EFFECT OF UNCLAIMED DIVIDEND ON THE FINANCIAL STATEMENT OF SELECTED COMMERCIAL BANKS IN NIGERIA

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ABSTRACT

This study assessed the relevance of dividend policy on corporate performance and shareholder’s wealth. 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.

Key words: Unclaimed Dividend, Financial Statement and Commercial Banks

Introduction
The company’s value is reflected from the market value of company’s shares. This aim does not only benefit stockholders, but also the people in the company’s environment. From the financial management perspective, it is a more appropriate a company should aim for (Keown, Scott, Martin, Jhon & Petty 1996). The number of shares owned is the ownership evidence of the company and shareholder’s value is reflected from the market value of company’s shares. A company’s goal can certainly be reached by implementing financial management functions that include fund-seeking and fund-spending functions. Meanwhile, there are three financial decisions a financial manager must make: Investment, financing, and dividend. The improvement of company’s value highly depends on how optimal these decisions are applied (Bishop, Paff, Oliver, & Twite, 2004). These decisions are certainly sinter twined, according to Fama and French (2001). Optimum company’s value can be reached through the implementation of financial management functions. This is because one financial decision will affect other financial decisions and therefore will influence company’s value.

According to Anthony Omojola (2012) an investment analyst "The arrival of e-banking and other electronic platform in the Nigerian stock market and specifically the introduction of the electronic dividend payment which requires shareholders to open bank accounts
or update their bank account the incidence of unclaimed dividend will reduce, thereby reflecting a truer financial position of the company concerned".

Unclaimed dividend has continued to generate debate as to why it should arise in the first place since it is the hard earned money of investors that are being rewarded as dividend. Some sections of shareholders have accused companies of deliberately employing policies in order to use the fund (unclaimed dividend) as working capital contrary to the provisions of the Company and Allied Matters Act (CAMA) 1990. Year after year, most companies come to pronounce huge dividend payout but a reasonable percentage of those money are not being claimed by their shareholders which only return to the company as dividend unclaimed. Aruma Oteh, former Director-general, Securities and Exchange (SEC) put the value of unclaimed dividend by investors in the country’s capital market at sixty billion (60) as at 31 December 2012, representing ₦19 billion or 46 percent rise over the ₦41 billion recorded at the end of preceding year 2011. (Vanguard Dec. 5, 2013).

This means that the amount of dividend declared by quoted companies but remained unclaimed by the end of 2012 grew by more than 2900 percent in 13 years from 2.09 billion in 1999. Kyari (2010) viewed the issue of unclaimed dividend as "one of the black spots we have to deal with in the capital market". He also said that less than 5 percent of total dividend declared in 2012 was claimed. As companies retain these dividend belonging to some of their members even after it has originally been treated as reduction from some key elements (Assets, liabilities, retained earnings) of the company’s financial position statement, can it be that the new reward of some shareholders are used for the benefit of all the members including those that have received their own. This will be discovered by looking at the effect of unclaimed dividend in the financial statement (Kyari, 2010).

As a result of this critical role of dividend in an entity, they engage in so many practices to obtain an advantage with their dividend policy. 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 ₦880 million in 2012 while First bank of Nigeria revealed ₦750 million in the same year as unclaimed dividend. Believing that investors benefit paid out have really been out of that business but seeing part of them returned, the researcher intends to see the effect, this unclaimed dividend has continued to generate controversy and has attracted the attention of observers, analysts, stakeholders and other key players in the capital market. It was against this backdrop that the government recommended the establishment of unclaimed dividend trust fund (UDTF), which according to Musa AlfiSEC chairman would be managed by an independent fund manager in order to ensure not only that dividend are no longer status barred after 12 years but investors can claim them whenever they will. This in turn will reduce the case of
unclaimed dividend and its effect.

Ogogo (2012) opined that the Registrar ICMR, it represent an attempt to create an undue bureaucracy. "The establishment of a board and secretariat to be occupied mostly by government appointees and employees without providing adequately for the cost of the establishment is to the detriment of shareholders and will definitely threaten the safety of the funds if dividend monies of shareholders are used for the purpose. (Vanguard 6th June 2012).

The consequence of the failed government proposal and other attempt at checking the unclaimed dividend fund is the continuous increase in the amount of unclaimed dividend in the financial statement. To this end the researcher intends to see the effect of this unclaimed dividend on the financial statement of financial institutions.

**Objective of Study**
1. To determine the effect of unclaimed dividend on financial statement of Nigerian commercial banks.
2. To ascertain the attitude of investors to the issue of unclaimed dividend in Nigerian commercial banks.
3. To ascertain whether unclaimed dividend contribute to current year profit in the financial statement of Nigerian commercial banks.

**Formulation of Hypotheses**
1) Ho: Unclaimed dividend has direct effect on the financial statement of Nigerian commercial banks.
Hi: Unclaimed dividend has no direct effect on the financial statement of Nigerian commercial banks.

2) Ho: Investors are not concerned with the effect of unclaimed dividend of Nigerian commercial banks.
Hi: Investors are concerned with what happens to unclaimed dividend in the banks.

3. Ho: Unclaimed dividend does not contribute to the banks current year profit of Nigerian commercial banks.
Hi: Unclaimed dividend contributes to the banks current year profit of Nigerian commercial banks.

**Review of Related Literature**

**Conceptual Framework**

**Concept of dividend**
According to the Securities and Exchange Commission (2012) dividend is that percentage of the proportion of net profit a company declared payable to its investors. Dividend is allocated as a fixed amount per share with shareholders receiving in proportion to their shareholding.

Orojo (2009) defined dividend 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. Ross and 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. Repurchased stock helps in tax avoidance. In their book, it was said that share repurchased stock helps in tax avoidance. In their book, it was said that the decision whether or not to pay a dividend rests in the hand of the board of directors of the corporation. Iloabachie (1998) dividend could be of two types; preferred dividend and ordinary dividend. The preferred dividend is normally paid on fixed percentage. He also said that a dividend in distributable to shareholders of record on a specific date. When a share has been declared, it becomes a liability of the firm and cannot be easily rescinded by the company.

The amount of the dividend is expressed as dividend per share (Naira per share) as percentage of the market price (dividend yield) or as a percentage of earnings per share. Corporations view the dividend decision as quite important because:

a) It determines what funds flow to investors and what funds are retained by the firm for investments.

b) It provides information to the stockholders concerning the firm's performance.

Mergs, Williams, Haka and Bettner (2000) defined dividends as distribution of profit to owners (stockholders of the business) they said that examining a company's dividend policy helps investors take proper decision on the profitability of such companies in which they invest their income. They maintained that investors purchase a company's stock only because they expect to receive future cash flows from the investment either through the sale of the stock or in the form of cash distribution from the company. Dividends they conclude are distributions of corporate earnings and so reduce retained earnings. From the above definitions, dividends could then be defined as any distribution of cash or property to corporate shareholders. Therefore dividends are rewards of investment in financial assets in the capital market. It could be in form of cash or scripts.

Unegbu (1999) says when a dividend is not claimed by the shareholder for any reason, it gives rise to the issue of unclaimed dividend.

**Concept of Unclaimed Dividends**

When warrants for the reward on investment either that of cash or property are sent to shareholders but could not be received for any 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 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. The unclaimed dividends committee inaugurated by the Securities and Exchange Commission (SEC), has put the figure of unclaimed dividends at ₦45 billion as at June 2013 source (communication week December 11 (2013). Year after year, huge dividend payouts are pronounced but a reasonable percentage of that money are not being claimed by shareholders for one or more reasons only known to the shareholders.

Theoretical Framework
Financing, investment and dividend decisions are the basic components of corporate policy. Financing decision requires an appropriate selection and combination of capital from available sources. Investment decisions are concerned with the efficient deployment of capital funds while, dividend decision involves the periodic determination of proportion of a firm’s total distributable earnings that is payable to its shareholders. The larger the dividend paid, the less funds are retained for investment and the more the company will have to rely on other sources of long-term funds (such as additional issues of equity and or debt capital) to finance projects.

Gordon Growth Valuation Model theorizes that the dividends of most companies are expected to grow and evaluation of value shares based on dividend growth is often used in valuation of shares. The implication of the model is that when the rate of return is greater than the discount rate, the price per share increases as the dividend ratio decreases. The reverse applies when the rate of return is less than the discount rate; and the stock value remains unchanged when the two rates are equal (Kishore, 2004). The position of the model is that companies might pay low or no dividend despite increased earnings implies that dividend is irrelevant in stock valuation. This is because stockholders or investors would hope not only to start receiving presumably higher dividend in the future but also to have their capital appreciated. On the other hand, at some time in the future when a larger dividend is paid, it would send a positive signal and would resultantly increase the share price Kishore (2004).

“Bird in Hand” theory is the brainwork of Graham, Dodd and Cottle (1962) who have the view that dividends are worth more to investors than retained earnings. Their argument, according to Kishore (2004), is that investors will apply a lower discount rate to the expected stream of future dividend than the more distant capital gains, i.e. the bird in bush. This theory conforms to Gordon Growth Valuation Model that places higher values on the firms that offer higher dividend growth. The theory stresses that investors would like to settle on the dividend payout that is certain instead of the uncertainty of future earnings (Amadasu, 2011).

Another theory reckoned with in dividend controversy is the Walter’s Valuation Model, which argues that in the long-run the share prices reflect only the present value of expected dividends. The idea of Walter (1963) cited in Oyinlola, Omolola and Adeniran (2014) was that shareholders would accept low dividends when the expected rate of return is higher than market capitalization rate but would prefer higher dividends when the former is less than the latter. The implication is that dividend is relevant in either growth or declining firm but would be irrelevant in a normal firm.
Rubner (1966) cited in Oyinlola, Omolola and Adeniran (2014) came up with **100 Per Cent Payout theory**, arguing that shareholders prefer dividends and directors requiring additional finance would have to convince investors that the proposed new investments offer positive increases in wealth. This would encourage rejection of projects which serve mainly to enhance the status and job security of managers and employees and the company can adopt a policy of 100 Per Cent Payout. Conversely, Clarkson and Elliot (1969) postulated 100 Per Cent Retention theory that the whole profit could be retained, paying no dividend in order to avoid tax and transaction cost of obtaining external finance.

**The Investor Rationality theory** was advanced by Shefrin and Statman (1984) cited in Oyinlola, Omolola and Adeniran (2014), whose argument was based on the psychological preference of individual investors. According to them, investor who wishes to conserve his/her long-run wealth could stipulate that portfolio capital should not be consumed, only dividend. As such, he/she can select the dividend payout ratio that conforms to his/her desired consumption level. Such an investor may find cash dividend attractive, therefore be willing to pay the appropriate premium.

**Span of Control Theory** bothers on the managers’ psychological preference for retained earnings. Retentions increase managers’ status, remunerations and security and also encourages firm growth to the extent that they are profitably invested Kishore (2004). Managers in an organization look at the cash flows from operating activities as an important and convenient source of new capital and, at the same time, prefer to have a large span of control measured by the number of employees, sales market value, total assets, etc. Thus managers pursue retention in favour of the above benefits. The theory thus offers to be in line with the agency cost theory discussed above.

Considering dividend policy in information perspective, the dividends signaling theory prescribes that dividend policy can be used as a device to communicate information about a firm’s future prospects to investors. As observed by Murekefu and Ouma (2012), cash dividend announcements convey valuable information, which shareholders do not have, about management’s assessment of a firm’s future profitability thus reducing information asymmetry. Such information can be made use of by investors in assessing the firm’s share price and making investing decision. Dividend policy under this model is therefore relevant (Al-Kuwari, 2009) cited in (Oyinlola, Omolola & Adeniran 2014).

**The Theory of Tax Clienteles** for dividend policies predicts that after a firm initiates a dividend, tax-exempt/tax -deferred and corporate investors for whom dividends are not tax disadvantaged will purchase shares of an initiator’s stock that are being sold by individual investors for whom dividends are tax disadvantaged. As a result, the ownership of a dividend initiator’s equity by tax-exempt/tax-deferred and corporate investors is expected to increase after the initiation (Dhaliwal, Erickson & Trezevant, 1999).

**The Agency Theory** is rooted in the fact that there is divergence of ownership and control. Shareholders are the owners but the control lies with the managers who have the responsibility to declare dividends or do otherwise. As such, managers may not always adopt dividend policy that is value-maximizing for the shareholders but would choose a dividend policy that maximizes their own benefits (Murekefu and Ouma, 2012). DeAngelo and DeAngelo (2006) added that making dividend payouts which reduces free cash
flows available to the managers would thus ensure that managers maximize shareholders’ wealth rather than using the funds for their private benefits.

**Stakeholder’s Theory:** Freeman (1984) recounted the origins of the stakeholder concept, which was used for the first time at the Stanford Research Institute in 1963; stakeholders were first defined as those groups without whose support the organization would cease to exist. ‘Stakeholders’ has also been defined to include “those whose relations to the enterprise cannot be completely contracted for, but upon whose cooperation and creativity it depends for its survival and prosperity” (Slinger & Deakin, 1999). Stakeholder theory explains specific corporate actions and activities using a stakeholder-agency approach, and is concerned with how relationships with stakeholders are managed by companies in terms of the acknowledgement of stakeholder accountability (Cheng & Fan, 2010; Freeman, Harrison, & Wick, 2007).

In summary, stakeholder theory views corporations as part of a social system while focusing on the various stakeholder groups within society (Ratanajongkol, Davey, & Low, 2006). Having studied different theories, this study therefore anchored on agency theory which states that there is divergence of ownership and control. Shareholders are the owners but the control lies with the managers who have the responsibility to declare dividends or do otherwise.

**Unclaimed Dividends**

**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) 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. (Amenechi 1995) disclosed 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.

**The Inadequacies of the Provisions of CAMA on Unclaimed Dividend**

The companies and Allied Matter Act (1990) has set up these provisions but from the Nigerian capital market Data Bank (2011) it was discovered from "report on the study of the level of unclaimed dividends in Nigeria" written by the National committee set up by the Nigerian Stock Exchange that some of these provisions are inadequate and so give enough leeway to companies to make comfortable use of the fund that rightly belong to their investors. Articles are published internally on Newspapers where investors express their feeling over some of these provisions. An investor Ughamadu (2006) questioned the CAMA provision section 382(3) thus: "How will the..."
equity investor who did not receive his dividend warrant know that he did not receive his dividend as a result of the companies fault? Would it be right to say that unclaimed dividends are the result of the fault of the companies? What would be the proof that a company which paid dividend was not at fault? Is it when the investors receive or does not receive his dividend? Where does the faulty line begin and end?"

In another article Itseuwa (2005) criticized the provision of section 382(4) saying that what this section has only provided could be the confirmation of the fears of investors in subsection (3). In this criticism he said that with the provisions, back dated stamp entry can easily be produced as proof or evidence that the dividend were actually posted or sent at a particular date.

According to an article published in www.proshare.com, the provisions have not covered fully the investors' interest. It said most unclaimed dividends are still being used as working capital by companies. The result of this is that the company's actual financial position is distorted and difficult to forecast their performance without such free fund. And whenever such company goes under the unclaimed dividend will be lost the effect of these on the investor when dividend cannot be claimed is that they are deprived of their rightful earnings. This could dampen their enthusiasm about investing in the capital market with severe implication for the economy.

Ayoola (2005) in his article expressed his own feeling against the provision of section 382(1) when he asked the following questions? How many of the public companies publish the names of people entitled to unclaimed dividends and the amount outstanding in their favour and send it along with the notice of the next AGM to the shareholders of their company as required by the CAM? Indeed how many shareholders even receive such notice before the AGM? How many of the companies can show proof that they have always invested the total amount of unclaimed dividend outside the company as even required by CAMA? How many of the annual report and account of public company actually show the opening balance of unclaimed dividend that these companies have invested?

**Empirical Studies**

Several researches carried out locally and outside Nigerian borders on dividend policy bother on whether dividend is relevant or irrelevant in the valuation of firms’ values to provide evidence for or against the established theories. Some empirical studies were conducted, examining how dividends have affected performance (Lazo, 1999; Brigham, 1995; etc).

Adediran and Alade (2013) on Dividend Policy and Corporate Performance in Nigeria ascertained the relationship between dividend policy and corporate profitability, Investment and Earning Per Shares. Data for the study were extracted from annual report and accounts of twenty five quoted companies in Nigeria. These data were subjected to regression analysis, using e-view software and the findings indicate that; there is a significant positive relationship between dividend policies of organizations and profitability, there is also a significant positive relationship between dividend policy and investments and there is a significant positive relationship
between dividend policy and earnings per share.

In a related study by Osegbe, Ifurueze and Ifurueze (2014) analyzes the extent of relationships between dividend payment and corporate performance in the Nigerian banking industry. The study used a panel data set of banks listed on the Nigeria stock exchange between the year 1990 and 2010. They used regression models considering the impact of free cash flows, current profitability, financial leverage, business risk and tax paid on dividend payment ratio. The research indicates that there is no significant relationship between dividend payout of banks in Nigeria and the explanatory variables and that bank pay dividend in Nigeria with the intention of reducing the agency conflict and maintaining firms’ reputation.

Rehman and Hussain, (2013) discussed various theories regarding the impact of dividend policy on the performance of the firms. The paper used sample of 475 companies and the data is the secondary one. Ratios have been computed of all the companies that basically determine the dividend policy and then the correlation tests have been run to see the whether the results are significant or not. In the conclusion they mentioned the variables that play a key role in determining the performance of the firms.

Rashid and Rahman (2008) found that there is positive but insignificant relationship between share price volatility and dividend yield for 104 nonfinancial firms listed in the Dhaka Stock exchange during the period of 1999 – 2006. Nazir, Musarat, Waseem and Ahmed (2010) applied fixed effect and random effect models to test the role of corporate dividend policy in determining the volatility in the stock price for 73 firms listed in Karachi Stock Exchange (KSE-100) indexed.

Ahmed, (2008) analyze the impact of a company’s level of financing policy, dividend policy and corporate structure on firm performance measured by Tobin Q of Malaysian-listed at the presence or absence of growth opportunities. The study uses panel based regression approach to address whether or not policy variable such as dividend, leverage and corporate structure play differently in explaining the market based firm performance once firm faces growth opportunities or absence of growth opportunities. The analysis is based on a sample of 100 Composite Index components Companies on Kuala Lumpur stock exchange over a period of 4 years, from 1999 to 2002. Findings suggest that firm debt policy affect firm performance differently once firm face presence or absence of growth opportunities. The relationships are unique for each scenario. Once the firm faces no growth opportunities, increase in corporate debt has adverse effect on firm performance. In contrast, firms, which face growth opportunities, resorting external funding provide a multiplier effect on firm performance.

Zakaria and Tan (2007) cited in Oyinlola, Omolola and Adeniran (2014), also stressed the fact that investments made by firms’ influences the future earnings and future dividends potential. In their research on 50 listed firms operating in high profile industries in the Nigerian Stock Exchange, Uwuigbe, Jafaru and Ajayi (2012) observed that firm performance has a significant impact on the dividend payout of listed firms in Nigeria. That is, an increase in the financial well-being of a firm tends to positively affect the dividend payout level of firms. However, Adefila, Oladapo and Adeoti (Online) conclude that Nigerian firms do have a dividend policy that is dependent on earnings though the trend is not very consistent and proportionate. This is in agreement with
the assertion made by Uwuigbe, Jafaru and Ajayi (2012) that while several prior empirical studies from developed economies have shed light on the relationship between firm performance and dividend payout, the same is not true in developing economies like Nigeria.

This issue did not receive any serious attention among academic scholars in Nigeria until 1974 when Uzoaga and Alezienwa attempted to highlight the pattern of dividend policy pursued by Nigerian firms particularly since and during the period of indigenization and participation programme defined in the decree. Their study covered 52 company-years of dividend action (13 companies for four years). They claimed that they “checked but found very little evidence” to support the classical influence that determine dividend policies in Nigeria during these period. They concluded that fear and resentment seem to have taken over from the classical forces.

Uwalomwa, Jimoh and Anijesushola, (2012) basically investigates the relationship between the financial performance and dividend payout among listed firms’ in Nigeria. It also looks at the relationship between ownership structure, size of firms and the dividend payouts. They made use annual reports for the period 2006-2010 were utilized as the main source of data collection for the 50 sampled firms. Regression analysis method was employed as a statistical technique for analyzing the data collected. The paper found that there is a significant positive association between the performance of firms and the dividend payout of the sampled firms in Nigeria. The study also revealed that ownership structure and firm's size has a significant impact of the dividend payout of firms too.

Adelegan (2001) in a more recent study of the impact of growth prospect, leverage and firm size on dividend behaviour of corporate firms in Nigeria between 1984 – 1997; observed that the conventional Lintner’s model does not perform quite creditably in explaining the dividend behaviour of corporate firms for the period under review. Supports that factors that mainly influenced the dividend policy quoted firms are after tax earnings, economic policy changes (due to the partial liberation of the indigenization decree in 1989 and the subsequent simultaneous abolition of the indigenization decree of 1995), firm growth potentials and long term debts.

However, many studies show that large companies have better opportunity to raise funds at comparatively lower cost because of more consistent cash flows. Also, they are more diversified and bear less risk and they have greater right of entry to capital markets. That is the reason they do not dependent much on internal funding and more likely pay their shareholders higher dividend (Fama and French, 2001). In a study done by Baker, Kent, and Powell, (2007) it was stated that many Canadian firms paying dividends are remarkably larger in size with higher profits. They are having huge positive cash flows, greater ownership structure and also available with some growth opportunities. De-Angelo et al, (2004) focused on why the firms pay dividends? This study was based on dividend policy, agency cost and earned equity. It concluded that there is a very significant relationship between the choices to pay or not to pay dividends and the profitability, cash balance, firm size, leverage, growth and dividends paid in past. Study by Amidu and Abor (2006), examined determinants of dividend policy in Ghana. After study outcome concluded that the profitable firms tend to disburse more dividends. In a latest study Ahmad and Javid (2009) have taken data from a sample of 320 non-financial companies listed in KSE. The duration of the study is
from 2001 to 2006. They found a trend that Pakistani companies fix their dividend payments through past dividends and current earnings. Furthermore, they have showed that more dividends are paid by stable companies.

Nazir et al. (2010) applied fixed effect and random effect models to test the role of corporate dividend policy in determining the volatility in the stock price for 73 firms listed in Karachi Stock Exchange (KSE-100) indexed. Contrary to Rashid and AnisurRahman (2008) cited in Oyinlola, Omolola and Adeniran (2014), the researcher found that the share price volatility is significantly influenced dividend policy as measured by dividend payout ratio and dividend yield. Size and leverage are negative and insignificantly related to influence stock price volatility. This result supports the arbitrage realization effect, duration effect and information effect in Pakistan. These three effects also exist in Ghana (Asamoah, 2010). The researchers did find similar result like Pakistan except size is positively influenced stock price volatility. However, contradict result on dividend policy and the volatility of stock price was found in UK. According to Hussainey et al. (2011), company with higher payout ratio or dividend yield, will result in less volatile stock price. Dividend payout ratio is the main determinant of the volatility of stock price. The larger the size of the company, stock price will be less volatile. While, if company incurs high leverage, there is higher probability that stock price be more volatile. Allen and Rachim (1996) found that there is positive relationship between share price volatility and earnings volatility and leverage in the Australian listed companies during 1972 to 1985.

Sajid, Nasir and Muhammad (2012) studied “The Relationship between Dividend Policy and Shareholder’s Wealth”. The study examined the influence of dividend policy on shareholder’s wealth of 75 companies for duration of six years from 2005 to 2010 using multiple regression and stepwise regression. The paper found that the difference in average market value (AMV) relative to book value of equity (BVE) is highly significant between dividend paying companies and non-paying companies. Retained earnings have insignificant influence on market value of equity.

In a study of Zakaria, Muhammad, and Zulkifli, (2012)on the impact of dividend policy on the share price volatility, the study found only 43.43 percent of the changes in the share prices are explained by dividend yield (DY), dividend payout ratio (DPR), and investment growth, size of the firm (FZ), leverage (LEV) and earnings volatility (EV).

Al-Malkawi (2007) finds that financial leverage of a company significantly has negative relation with dividend policy. The factors used in his research are: Signaling, investment of opportunities, size, financial leverage, profitability, and taxes. Amidu (2007) uses factors that affect dividend policy and company performance as follows: return on equity, return on assets, dividend payout, size, leverage, and growth. Azhagaiah (2008) uses factors like dividend per share, retained earnings, price earnings ratio, and market value of share that affect dividend policy and wealth of shareholders. Naziret et al., (2010) indicates factors like price volatility, dividend yield, payout ratio, leverage, asset growth, and earning volatility affecting stock price changes in Karachi Stock Exchange. Hussainey, Mgbame and Mgbame (2010) tests dividend policy and stock price change in a research using factors such as price volatility, dividend yield, payout ratio, size/market value, earning volatility, long term debt and growth in assets. The result shows positive correlation between dividend yield and stock price change, as
Well as negative correlation between payout ratio and stock price changes. Okafor (2011) uses factors such as dividend yield, dividend payout ratio, asset growth, earning volatility, and size. The result shows that dividend policy is a form of good information for investors which consequently make stock price variable.

Methodology

Research Design
This chapter deals with the procedure used to examine the effect of unclaimed dividend on the financial statement of Union Bank Plc. The research design employed by the researcher is expos-facto and survey design. This is because it deals on the study of cause and effect of variables. It also used tables that contain five (5) year's figure of annual account to substantiate the responses of the respondents on the questionnaire.

Population of the Study
Since the research focused on the effect of unclaimed dividend on the financial statement of banks with Union Bank being examined all the staff of Union Bank Plc Onitsha comprised the population since their bank was chosen for the research work in all they amounted to thirty five (35).

Since the population is small, the researcher uses all the population size for the study.

Sources of Data
The research work was such that necessitated the use of both primary and secondary sources of data.

Primary source includes questionnaire. Secondary source of data was through annual report.

Method of Data Analysis
The data collected were analyzed to answer the research questions and test the hypothesis. The analysis involved the use of frequency tables and Z-test. The items were analyzed using the mean point value of Z test to determine the degree of agreement or disagreement of the respondent on the direct effect of unclaimed dividend on the financial position of the bank. It also helped to identify other aspect of the financial statement affected by the previous year's unclaimed dividend. Data for the 5 years financial statement summary were used to substantiate the responses from the respondent. Also the mean point values were used to determine the effect of unclaimed dividend on the financial statement. The hypotheses were tested using Z- test. The null hypotheses were tested at 5% level of significance.

Data Presentation and Analysis

Data Presentation

Research Question 1
How does the unclaimed dividend affect the financial position of financial institution? The response in the table below will help do the analysis.
Table 4.1: Effect of unclaimed dividend in the financial position of banks

<table>
<thead>
<tr>
<th>NO</th>
<th>Questionnaire</th>
<th>SA</th>
<th>A</th>
<th>UN</th>
<th>SD</th>
<th>D</th>
<th>T</th>
<th>X</th>
<th>Rem.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Unclaimed divided directly affect statement of financial position (Balance sheet) of bank</td>
<td>18</td>
<td>15</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>35</td>
<td>4.37</td>
<td>A</td>
</tr>
<tr>
<td>2</td>
<td>The total liabilities always increase by the amount of unclaimed dividends</td>
<td>20</td>
<td>13</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>35</td>
<td>4.42</td>
<td>A</td>
</tr>
<tr>
<td>3</td>
<td>Unclaimed dividends always increase the net dividends amount in the balance sheet</td>
<td>19</td>
<td>14</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>35</td>
<td>4.4</td>
<td>A</td>
</tr>
<tr>
<td></td>
<td>Grand mean</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4.39</td>
<td>A</td>
</tr>
</tbody>
</table>

Based on the fact that the element of the financial position of a business as written in chapter two are assets, liabilities and equity, the questionnaire items 2 to 3 were so designed to obtain the effect that unclaimed dividends have on those elements.

So, in table 4.1, it is clear that the previous years unclaimed dividends distort the financial position of banks. The view is clearly indicated by the respondent's total agreement with items number 1 to 3 which bears positive statement about the effect of unclaimed dividends on the financial position. This is contrary to CAMA (1990) sec 382(2) which states that after the expiration of 3 months notice, the company may invest the unclaimed dividends in any investments outside its own business.

Available figures revealed that union Bank Total assets figure for the five years (5) were directly affected by the amount of the previous years unclaimed dividends.

Looking at figures, it was noted on dividend disclosed the net figures of dividend for the period closed to balance sheet the amount of the previous year's unclaimed dividends. Therefore, the total assets figures derived by liabilities plus equity have increased by her unclaimed dividend amount.

The union bank total assets of N 380, 055 million in 2008 rose to these figures by the unclaimed dividend of N 121 million in the same year. In 2009, the assets were N 385, 850 million with the unclaimed dividend of N 116 million. The assets could have been N 385,734 billion without the unclaimed dividend contributing.

That of 2010 should have been at N 309,490 but it was N 309,586 with the unclaimed dividend of N 906 million. 2011 recorded N 438, 342 with the unclaimed dividend of N 274 million. While in 2012 the unclaimed dividend of N410 million increased union bank assets to N 538, 311 million.

On the other hand, the effect of unclaimed dividend on the owner's equity is a negative one. It reduces the claims of the owners on company assts. In the above extract from the union bank statement of the financial position, the owner's equity 2008, N 6,174 million was reduced N 6052 million by N 121 million unclaimed dividend.
dividend. In 2009, it was found out to be N 9,338 million which was reduced to N 9,222 million by N 116 million, unclaimed dividend. In 2010, N 9,157 million owner's equity was reduced to N 9,061 million by unclaimed dividend of N 96 million.

Table 4.1.5: Questionnaire; what is the attitude of investors to unclaimed dividend?

<table>
<thead>
<tr>
<th>No</th>
<th>Questionnaire</th>
<th>SA</th>
<th>A</th>
<th>UN</th>
<th>SD</th>
<th>D</th>
<th>T</th>
<th>X</th>
<th>Rem</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Should be used solely to benefit investors</td>
<td>17</td>
<td>15</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>35</td>
<td>42</td>
<td>A</td>
</tr>
<tr>
<td>5</td>
<td>Status barred dividend should not be used to direct investors benefit.</td>
<td>19</td>
<td>14</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>35</td>
<td>4.42</td>
<td>A</td>
</tr>
<tr>
<td>6</td>
<td>Unclaimed dividend trust fund (UDTF) as proposed by the government should be rejected</td>
<td>16</td>
<td>17</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>35</td>
<td>4.4</td>
<td>A</td>
</tr>
<tr>
<td></td>
<td>Grand mean X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4.3</td>
<td>A</td>
</tr>
</tbody>
</table>

Note: the working for X shown in the appendix.

From the response in the above table, it shows that investors are keenly interested in what happens to unclaimed dividend. Investor as the responses indicate believes that any dividend declared and paid should benefit them directly. Including status barred dividend. Also, the proposal by government to establish an unclaimed dividend Trust fund (UDTF) that will pool all unclaimed dividend is neither accepted by investors nor from the response. It is believed that it is an avenue to rob investors of their hard earned money and generally the proposal has neither been popular among investors nor management of companies.

Table 4.1.6: Questionnaires: Effect of unclaimed dividends on the yearly profit

<table>
<thead>
<tr>
<th>No</th>
<th>Questionnaire</th>
<th>SA</th>
<th>A</th>
<th>UN</th>
<th>SD</th>
<th>D</th>
<th>T</th>
<th>X</th>
<th>Rem</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Unclaimed dividends increase the Gross earnings.</td>
<td>14</td>
<td>19</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>35</td>
<td>4.2</td>
<td>A</td>
</tr>
<tr>
<td>8</td>
<td>Unclaimed dividends increase the current year profit</td>
<td>14</td>
<td>19</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>35</td>
<td>4.2</td>
<td>A</td>
</tr>
<tr>
<td>9</td>
<td>Unclaimed dividends contribute to Increase current years proposed dividends</td>
<td>9</td>
<td>9</td>
<td>0</td>
<td>2</td>
<td>15</td>
<td>35</td>
<td>2.85</td>
<td>R</td>
</tr>
<tr>
<td></td>
<td>Grand mean (X)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3.75</td>
<td>A</td>
</tr>
</tbody>
</table>

NB: mean (X) shown on appendix.
Table 4.3 above shows that unclaimed dividends contribute to current year's profit. Questionnaire item number 8 agrees to this fact with the highest mean score of 4.2. Question 9 attract a very low mean score of 2.85 showing that it is not true that unclaimed dividend contribute to increase in the current year proposed dividend. This is to say that perhaps the dividend to be declared depends on the extent of the distribution of the profit after tax.

Question number 7 with the mean score 4.2 indicates that unclaimed dividends increase gross earnings. It is then not wrong saying that the unclaimed dividend money which has been re-invested into various kinds of businesses is bound to generate income to the company. These different kinds of income generated contribute to the gross earnings from which the profit is derived.

Table 4.1.7: Research question 4: What will be the way forward?

<table>
<thead>
<tr>
<th>No</th>
<th>Questionnaire</th>
<th>SA</th>
<th>A</th>
<th>U</th>
<th>SD</th>
<th>D</th>
<th>T</th>
<th>X</th>
<th>Re</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>Unclaimed dividend should be kept separate from company's account</td>
<td>14</td>
<td>18</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>35</td>
<td>4.2</td>
<td>A</td>
</tr>
<tr>
<td>11</td>
<td>A separate fund account should be created</td>
<td>14</td>
<td>18</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>35</td>
<td>4.2</td>
<td>A</td>
</tr>
<tr>
<td>12</td>
<td>Companies should continue reinvesting the unclaimed Dividend funds.</td>
<td>9</td>
<td>9</td>
<td>0</td>
<td>2</td>
<td>15</td>
<td>35</td>
<td>2.85</td>
<td>R</td>
</tr>
</tbody>
</table>

Among the questionnaire items above in table 4.4 item number 10 with a mean score of 42 revealed that the respondents are of the opinion unclaimed dividend money should not be kept by the companies that declared them. It is their view by the item number 11 with also a mean score of 4.2 that a totally separate account should be created. The companies to continue using unclaimed dividends in their businesses operators and publishing same attracted a mean score of 2.85 in item 12 showing negative response from the respondents.

Test of Hypotheses

Hypothesis 1

H0: The amounts of previous year's unclaimed dividend have no direct effect on the statement of the financial position of banks.

HI: The amount of previous years unclaimed dividends have direct effect on the statement of the financial position:

Table 4.5 shows the Z-test of the difference between the opinions that the unclaimed dividends amount directly affects the financial position statement of the bank. The
researchers combine the number of respondents that totally disagrees during his calculations and the analysis of data to enhance his work.

In the table work below undecided Responses were ignored due to their indecision.

**Table 4.2.1:** Calculation of Z- test for hypothesis 1 using table 4. 1

<table>
<thead>
<tr>
<th>Items</th>
<th>X</th>
<th>SD</th>
<th>N.</th>
<th>DF</th>
<th>STD Error</th>
<th>Z-Cal</th>
<th>Z-Tab</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responses that agree</td>
<td>0.94</td>
<td>4.0</td>
<td>105</td>
<td>104</td>
<td>0.27</td>
<td>3.14</td>
<td>1.671</td>
</tr>
<tr>
<td>Respondents that disagree</td>
<td>0.5</td>
<td>0.22</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Decision Rule**
Since Z-calculated value is greater than Z-critical value, reject null. Where Z-calculated 3.4 and Z-tabulated 1.671, reject null hypothesis this shows that unclaimed dividends directly affect the statement of the financial positions of banks.

**Hypothesis 2**
Ho: investors not concerned with what happens unclaimed dividends.
HI: investors are concerned with what happens to unclaimed dividend.

**Table 4.2.2:** below shows the z-test of both hypotheses.

**Table 4.6 calculations of Z-test for hypothesis ii**

<table>
<thead>
<tr>
<th>Items</th>
<th>X</th>
<th>STD Dev.</th>
<th>N. Total</th>
<th>DF</th>
<th>STD Error</th>
<th>Z-Cal</th>
<th>Z-Tab</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondents that agree</td>
<td>0.93</td>
<td>3.82</td>
<td>105</td>
<td>103</td>
<td>0.28</td>
<td>3.10</td>
<td>1.671</td>
</tr>
<tr>
<td>Respondents that disagree</td>
<td>0.06</td>
<td>0.28</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**NB:** full workings are shown in appendix.

Z-calculated value from the table is 3.10 against 1.671 at 0.05 level of significance of Z-critical.

**Decision Rule:** Z-calculated value is grater than Z- critical value. Therefore reject null hypothesis. This means that investors are concerned with what happens to unclaimed dividend.

**Hypothesis 3**
Ho: unclaimed dividend does not contribute to current year's profit HI: unclaimed dividend is a contributing factor to current year’s profit.
Table 4.1.3: calculation of Z-test for hypothesis 3

<table>
<thead>
<tr>
<th>Items</th>
<th>X</th>
<th>STD Dev</th>
<th>N. Total</th>
<th>DF</th>
<th>STD Error</th>
<th>Z. Cal</th>
<th>Z. Tab</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondents that agree</td>
<td>0.78</td>
<td>3.33</td>
<td>105</td>
<td>103</td>
<td>0.33</td>
<td>1.8</td>
<td>1.671</td>
</tr>
<tr>
<td>Respondents that disagree</td>
<td>0.22</td>
<td>1.66</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Detailed calculation shown in Appendix Table 4.7 shows that Z-calculated is 1.8

Decision Rule: Since Tabulated Z is greater than Z-calculated. Accept alternative hypothesis which says that unclaimed dividends is a contributing factor to amount year's profit.

Summary of Findings, Conclusion and Recommendations

Summary of Findings
After analyzing the data collected from the respondents and the evidence from annual account as shown in chapter four of this work, the researcher came up with the following findings;
1. 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.
2. Investors are concerned with what happened to unclaimed dividend. The general impression that the average investors are only concerned about his dividend is proven wrong therefore from the finding of this research.
3. Unclaimed dividend contributes to company's income and so has resultant positive effect on project.
4. Unclaimed dividend fund should be kept in a separate account not same with the company's.

Conclusion
The researchers therefore concludes that unclaimed dividend distort the financial position of organization. Potential investors assessing some of these organizations for investment would be misled by the use of such financial statement.

Recommendations
Based on the findings and conclusions, the researcher wishes to make the following recommendations:
1. 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.
2. Also it will enable potential investors and shareholders who might be assessing the companies would create different and good impression of their image.
3. Regulatory authorities should help to make some amendments to the law to make companies transfer unclaimed dividend monies to a separate account which will be managed by the representatives
of all concerned bodies.

4. Create possibilities that will enable the owners of the unclaimed dividend or their beneficiaries recover them and enforce adherence to the laws of the companies.

5. Also additional effort should be made by the companies to reduce incidence that bring about unclaimed dividend fund. As laxity due to the benefit derived by some companies has become the norm.

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