IMPACT OF DIVIDEND POLICY ON SHAREHOLDERS' WEALTH: A CASE STUDY OF RURAL BANKS IN GHANA.

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ABSTRACT: This study was carried out to evaluate the impact of dividend policy on shareholders' wealth: a case study of some selected ten rural banks in Ghana. The financial statements of these rural banks from 2011 to 2017 were used. The research employed Panel Data to evaluate the data of which econometric estimation techniques namely fixed effects or random effects (as confirmed by the Hausman Test) were employed to estimate the connection between dividend policy and the wealth of shareholders. From the results, the analysis indicated a positive and statistically significant impact of dividend policy on shareholders' value. The practical implication is that rural banks perform better in terms of adding value to shareholders when they undertake decisions to increase dividend payments. Firm size, interest rate, and inflation were also found to adversely affect shareholders' worth. The findings also show that leverage has a statistically noteworthy positive connection with equity yields. The study, therefore, recommends that business institutions must bring up more crucial policies that will force managers to only speculate in areas that are lucrative in the long run since earning per share is a significant indicator of shareholders' wealth among rural banks. Also, rural banks must consider and practice sound debt management to reduce the amount of risk inherent in the leverage ratio of banks, which was found to statistically influence the value of shares. Again, the researchers recommend that policymakers must make policies targeted at increasing the dividend payments of rural banks.

Keywords: Dividend policy, Profitability, dividend payout, shareholders' wealth, rural bank

1. Introduction

Dividend policy is a critical part of the operations of commercial organizations since it depicts their strength while giving information on prospects of organizational development (Jabbouri, 2016). Agency costs are often reduced when dividend policies are employed. An important argument concerning the insignificance of dividend policies in the corporate setting in association with the perfect capital markets has proven to exert much controversy in the actual world with the existence of imperfections (Dereli and Topak, 2018). The matter of dividend policy comprises problems in an agency, costs of the transaction, information asymmetry, and taxes (Baker and Weigand, 2015). A study conducted by Kaźmierska-Jóźwiak (2015) provided an empirical and theoretical study that identified the factors influencing policies of corporate dividends. Despite conducting such research, there still exists no relationship between dividend policies and factors that influence payout policies in the corporate world. Baker and Weigand (2015) clarified that; the problem becomes incredibly challenging when emerging markets arise.

With Walter and Gordon's study in 1959 which is identified as the premier dividend significance hypothesis, there have been periodic advancements in contradictory theories by financial economists (Shahwan, 2019). This was carried out to provide a profound explanation as to why corporate dividend policies are considered a matter of priority in practice. There are theories supporting dividend policies that have been established on the grounds that dividend policies are not significant because of the existence of varying taxes (Iqbal and Amir Shah, 2017).

In some economies around the world, liberalization, globalization and privatization coupled with rapid advancement in information technology have resulted in peculiar competitiveness in every business. Due to this, managers of companies have put measures in place to ensure that they survive the competitive corporate world. Acharya et al. (2016) cleared that, companies are mandated to increase their value to survive in the business world. They went on to say that managers in charge of finance are obliged to settle on budgetary choices and fundamental businesses that are designed to meet their objective of expanding the wealth of their investors and the worth of their company as well (Patra and Dhar, 2017). Prospective investors and shareholders choose to speculate in a firm by exploring its ability to imburse dividends. Also, a dividend policy can be used to alleviate agency expenses to the minimum. Due to the fact that the fortune of the administration can be iduced by the affluence of its investors, the management must wholly understand the concept of dividend policy (Khan et al., 2016). When profits are made the major economic driver for companies, it can be associated with two key endpoints. The first is that it can be adopted by the company with the main aim of using it for their future growth. The second is that of distributing to the company's shareholders. The latter can be carried out by dividing the profits in terms of the input of each shareholder or via repurchasing shares that are made to circulate. Due to this, companies are required to determine whether to pay dividends or not.

Despite the fact that policies on dividends are critical in the operations of organizations, particularly, financial institutions, in Ghana, studies on dividend policy have been limited to the factors affecting the patout percentages of dividends of

institutions under study (Amidu and Abor, 2006), how does dividend policy influence the profitability of the organization on Ghana Stock Exchange? (Amidu, 2007). Asamoah (2010), worked on dividend policy and share price fluidity whiles Agyei and Marfo-Yiadom (2011), researched dividend policy and bank performance in Ghana. Many studies have not been carried out to check their effects or impacts on the wealth of shareholders in companies in Ghana, hence this research assesses the effect of dividend policy on shareholders' wealth in the rural bank of the banking sector of Ghana. Financial directors of organizations have many decisions to take one of which is a decision on the dividend. Dividend policy has a high preference in financial management incorporate body and financial managers are to find the optimal strategy to balance both shareholders wealth maximization and business growth. There are many diverse views about dividend policy and how it affects shareholders' wealth. The theory of irrelevance has been strongly backed by Modigliani and Miller (1961), according to whom dividend policy ha sno impact on the market price of the stocks and the worth of the enterprise is based on the firm's profitability or speculation strategies. Others are of the view with empirical evidence to support that there is relevance between dividend policy and the affluence of the investors. (Linter 1956; Fama 1969; Gordon 1963 and Ansar, et al, 2015). Another significant consideration on how the wealth of the shareholders are affected by the dividend policy is that, some scholars like DeAngelo and DeAngelo (2006) posit that the wealth of the shareholders is increased by the dividends whiles others like Miller and Seholes (1978) assume dividends to be immaterial. Results obtained by researchers show variations and thus making the question of whether the wealth of shareholders is influenced by dividend policies still remain a matter of concern and this creates a greater space to explore the challenges in several dimensions, countries or corporate settings. This study, therefore, lays much emphasis on the effect of dividend policies on the affluence of investors in Ghana. However, the business setting to be dealt with included the rural banks in the country. Specifically, the study sought to evaluate the connection between the wealth of investors and the dividend policy, as well as profitability and shareholders' wealth of rural banks in Ghana.

2. Literature Review
2.1. Dividend Policy
These are the rules and principles that are set up and enacted by companies as the way of organising to payout dividends to investors. Shareholders always want to yield the most out of their speculations so they see the dividend as a good way to maximise their wealth, a firm, conversely, must to generate chash to fund its operations and ensure its sustainability. So if a firm pays out a larger percentage of what it yields as dividends, then for business supplies and additional extension it will have to rely on external assets like the factor of debt or fresh stocks. A firm's deividend policy therefore has an effect on both the long-term funding and the investors' affluence. Establishing a specific dividend policy is to the benefit of both the firm and the investors. In situations where there is a an improper documentation of the dividend policy, shareholders sometimes make their speculations with basis on imminent dividend outlays on previous situations (Rustagi, 2003).

There are various kinds of dividend policies as discussed.

2.1.1. Regular dividend policy: with this type of dividend policy, the dividends are paid out to the shareholders at the normal rate. This kind of dividend payment can be used by companies who has a consistent earning structure. Shareholders that invest in companies with this type of dividend policy are assured that the dividend payout rate will remain constant throughout the future.

2.1.2. Stable dividend policy: with this policy payment of a specified amount of cash is made to the shareholders on a regular basis. This policy can be done in three forms such as fixed dividend per share, a fixed pay-out percentage and stable didvidend+extra dividend.

2.1.3. Irregular dividend policy: as the name states, here the payment of dividends to the shareholders is not regular. This policy is employed in situations such as ambiguity in the profitability of the firm, inadequate liquid assets or the firm being scared of the risks associated with giving regular dividends.

2.1.4. No dividend policy: this policy is used by a company when it needs funding for growth. In this policy, no dividends are given out to the shareholders (time, 2012).

2.2. Dividend Payout
According to Rustagi (2003), a firm with relatively stable income is more likely to give out bigger dividends than a company that has a relatively less stable earning structure. Due of the fear of reduction in power of administration, the company's management may not prefer to issue additional common stock when the need for additional funding arise. Thus, a company will choose to keep more incomes to cater for other funding requirements which in turn decreases the ability to pay out dividends. A firm does not need additional reserved yields when it has easy access to capital markets in gathering extra funds. This leads to an increase in the firm's ability to pay out dividends. Shareholders in a closely managed firm, prefer moderately lower cash dividends due to larger amount of tax that needs to be paid on dividend income. According to Rustagi (2003), the shareholders in larger personal tax ranges prefer capital acquisition to dividend gain.

According to Brav et al (2003), the management of a firm finds it hard to decide on an ideal dividend policy since every shareholder has a different perspective on current cash dividends and iminent capital acquisitions. The degree of the impact of dividends on the share price is also another challenge that arises when deciding on the dividend policy to use. Because of the intricacy of a dividend policy, many scholars denote it as the dividend puzzle. The declaration of dividends involves some legal as well as financial considerations. Legally, the primary principle is that a firm can pay out dividends out of proceeds without damaging the capital structure. But there is still the problem of diversified financial ideas of the investors.

The dividend payout ratios compare the measure the total amount of dividends being paid out by the financial institution by comparing the total divedends to the total earnings. They also help determine the total amount of money gained by the shareholders from their investments in the company by comparing the dividends to the prices of shares. Some very common examples of dividend policy ratios are the dividend cover and dividend yield and dividend payout ratio. The dividend payout ratio paints a picture of how well the proceeds back the dividends paid out. As defined by Brenan (1970), dividend yield computes the total amount of funds, gpaid out by a company in the form of dividends in relation to the price of its shares.

2.3. Factors Affecting Dividend Policy
According to Magni (1990), a company's dividend policy is determined by several elements. Some factors influence the number of dividends and some factors influence the types of dividends. The various factors are discussed below:

2.3.1 Liquidity
This refers to the firm's capability to accomplish short-term goals and duties on their journey of growth. Money is a vital component in the liquidity position of the firm. As posited by James (2009), the management of a firm that does not have enough funds to accomplish its short term duties are likely to hold the issuance of dividends, in order to save some funds for the upbringing of the firm. Benito & Young (2001) in their study, found a direct connection between the dividend paynebt structure of a firm and its liquidity position. It is likely for a firm that has a stable profit rate to pay out dividends in order to make their investors happy and attract more investors. Besides, companies must pay the dividends in cash and must therefore be affluent enough to undertake this operation. A firm's liquidity can be identified by the Current ratio (CR) and cash from operations (CFO).

2.3.2 Age of the Firm
This is the total number of years (plus one) the company has officially been in existence; this element will be stated as the company's listing age. Shumway (2001) posits that the ideal explanation of firm age is the number of years since it's citation thus an occurrence which the company deems essential in its history. According to Loderer & Waelchli (2010), citation influences the management and structure of the capital, increases the chances for growth, makes the company more popular, and necessitates diverse commercial management systems. A number of research works, including the works of Shumway (2001), Pástor and Veronesi (2003), Fama and French (2004), and Chun et al. (2008) have a common way of measuring firm age.

2.3.3 Inflation
According to Culberson (2003), an increase in the level of inflation leads to a decline in the purchasing power, and thus, the amount of goods that can be purchased with a dollar decreases. For stakeholders fascinated with profit-yielding stocks, the effect of increasing rate of inflation decreases the preference of these stocks than during low inflation.

2.3.4 Leverage
This is the degree to which a comapny is funded by debt. A company that has a high leverage impllies large fixed payments for outward funding, which indeed can be used in place of dividend payments. Rozeff (1982) stated that high leverage augments the transaction costs and the company's level of risk. Contrastingly, the higher the earning preservation rate, the lower the likelihood for outward funding prospects. Leverage (LEV) is calculated by dividing the total debt by the computed value of total resources. Due to the fact that companies that has greater debt ratios have the higher likelihood of being financially reserved and might not be much able to pay out dividends, a negative rapport is thus predicted by the free cash flow hypothesis between dividend payouts and debt ratio. A firm that has higher leverage is anticipated to yield more in order to reinforce its equity base. Firms with higher leverages have more responsibility and will be held in low esteem, therefore a lower prospect of paying out high dividends. Firms with high leverages pay out low dividends since they are supervised closely by debt holders who decrease the power of the management in paying dividends (Waswa 2013).

2.4 Profitability
Demsetz (1993) introduced the superior firm theory which states that companies can be grouped according to their efficiency levels. The competitive advantage that more productive firms have over less productive firms is mostly demonstrated in the profitability rates. Companies that have greater degrees of overall factor efficiency yiled more income. A positive connection is established between profitability and productivity by the superior firm theory. Jovanovic

(1982), added to these theories that only productive companies remain in the market and that less efficient companies will gradually collapse.

The features of a company or an organization is very vital in determining the profitability (Brennan and Thakor, 1993). There has however been little attention given to the role of total factor productivity in applied work, because of the challenges in measurement. The current evaluation spreads the narrow studies in this subject. The demand as to whether a company or organization impacts affect the profitability of the firm's profitability is vital and has inferences for welfare valuations and, eventually, for the planning of opposition policy. Feeble impact theories, markets operate competitively, and greater enterprise efficiency overlaps with the focus of the industry but is not caused by it. It is ardued by Demsetz (1993) that if the focus is high due to greater profitability of a company, and anti-trust scheme would eliminate inducements for an augmentation in profitability (Peltzman, 1977).

Proceeds rely on three basic organizational facets of financial organizations: financial leverage, total interest margin and non-portfolio income sources. It is usually gauged by the Price to Earnings ratio, Return on Equity (ROE) and Return on Assets (ROA) are the most prevalently used viability ratios employed to evaluate profitability, (Malik, 2011).

2.5 Shareholders' Wealth

As stated by Kapoor (2009), the aim of capital expansion is generally recognized to be the key aim of a firm since it resolves the mixed, usually contradictory, views of investors. Concern of the worth of investors is growing rapidly due to a number of current expansions in the industrial sector: The risk of commercial occupations by those looking for less-valued and under-managed resources; inspiring commendations by commercial mangers who have employed the method; gaining popularity that domestic bookkeeping actions like EPS and ROI are not consistently associated to the worth of a firm's stocks; presentation of yields to investors along with other determinants of profitability in the industrial setting; and the increasing popularity which managements' long-term reparation must be more closely linked to proceeds to investors (Luke, 2011; Okafor and Mgbame, 2011; Adesola and Alade, 2013; Ojeme et al., 2015).

According to Profilet and Bacon (2013), decisions on dividends are considered to be crucial due to the rapidly growing responsicility of funds in the general development of a company. The finance manager must be responsible for finding an ideal dividend scheme that will be of great benefir to the company. It is usually debated that the costs of a firm's stocks is likely to decrease when its dividend payments are decreased (Ojeme et al., 2015). Publications of augmentations in dividends bring about unusual constructive asset yields while publications of dividend reductions raise abnormal destructive asset yields. A there is therefore a reduction in the prices of shares because of the signalling impact of dividends. Managers, according to the signalling effect possess unique and superior information on prospective plans and policies and choose a divided policy according to that unique information. A proper speculation of that sort by a company's management may bring about an improved and stabilized dividend payout ratio. Shareholders do not only consider dividends as a source of income, but also a factor to assess a certain company.

Additionally, it is believed that firms commonly like a consistent dividend payout ratio since the investors anticipate it and show a level of fondness for it (Mokaya et al. 2013). Investors may prefer a consistent dividend payout ratio for several motives. Those who are afraid of risks are more likely to speculate only in firms that pay out bigger dividends on stocks. This group of shareholders, which entail pensioners and other small savers, is partially or wholly reliant on the bonus payouts to take care of their daily needs. Likewise, educational units and charity organizations like consistent dividends since it is the only way they can keep their organizations running. This crowding of shareholders in firms with preferrable dividend policies has a great effect on their market prices and ultimately the investors'affluence.

2.6 Theoretical Review
2.6.1 The Bird in the Hand Theory

Shareholders normally prefer dividends in terms of capital advances in the future that are not certain (Gordon and Lintner, 1962). They are of the belief that, since the future is not certain the present is better. According to Gordon and Linter, dividend is significant in environments that are not certain where there are rational investors. This shows a preference for current dividends when compared to capital gains in the future. The Bird in the hand model is applicable to the research because several stockholders speculate in companies that give out dividends presently instead of the furture. This augments the present economic debts and advancement of a company as likened to the future. The Bird in the Hand Theory showed that the growth of a company and present monetary leverage increase when compared to the future. In spite of the demerit of paying dividends, management goes the extra mile to pay dividends to their shareholders in order to send across a constructive gesture about the imminent projections of the firm.

2.7 Empirical Literature
2.7.1 Empirical Review on Dividend Policy and Shareholders' Wealth

The effects of dividend payouts on stock prices were carried out by Asghar et al. (2011). In their study, non-financial institutions that specialized in sugar production, synthetic fibre, cement, engineering and chemicals were used over a

period from 2005 to 2009. It was evident in their findings that, dividend proceeds and their respective payout ratios are correlated confidently with share price significantly.

Khan (2012) determined the impact of dividend policy on market share prices of chemical and pharmaceutical institutions. According to him, retention ratio, cash dividend and return on equity are positively associated with stock prices. On the other hand, dividends and earnings per share show an adverse connection with the share price.

Research by Ulah et al. (2015) analysed the impact of dividend policy on the dynamics of share prices. In their study, a sample of institutions enlisted on their stock exchange programme recorded no influence of stock price volatility.

Mokaya et al. (2013) observed a confident connection between dividend policy and shareholders' wealth. However, Ozuomba et al. (2016) studied the impact of dividend policies on the maximization of wealth and discovered a noteworthy negative connection among factors.

Another study by Shah and Mehta (2016) on the rapport between the payment of dividends and the process of stocks and observed a constructive connection between both factors. Another study which was conducted byWidyastuti (2016) on the impact of dividend policy on the worth of companies observed a constructive connection between both elements. A positive connection was found between dividend announcements and stock return by Chaabouni (2017) in his study. A study by Swarnalatha and Babu (2017) also returned a constructive connection between the prices of stocks and dividend policy.

2.7.2 Empirical Review on profitability and Shareholders' Wealth

After their research on the effect of on earnings on profitability and returns, Khan, Zulfiqar, and Shah (2012) returned a feeble positive connection between both elements.

Another study by Salman (2013), on the impact of dividend policy on the affluence of shareholders in the Pakistani sugar industry. The study returned a positive relationship between explanatory and dependent variables.

2.8 Conceptual Framework

Following the works of Abdul (2017), the study presents a conceptual framework that integrates market price per share as the dependent variable; dividend policy and returns on equity as the independent variables. As to whether these variables positively, negatively or do not even affect shareholders' wealth is what the study is set to achieve. Modigliani and Miller (1961) indicate that capital and dividend gains are the major ways in which profits are given to shareholders. The stock price of a company is reduced when a company distributes the profits earned to its shareholders. The study thus predicts an inverse relationship between shareholders' value and profitability. Research by Ulah et al. (2015) analysed the effect of dividend policy on the dynamics of share prices. In their study, a sample of institutions enlisted on their stock exchange programme recorded no influence of stock price volatility. The reason could be that in terms of a perfect market, a reduction in dividend yield may not have any influence on shareholder value. The reduction can be in the form of a dividend per share on the ex-dividend date. It was therefore proposed that the value of a shareholder should not be affected by dividend policy in terms of a perfect market. According to Rustagi (2003), if a company has comparatively consistent yields, there is a higher prospect of aying out a comparatively bigger dividend than a company that has a comparatively lower rate of earnings. On the other side, if a company has a moderately higher projected yields on the fresh speculation, the company would want to reserve the proceeds for another speculation instead of giving it out as dividends. A current research by Rizwan et al. (2016) who used firms that were cited on the Pakistan stock exchange proposed that dividend policy does not affect return on equity in any way. This study, therefore, expects a positive, negative or no relationship between dividend policy and shareholders' value.

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Figure 2.1: Conceptual Framework
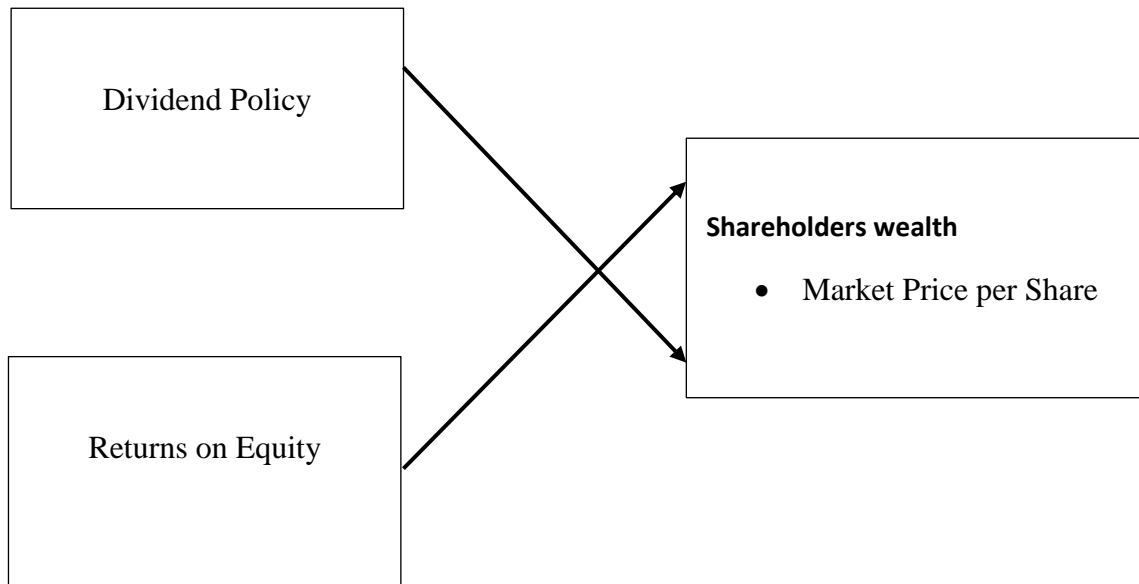
Source: Author's construction, 2021

3. Methodology

This study adopted a quantitative approach. The research design is an explanatory one as it seeks to provide justification for the results of the study. The study is mainly secondary, where data was sampled conveniently, driven by data availability and accessibility. Again, since the data comprise time series data and cross-sectional data, panel methodology was most suitable for this study.

The population of the study included all the 144 rural banks that met BOG capital requirements as of August 2018 and are duly licensed to operate as rural banks in Ghana. The target population of the study included all rural banks that have their annual report available on the internet or elsewhere for the period of 9 years, which is 2011 to 2017. The study used the convenient sampling technique to select ten (10) rural banks licenced by the central bank. These rural banks include; Kumawuman, Amansie West, Sekyere, Atwima Kwanwoma, Bosomtwe, Otuasekan, Atwima Mponua, Odotobri, Nwabiagya and Juaben rural bank.

The data for the study were sourced from the annual reports of the financial firms over the period under study and are duly registered under the Bank of Ghana. Data for the study was retrieved for a period of 9 years starting from 2011 to 2017. Macroeconomic variables used for the study were also sourced from the Bank of Ghana.

3.1 Population

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3.2 Sample and Sampling Technique

There is a very wide target population within the research setting of rural banks listed by the Bank of Ghana as of August 2018, identifying elements deemed to provide accurate responses to achieve the objectives of the study, the researcher used the convenient sampling technique to select ten (10) rural banks licenced by the central bank. These rural banks include; Kumawuman, Amansie West, Sekyere, Atwima Kwanwoma, Bosomtwe, Otuasekan, Atwima Mponua, Odotobri, Nwabiagya and Juaben rural bank.

3.3 Data Collection Method

Data establishing the relationship between dividend policies and shareholders' wealth were collected from secondary sources. The data for the research were sourced from the yearly presentations of the financial institutions over the period under study and are duly registered under the Bank of Ghana. Data for the study was retrieved for a period of 9 years starting from 2011 to 2017. Macroeconomic variables used for the research were also obtained from the Bank of Ghana.

3.4 Model Specification & Estimation Techniques

To accomplish the objectives of this research, a dividend policy-shareholder wealth model is specified. The functional forms of the shareholders' wealth models to be used in this study are standard in governance theory. Following Abdul (2017), the researcher specifies the connection between dividend policy and the affluence of investors wealth as

$$MPS_{it} = \alpha + \beta_1 DPR_{it} + \beta_2 ROE_{it} + \beta_3 Fsize_{it} + \beta_4 SizeSq_{it} + \beta_5 Lev_{it} + \beta_6 GDPG_{it} + \beta_7 ER_{it} + \mu_i + \lambda_t + \varepsilon_{it} \quad (1)$$

Where MPS_{it} is the measure of the Market Price per Share of the ith company at period t, DPR_{it} is the Dividend Payout Ratio of the i firm at time t, ROE_{it} represent the measurement of Returns on Equity of the i firm at time t, $Fsize_{it}$ is a control variable known as Size, *SizeSq* represents the square of the size, *Lev* denotes financial leverage, *GDPG* represents Gross Domestic Product Growth, *ER* refers to the exchange rate, α is the intercept and β is the coefficient in the model whilst μ represents the bank-specific effect.

The study employs two econometric estimation techniques namely fixed effects and random effects to project the connection between dividend policy and shareholders'afluence. Basically, the fixed effects enable a variation in the intercept for each company, but limits the gradient factors to be fixed across all companies always. It also evaluates the connections between the autonomous factors and descriptive elements in different groups, supposing that firms have their own features that affect the connection between elements. The notion behind the random-effects theory is that, contrary the fixed effects theory, the disparity in the groups is considered to be haphazard and in no way linked to the helping variables comprised in the model. The research then employs the Hausman (1978) Specification Test to select the ideal projection model. The various figures obtained from the collected data are transformed into their natural logarithms to minimize the outlier effects.

Variable, Measurement, Data Sources and A-Priori Expectation of Parameters

Variable	Measurement	Sources	Expected Sign
MPS	Total market value of the business, divided by the total number of shares outstanding	Financial Statements of Banks (2018)	N/A
DPR	Total dividends paid per year, divided by the market price of the share.	Financial Statements of Banks (2018)	**+/-**
ROE	Net profit after tax less preference share dividends divided by total number of ordinary shares	Financial Statements of Banks (2018)	**+/-**
FSize	Natural log of assets	Financial Statements of Banks (2018)	**+/-**
SizeSq	The Square of firm size	Financial Statements of Banks (2018)	**+/-**
Lev	Financial leverage measured as the ratio of total liabilities to total assets	Financial Statements of Banks (2018)	**+/-**
GDPG	Ghana's GDP growth measured as the growth of the total market value.	Bank of Ghana (2018)	**+/-**
IR	Interest Rate is measured as the annual average rate of interest.	Bank of Ghana (2018)	**+/-**
ER	Exchange rate is measured as the official annual average rate of exchange	Bank of Ghana (2018)	**+/-**
INF	Inflation is measured as the consumer price index.	Bank of Ghana (2018)	**+/-**

Source: Authors' Construct (2021)

4. Results and Discussion

4.1 Summary Statistics of the Impact of Dividend Policy on Shareholders' Wealth

On average, the market price per share of the sampled rural banks was 2.798, indicating to potential investors how much a stock is worth when a stock is purchased currently. From 2011 – 2017, the average dividend payout ratio of the respective rural banks was -1.749 indicating to potential investors in the stock market that rural banks in Ghana do not pay any appreciable dividend on shares. The average return on equity over the years was 0.279, which means that for every 1 share owned, shareholders earn about GHS0.279. This may imply that rural banks have not been performing well in terms of their returns to equity holders. The mean size of the rural banks is 17.66 suggesting that rural banks can

offer about 17 different financial services and products to their clients concurrently. This may have the tendency of increasing the customer base, commissions and interest income, performance and hence, dividend payments. The mean square size of the rural banks over the study period is 312.23 suggesting greater potential economies of scale to be enjoyed by the rural banks in the long run. Financial leverage of the banks from 2011 – 2017 was -0.41. This means that for every 1 debt owed, the sampled rural banks lack about GHS0.41 assets to offset the debt, which is bad. This implies that rural banks are assuming more risk which may be attributed to the high-risk nature of their business. Gross domestic product growth, which is an indication of the annual growth of total market value of the economy over the years hit 7.35. This figure suggests that the economy of Ghana over the years has grown at an average of about 7% which is a positive achievement. The contribution of an expanding economy toward the financial sector has over the years proven worthwhile. Exchange rate is the rate at which one currency is exchanged for another. Over the years, the average exchange rate was 2.98.

Table 4.1: Summary Statistics of the Impact of Dividend Policy on Shareholders' Wealth

Variable	Observation	Mean	Std. Dev.	Min	Max
MPS	69	2.798	0.389	1.977	3.723
DPR	70	-1.794	1.387	-6.746	0.031
ROE	70	0.279	0.085	-0.050	0.483
FSize	70	17.663	0.488	16.706	18.742
Sizesq	70	312.238	17.269	279.101	351.295
Leverage	70	-0.412	2.206	-3.553	4.049
GDPG	70	7.354	3.779	3.700	15.008
ER	70	2.989	1.037	1.550	4.385

Source: Author's Construct (2021)

4.2 Correlation Analysis

It is clear from Table 4.2 that a weakly positive linear connection is present between market price per share and dividend payout ratio, firm size, size square, GDP growth and exchange rate at 0.15, 0.03, 0.03, 0.02 and 0.24 respectively. However, market price per share was found to have a weak negative linear association with equity returns, and leverage at 0.60 and 0.26 respectively. From the table, none of the variables seems to be perfectly correlated with each other which presents the possibility of no multicollinearity in the work. Since correlations show a prognostic connection that can be used practically, the scholar went on to use a panel data regression evaluation to project the definite impacts of dividend policy on the affluence of investors in the selected rural banks in Ghana.

Table 4.2: Correlation Analysis of the Impact of Dividend Policy on Shareholders' Wealth

	MPS	DPR	ROE	FSize	sizesq	LEV	GDPG	ER
MPS	1.000							
DPR	0.158	1.000						
ROE	-0.604	0.115	1.000					
FSize	0.039	-0.325	-0.215	1.000				
Sizesq	0.038	-0.325	-0.212	0.999	1.000			
LEV	-0.269	-0.144	0.289	-0.055	-0.052	1.000		
GDPG	0.029	0.001	0.144	-0.523	-0.517	0.214	1.000	
ER	0.245	-0.116	-0.369	0.798	0.788	-0.123	-0.667	1.000

Source: Author's Construct (2021)

4.3 Regression Results

The model investigated the effect of dividend policy on the affluence of investors of rural banks in Ghana using panel data regression which is either a fixed-effects or random-effects model. The study determined whether the fixed effect or random effect model was appropriate using the Hausman Specification Test. Random effect is correlated with the independent variables whereas the fixed effect does not correlate with the variables. The decision rule, for the Hausman Specification test, is rejecting the null hypothesis when there is a larger p-value. The results indicate an insignificant value for the Hausman test and thus suggest that the random effect model is appropriate for the shareholders' wealth model.

The R^2 value of 0.467 indicates that approximately 46.7% of the variations in shareholders' worth are jointly explained by all the variables in the model and approximately 53.3% of the variations in shareholders' worth can be found outside the model. The F-Statistic test of 94.22 is greater than the p-value of 0.000 suggestive of the fact that the regression was statistically significant and that all the independent variables are jointly significant in explaining the variation in shareholder value.

From Table 4.3, there is a positive coefficient of the dividend payout ratio, suggesting the presence of a constructive connection between dividend policy and market price per share. This connection is observed to be numerically momentous at a 10% level of significance. The coefficient degree, ceteris paribus, shows that augmenting the dividend payout ratio by 1% will result in an improvement in shareholders' wealth by 8%. Dividend policies, therefore, have a noteworthy confident effect on the wealth of shareholders of rural banks. This finding is consistent with Shah and Mehta (2016) who investigated dividend payments and share price relationships and discovered the presence of a constructive connection between dividend payment and the affluence of investors. Studies by Ozuomba, Anichebe, and Okoye (2016) on the impact of dividend policies on wealth maximization and observed a noteworthy constructive connection among the factors.

The coefficient of Return on Equity (ROE) is negative, indicating that there is an inverse connection between equity returns and market price per share. This connection is identified as numerically significant at 1% significance level. The degree of the coefficient, all other things remaining constant implies that increasing the overall equity returns by 1 unit reduces the wealth of shareholders. This finding is in line with a research that was led by Hasan et al. (2015) reported that regardless of the business sector under study, there is an adverse effect of firm earnings on shareholders' wealth. However, Malik (2011) argued that high profitability of companies is not essentially related to the affluence of investors. This is because proceeds rely on three basic organizational phases of financial organizations: financial leverage, total interest margin and non-portfolio income sources.

The coefficient of size is observed to be constructively engaged as expected and momentous at a 10% error level. This implies that the size of the sampled firms and dividend payments drift towards the same direction. Because of this, a unit extension in the size of rural banks will bring about an advancement in shareholders' wealth by approximately 7.41. This is because banks with large assets ownership are able to offer more services to their clients concurrently at a lower cost and increase their profitability. This has the tendency of improving the worth of shareholders.

The coefficient of leverage is negative, suggesting that there is a negative connection between leverage and the price of stocks. This connection is observed to be statistically insignificant at a 5% level. The degree of the coefficient ceteris paribus means that a 1% in the financial leverage will not affect the affluence of the investor in any way. This result is in line with Yahaya and Andow (2015) who examined the impacts of capital structure on the profitability of six (6) listed multinational companies and reported no major relationship between financial leverage measures (debt-equity ratio, debt to total asset ratio and long-term debt to total asset) and return on asset (ROA). On the other hand, Rozeff (1999) found out that firms with high leverage mean large fixed payments for external funding, which can be used in place for the market value of shares.

The coefficient of GDP Growth is found to be positively signed and noteworthy at a 1% error level. This implies that GDP growth has a major effect on the worth of shareholders. These results are inconsistent with the theoretical predictions of the positive impact of the economy on shareholder value but contradict the results by Francis (2013) who pointed out that, within the African context, most rural banks are unable to manage loans and losses even during expansion periods, when the economy is improving.

The official exchange rate has a confident connection with the wealth of investors. This means that the official exchange rate and shareholder wealth move in the same direction, in a way that, a percentage escalation in the official exchange rate is meant to increase the value of shareholders by approximately 15.50 percent, with all other variables being held constant. This result was also statistically significant at a 1% significance level. The review suggested that devaluation of host country currency decreases the cost of production of that country as likened to that of a foreign country and thus affects speculation inflows. This finding is in line with the with the observations of Asante (2017) who analyzed the determinants of investment in Ghana. The study found that the exchange rate had a constructive and statistically significant impact of 1 percent on private investment.

Table 4.3: Estimated results of the Pooled OLS Model on the Impact of Dividend Policy on Shareholders' Wealth

Variables	Pooled OLS	Fixed	Random
Dividend Payout Ratio	0.055**	0.008**	0.080**
	(1.88)	(2.14)	(2.24)
Returns on Equity	-2.599***	-2.948***	-2.941***
	(-4.61)	(-5.68)	(-6.11)
Size	3.700	7.875*	7.417*
	(0.64)	(1.72)	(1.71)
Size Square	-0.108	-0.225*	-0.212*
	(-0.67)	(-1.75)	(-1.74)
Leverage	-0.019	-0.054**	-0.045**

	(-1.05)	(-2.02)	(-1.94)
GDP Growth	0.036**	0.044***	0.043***
	(2.37)	(3.63)	(3.72)
Exchange Rate	0.159**	0.171	0.155
	(2.16)	(1.39)	(1.57)
Observations	66	66	66
F-/Wald Test	7.81***	12.23***	94.22***
Within R^2		0.653	0.634
Between R^2		0.285	0.282
Overall R^2	0.485	0.459	0.467
Prob.	0.000	0.000	0.000
Hausman	N/A	0.69	0.69

Notes: The figures in parenthesis (…) are t-statistics. ***, ** and * denote statistical significance at 1%, 5% and 10%respectively.

On the basis of the regression results on Table 4.3, the researcher specifies the shareholders' wealth model as:

MPS = -61.81 + 0.080DPR – 2.941ROE + 7.417Size – 0.212SizeSq – 0.045Lev – 0.043GDPG + 0.155ER

Diagnostic Tests

Table 4.4 reports the results of the diagnostic test for the estimated model. The tests as reported in Table 4.4 indicates the Breusch-Godfrey Serial Correlation LM test for the presence of autocorrelation. The results of the test show the Chi2 value of 8.23 with a p-value of 0.312. This shows the non-existence of autocorrelation. The Breusch-Pagan/Cook-Weisberg test for the Heteroskedasticity test shows a p-value of about 22.737 with a p-value of 0.176. That is, we accept that there is no heteroskedasticity and conclude that the error terms are not changing over time.

Table 4.4: Diagnostic Tests

Test Statistics	Chi/F Version
Serial Correlation	8.23[0.312]
Heteroscedasticity	22.737[0.176]

Source: Computed by the author using STATA 14

5 Conclusion

Over the past few years, the area of shareholder value and financial performance has received significant attention from finance executives and financial economists. A lot of these studies have looked at corporate governance issues, risks and working capital management. However, this study argues that policies surrounding dividend payments also have a greater role to play when it comes to increasing the worth which belongs to shareholders. The objective of the study was thus to ascertain whether dividend policies have any influence on shareholders' value, find out the relationship between profitability and shareholder value, and finally, examine the impact of dividend policies on financial performance. The study estimates a shareholder value model for rural banks for the period 2011 – 2017, using the panel data estimation approach. The results suggest that increasing the dividend per share significantly improves market prices. It can thus be inferred that dividend payout is a significant determinant of shareholders' wealth. In effect, the researcher recommends policies targeted at increasing the dividend yields of rural banks. It is revealing from the study that returns on equity is a significant indicator of shareholders' wealth among rural banks as the study found an inverse relationship between them. It can thus be recommended that firms should develop more stringent policies that will compel managers to only invest in areas that are profitable in the long run. It can be concluded from the estimated results that rural banks that pay a higher dividend to their investors at the end of every financial year increase the value of their shareholders, but, increasing returns to equity holders have an adverse influence on shareholders' wealth. The study further accounts that dividend policy does not affect profitability, but, rural banks tend to perform better when they experience an increase in their financial leverage.

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