DEPARTMENT OF BUSINESS ADMINISTRATION

TOPIC
DETERMINANTS OF SHARE PRICE MOVEMENT IN BANKS LISTED ON THE GHANA STOCK EXCHANGE: DIVIDEND PAYOUT RATIO, PRICE EARNING RATIO, RETAINED EARNINGS AND FIRM SIZE ANALYSIS.

A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE AWARD OF BSc. IN BUSINESS ADMINISTRATION (ACCOUNTING AND FINANCE OPTION)

BY
AFREH GIFTY

MAY, 2014
DEPARTMENT OF BUSINESS ADMINISTRATION

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MAY, 2014
DECLARATION

I do declare that, except for the references to other people’s work which have been cited, this work submitted as a project to the Department of Business Administration, Okwahu Campus of the Presbyterian University College, Ghana, for the degree of Bachelor of Science in Business Administration is the result of my own investigation and has not been presented for any degree.

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AFREH GIFTY MR. EBENNEZER AGYEMANG BADU

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DATE DATE
DEDICATION

I humbly dedicate the entire project work to the most gracious God for the great things he has done and the greater things he will do. Unto him alone be the glory for his unmerited favor he has bestowed on me.

I also dedicate this work to my dearest father Mr. Kwadwo Sintim Tano and my sweet loving mother Mrs. Faustina Ennin for all their unconditional love given me to complete my four-year course. I say God bless them abundantly for being a vessel of blessing to me. And also to Mrs. Florence Akua Hayford, for her invaluable support. I say God richly bless you.

I also dedicate this project to my church Christ and Angel’s international, thank you very much for the encouragement; I am very grateful. The last but not the least dedication goes to my godfather and pastor, Ps. Atta Boateng for his sincere love, care, financial support and also being my guardian. I will forever be grateful.
ACKNOWLEDGEMENT

My utmost acknowledgement goes to the omnipresent God for working in me both to will and to do in my stay here at Abetifi and for being my shepherd in my studies.

My deepest gratitude goes to my supervisor and my lecturer Mr. Agyemang Badu an ever ready and patient supervisor who was always there for me and carefully edited this piece of work for me. Also his comments, criticisms and suggestions as well as corrections have deeply improved this work and success has been achieved. I really do appreciate all your effort and may the almighty God bless you abundantly.

To Mr. Peter Kuutol of PUCG, I say God bless you for the brotherly and excellent manner in which he contributed to the research. Indeed, I appreciate you and all your deeds.

I also express my profound gratitude to all the teaching and non-teaching staff of PUCG especially to my honorable lectures for their motivation, guidance, godly counsels and prayers. You have been a blessing and an instrument of change in my life through my period of study.

My deepest heartfelt appreciation also goes to my dearest father Mr. Kwadwo Sintim Tano, my sweet loving mother Mrs. Faustina Ennin, Mrs. Florence Akua Hayford, a brother and a friend Mr. Yaw Anku my lovely grand mum madam Esi Appiah and my very bosom friends Mr. Augustine Owusu and Theresa Aku for the support given me both financially and spiritually. My final and humble appreciation goes to my friend Miss Dorcas Boateng and to all those who inspired and encourage me to fight on even when the
going was tough, not forgetting your prayers. I thank God I have you all in my dreams and heart. I will forever be grateful.
ABSTRACT

Stock price reactions to the payment of dividend, price earnings ratio and retained earnings of the banking industry of Ghana are empirically analyzed. This study examines stock price reactions of listed commercial banks in banks listed in Ghana. The major objective of this study is to identify whether dividend payout convey any information to the market that results a price reaction for adjusting the dividend payment information. The empirical part of this study employs a standard event study methodology to analyze the stock price reaction for dividend payment. Out of 34 firms listed on the GSE, listed sample banks in the observation period were 9 used in this study. Statistical pooled.

The study found that price earnings ratio, retained earnings and dividend payout ratio are significant factor influencing share price movement of the banks listed on the Ghana Stock Exchange. T-test also reveals that stock price reaction to dividend payout ratio; price earnings ratio and retained earnings are statistically significant. Finally, dividend payout ratio does convey any information due to strong contribution of the insider trading as well as some other influencing factors in the capital market.

As Ghana stock exchange operate under weak form efficient market hypothesis share price are perhaps influence by the speculator in the market, the study call for constantly education to the investor in Ghana because it looks like the global financial crisis and the recent banking scandal have got a great negative effect on the stock price even when dividend are announced, therefore, the study recommend that an investigation should be conducted to find out why dividend payment has significant negative impact on the stock price in Ghana.
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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

When managers think about dividend policy they should take into account a number of insights from academic research on dividend. A number of theories from academic research on dividends are available.

There are three major theories that attempt to explain investors’ demand for dividends. The first one is that high dividends are considered as current income of the shareholders. They may sell a portion of their shares each year to get current income. But they would incur transactions costs and possibly also capital gain taxes. Shareholders prefer dividends to retained earnings. Dividends are also less risky and hence more valuable to investors than retained earnings. The second theory of dividend asserts that investors only care about total returns rather than receiving them in the form of dividends or in the price appreciation of a particular share. This irrelevant proposition of dividends is based on the argument that dividend policy is merely a financing decision. At this end, the only important determinant of a company’s value is its future earnings power. Therefore, it is largely a matter of indifference to investors whether companies choose to pay low dividends and finance themselves with retained earnings or pay high dividends and retrieve the capital with new stock or debt. The third one implies that investors care about how their total returns are divided between dividends and market price appreciation primarily because of the tax involvement. To the extent dividends are taxed at higher rates than capital gains, investors will prefer a lower payout policy. Empirical studies of announcements of dividend changes confirm, without exception, that the market responds
positively to dividend increases and negatively to dividend cuts. There are also studies showing that companies announcing dividend cuts outperform the market significantly in the year following the dividend cut. None of the existing studies provides a conclusive answer to the issue viz., whether companies choosing to pay out higher proportions of their earnings as dividends end up producing higher total returns for their shareholders.

The size of the market negative response to a stock-offering announcement is likely to depend on the extent of the information asymmetry between management and investors. If investors know a great deal about a company and its operations, then the announcement will have been anticipated and there will be relatively little pressure on the stock price. The most important financial impact is the signaling effect of dividends arising from information asymmetries between management and outside investors. When in a mechanism one group of participants enjoy better or more timely information than other groups then information asymmetry occurs. And an action taken by the more informed group that provides credible information to the less informed is called signal. Typically, the source of the information asymmetry is the superior knowledge that managers have about the firm’s prospects, while the investors in the firms comprise the uninformed group (Copeland and Weston, 2005).

1.2. Problem Statement

Stock markets are widely viewed as important, if not essential, for the functioning of modern capitalist economies. The Stock Market of Ghana (GSE) is fairly new, established in 1990 (Ghana stock exchange, 2008). However, it is one of the best performing stock market in Africa (Ghana stock exchange, 2008). It is one of the seven
stock markets which trade automatically in Africa and one of the best four African performing stock markets (Ghana stock exchange, 2008). Additionally, listing on a Stock exchange presents many opportunities for company’s values addition and share pricing.

The connection between share price and dividend and retained earnings is an ongoing debate in the corporate finance literature. Whilst authors like Berle and Means (2002) suggests an inverse correlation, Demsetz (2001) indicated that the share price of a corporation should be thought of as an endogenous outcome of decisions that reflect the influence of shareholders and of trading on the market for shares.

A huge gap exists in literature on the determinants of share price in an emerging market. This study therefore investigates the determinants of share price in the financial institutions listed on the Ghana stock exchange and to document empirically the relationship between what determine share price in an emerging market.

1.3 Hypothesis
1. There is significant positive relationship between share price and dividend.
2. There is significant positive relationship between share price and retained earnings.
3. There is significant positive relationship between share price and price earnings ratio.

1.4 Objectives of the Study
The prime purpose of this study is to study determinants of market share price and to examine their functional relationships with the market price of common stocks trades in Ghana Stock Exchange (henceforth GSE), an emerging capital market of Ghana.
Specific objectives

1. To examine the relationship between share price and dividend payout ratio
2. To identify the relationship between share price and retained earnings
3. To examine the relationship between share price and price earnings ratio.

1.5 Relevance of the Research

Throughout the search for both empirical as well as theoretical literature on the study, there was no direct empirical literature that investigates the determinants of share price of listed financial institutions listed on the Ghana stock exchange. Hence this study is the first in the Ghanaian content that tries to do that.

Additionally, although there are lots of theoretical literatures on the study, there is not much empirical evidence concerning the study (Mateiciuc, 2009). This study is therefore very relevant since it will contribute to existing knowledge on the subject. The finding of this study will form an empirical background for all researchers who are interested in investigating how the determinant of share price in an emerging market.

Finally, the findings of the study is expected to equip policy makers with the relevant information on what determine share price that will ensure higher performance for the design and implementation of appropriate economic policies that will result in higher and sustainable growth rates for the country.

1.6 Scope and Limitation of the Study

The broad nature of the study demands that there is the need to have a scope and limit to which the study will be undertaken. The study is therefore delimited to only financial
institutions listed on the Ghana stock exchange. The financial institutions were selected because it was easy to get the much needed information from the Ghana stock exchange. Additionally, financial institutions were chosen because of the readiness of the companies to give out information on their performance which was usually published annual report. The main limitations of this study are constraints of resources, access to vital information, and time. The finance and material resource needed for a larger sample size for this study is inadequate. This is another reason only financial institutions listed on the Ghana stock exchange was selected out of the total of thirty five (35) companies listed on the stock exchange.

1.7 Organisation of the Study

The study proceeds as follows: chapter two discusses some of the published theoretical and empirical literature relevant to the study. Chapter three presents the methodology. In that same chapter the research design, approach and the data analysis technique is described. Chapter four presents the empirical results gotten from the analyses, and plausible explanations of the findings whilst the last chapter concludes and summarizes the major findings of the study, comes out with policy recommendation and the direction for future research.
CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction

So many scholars conducted study on dividend policy, information contents of dividend, information asymmetry and their impact on market price of common stock.

2.1 Theoretical Considerations

The literature on dividend policy has produced a large body of theoretical and empirical research, especially following the publication of the dividend irrelevance hypothesis of Miller and Modigliani (1961). However, general consensus has yet emerged after several decades of investigation; and scholars often disagree even about the same empirical evidence (Al-Malkawi et al., 2010). Based on the different nature of service and manufacturing industries, the dividend payout ratio policies are expected to be different. Whereas the manufacturing industry needs huge money to buy machineries, service industry might need far less than that in training, education and updating the knowledge and experience of their human resource – their major asset (Gill et al., 2010). Thus, it can be concluded that service firms have high liquidity and it is an important determinant of dividend payout ratio. Since the profitability of the companies is also high so even if there is year to year variability in the earnings of the firms, they can easily pay huge dividends (Miller and Rock, 1985; Faccio et al., 2001).

Muhammad (2010) study tests the semi-strong form of market efficiency by investigating the reaction of stock prices to dividend announcements in Pakistan. His study analyzed cash, stock, and simultaneous cash and stock dividend announcements of 79 companies
listed on the Karachi Stock Exchange from July 2004 to June 2007; and evaluated
abnormal returns from the market model for statistical significance using the t-test and
Wilcoxon Signed Rank Test. The findings from his study suggested negligible abnormal
returns for cash dividend announcements, which inferred that the reaction of stock prices
to cash dividend announcements in Pakistan is statistically insignificant. His findings
were consistent with that of Baskin (1989); but added more substance to the findings of

In Nigeria, many studies were conducted in the area of dividend policy and its
relationship with liquidity, earnings and stock market returns. The inferences in the
studies of Oyejide (1975) and Soyode (1975) revealed the drastic change in the dividend
policy of firms in Nigeria in the era of indigenization. From the era of indigenization and
afterwards, firms in Nigeria continue to alter their dividend policies in order to ensure
continual survival and maximize share price returns. Izedonmi and Eriki (1996)
and Adelegan (2000) studied dividend policy of firms in Nigeria and how it is affected by
cash flow and other factors. Their studies were able to unveil the significant impact of
cash flow to dividend changes and the other factors that jointly determined the dividend
policy of firms in Nigeria.

Musa (2009) examined whether current earnings, previous dividend, cash flow,
investment and net current assets have significant aggregate as well as separate impact on
the dividend policy of firms quoted on the Nigerian Stock Exchange. He used the five-
variable parsimonious dividend policy model developed by Musa (2005). The study
concluded that earnings, previous dividend and cash flow all have significant positive
impact on the dividend policy of the quoted firms in Nigeria. The conclusion from the study further corroborated the works of Adelegan (2000).

2.2 Information Contents of Dividends

It is presumed that dividend declaration contains information about the future of the organization. In his study Watts (1973) tested the hypothesis information content of dividends’ which states that dividends convey information about future earnings – information that enables market participants to predict future earnings more accurately. Specifically, the objective of his study is to test the hypothesis that knowledge of current and past dividends enables a better prediction of future earnings that is possible with current and past earnings alone. For his study he calculated monthly closing price of 310 firms for June 1945 to June 1968 that are available on the tapes constructed by the Center for Research in Security Prices (CRSP) at the University of Chicago. In his study the effect of the information on future earnings is modified by both the rate at which he adjusted actual dividends to desired dividends and the firm’s target dividends payout rates. The main conclusion of his study is that, in general, the information content of dividends can only be trivial.

Empirical question of the study of Joy et al., (1977) was to reexamine the adjustment of stock prices to announcements of presumed unanticipated changes in earnings. His study presents evidence that, over the period studied, the information contained in quarterly earnings was not fully impounded into stock prices at the time of announcement. In their study, the sample size was 96 firms listed on NYSE and they took weekly closing price, monthly price and dividend data for the period of 1963-1968. He concluded that price
adjustments to the information concerning security valuations that are contained in unexpected ‘‘highly favorable’’ quarterly earnings reports are gradual, rather than instantaneous.

Empirical question of the study of Aharony et al. (1980) was whether dividend information content is useful to capital market participants. The main purpose of his study was to ascertain whether quarterly dividend changes provide information beyond that already provided by quarterly earnings numbers. In their study they took sample of 149 industrial firms listed with NYSE and they considered daily and quarterly data for the period of 1963-76. Their findings of capital market reaction to dividend announcements strongly support the information content of the dividend hypothesis, namely that changes in quarterly cash dividends do provide information about changes in management’s assessment of future prospects of the firm. Furthermore, analyzing only the cases where dividends and earnings are announced at different points in time and obtaining similar results for either group whether earnings announcements precede or follow dividend announcements, lends support to the hypothesis that quarterly dividend announcements contain useful information beyond that already provided by quarterly earnings numbers. The results also support the semi-strong form of the efficient capital market hypothesis that on average, the stock market adjusts in an efficient manner to new dividend information. Findings about capital market reaction to the dividend announcements studied strongly support the hypothesis that changes in quarterly cash dividends provide useful information beyond that provided by corresponding quarterly earnings number. In addition, the results also support the semi-strong form of the
efficient capital market hypothesis; that is, on the average, the stock market adjusts in an efficient manner to new quarterly dividend information.

Penman (1983) compares the properties of dividend announcements and management earnings forecasts as predictors of earnings and firm value. He also studied the effects of dividend announcements on stock prices are considered. He said that his paper compares the information content of dividends with that of management earnings forecasts. In his study they took sample of 541 forecasts from COMPUSTAT ‘s Merged Annual Tape and they considered annual earnings per share (EPS) for the period of 1968-73. The results of his study indicate that both the direct forecast and the dividend based forecast possess information. However, there does appear to be more information in the direct forecast than in the dividend-based forecast. He concluded that the evidence indicates that both dividend announcements and managements’ earnings forecasts possess information about managements’ expectations. His results are representative of well-established firms only.

Bamber (1986) investigates the relations between the volume of securities traded and magnitude of annual earnings announcements. His results show a continuous (positive) relationship between trading volume and the magnitude of unexpected earnings. He took 1200 observations of 397 firms listed with NYSE, AMEX and OTC as sample for his study. He considered Daily data for the period from 1977 to 1979. In his study he found that both magnitude of unexpected earnings and firm size were associated with the information content of annual earnings announcements. On average, the greater the absolute value of the earnings surprise, the greater the volume of trading around the announcement date. He also said, if fewer information sources exist for certain types of
firms, we would expect a relatively strong reaction to their annual earnings announcements.

### 2.3 Information Asymmetry

When in a mechanism one group of participants enjoy better or more-timely information than other groups then information asymmetry occurs (Copeland and Weston, 2005). Venkatesh and Chiang (1986) conducted a study to test for an increase in information asymmetry before earnings and dividend announcements. He considered 75 stocks listed with NYSE as sample for his study. He took daily closing prices for the period January 1, 1973 to December 31, 1973. Authors find a strong increase in information asymmetry only before the second announcements and virtually no increase before the joint and first announcements.

The study of Bamber and Cheon, (1995) investigated the frequency with which earnings announcements generate differential price and volume reactions, and then assesses whether these differential reactions are associated with announcement-specific characteristics. That is they investigate differential price and volume reactions associated with earnings announcements. As sample they considered 8180 announcements by 1079 firms listed with NYSE/AMEX. They used daily prices for the period of 1986-89. They concluded that price and volume reactions are independent and closely related. Furthermore, trading volume is likely to be high relative to price reaction when an earnings announcement generates differential belief revisions among investors. They also concluded that their evidence further suggests that earnings announcements that generate a high trading volume reaction relative to price reaction are associated with
More divergent financial analysts (pre-disclosure) earnings forecasts;
A large analyst following;
Higher random -walk-based unexpected earnings relative to analysts-based unexpected earnings; and
Price increases. Results of their study are broadly consistent with the notion that trading volume reaction is likely to be high (relative to price reaction) when an announcement generates differential belief revisions among individual investors.

Mitra and Owers(1995) examine the information content of dividend initiation announcements in the context of the firm’s information environment. They empirically test where the magnitude and volatility of security price reaction to a dividend initiation announcement are associated with the firm’s information environment. For their study they obtained data from the CRSP daily master file. And they used daily return for the period from 1976-87. In their study, mean standardized abnormal returns and volatility of stock returns are estimated. They concluded that dividend initiation announcements are associated with highly significant abnormal returns.

In their study Jarrow et al., (1995) they said that the relationship between dividend changes and subsequent earnings changes is positive, but not significant. Given these, it is rather hard to interpret any of the evidence as supporting the information signaling hypothesis. Researchers find that significant market reaction to dividend changes is positively related to the size of the dividend change. There are numerous studies that show that dividend changes cause a like change in security prices. For example, Pettit (1972) shows that announcements of dividend increases are followed by significant price increase and announcements of dividend decreases are followed by a significant price
drop. In their original article, Miller & Modigliani suggested that if management’s expectations of future earnings affect their decision about current dividend payouts, then changes in dividends will convey information to the market about future earnings. This notion is labeled, “the information content of dividends”. They concluded that if managers know more about the true worth of their firm, dividends may be used to convey that information to the market, despite the costs associated with paying those dividends. It should be noted that with asymmetric information, dividends can also be views as bad news: firms that pay dividends are the ones without positive NPV projects to invest in.

Lobo and Tung(1997) investigated the effects of earnings announcements and asymmetry information on trading volume. As sample for their study they took 9449 observations of firms listed with NYSE or AMEX and considered daily data between 1987 and 1990. They estimated the deviation of daily percentage of the firm’s outstanding shares traded from its non-announcement daily mean percentage volume. Their study provides evidence on whether the net relative information content of quarterly vs. annual accounting information results in differential impacts of their respective announcements on trading volume. They concluded that their study provides empirical evidence on trading volume behavior during quarterly earnings announcements and the effect of pre-disclosure information asymmetry on that behavior. Their study also provides evidence on the relation between pre-disclosure information asymmetry and trading volume prior to and following quarterly earnings announcements.

In their study, Bae et al.(2008) examined the effect of earnings releases by a chaebol firm on the market value of other firms in the same group. They found that the announcement of increased (decreased) earnings by a chaebol-affiliated firm has a positive (negative)
effect on the market value of other non-announcing affiliates. Their results are consistent with the existence and the market \textit{sex ante} valuation of intergroup propping.

Valipor et al. (2009) conducted a study that investigates the effect of asymmetric information on dividend policy in listed companies in Tehran Stock Exchange. For their study they considered 111 listed companies in Tehran Stock Exchange for the period of 2003 to 2007. The statistical analysis had done by multi-variable regression analysis. Their study was about the effect of asymmetric information on dividend policy and their analysis was based on signaling model. This model explains that managers know more about the real value of the firm than investors and they direct the information in the market by profit dividing. Their study findings show that there is a meaningful and reverse relationship between asymmetric information and dividend policy. It mean, increasing the asymmetric information reduce the dividend between investors. Some other findings show there is a meaningful relationship between dividend policy and return on stock but there is no meaningful relationship between dividend policy with firm size and book value to market value of equity ratio.

2.4 Signaling Theory

The most important financial impact is the signaling effect of dividends arising from information asymmetries between management and outside investors (Copeland and Weston, 2005). Some study provides unequivocal support of the signaling theory of dividends. Capstaff et al. (2004) tested the signaling theory of dividends by investigating the stock price reaction to dividend announcements on the Oslo Stock Exchange (OSE), and subsequent changes in the cash flows of the firms involved. This paper adds to
existing evidence by examining the role of dividends in a market where the corporate ownership structure is notable different from the U.S and the U.K., and where the motivation to use dividends as a signaling mechanism appears to be stronger. The results indicate significant abnormal stock returns are associated with announcements of dividend changes. The results are robust to alternative models of dividend expectations, after controlling for the impact of earnings announcements, and are consistent across sub-periods in the sample. The stock market reaction is most pronounced for large, positive dividend announcements that are followed by permanent cash flow increases. This evidence provides modest support for the signaling theory of dividends in Norway, but it does not support the proposition that corporate ownership structure is an important influence on the use of dividends as a signaling mechanism. They concluded that the ownership structure in Norway, with its implications for agency costs and information asymmetry, increases the likelihood of a signaling theory explanation of dividends. Significant abnormal stock price returns are present on the announcement day for both the positive and negative portfolios of dividend announcements whilst neutral announcements are associated with insignificant negative returns. The market reaction is greater the larger the change in dividend. They also concluded that their evidence does not provide unequivocal support of the signaling theory of dividends but their overall results support the first stage of the signaling hypothesis that announced changes in dividends convey information to the market. More specifically, the evidence from Norway suggests that lower agency costs and greater information asymmetry do not increase the likelihood that managers will use dividends as a signaling mechanism.
Brav et al. (2005) conducted the study on payout policy of 21st century shedding more light on repurchase. They surveyed 384 financial executives and conduct in-depth interviews with an additional 23 to determine the factors that drive dividend and share repurchase decisions. Their findings indicate that maintaining the dividend level is on par with investment decisions, while repurchases are made out of the residual cash flow after investment spending. They also found that the link between dividends and earnings has weakened. Many managers now favor repurchases because they are viewed as being more flexible than dividends and can be used in an attempt to time the equity market or to increase earnings per share. Furthermore, management views provide little support for agency, signaling, and clientele hypotheses of payout policy and tax considerations play a secondary role.

Pettit (1972) conducted a study on 625 firms listed in NYSE to offer further evidence about the validity of the efficient market’s hypothesis by estimating the speed and accuracy with which market prices react to announcements of changes in the level of dividend payments. His results tend to support the proposition that market participants make considerable use of the information implicit in announcements of changes in dividend payments. The market reacts very dramatically to these announcements when dividends are reduced or when a substantial increase takes place. The effect of a more moderate dividend increase is proportionately less. His results demonstrate that substantial information is conveyed by announcements of dividend changes. But more than this the results imply that a dividend announcement, when forthcoming, may convey significantly more information than the information implicit in an earnings announcement. The results of his investigation clearly support the proposition that the
market makes use of announcements of changes in dividend payments in assessing the value of a security. Management’s fear of reducing or omitting dividends seems well founded and leads to a desire to delay increasing dividends until the lever of cash flows can be estimated with little uncertainty.

Management is obviously reluctant to cut dividends and therefore they increase dividend only if they are confident that future earnings and cash flows will enable them to maintain the new higher payout. Eventually, management will suffer the embarrassment of having to cut the dividend (or cut elsewhere), and the market will respond by reducing the stock price (Barclay and Smith, 1995). Investors are aware of this behavior as they know that management is likely to have a clearer view of their company’s prospects than outsiders, a dividend increase functions as a fairly reliable signal that management foresee a rosy future, and a dividend reduction signals a gloomy forecast. If a firm increases dividend payout then it signals that it has expected future cash flows to meet debt payment and dividend payments without increasing the probability of bankruptcy. A dividend increase is regarded as a more credible signal of future good times than just to say, a management forecast of higher future earnings. As a result we may find empirical evidence that shows the value of the firm increases. It happens because dividends are taken as signals that the firm is expected to have permanently higher level future cash flows from investment. We may then observe an increase in share prices associated with that dividend announcement. Adversely, some companies might increase dividend because of a decline in the available investment opportunities, which would not be regarded as good news by investors. So, dividend change is not sufficient to convey information about future cash flows of a particular company. Investors may get the same
information via other sources. The prime objective of management in changing dividend policy is not to provide accurate signals to the market but rather to establish the right financial structure for a more competitive environment.

2.5 Dividend Clientele Effect

Dividend clientele effect suggested by (Miller and Modigliani, 1961) is a possible explanation for management reluctance to alter established payout ratios because such changes might cause current shareholders to incur unwanted transactions costs. The dividend clientele effect was originally suggested by Miller and Modigliani:

If for example the frequency distribution of corporate payout ratios happened to correspond exactly with the distribution of investor preferences for payout ratios, then the existence of these preferences would clearly lead ultimately to a situation whose implications were different, in no fundamental respect, from the perfect market case. Each corporation would tend to attract to itself a “clientele” consisting of those preferring its particular payout ratio, but one clientele would be as good as another in terms of the valuation it would imply for firms.

So the second consideration is the clientele effect associated with changing dividend policy. The argument behind this proposition implies that companies, by virtue of their past dividend payouts, attract investors whose characteristics cause them to prefer a particular company’s dividend policy. Such investors requiring regular cash income are in relatively low tax brackets and seek relatively safe, defensive investments. Growth firms pay lower dividends, reinvest more of their earnings, and provide a greater
percentage of their total returns in the form of capital gains. Investors in high tax brackets with no pressing need for cash income tend to be attracted to such firms.

Dividend clientele theory suggests that management should maintain a stable dividend policy because change could require shareholders to switch companies, which would involve brokerage costs, and capital gain tax. If the stock price drops because of selling by one group of investors, the theory says that value-based bargain hunters should be attracted to the firm’s stock.

Both financial analysts and investors commit that dividends are more valuable than capital gains because they are more reliable and hence less risky. What this proposition fails to recognize is that dividend can ultimately be paid only out of future cash flow, and it is the riskiness of the future cash flow stream that determines the degree of certainty with which investors can view future dividends. According to more recent academic thinking, firms in mature industries with excess capital have a tendency to retain and then waste that capital, either by overinvesting in core business or diversifying through acquisitions. Acquisitions are one way managers spend cash instead of paying it out to shareholders (Jensen, 1986).

According to Barclay and Smith (1995), companies with few major investment opportunities can limit management’s temptation to overinvest by paying out a larger percentage of their earnings. And, for this reason alone, we would expect higher dividends in stable, low-growth industries. By contrast, high-growth companies with lots of investment opportunities are likely to pay low dividends because they have profitable uses for the capital. Whereas their slow-growth counterparts tend to use higher dividends
to address a potential overinvestment problem, high-growth firms pay low dividends (recall that over one-fourth of all companies pay no dividends at all) in part to guard against an underinvestment problem.

So, they document that those matured firms with few promising investment opportunities tend to have significantly higher dividend yields and leverage ratios than growth firms. With few investment opportunities and thus limited requirements for new capital, matured firms pay high dividends in part to prevent themselves from wasting their excess cash, or from becoming a takeover target as a consequence of having too much cash. Adversely, growth firms tend to have lower dividend payouts and debt ratios not only because there is no temptation to waste capital but also because raising outside capital can be very costly. Though there are exceptions to this rule, growth firms tend to be in riskier businesses than matured firms, and higher business risk is likely to mean a greater likelihood of not having access to capital at reasonable cost across market cycles. Under these circumstances, a policy of high dividends can lead to high floatation costs including dilution of equity as well as investment banker fees or, still worse, an inability to capitalize upon valuable investment opportunities. For sure high-risk firms tend to use equity-dominated capital structures and to conserve their equity capital by retaining rather than paying out earnings. High-quality (or undervalued) companies will have higher leverage and make higher dividend payments than low-quality (overvalued) firms. A change from regulated and unregulated status might have predictable effects on a firm’s dividend policy. More specifically, regulated firms have systematically higher dividend payouts and leverage ratios than unregulated firms, Barclay and Smith (1995).
From the above discussion it is therefore becomes an empirical question whether or not dividend policy, dividend announcement changes etc. actually have any effect on share price. This study, however, will present the underlying rationale for a selected subset of the empirical literature on dividend, retained earnings, and other determinants of stock prices and empirical evidence showing the relationship among them.
3.1 Research Design

The primary aim of this study is to examine the impact of dividend and retained earnings on banks share price movement on the GSE. To achieve this objective a quantitative data analysis was employed. The explanatory type of research design helps to identify and evaluate the causal relationships between the different variables under consideration (Marczyk et al., 2005). So that, in this study the explanatory research design was employed to examine the relationship of the stated variables. Therefore, by using a quantitative approach it is able to capitalize the strength of quantitative and remove any biases that exist in any qualitative research method (Creswell, 2003). A panel data study design which combines the attributes of cross-sectional (inter-firm) and time series data (inter-period) was used. The advantage of panel data analysis is that more reliable estimates of the parameters in the model can be obtained (Gujarati, 2004).

3.2 Study Population

The population of this study consists of the total number of listed banking firms operating Ghana and listed in the Ghana Stock Exchange (GSE) as at December 2012. The total number of Banks in the GSE is 9; out of which 35 listed firms.

3.3 Sampling and Sampling Size

Rendering to the information obtained from GSE there are only 9 commercial banks which are listed on the Ghana Stock exchange for the study period. Thus, all the nine
commercial banks were selected as a sample size for the study. Thus, the entire population was considered for the study.

3.4 Source of Data and Collection Methods
The essential data for this study were collected from secondary sources. The secondary source of data is the audited financial statements of the sample commercial banks listed on the GSE over a period of eight years (2005-2012). These data was obtained from GSE. All the needed information was found in the annual reports that the banks forwarded to the GSE.

3.5 Description of Variables and Measurements
In this study, the variables were selected based on alternative theories and previous empirical studies related to share price movement and dividend and retained earnings. In accordance with the theory and empirical studies, the independent, dependent and control variables of the study were identified in order to investigate the impact of dividend and retained earnings on firms’ listed on Ghana Stock Exchange share price movement.

3.6 Model Specification
The objective of this study is to find the relationship that exists between the dividend payout ratio and retained earnings and the share price movement of listed banks in Ghana. In order to achieve this objective, a functional relationship is structured and presented in form of regression equation. The regression equation was used in determining the statistical relationship between the share prices and dividend payout and
retained earnings of the listed banking firms in Ghana. Since this study is panel data set in nature, a control variable was introduced into the regression equation to cater for the differences in sizes of the selected firms. The control variable introduced was the net assets value measured in logarithms and price earnings ratio. The logarithm was employed to normalize the data and make them fit into the regression equation.

The general models for the study are:

\[ Y_{it} = \beta_0 + \sum \beta_i X_{it} + \epsilon_{it} \]  
(Eq. 1)

\[ Y_{it}: \text{performance ratio of bank } i \text{ at fiscal year } t \text{ share price} \]

\[ \beta_0: \text{The intercept of equation,} \]

\[ \beta_i: \text{Coefficients of } X_{it} \text{ variables,} \]

\[ X_{it}: \text{The different independent variables for share price for bank } i \text{ at fiscal year } t, \]

\[ i: 9 = 1-9 \text{ banks,} \]

\[ t: \text{Time= 1,2,3,4,5,6,7,8 years,} \]

\[ \epsilon: \text{The error term} \]

However, if the researcher translates the above general least squares models into identified variables it becomes:

\[ \text{SHP}_{it} = \beta_0 + \beta_1 \text{DIV}_{it} + \beta_2 \text{REE}_{it} + \beta_3 \text{PER}_{it} + \beta_4 \text{SIZ}_{it} + \epsilon_{it} \]  
(Eq.2)
Table 1: Definition of Variables (Proxies)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Definition</th>
<th>Expected sign</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHP</td>
<td>Share price - <em>(Dependent variable)</em> = share price of the banks i at the end of fiscal year t</td>
<td>N/A</td>
</tr>
<tr>
<td>DIV</td>
<td>Dividend ratio = The dividend ratio of the banks i at the end of fiscal year t; i.e., percentage of dividend on profit.</td>
<td>Positive (+)</td>
</tr>
<tr>
<td>REE</td>
<td>Retained earnings – percentage of retained earnings on profit after tax i at the end of fiscal year t.</td>
<td>Positive (+)</td>
</tr>
<tr>
<td>PER</td>
<td>Price earnings ratio – price earnings ratio per each year and time</td>
<td>Positive (+)</td>
</tr>
<tr>
<td>SIZ</td>
<td>Firm Size – natural log of total assets of the bank i at the end of fiscal year t.</td>
<td>Positive (+)</td>
</tr>
</tbody>
</table>

3.7 Methods of data analysis

In this study to analyze the collected data both descriptive, correlation and multiple panel linear regression data analysis method were employed. The descriptive statistics was used to quantitatively describe the important features of the variables using mean, maximum minimum and standard deviations. The correlation analysis was used to identify the relationship between the independent, dependent and control variables using Pearson correlation analysis. The correlation analysis shows only the degree of association between variables and does not permit the researcher to make causal inferences regarding the relationship between variables (Marczyk et al., 2005). Therefore, multiple panel linear regression analysis was also used to test the hypothesis and to explain the
relationship between corporate governance variables and financial performance measures by controlling the influence of some selected variables.

3.8 Banks’ Profile

ECOBANK

PROFILE

ETI, a public limited liability company, was established as a bank holding company in 1985 under a private sector initiative spearheaded by the Federation of West African Chambers of Commerce and Industry with the support of ECOWAS. In the early 1980’s the banking industry in West Africa was dominated by foreign and state-owned banks. There were hardly any commercial banks in West Africa owned and managed by the African private sector. ETI was founded with the objective of filling this vacuum.

The Federation of West African Chambers of Commerce promoted and initiated a project for the creation of a private regional banking institution in West Africa. In 1984, Ecopromotions S.A. was incorporated. Its founding shareholders raised the seed capital for the feasibility studies and the promotional activities leading to the creation of ETI. In October 1985, ETI was incorporated with an authorized capital of US$100 million. The initial paid up capital of US$32 million was raised from over 1,500 individuals and institutions from West African countries. The largest shareholder was the ECOWAS Fund for Cooperation, Compensation and Development (ECOWAS Fund), the development finance arm of ECOWAS. A Headquarters’ Agreement was signed with the government of Togo in 1985 which granted ETI the status of an international organization with the rights and privileges necessary for it to operate as a regional
institution, including the status of a non-resident financial institution. ETI commenced operations with its first subsidiary in Togo in March 1988.

MISSION AND VISION
The dual objective of Ecobank Transnational Incorporated (ETI) is to build a world-class pan-African bank and to contribute to the economic and financial integration and development of the African continent.

GHANA COMMERCIAL BANK
PROFILE
Ghana Commercial Bank Ltd. started in 1953 as the Bank of the Gold Coast to provide banking services to the emerging nation for socio-economic development. The Bank was to provide special attention to Ghanaian traders, business people and farmers who could not elicit support from the expatriate banks. In 1957, when Ghana attained independence, Bank of Ghana was established as the Central Bank while the Bank of the Gold Coast was renamed Ghana Commercial Bank to focus solely on commercial banking services. Since then GCB branches have been opened across the length and breadth of the nation tapping the potential of the 10 regions that make Ghana. The Bank had been wholly government owned until 1996 when under the economic recovery programme part of the government ownership was divested. Today government ownership stands at 21.36% while institutional and individual holdings add up to 78.64%. From the one branch of the 1950s, GCB now has over 150 branches and 11 agencies throughout the country. GCB abounds in high quality human resource, which stands at 2,101 as at the end of 2009. This is remarkable when one considers that the Bank started with a staff of 27. Currently there are professionals of various disciplines who work in tandem to achieve the
objectives of the Bank. The growth of the Bank has been synonymous with its customer base. During the first five years of the Bank's operations, our customers were mainly small Ghanaian traders (now termed SMEs) and other nationals who were expected to maintain credit balance accounts because the Bank was then not adequately capitalized. From the small trader as customer, GCB now has a customer profile that ranges from salaried workers through small and medium scale entrepreneurs to large trading concerns, quasi-governmental institutions and corporate customers. GCB provides a wide range of products and services for the benefit of its customers. From the traditional products of the Current/Savings Accounts, GCB now offers specialized products and services including Link2Home for Ghanaians resident abroad, doorstep cash collection, loans and overdrafts. There are also investments products like treasury bills as well as fixed and call deposits. These are cut to suit the individual needs of customers. In addition, GCB has taken advantage of an enhanced information technology system, to introduce Internet Banking (Commernet Plus), Royal Banking, Smart Pay (Fee Payments), KudiNkosuo, GCB Inland Express Money Transfer, International Money Remittance Payments, GCB Kidistar Account and MasterCard.

MISSION

To be the established leader in banking, satisfying the expectations of customers and shareholders, providing a full range of cost efficient and high quality services through the optimization of information technology and efficient branch network.
CAL BANK

PROFILE

Currently the most innovative indigenous Ghanaian Bank in Ghana, CAL Bank formerly Continental Acceptances Ltd and CAL Merchant Bank commenced operations in July 1990, providing world class financial solutions to the Ghanaian banking sector. CAL Bank received its Universal Banking License in 2004 and soon commenced providing specialized retail banking services. With its highly skilled professional staff who emphasizes the delivery of efficient and excellent customer services, CAL Bank Limited continues to provide a broad range of banking and financial solutions to large corporations, small and medium-sized enterprises, public sector institutions and retail customers through a network of 19 branches and over 60 offsite ATMs across Ghana. At CAL Bank, our promise is to deliver services you can always bank on. Our customer-centric approach in our service delivery is underpinned by the bank’s ethos of customer delight. It is out of this that the slogan ‘Bank on our service’ continuously drive the bank to play an important role in the Ghanaian financial sector by providing total banking services to personal, commercial and corporate clients in Ghana and beyond.

MISSION

We aspire to be a financial services institution of preference through delivery of quality service, using innovative technology and skilled personnel to achieve sustainable growth and enhanced stakeholder value. The Bank's vision is to be a leading financial services group creating sustainable value for our stakeholders.
SG-SSB

VISION

To become a world-class financial institution that provides superior returns for all stakeholders as follows:

Our customers: The best place to bank

Our shareholders: The best place to invest

Our employees: The best place to work

Our regulators: The best place to benchmark

MISSION

To be amongst the top five banks in Ghana by December 2014, based on all key performance indicators and anchored on three key pillars - our people, our service and processes, and return to stakeholders.

UT BANK

UT was issued with its Universal Banking License on June 28th 2006, making it the 22nd bank to be licensed by the Bank of Ghana. The Bank is owned by Ghanaian and Foreign individual and institutional investors including ADB and SSNIT, and also by its Executives. The Bank was formerly Fidelity Discount House, the leading discount house in Ghana. After operating profitably for 8 years, the business environment in the country drew investors to the idea of establishing a bank.

UT Bank has a team of high calibre staff with diverse skills and experience. We continue to invest heavily in technology and training to ensure that we are at par with the best in the industry. To ensure the relevance of our comprehensive range of products and
services, we continually review the demographics of our customer segments to ensure that our offerings meet the banking and financial needs of existing and potential customers. UT Bank’s vision is to become a world-class financial institution that provides superior returns for all stakeholders. With People who are professional and proactive, state of the art Technology, exceptional Corporate Governance Standards, good knowledge of the Local Market, Financial Capital and above all, a Customer-Centric Culture, UT Bank is contributing its quota to the development of the banking industry and by extension the Ghanaian economy.

THE TRUST BANK

TTB provides a comprehensive range of banking services to its customers and clients, using its worldwide network of correspondent banks and their agencies. The range of TTB's banking services includes:

- Domestic and International Banking Operations for Corporate Customers, Small & Medium Enterprises (SMEs) and, High Net-worth Individuals;
- Treasury Services
- Money and Capital Market Operations
- Foreign Remittances

The Bank has two wholly owned specialised subsidiaries namely:

- Merban Investment Holdings Limited (MIHL) - dealing in Funds/Portfolio Management, Money Market Operations, Investment Advisory Services, Trustee Services and Custodial and Nominee Services;
- Merban Stockbrokers Limited (MSL) - dealing in Brokerage Services, Underwriting of new Issues, and Investor Search & Joint Venture Arrangement; and
The MBG group also has the following additional specialist services tailored to meet its customers' needs:

- Registrar Services - maintaining records of Shareholders and Creditors, facilitating dividend payments to Shareholders; and

- Corporate Finance & Advisory Services (CFAS)- handling Corporate restructuring, Joint Venture Arrangement, Company Valuation, Project Finance; Funds Sourcing, Issuing House Services and General Financial Advisory Services.

The bank has taken advantage of the opportunities offered by the introduction of Universal Banking Business in Ghana and TTB has fully developed all three areas of universal banking namely; Retail, Corporate and Investment. The branch network of Merchant Bank currently stands at 21 with plans afoot to extend our services to the Northern and Brong Ahafo regions soon.

**MISSION**

As a universal Bank TTB (Ghana) limited is committed to providing quality financial products and services to our customers across our chosen market and maintaining our place as a leading and preferred financial institution in Ghana.

**VISION**

To become the leading, the most influential and best performing financial service provider in Ghana by 2012 and one of the leading banks in West Africa by 2015.
ECOBANK TRANSNATIONAL

PROFILE
Established in March 22, 1963, the National Investment Bank Ltd. was the first development bank in Ghana to promote and strengthen rapid industrialization in all sectors of the Ghanaian economy. The bank now operates as a universal bank in focusing on development/commercial banking activities. The bank has undergone management, institutional and financial restructuring, which has strengthened the organization and now has 27 branches nationwide. The bank has in the past participated in foreign lines of credit, which were administered by Bank of Ghana to meet term loan and working capital needs of the Bank's customers. We are also one of the designated financial institutions, which sources funds from Export Development and Investment Fund (EDIF) for on-lending to exporters as Term and Working capital loans. The Bank was awarded the prestigious Euro Market Award in 1994 and recently won the 2003 Best Bank of the Year for Long Term Loan Financing. We play a leading role in developing a number of highly successful industrial projects in Ghana, through equity and debt financing. Some of these are Nestle Ghana Ltd., NexansKabelmetal (Ghana) Ltd., Merchant Bank (Ghana) Ltd. and Total Ghana Ltd.

PRODUCTS AND SERVICES
Apart from its development banking activities, the bank also provides corporate and commercial banking facilities involving both domestic and foreign transactions at very competitive rates and on flexible terms. They include Current and Savings Account, Call Deposits, Fixed Deposits, Loans and Advances, Personal Loans, Overdrafts, Western Union Money Transfer, Mobile Cash Management Services and Warehousing.
VISION

To be the most renowned Ghanaian bank for growth and efficiency

MISSION

Our mission is to offer the highest-quality, customer-focused banking services to our clients and to create value for our shareholders.
CHAPTER FOUR
RESULT AND DISCUSSION

4.0. Introduction

This chapter covers the statistical analysis and interpretation of regression models between dependent variable (share price) and independent variables (dividend payout ratio, price earnings ratio and retained earnings) of banks listed in Ghana Stock Exchange. Before the regression test was run normality test was conducted to establish whether the data was evenly distributed to champion the course of the study.

4.1 Normality test

Table 2: Shapiro-Wilk Normality Test

<table>
<thead>
<tr>
<th>Variables</th>
<th>SW</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share price</td>
<td>0.44565</td>
<td>0.1123</td>
</tr>
<tr>
<td>Price earnings ratio</td>
<td>0.76353</td>
<td>0.0945</td>
</tr>
<tr>
<td>Dividend payout ratio</td>
<td>0.74057</td>
<td>0.1871</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>0.76131</td>
<td>0.6054</td>
</tr>
</tbody>
</table>

In running the regression result, I first run for normality test to establish as to all linked variables that is share price, price earnings ratio, dividend and retained earnings used as dependent and independent variables in this study fulfill the assumption of normality before proceeding. Following the normality test carried out, all the variables by using Shapiro-Wilk test, showed that the variable were insignificant that is (p>0.05), which means that variables do not present problems of normality and appears robust which also
point out that the data were not significantly different, thus the data used in this study were normally distributed. The remaining variable that is size of firm is not subject to the normal distribution. The natural logarithm was generated for accounting data to reduce the skewness.

4.2 Multi-Collinerarity Test

Furthermore, second test was run, but this time I wanted to test for multi-collinerarity and by so doing I run the correlation Matrix for the various sectors as categorized. After running for the correlation result to determine as to the coefficient estimates may cause variation in response to small changes in the data set, to the correlation coefficients of the repressors’. No correlation matrix shows result to be less than 0.875 as the beach mark, this suggesting that there is less or minimal multi-collinerarity among the variables. The result is shown in table 4 below.

4.3 Descriptive statistics

Table 3: Descriptive statistics

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Std Dev.</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share price</td>
<td>3.614</td>
<td>8.143792</td>
<td>.15</td>
<td>38</td>
</tr>
<tr>
<td>Price earnings ratio</td>
<td>16.60133</td>
<td>12.8736</td>
<td>3.9</td>
<td>72.6</td>
</tr>
<tr>
<td>Dividend payout ratio</td>
<td>.436311</td>
<td>.505592</td>
<td>0</td>
<td>.52605</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>.073143</td>
<td>.212309</td>
<td>0</td>
<td>.743379</td>
</tr>
<tr>
<td>Firm size</td>
<td>8.754967</td>
<td>.5682211</td>
<td>7.585337</td>
<td>9.954557</td>
</tr>
</tbody>
</table>
Table 3 above gives the descriptive statistics of the variables specified in the model for the study. The mean share price for the rural banks under consideration, over the period of study was 3.6 per share, indicating that the firm on the average used approximately in the price of the share price is quoted at GHC 3.6.

Price earnings ratio showed a mean value of 16.60 with minimum of 3.9 and maximum of 72.6. Further, the standard deviation shows that the rural banks diverged from the mean.

Averagely, dividend pay to shareholders is projected a mean result of 43.63% which means that the rural banks under consideration 43.63% of their profit to shareholders as dividend each year. The minimum dividend paid each year was 0% and the maximum was 52.61%. The zero percentage of divided came as a result of losses made in the period under study therefore, the company law prohibit them to pay dividend.

Besides, retained earnings on the average accounted for 7.31%, which sought to assume that, on the average the firm is retained less of its profit each year. The minimum retention of profit was equated to zero while the maximum retained earnings were 74.34%. It can be assumed that the banks under study prefer to finance their operation by debt than equity financing.

The firm size should a value of 8.75 mean with minimum of 7.59 and maximum of 9.95.
4.4 Correlation matrix

Table 4: Correlation matrix

<table>
<thead>
<tr>
<th></th>
<th>Share price</th>
<th>Price earnings ratio</th>
<th>Dividend Payout</th>
<th>Retained earnings</th>
<th>Firm size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share price</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price earnings ratio</td>
<td>-0.0556</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig.</td>
<td>(0.041)**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend payout ratio</td>
<td>-0.1330</td>
<td>0.3625</td>
<td>1.0000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig.</td>
<td>(0.003)*</td>
<td>(0.113)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained earnings</td>
<td>0.0526</td>
<td>-0.1816</td>
<td>-0.2169</td>
<td>1.0000</td>
<td></td>
</tr>
<tr>
<td>Sig.</td>
<td>(0.022)**</td>
<td>(0.044)**</td>
<td>(0.001)*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm size</td>
<td>0.1573</td>
<td>0.0589</td>
<td>-0.1980</td>
<td>0.1481</td>
<td>1.0000</td>
</tr>
<tr>
<td>Sig.</td>
<td>(0.233)</td>
<td>(0.099)***</td>
<td>(0.004)*</td>
<td>(0.768)</td>
<td></td>
</tr>
</tbody>
</table>

(*) denotes significance level at 1%

(**) denotes significance level at 5%

(***) denotes significance level at 10%

The table 4 above is the correlation matrix which shows the relationship between share price and independent variables. This table also shows the linear relationships between each independent variable.

Tables 4 point out that dividend and price earnings ratio is negatively and significantly correlated at 1% and 5% level of significance with share price. On the other hand, retained
earnings and firm size are positively correlated with share price. But while retained earnings are significant at 5% level of significance firm size is insignificant.

As per the correlation result reported in table 4, the Pearson correlation coefficients of price earnings ratio, dividend, retained earnings and firm size are -5.56%, 4 percent, -13.30%, 5.26% and 15.73% respectively. From this it can be understood that variables have weak association with share price.

4.5 Regression Analysis

Table 5: Regression result

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coef.</th>
<th>t-test</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price earnings ratio</td>
<td>-0.142105</td>
<td>-0.83</td>
<td>0.007</td>
</tr>
<tr>
<td>Dividend payout ratio</td>
<td>-0.4793666</td>
<td>-0.98</td>
<td>0.000</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>0.3212558</td>
<td>0.78</td>
<td>0.040</td>
</tr>
<tr>
<td>Firm size</td>
<td>1.919913</td>
<td>0.81</td>
<td>0.423</td>
</tr>
<tr>
<td>Constant</td>
<td>-12.61509</td>
<td>-0.61</td>
<td>0.545</td>
</tr>
<tr>
<td>F-value</td>
<td>0.36</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prob.&gt;</td>
<td>0.004</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R</td>
<td>0.348</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td>0.311</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adj. R²</td>
<td>0.298</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The statistical results from table 5 indicate a weak correlation between share price dependent variable, and independent variable and control variable since computed R is
less than the 0.875 rule of thumb. The adjusted coefficients of determination \((R^2)\) of 0.3114 revealed the overall fitness of the regression model. This means that 31.14% of the variations in the share prices of selected listed banks are explained by the dividend payout ratio, price earnings ratio, retained earnings and firm size. This showed that the proportion of the independent variables (price earnings ratio, dividend payout ratio and retained earnings) and control variable (Firm size) have relative small significant influence on the share price of the firms. This also indicates that there are other variables that influence the variations in the market share prices of the banks listed on the Ghana stock Exchange.

From table 5, dividend payout ratio of listed banks in Ghana has negative beta coefficient and can influence a negative change in the market share price whenever there is an increment in the ratio. This indicates that whenever there is a unit increment in the dividend payout ratio, the market share price will decrease by 47.94%. Since this study used firms drawn from one sector, the results of the effect of dividend payout ratio may not be affected by the size of the firms. Indeed, the result of the relationship between dividend payout ratio and share price statistically significant at 1% level of significance. Based on the result of the study hypothesis 1 is rejected.

The price earnings ratio is found to be negatively related to share price and showed a significant result at 1% level of significance. The beta coefficient of -0.1421 indicate that whenever there is a unit increase in the price earnings ratio the share price will fall by 14.21%. The price earnings ratio as it could is affected by the market capitalization of the firms under consideration, therefore, any little shake up in the capitalization of the
firm is bound to have significant impact on the share price. On account of the result of the study hypothesis 3 is rejected.

In addition to the above, retained earnings is observed to have positive relationship with share price as well as showing statistically significant at 5% level of significance. Given the beta coefficient value of 0.3213 in an indication that any unit changes in the retained earnings will cause the share price to increase by 32.13% of the banks listed on the Ghana Stock Exchange. Following the result of the study hypothesis 2 is accepted.

The introduction of firm size to the equation revealed the impact of firms’ sizes to the overall results. Table 5 showed that the size of the firms revealed a positive relationship with the share price but could not show statistical significance. Given the situation under the firm size, it confirms the assertion that the size of the firms makes a positive impact on the share price movement of the firms.

The overall significance of (0.004) at 1% level of significance also indicates a significant relationship. These results, therefore, provide evidence that the regression model is well fitted and that the share price movement of listed banks in Ghana is significantly influenced by the dividend payout ratio, price earnings ratio and retained earnings. The inferences here are that:

- There is significant relationship between dividend payout ratio, price earnings ratio and retained earnings on share price movement of banks listed in the Ghana Stock Exchange; and
The sizes of listed banks in Ghana have no significant explanation of the relationship between share price movements of the banks. This means that the study rejects both null hypotheses as formulated.
CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATION

5.0 Introduction
This chapter provides the conclusion of the study with relevant recommendations. It also states some limitations to the study and lastly proposes topics for further studies.

5.1 Conclusion
The findings from this study revealed that the proportion of earnings distributed as dividend by listed banks shareholders in Ghana has significant impact on the firms’ share price movement. Also price earnings ratio and retained earnings have significant impact on the share price movement for the banks listed on Ghana stock Exchange. Additionally, the size of the listed banks in Ghana could not have significantly influences on the movement in its share price.

Although there could be other factors that also account for the share price movement of the firms, this study has established that dividend payout ratio, price earnings ratio and retained earnings significantly affect the share price movement of listed bank in Ghana. This study confirms the findings of Rashid and Anisur-Rahman (2007); and substantiates the reasons for the payment of dividend as inferred by Amidu and Abor (2006) and Denis and Osobov (2011). The findings also explain partially, the main determinants of dividend policy as concluded by Musa (2009), Marfo-Yiadom and Agyei (2011) and Agyemang (2013). However, the findings contradicted that of Muhammed (2010). The contribution of this study is the empirical establishment of the statistical significance of
the proportion of earnings paid as dividend and retained on share price movement in the stock market in Ghana.

In order for the listed banks in Ghana to achieve a more favorable movement in their share prices, a tradeoff between dividend payment and retained earnings should be strategically approached. The peculiarity of the Ghana economy and the nature of investors should always be considered in deciding whether to pay higher proportion of earnings as dividend or not. Where the firms have investment opportunities, the use of retained earnings as a financing option should always be explained to the shareholders. This will boost their confidence and influence other prospective investors to demand more shares of the firms thereby increasing their market share prices.

5.2 Recommendations
Shareholders are always misled because of asymmetric information and consequently positive information about dividend also becomes an ineffective device in the market. As the GSE is still in the speculation and manipulation stage, so speculators play their role in the market for short-term period. However it is notable that insiders, brokers and the exchange employees are the speculators of the market and as these informed speculators play their role in the market for short-term gain that causes dividend information ineffective. As a result announcement of dividend generates significant impact on the movement of stock prices negatively and this, it is encourage since the market is developing.

Banks listed on the Ghana stock exchange management should make information available to the investing world to reduce the problem of asymmetric. This, investors
would view the stock price and the operation objective because information content is key when the market forces are determining price.

Banks should begin to honor their dividend declared obligation because most banks declare dividend in Ghana but becomes difficult to pay and this have had tailing effect on the stock price.

As Ghana stock exchange operate under weak form efficient market hypothesis share price are perhaps influence by the speculator in the market, I call for constantly education to the investor in Ghana because it looks like the global financial crisis and the recent banking scandal have got a great negative effect on the stock price even when dividend are announced.

I therefore, recommend that an investigation should be conducted to find out why dividend has a negative effect on the stock price in Ghana.
REFERENCES


Ghana stock exchange Web


