	-.01488	0.977	2016	.0931699	0.376
			2017	.1287518	0.222
			2018	.1437062	0.171
			2019	.2665669	0.024
			2020	.2053269	0.070
R-square=0.7060			R-square=0.4555		
Adjusted R-square=0.6406			Adjusted R-square=0.2513		
F-statistics=10.80			F-statistics=2.23		
Prob(F-stat)= 0.0000			Prob(F-stat)= 0.0349		

Sources: E-View Version 7. *Author's Computation, (2022)*

Table 4.4 presents results of the fixed effect estimation (cross-sectional and period specific effect). Notably result presented in table 4.4 showed that when cross sectional effect is incorporated into the model the impact of company income tax is negative and insignificant, impact of education tax is negative and insignificant, profit after tax structure exerts positive significant impact while firm size exerts positive insignificant impact on the dividend policy of deposit money banks in Nigeria. On another hand, when period specific effect was incorporated into the model, explanatory variables including company income tax, profit after tax affects dividend policy positively and insufficiently, education tax exits negative significant impact dividend policy of DMBs and firm size exert positive and noticeable impact on dividend policy of deposit money banks in Nigeria.

Deviation intercept terms reported in table 4.4 stood at .1942018 (0.389), .3548302 (0.024), .3860943 (0.000), -.01488 (0.977) for Guarantee Trust Bank, Wema Bank, United Bank for Africa and First Bank of Nigerian respectively, with the intercept term of the reference firm being Access Bank recorded to be -3.261359 (0.124). Deviation intercept terms for period effects stood at: .0111219 (0.914), .0267996 (0.796), .0408351 (0.691), .0931699 (0.376), .1287518 (0.222), .1437062 (0.171), .2665669 (0.024), .2053269 (0.070) for 2013, 2014, 2015, 2016, 2017, 2018, 2019 and 2020 respectively, with intercept term of reference years being 2012 recorded to be -1.711716 (0.045). Reported R-square values stood at 0.64 for firm specific estimation and 0.25 for period specific estimation, reflecting that about 65% of the systematic variation in dividend per share of DMBs can be explained by company income tax, education tax, profit after tax and firm size when heterogeneity effect across firms is incorporated into the model, while 25% of the systematic variation can be explained when period heterogeneity effect is incorporated into the model.

Random Effect Analysis

Table 4.5 Random Effect Estimation

Series: *DPS CIT EDT PAT FSI*

Variable	Coefficient	Standard Error	Z-Test Values	Probability
C	-1.355609	.7870141	-1.72	0.085
CIT	-.0053184	.0311115	-2.39	0.046
EDT	-.0563712	.0235455	-2.39	0.017
PAT	.0936993	/0381873	2.45	0.014
FSI	.0389239	.0224143	1.74	0.082

R-square=0.6062
Wald chi-square = 17.66
Prob> chi-square = 0.0014

E-View Version 7.

Table 4.5 presents the random effect estimates. Result showed that the effect of company income tax on dividend per share is negative and significant when heterogeneity effect is incorporated into the error term of the model. Meanwhile, education tax exerts negative and significant impact on dividend per share. Also, impact of profit after tax on dividend per share when heterogeneity is incorporated into the error term is positive and significant.

Furthermore, firm size influences dividend per share positively and unnoticeably. Specifically coefficient estimates reported for company income tax, education tax, profit after tax and firm size stood at -.0053184, -.0563712, .0936993 and .0389239 with probability values of 0.046, 0.017, 0.014 and 0.082 respectively. R-square statistics reported in table 4.6 stood at about 0.60 which connote that about 60% of the systematic variation in dividend policy of DMBs captured with dividend per share in the study can be explained jointly by variation in company income tax, education tax, profit after tax and firm size respectively, incorporating heterogeneity effect across firms over time into the error term.

Post Estimation Test

Table 4.6 Restricted F Test of Heterogeneity (Cross-Sectional and Time Specific)

	F-statistics	Probability
Firm Specific	12.23	0.0000
Time specific	1.10	0.3911

Source: E-View Version 7. *Author's Computation, (2022)*

Table 4.6 reveals result of the heterogeneity test conducted with respects to both crosssectional and period specific effect. Reported in table 4.6 are f-statistics values of 12.23 and 1.10 with probability values of 0.0000 and 0.3911 for cross sectional and period specific effect respectively. Hence the table revealed that there is enough evidence to reject the null hypothesis that all differential intercept corresponding to the firm specific units are equal to zero, but otherwise for the period specific intercepts. Therefore it can be concluded that there is only cross sectional heterogeneity/uniqueness effect among the selected deposit money banks. Thus pooled OLS estimator restriction is not valid as firm specific heterogeneity effect is too significant to be ignored.

Hausman Test

Table 4.7 Hausman Test

Null hypothesis	Chi-square stat	Probability
Difference in coefficient not systematic	8.83	0.0655

Source: E-View Version 7. *Author's Computation, (2022)*

Table 4.7 reveals a chi-square value of 8.83 alongside a probability value of 0.0655. The result shows that there is enough evidence to reject the null hypothesis that differences in coefficients of fixed effect estimator and random effect estimation is not systematic. Therefore given the fact the difference between fixed effect estimates and random effect estimates is significant, the most consistent and efficient estimation for the investigation conducted in the study is the random effect cross section estimate presented in table 4.6 above.

Panel Granger Causality Test

Table 4.8 Dumitrescu-Hurlin Panel Causality Test Result

GRANGER CAUSALITY TEST FOR DIVIDEND PER SHARE AND COMPANY INCOME TAX			
Null hypothesis	Wbar-Stat	Zbar-Stat	Probability
DPS does not granger cause CIT	4.833*	6.1400*	0.0000*
CIT does not granger cause DPS	11.8779*	17.1994*	0.0000*
DPS does not granger cause EDT	5.4939*	7.1055*	0.0000*
EDT does not granger cause DPS	13.4693	19.7157	0.0000*
DPS does not granger cause PAT	3.4364*	3.8523*	0.0001*
PAT does not granger cause DPS	1.6296	0.9954	0.3195

*Note: * connote rejection of the null hypothesis at 5% significance level*

Source**: *E-View Version 7.*** *Author's Computation, (2022)*

Estimation result of Dumitrescue-Hurlin panel causality test presented in table 4.8 revealed Wbar statistics and Zbar statitsics alongside probability values for each test. Result revealed that there is enough evidence to reject all the null hypotheses that dividend per share does not granger cause companies income tax, education tax and profit after tax which implies that there exists a bidirectional causal association running from dividend per share to company income tax and education tax and a unidirectional causal relationship running from dividend per share and profit after tax respectively. In simple terms, findings from Table 4.8 evidence that a bidirectional causal association exists between dividend per share and company income tax; dividend per share and education tax while a unidirectional causal relationship exists between dividend per share and profit after tax of DMBs in Nigeria.

Table 4.9 Other Post Estimation Test

Wald test		
Null hypothesis	**Statistics**	**Probability**
Panel homoscedasticity	17.66	0.0014
Pesaran test		
Null hypothesis	**Statistics**	**Probability**
No cross sectional dependence	9.675	0.041
Breusch-Pagan Lagrange Multiplier test		
Null hypothesis	**Statistics**	**Probability**
Panel Normality	0.34	0.5606

Source: ***E-View Version 7.*** *Author's Computation (2022)*

Table 4.9 reported result of post estimation test conducted to confirm if the specified model is in turn with basic assumptions underlining the panel estimation conducted in the study. The result showed that there is no evidence to reject the null hypothesis on panel homoscedasticity and null hypothesis of no cross sectional dependence and accept the hypothesis of panel normality. Hence, the established result of post estimation test reported in table 4.8 validates assumptions of equal variance of residual terms, cross sectional independence and normality of the model. Which reflect that the model is fit for inferential analysis.

Discussion and Implication of Findings

The most acknowledged estimation result (Table 4.5) affirmed by the hausman test conducted in the study evidenced that companies income tax exerts negative significant impact on the dividend per share of deposit money banks (DMBs) in Nigeria with specific coefficient estimate of -.0053184 ($p=0.046<0.05$) which suggests that as companies income tax is reducing, dividend per share of DMBs tends to increase per time. The deposit money banks despite being highly regulated still remains exposed to high unsystematic risk which is evident in most banks increasing non-performing loans, this is despite systematic risks that stems from economic uncertainties that sums up to threaten critically the profitability of deposit money banks and causes most DMBs to evade and avoid tax towards impressing shareholders with consistent payment of dividend. This is often done at the expense of the responsibility of DMBs to the government and development of the nation; most DMBs particularly evade income tax with window dressing, falsification towards obtaining tax holidays, storage of wealth outside the economy of Nigeria amongst other techniques which earns the management robust earnings. Hence, it becomes crystal clear that management of deposit money banks are more concerned about the wealth of shareholders than the growth of the nation as this causes them to deploy measures to reduce tax returns.

Further discovery from the study indicates that education tax exerts negative significant impact on dividend per share of deposit money banks in Nigeria with coefficient estimate of .0563712 ($p=0.017<0.05$) which implies that as education tax is falling, dividend per share of DMBs is most likely to shoot up. In consonance with the above argument, education tax, an almost insignificant amount expected to be paid from the chargeable profits of deposit money banks to the government towards contributing to the liquidity of Education Tax Fund and guarantee the development of the education sector of the country has consistently been evaded by deposit money banks. Most deposit money banks literally evade and utterly ignore the payment of education sustainably despite having chargeable inflows per time, this action may stem from the heavy effect that income tax exert on firms profitability. The payment which would have enhanced the perceived responsibility and passion of these firms towards the growth of the economy has been shunned over time; this act which has caused the level of their profit to be relatively high has guaranteed the unfailing discharge of shareholders returns per time.

Lastly, result obtained in the study indicated a positive impact of profit after tax on dividend per share of deposit money banks in Nigeria with particular coefficient estimate of .0936993 ($p=0.014<0.05$) which suggests that as companies income tax is increasing, dividend per share of deposit money banks also increases. Profit after tax of deposit money banks is also observed from the findings of this study to be increasing and has improved the dividend policy of deposit money banks; the combined effect of methods adopted by firms to defeat the payment of tax has over time assured improved portability for these firms and this has further enhanced the illegal act especially in the banking industry. Deposit money banks have failed to observe the positive implications of appropriate filing of tax returns; even though the payment of tax still aids the attainment of firms primary goal which is to boost shareholders wealth, firms still adopt alternatives to achieve this goal at the quickest time giving no attention to the adverse implication that it holds on the going concern of the firm.

5.0 CONCLUSION AND RECOMMENDATIONS

Premise upon the results obtained in this study, it is evident that companies' income tax have noticeable effect on the dividend policy of deposit money banks in Nigeria. Specifically, the study established that companies income tax exerts negative significant impact on the dividend per share of deposit money banks (DMBs) in Nigeria; education tax exerts negative significant impact on dividend per share of deposit money banks in Nigeria; profit after tax exerts positive significant on dividend per share of deposit money banks in Nigeria. The study further ascertained that a bidirectional causal relationship exists between dividend policy, company income tax and education tax while a unidirectional causal relationship exists between dividend policy and profit after tax. Following these findings, this study concludes that companies' income tax affects to a noticeable height the dividend policy of deposit money banks. Based on this conclusion, the following recommendations become necessary:

i. Government should implement standardize tax audit and investigation practices, as well as demonstrate caution with the use of penalties on defaulters so as to cause DMBs to inculcate deliberate payment of corporate taxes as it ultimately guarantees the prosperity of corporate firms and sustainable payment of dividend;
ii. Management of deposit money banks should harness other investment alternatives with relatively low tax rates; this would cause DMBs to maintain good dividend policy and attract shareholders support per time;
iii. Management of deposit money banks should exert increased effort on the expansion of their operational scope and explore tax policy initiatives including tax relief, tax holiday and tax amnesty to legitimately reduce tax liabilities.

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