Unclaimed Dividend: Matters Arising and Implication on the Economic Growth of Nigeria

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Abstract
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. This paper 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 channeled into infrastructural development to enhance economic growth in Nigeria.

Keywords: Unclaimed Dividend, Regression, Economic Growth, Earnings per Share, Nigeria.

1.0 Introduction

Privatization policy in the early 1970's unsuspectingly led to the surfacing of a plague refers to as unclaimed dividend in the history of the Nigerian Capital Market. Over the years, unclaimed dividends have continued to increase in Nigeria. The value of unclaimed dividends in 1999 was just N2.09 billion. Between 2002 and 2004, the unclaimed dividend increased from N5.1billion to N6 billion. It rose to N6.4 billion in 2003 but dropped by the end of 2004. At the close of 2008, unclaimed dividend was valued at N17.9 billion, before skyrocketing to N50.2 billion at the end of 2010. By December 2013, it stood at N60 billion (SEC, 2010; Osundolire**,** 2011; Peters, 2013). The size of unclaimed presently as reported stood at N90 billion which is a very large amount that could mean a lot for the Nigerian economy. The Security and Exchange Commission (SEC), operators at the nation's stock market have expressed concern over the continued incessant rise in unclaimed dividends which is disadvantageous to the growth and development of an upcoming market that wants to achieve a world class market status and attract direct foreign investments.

Operators and Analysts have so far adduced countless reasons for the increase in unclaimed dividend. These reasons include but not restricted to issue of multiple applications for shares, to the complicity of registrars, ineffectiveness of the Nigerian postal service, and the actives of uninformed investors among others. The genesis of unclaimed dividends can be traced to the indigenization era of the administration of General Yakubu Gowon. During the exercise, those in position of power who had the finances acquired shares in the privatized companies with fictitious names of their house helps, their security guards, cooks and their late relations in such a way that when the dividends came, they could not remember the details used in the acquisition of those shares until dividend became statute barred. Invariably, they were not able to claim such dividend because there were not perfect fit for anybody to claim such dividend.

The regulation made some frantic efforts to curtail the incidences of claimed dividends. Example is the E-dividend system of payment introduced by the SEC in 2008 was meant to address the delay associated with the verification of proceeds of public offers as well as delay encountered by investors in getting returns on their investment and also reduce the incidence of unclaimed dividends but the way and manner it is being implemented by most of the registrars and shareholders to embrace the e-dividend initiative as a major reason that have continued to compound the woes of investors. Other analysts believe majority of the problem bedeviling the e-dividend dissatisfaction resulting from shareholders who are conservatively old fashioned and do not want to embrace the process of e-transaction by not completing e-dividend formalities presented to them thereby further compounding the problem.

The essence of any investment in the shares of a company is either profit taking i.e. taking advantage of fluctuation in the prices of shares invested in or taking part in profit sharing through dividend. Over the years, especially in Nigeria, investors face a lot of problems with regard to converting their dividend warrants to cash which leads to consistent increase in unclaimed dividend in Nigeria. This paper seeks to examine the implication of unclaimed dividend on economic growth in Nigeria.

2.1 Review of Related Literature

2.1.1 Conceptual Issues

Dividend is defined in a variety of ways by various authors. Olowe (1997), defines dividend as a taxable payment declared by a company's board of directors and given to its shareholders out of the company's retained earnings, usually quarterly or yearly depending on the company. Dividend is usually given as cash (cash dividend) but it can also take the form of stock (stock dividend). Dividend is also defined as a share of the after tax profit of a company, distributed to its shareholders according to the number and class of shares held by them. (Akinselure, 2010).

Unclaimed dividend refers to declared dividends warrants sent to the various shareholders' addresses that are returned unpaid for one reason or the other. (Ifuero&Osarobo, 2006). Unclaimed dividend is also defined by the Unclaimed Money Act 1891 of Australia as all dividend, bonuses, profit and sums of money whatsoever, which shall have been in the possession of a any company for a period of six years or upwards, and in respect where no claim shall have been made by the owner against the company and which shall arise out of any dealing had within a state by any owner or person with the company. Dividends are payments made by company to its shareholders. It is an after tax profit appropriated to the members of the company (shareholders).

When a person or corporate being invests in of a company, the motive is either to be receiving returns from the investments in terms of dividends or capital gains he will be receiving from growth of his investment. Because of the agency relationship between the owners of the company called the shareholders and the management of the company, the management who are expected to run the organization in a cost effective and efficient manner so that at the end of the period there stewardship will produce positive result by way of profit. It is this after tax profit that the directors will decide the portion to be distributed as dividend. By law a company cannot declare dividend when it is consistently at a loss.

2.1.2 Forms of Dividends

Dividend may take any of the following forms

- Cash Dividend: Before the advent of the electronic fund transfers, these were mostly done by sending of dividend warrants to the shareholders, who in turn deposit the warrants to their bank accounts. Most banks accept dividend warrant deposits only to current accounts. The dividends are paid to the shareholder net of withholding tax (WHT)
- Stock or Scrip Dividends: these are paid in form of bonus shares to the shareholders. It is issued in proportion to shares owned by the investors. It enables the company to retain the cash to take advantage of other growth opportunities
- Property Dividend: this is in the form of paying dividend in kind. This is not common in
- Nigeria. It may take the form of giving the owner securities of other companies held by the company or in the form of products for services.
- Interim Dividend: these are dividend payments made before the annual general meeting and final annual report. It accompanies interim financial report.

Dividend Date:

Approval of dividend declared is by the company's board of Directors. When investing in dividend stocks, there are a few dates to keep in mind. These dates will tell an investor when they will receive the dividends and whether or not they are eligible to receive the latest dividend.

The important dates to remember regarding dividends are:

- Declaration Date: This is the day the board of directors announces its intention to pay a dividend. On this day, a liability is created and the company records that in its books. The company now owes the money to the shareholders. On the declaration date, the board will also announce a date of record and a payment date.
- In-Dividend Date: This is the last day, which is one trading day before the ex-dividend date.
- Book Closure Date: Whenever a company announces a dividend pay-out, it also announces a date on which the company will ideally temporarily close its books for fresh transfers of stock
- Record Date: Shareholders registered in the stockholders record on or before the date of record will receive the dividend, shareholders who are not registered as of this date will not receive the dividend
- Payment Date: This is the day when the dividend cheques will actually be mailed to the beneficiary or credited to their accounts.

2.2 Theoretical Framework

This study is anchored on one of the theories of Dividend Policy signaling theory developed by Bhattacharya (1979).

Signaling Theory

Miller and Rock (1985); Bhattacharya (1979) developed this theory. The signaling 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 profit increase and a negative one to dividend profit 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.

Some studies have found out that dividends do carry information to the market and to investors about the performance of the firm though they may not be the perfect signal (Griffin, 1976). Therefore, investor's reactions to changes in dividend policy do not necessarily mean that investors prefer dividend to retained earnings. Rather, they simply indicate that there is important information or signaling content in dividend announcements. These activities in the firm also have impact on the economy, because growth in earnings as the case may be translated to increase in dividend payout to the shareholders which will be spent by them and on the other hand boost economic activities.

3.0 Methodology

3.1 Research Design

The research design for this study is ex-post facto. This is because it relies on secondary data collected.

3.2 Nature and Sources of Data

Generally secondary data were used in this study. The data reflects the yearly figures of Gross Domestic Product (GDP) proxy for economic growth, the explained variable from 2006 to 2015, Unclaimed Dividend (UNCDIV) of Nigerian Breweries and Earnings per Share (EPS), the explanatory variables for the same period. These secondary data were sourced and extracted from existing documents and material. Data collected include data from the Central Bank of Nigeria Statistical Bulletin, Bureau of Statistics and Nigerian breweries annual report.

3.3 Model Specification

To investigate the effect of some macroeconomic variable on Stock Prices in Nigeria, we employ the following model:

$$GDP_t = \beta_0 + \beta_1 UNCDIV_t + \beta_2 EPS + \mu_t \text{ -- } (1)$$

Where;
GDP = Gross Domestic Product
UNCDIV = Unclaimed Dividend

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EPS = Earnings per Share
β_1, $\beta_{2,}$ = Coefficient Parameters of the Variables
μ_t = Stochastic Error Term.

3.4 Description of Model Variables

There are two variables used in this study: They are dependent and independent variables. The dependent variable Gross Domestic Product (GDP) proxy for economic growth while the independent variables are Unclaimed Dividend (UNCDIV) and Earnings per Share from 2006 to 2015.

3.5 Techniques of Analysis

The technique of analysis adopted in this study is the Ordinary Least Squares (OLS). The need for this technique is that, it is used to estimate the parameters of a single – equation model. Besides, the estimator yields estimates that are best, linear, and unbiased estimators (BLUE) with the desirable properties of consistency, efficiency and being unbiased. However, these properties are made possible after all the assumptions of the OLS method have been fulfilled.

4.0 Data Presentation, Analysis and Discussion of findings

4.1 Data Presentation

Table 1: Data on Real Gross Domestic Product (RGDP), Unclaimed Dividend (UNCDIV) and Earnings per Share (EPS) in Nigeria.

YEAR	RGDP	UNCDIV	EPS	LOGRGDP	LOGUNCDV	LOGEPS
2006	595.82	300,297	144	2.77511508	5.477550994	2.1583625
2007	634.25	15,267	250	2.80226048	4.183753706	2.39794
2008	672.2	23,974	302	2.82749851	4.379740501	2.4800069
2009	718.98	43,434	369	2.85671681	4.637829827	2.5670264
2010	776.33	41,421	401	2.89004637	4.61722058	2.6031444
2011	834	69,861	508	2.92116605	4.844234798	2.7058637
2012	888.89	96,438	503	2.94884802	4.984248195	2.701568
2013	950.11	203,463	570	2.97777389	5.308485444	2.7558749
2014	973.33	147,625	562	2.98826011	5.169159911	2.7497363
2015	952.79	152,500	470	2.97899719	5.183269844	2.6720979

Sources: (i) Central Bank of Nigeria (CBN) Statistical Bulletin; (ii) Annual Reports of Nigeria Breweries Plc.

Gross Domestic Product (GDP)

Table 1 show that the Nigerian economy has over the years had impressive growth (measured by the GDP). For instance, in 2006, the GDP stood at ₦595.82 billion and this increased to ₦634.25 billion. The upward trend of the GDP continued reaching ₦834 billion in 2011 and this continued with the GDP increasing to ₦888.89 billion in 2012. In 2014, the gross domestic product reached an all-time high of ₦973.33 billion but decreased to ₦952.79 billion in 2015. Overall, it is evident from the available data that for the period under review in the study, GDP (proxy for economic growth) increased steadily except in 2015 when there was a decrease.

Unclaimed Dividend

Table 1 above show the unclaimed dividend as obtained in the Nigerian Breweries Plc. and it is used to as a proxy for unclaimed dividends in Nigeria. From the table, unclaimed dividend stood at ₦300,297 million in 2006 and this decreased to a mere ₦15,267 million in 2007. It increased to ₦23,974 million in 2008 and further increased to ₦43,434 million in 2009. Thereafter, there was a decrease in the value of unclaimed dividend as it dropped to ₦41,421 million in 2010. From 2011 to 2013, unclaimed dividend in Nigerian (proxied by unclaimed dividend of Nigerian Breweries Plc.) rose from ₦69,861 million to ₦203,463 million respectively. However, it dropped to ₦147,625 million in 2014 but increased again to ₦152,300 million in 2015. Overall, it is evident that unclaimed dividend in Nigeria has been increasing evidenced by the more increases rather than decreases that was recorded in the Nigerian Breweries Plc. data shown above.

4.2 Data Analysis

Table 2: Ordinary Least Squares (OLS) result for the model

Dependent Variable: LOGRGDP				
Method: Least Squares				
Date: 03/11/17 Time: 16:21				
Sample: 2006 2015				
Included observations: 10				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.646320	0.099626	16.52499	0.0000
LOGUNCDV	0.062658	0.014018	4.469936	0.0029
LOGEPS	0.366270	0.031234	11.72649	0.0000
R-squared	0.960868	Mean dependent var		2.896668
Adjusted R-squared	0.949687	S.D. dependent var		0.078302
S.E. of regression	0.017563	Akaike info criterion		-5.002666
Sum squared resid	0.002159	Schwarz criterion		-4.911890
Log likelihood	28.01333	Hannan-Quinn criter.		-5.102246
F-statistic	85.94070	Durbin-Watson stat		1.825847
Prob(F-statistic)	0.000012			

Source: Author's computation based on E-views 8.0 output

The Ordinary Least Squares (OLS) result shown in table 2 above can be linearly stated as:

LOGRGDP = 1.65 + 0.06 LOGUNCDV + 0.37 LOGEPS ---(2)

t-statistic = (16.52) (4.47) (11.73)
Prob. {0.0000} {0.0029} {0.0000}
R-squared = 0.96
F-statistic = 85.94
Prob. (F-statistic) = 0.000012
DW-statistic = 1.8

The Ordinary Least Squares (OLS) simplified above is interpreted bearing the economic, statistical and econometric criteria in mind. First, the result shows 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. From the result, one percent increase in unclaimed dividend leads to 0.06 percent increase in gross domestic product in Nigeria. The probability value of unclaimed dividend (0.0029) is less than the test significant level (i.e. $p < 0.05$) and this indicates that unclaimed dividend has a significant effect on economic growth in Nigeria.

Second, the result shows that there exists a positive and significant relationship between earnings per share (used as a control variable) and real gross domestic product in Nigeria. From the result, one percent increase in earnings per share leads to 0.37 percent increase in gross domestic product in Nigeria. The probability value of earnings per share (0.0000) is less than the test significant level (i.e. $p < 0.05$. Thus, we conclude that earnings per share have a significant effect on economic growth in Nigeria.

The coefficient of determination (R-squared) shows that 96 percent of the variations in gross domestic product (proxy for economic growth) are caused by changes in unclaimed dividend and earnings per share in Nigeria. Thus, the remaining 4 percent of changes in economic growth are due to other factors not included in the model. The Durbin-Watson statistic (1.83) lies within the acceptable region (since $2 \leq DW < 4$) and this shows that there is an absence of positive autocorrelation. More so, the result shows that the Durbin-Watson statistic exceeds the R-squared and this is an indication that the regression result obtained in the study is not spurious.

4.3 Test of Hypotheses

Two hypotheses were tested and they are:

(i) $\mathbf{H_{01}}$**:** Unclaimed dividend does not have significant effect on gross domestic product in Nigeria.

Decision: The decision rule follows that if the probability value of a variable exceeds the test significant level (i.e. 0.05), we accept the null hypothesis and vice versa. From the result, the probability value of unclaimed dividend (0.0029) is less than the test significant level (0.05), thus we reject the null hypothesis and conclude that unclaimed dividend in Nigeria has a significant effect on economic growth.

(ii) **H_{02}:** Earning Per Share does not have significant effect on gross domestic product in Nigeria.

Decision: Since the probability value of earnings per share is less than the test significant level (i.e. $P < 0.05$), we reject the null hypothesis that earnings per share does not have significant effect on gross domestic product in Nigeria. Thus, we conclude that earnings per share have a significant effect on economic growth in Nigeria.

4.4 Discussion of Findings

The study reveals that unclaimed dividend has a positive and significant relationship with gross domestic product (economic growth) in Nigeria. This outcome is surprising going by the worry expressed by the government over the rising incidences of unclaimed dividends in Nigeria. Recent report suggests that unclaimed dividends in Nigeria have risen by over 600 percent in the last 15 years. This report was justified by available data which suggest that from ₦ 2 billion unclaimed dividend in 1999 the figure raised to ₦ 41 billion in 2011 and further increased to ₦90 billion in September 2015. However, this study shows that instead of unclaimed dividend reducing the level of economic growth in Nigeria, it increases the level of economic growth. Perhaps, this finding may be attributed to the fact that the unclaimed dividends are usually ploughed back to the company which may use it for investments. As the investments made by the unclaimed dividends brings returns to the company, the company's profitability and performance is enhanced thereby making the economy to grow. This is against the backdrop that such investments may have increased the stock of domestic investment in Nigeria and its multiplier effect must have rubbed off on the entire economy. This finding contrasts with earlier held views of Opara and Emenike (2014) and; Owolabi and Obida (2013) which suggest that unclaimed dividend was inimical to Nigeria's economic growth. These studies were non-empirical and may have no empirical basis for such conclusions.

Secondly, the study reveals that earnings per share (adopted in the study as a control variable) has a positive and significant relationship with economic growth in Nigeria. This outcome is not surprising because earnings per share being an indicator of the level of a company's profitability, it tends to attraction to shareholders. Thus, with a rise in earnings per share, shareholding investments increase and the performance of the company increase. As the company's performance is enhanced, more employment is provided and productivity increases. This finding concurs with Simon-Oke and Ologunwa (2016) and may be attributed to the current practice by firms in Nigeria which had to allocate a sizeable part of their profit to each outstanding share in other to attract more shareholders. It is therefore not surprising that as the earnings per share increase, shareholders' investment increases and the performance of the firms are better enhanced. With an increasing performance by the firms, economic growth is enhanced.

5.0 Conclusion and Recommendations

5.1 Conclusion

The study investigated how unclaimed dividends in Nigeria affect Nigeria's economic growth. The study resorted to making use of the data from the Nigerian Breweries Plc, which is one of the greatest manufacturing firms in Nigeria, as a case study. The study employed the Ordinary Least Squares (OLS) multiple regression technique as the analytical tool. Findings showed that unclaimed dividend, rather than decreasing economic growth in Nigeria, increases it. More so, unclaimed dividend was shown to have a significant influence on economic growth in Nigeria.

5.2 Recommendations

(i) The government should mobilize all unclaimed dividends by firms in Nigeria and create a pool such that those funds can be channeled into infrastructural development in Nigeria.

(ii) Firms should further be made to account for all unclaimed dividends such that firms' managers and executives do not divert such funds into personal use instead of using it as re-investible funds.

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