

## Unclaimed Dividends and Share Price Movements in the Nigerian Equities Market

Awa, Michael Uduma, Prof. B. O. Osuka and Dr. K. C. Otiwu

Department of Banking & Finance,  
Faculty of Management Sciences, Imo State University, Owerri

DOI: 10.56201/wjfir.v7.no3.2023.pg80.99

---

### ABSTRACT

*This study investigated the effects of unclaimed dividends on share price movements in the Nigeria equities market for the period 1991 to 2021. Unclaimed dividend was disaggregated into less than 15 months unclaimed dividends, unclaimed dividends with registrars and unclaimed dividends with companies; while All-Share Index was used to represent share price movements. Data on these variables were collected from SEC and CBN statistical bulletins for 2021. The Autoregressive Distributed Lag (ARDL) technique was the major analytical tool employed. Thus, the data generated for the study were also exposed to unit root test, ARDL short and long run analysis, ARDL bounds test and ECM estimation. In addition, there were diagnostics test for the presence of serial correlation and heteroscedasticity. Basically, the study revealed that in the short run, less than 15 months unclaimed dividends and unclaimed dividends with companies have positive insignificant effects on ALSI while in the long run, unclaimed dividends with registrars and unclaimed dividends with companies have positive and significant effects on ALSI. The study also revealed that a long equilibrium relationship subsists between unclaimed dividends and share price movements; however, the speed of adjustment in event of disequilibrium is about 86.78%. The study as such concluded that unclaimed dividends have a long term significant effect on share price movements in the Nigeria equities market as expected. It was then suggested amongst other things that extra measures, like going after these shareholders who for one reason or the other have abandoned their shares and dividends, should be adopted to drastically reduce the volume of unclaimed dividends with registrars and companies, as this continues to be a negative signpost for the country's equities market.*

---

**Keywords:** *Unclaimed Dividends, Share Price Movements, Nigerian Equities Market*

---

### INTRODUCTION

The equities market is the segment of the financial market where variable income securities like shares are bought and sold. This market enables those who are interested in a company to be part owners of such companies. A unique benefit of the equities market to corporate entities is the provision of long-term, non-debt financial capital. Through the issuance of equity securities, companies acquire perpetual capital for development. In addition, through the provision of equity capital, the financial market also enables companies to avoid over reliance on debt financing, thus improving corporate debt-to-equity ratio. In addition, the interest of investors in the equities market

is largely tied to the financial rewards they are entitled to as shareholders from time to time. These benefits manifest in form of capital gains and periodic dividend payments. In essence, the stock market affords investors the opportunity to trade their shares from time to time for capital gains. However, it is worth noting that stock price is characterized by upward and downward movements. Malaolu, Ogbuabor and Orji (2013) described the Nigerian stock market as a secular market driven by forces that could be in place for many years, causing the price of a particular investment or asset class to rise or fall over a long period of time. While on the one hand, in a secular bear market, weak sentiment causes selling pressure over an extended period of time. On the other hand, in a secular bull market, strong investor sentiment drives prices higher, as there are more net buyers than sellers. Trading volumes (number of shares), trading value, all-share index and market capitalization in the stock market constantly fluctuate strongly as stock prices change in stock markets on a daily basis (Adediran & Alade, 2013).

Accordingly, Gbegi and Pavtar (2018) opined that a security's price is the most visible barometer of a company's financial health. Companies, their management, shareholders, and investment banks are some of the constituents that care about changes in securities' prices. These stakeholders as such pay close attention to fluctuations in the price of their company's shares. In addition to share price fluctuations in the stock market, potential investors also pay close attention to the ability of management to pay existing shareholders their dividends as at when due, and the issue of unclaimed dividends does not help in this regard. When a firm declares a dividend and shareholders do not claim it for whatever reason, it results to the issue of unclaimed dividends, which are a type of debt (Unegbu 2012). According to Nnodim (2022) unclaimed dividends at Nigeria's capital market increased from N168bn in 2020 to N177bn in 2021. Untimely or non-receipt of dividend warrants, uninformed investors, death of shareholders and deliberate plans by companies are some of the factors attributed for this sharp unprecedented increase in the amount of unclaimed dividends in the country today. Notwithstanding, given the interconnectivity the financial market is characterized with, it is expected that the issue of unclaimed dividends should directly or indirectly affect the performance of the equities market in terms of share price volatility.

The problem of unclaimed dividends has remained a hot topic for discussion among investors in Nigeria today, particularly among those who have made stock investments. The worry extends not just to shareholders and investors, but also to regulators and other government agencies. On the part of the regulators, in an effort to alleviate the problem of unclaimed dividends, the Securities and Exchange Commission (SEC) implemented the e-payment method in June 2008, which entails dividend payments being made directly into the shareholder's specified bank account rather than through cheques or warrants. A subsequent effort by the Securities and Exchange Commission (SEC) to address this issue culminated in the proposed rule earlier in 2015, which stated that all unclaimed dividends held in the custody of the Registrars shall be returned to the paying company twelve (12) months after the date of approval of the dividend at a general meeting. The Nigerian capital market regulator, the Security and Exchange Commission (SEC), launched a system known as the E-Dividend Mandate Management System (E-DMMS) on July 29, 2015 in collaboration with the Central Bank of Nigeria, the Nigerian Interbank Settlement System (NIBSS), and other stakeholders to allow investors to complete their bank mandate with company registrars more easily and with less stress (Proshare, 2015). Notwithstanding these efforts, the value of unclaimed dividends keeps growing by the day. This raises questions such as: if dividends were promptly

paid, how would it have affected share price movement in Nigeria. On the empirical front, a lot has been done with respect to unclaimed dividends and share prices in the equities market (Kighir, 2006; Ekwueme and Ezelibe, 2017; Duke, Ikenna and Nkamare, 2015; Rehman and Hussain, 2013). A careful observation shows that studies on unclaimed dividends with respect to unclaimed dividends of 'less than 15 months' duration, unclaimed dividends with registrars and companies are lacking in the literature. On these premises, this study was undertaken to examine unclaimed dividends vis-à-vis share price movements in Nigeria.

## REVIEW OF RELATED LITERATURE

### Concept of Unclaimed Dividend

When warrants for the reward on investment, whether in the form of cash or property, are delivered to shareholders but are not received within a specified amount of time, the warrants are returned to the company by the registrar as unclaimed. According to the Securities and Exchange Commission (SEC), unclaimed dividends are dividends that have not been claimed by shareholders after fifteen (15) months from the date of original payment. Those dividends that go unclaimed after fifteen months after being declared are presumed to have been returned to the corporation, from which the beneficiary / investor may file a claim no later than twelve years after the dividend was announced. Therefore, unclaimed dividends are regarded statute barred and as a result, the shareholders are deprived of their rights to receive them. It is presumed that the dividends have been delivered to the recipient by the registrar/company, but that the dividends have been returned to the registrar as unclaimed. According to Okafor and Ugochukwu (2021), from December 2019, the total amount of unclaimed dividends in the Nigerian capital market was N177 billion. Following the federal government's proposal suggested in the 2020 Financial Act, this figure which may have climbed by now—as well as another yet-to-be established sum in inactive accounts across the nation's financial system would be placed in a trust fund under the control of the federal government. Year after year, massive dividend distributions are announced, but only a small portion of that money is claimed by shareholders for a variety of reasons that are known to the shareholders themselves (Ogbodo, 2017). Nevertheless, dividends are often given in the form of cash, although they may also be distributed in the form of stock, scrip, or any other asset on occasion.

### Share Price Movement

Share price movement which is also known as share price volatility or share price change simply means a shift in the value of a stock to either a higher or lower level. It also refers to the difference between a stock's closing price on a trading day and its closing price on the previous trading day (Tardi, 2022). However, share price movement can be computed for any length of time, but the most commonly cited price change is the daily price change. Equity analysts also commonly consider year-to-date, and latest 12-month price changes when analyzing a company. Price change as such is a core component of financial analysis, and predicting share price movements can be more important than the price itself. This is because price change forms one of the two factors that comprise the total return from an investment over a period of time. The second factor is any dividends or distribution obtained from the investment (Hayes, 2021). There are numerous metrics in investment analysis that involve price change, such as the price-to-earnings ratio (P/E ratio) in

fundamental analysis and the rate-of-change indicator (ROC) in technical analysis. However, Adediran and Alade (2013) added trading volumes, trading value, all-share index and market capitalization to the list.

### **Equities Market**

According to Chen and Scott (2020), an equity market is a market in which shares of companies are traded, either through exchanges or over-the-counter markets. Also known as the stock market or variable income market, the equities market is one of the most vital areas of a market economy, that gives companies access to capital to grow their business, and investors a piece of ownership in a company with the potential to realize gains in their investment based on the company's future performance. Hence, this market is the aggregation of buyers and sellers of shares. More technically, equities market entails an arrangement or mechanism that allows sellers and buyers to deal in equity or shares in the same platform. One important feature of the equities market is that subscription must be fully paid before allotments are given to individual investors. Another feature is part ownership by subscribers immediately after allotment of shares. Thus, holders of the instrument (equity) are entitled to attend AGMs (Annual General Meetings) and can vote to elect management of their companies. Unlike debt instruments, repayment of principal occurs only if the instrument (shares) is traded through the secondary market.

### **The Bird in the Hand Theory**

This theory was advanced by Lintner (1956) and Gordon (1963). Their argument was that a firm dividend policy is relevant. The crux of the theory is that shareholders are risk averse and prefer to receive dividend payments rather than future capital gains. Shareholders consider dividend payments to be more certain than future capital gains; thus "a bird in the hand is worth more than two in the bush". The bird here refers to the dividend payment while the bush here refers to the capital gain. Gordon (1963) stated that the payment of current dividend resolves the problem of investor uncertainty. Investors have a preference for a certain level of income now rather than the prospect of a higher, but less certain, income at some time in the future. The key implication, as argued by Lintner and Gordon, is that because of the less risky nature of dividends, shareholders and investors will discount the firm's dividend stream at a lower rate of return, thus, increasing the value of the firm's shares. This is because, as a firm's payout ratio increases, investors will become increasingly concerned that the firm's future capital gains will dissipate since the retained earnings that the firm reinvests will be a lot less.

### **Signaling Theory**

Bhattacharya (1979) developed this theory. The signaling effect of dividends theory states that dividends convey information about future earnings. It supports the fact that investors can infer information about a firm's future status and cash flows based on the signals that come from the announcements of dividends by a firm, both checking from stability of dividends and changes in dividends. Thus there is a positive reaction to dividend profit increase and a negative one to dividend profit decrease. The theory supports the fact that dividend policy affects positively the financial performance of a firm. In addition, considering dividend policy in information perspective, the dividends signaling theory prescribes that dividend policy can be used as a device to communicate information about a firm's future prospects to investors. As observed by Murekefu

and Ouma (2012), cash dividend announcements convey valuable information, which shareholders do not have, about management's assessment of a firm's future profitability, thus reducing information asymmetry. Such information can be made use of by investors in assessing the firm's share price and making investing decision. Dividend policy under this model is therefore relevant (Oyinlola, Omolola and Adeniran, 2014).

### **The Clientele Effect Hypothesis**

The Clientele Effect Hypothesis is also an offshoot of the School of dividend relevance. According to Muneme (2013), since most investors are interested in after-tax returns, the different tax treatment of dividends and capital gains might influence their preference for dividends versus capital gains, and this is the essence of the clientele effects. For example, investors in low tax brackets who rely on regular and steady income will tend to be attracted to firms that pay high and stable dividends. Some institutional investors with major periodic cash outflows also tend to be attracted to high dividend stocks. On the other hand, investors in relatively high tax brackets might find it advantageous to invest in companies that retain most of their income to obtain potential capital gains, other things remaining the same. Nevertheless, some clienteles are indifferent between dividends and capital gains. These are tax exempt investors (Oyinlola, Omolola and Adeniran 2014). In essence, a clientele effect implies that investors are attracted to shares of companies with certain dividend payout. If the firm is inconsistent in its dividend policy, many investors might sell their shares as they would not know whether the level of dividends would suit their preferences or not.

### **Theoretical Framework**

This study is anchored on dividend signaling and the bird in the hand theories of the dividend relevant school. This is because the payment of dividend goes a long way in ascertaining the market value of shares. The motive to pay dividends is to increase share market prices of the companies making the dividend payment. Thus, the market value of a company is equal to the present value of future streams of dividend; whereby to determine the market value of a company, the variables considered include dividend, the cost of fund and expected growth rate. Thus, a typical investor would most certainly prefer to have his dividend today and let tomorrow take care of it. In essence, investors favour companies that pays dividend as this will go a long way in enhancing the value of such companies' shares in the stock market.

### **Empirical Review**

Kighir (2006) investigated the impact of dividend payout and unclaimed dividends on stock price in Nigeria by adopting a survey research design and using cross-sectional secondary data from 55 companies quoted on the Nigerian Stock Exchange. Questionnaires, interviews and group discussions were used to collect data for the study. Regression technique was used for data analysis and this was done using statistical package for social sciences. The study revealed that there is a positive relationship between paid cash dividends and current stock price; there is a positive relationship between unclaimed dividends and current stock price. The study also revealed that 50% of impact of declared dividends on stock price in the banking industry, 33.3% in the manufacturing industry and 50% in Nigeria as a whole are as a result of inbuilt slack of unclaimed dividends.

Ekwueme and Ezelibe (2017) examined the effect of unclaimed dividend on profitability and firm value of selected deposit money banks (DMBs) quoted in the Nigerian Stock Exchange (NSE). The population of the study constituted of all the quoted deposit money banks (DMBs) in the Nigerian Stock Exchange for a period of 5 years, which was between 2012 and 2016 covered. However, only nine of these banks were selected for the study. Ordinary Least Square (OLS) statistical tool was used in the analysis of data. The study found that there is no significant relationship between unclaimed dividend and profitability. Similarly, it was also observed that no significant relationship exists between unclaimed dividend and firm value of the selected banks.

Duke, Ikenna and Nkamare (2015) investigated the impact of dividend policy on share price valuation in Nigerian banks. This was done by utilizing data from Guarantee Trust Bank Plc. and United Bank for Africa Plc. The data used for this study were on market price, dividend yield and retention ratio. In order to accomplish the set out objectives of the study, two research hypotheses were formulated and they were tested via a number of analytical techniques like the ADF unit root test and the ordinary least squares estimation analysis. These were carried out with the aid of e-views software. Based on the results, it was revealed that dividend yield has a significantly positive effect on share price; while retention ratio was found to have a significantly negative effect on share price.

Rehman and Hussain (2013) examined the impact of dividend policy on performance of firms having stocks listed in an emerging stock market. The size of the population informed the decision to work with a sample of 475 companies, thus using secondary data gathered from the Karachi stock exchange website. These generated data were analyzed using ratio and correlation analyses. Results revealed that dividend payout ratio has a significant relationship with return on equity ratio, whereas the size of the firm does have significant relationship with return on asset ratio. Return on asset factor does have a significant relationship with the dividend payout, size and book to market value ratio. Return on equity has also a significant relationship with the dividend payout ratio. The last ratio that is book to market value has a significant correlation with the size of the firm and also with the return on asset ratio.

Malaolu, Ogbuabor and Orji (2013) examined the macroeconomic determinants of stock price movements in Nigeria using detailed econometric framework in order to provide the foundation for evidence-based policies. Both the long-run and short-run dynamic relationships between the stock price movement and the macroeconomic variables were analyzed with time series data that spanned from 1985 to 2010 using the Engle-Granger two-step co-integration test. The study established that there is no co-integration between the variables, indicating the absence of long run relationship. Results of the regression analysis indicated that the monetary policy variables (real exchange rate, real interest rate and money supply) as well as political instability are not the determinants of stock price movements in Nigeria; however, inflation was found to be a major determinant of stock price movements.

Ekwueme and Omenka (2017) examined Nigerian investors' attitudes about electronic dividends and payment systems in the capital market. Data were acquired from both primary and secondary sources. Questionnaire and interviews were the most important data collecting instruments utilized in the study. Following presentation and analysis of data, the study discovered, among other things, that stakeholders in the Nigerian capital market were sufficiently aware of the e-dividend payment

system. Evidence of this may be found in the view of investors in the Nigerian stock market, where 60 percent of those who responded agreed that there is sufficient distribution of information about the e-dividend policy in place.

Using an ordinary least square regression model, Muhammad and Muhammad (2016) investigated the drivers of dividend pay-outs in the Oil and Gas business listed on the Karachi Stock Exchange (KSE) in Pakistan. In a study that spanned the period from 2008 to 2014, researchers discovered that financial leverage, sales growth, and business risks were the most important factors of dividend pay-out in the Pakistani oil and gas industry. To be more specific, the study revealed that financial leverage and company risk have a considerable negative impact on dividend pay-out, whereas sales growth has a favorable positive influence on dividend pay-out. Furthermore, there is a statistically significant positive relationship between profitability and business size and dividend payout, but government ownership has a negative relationship with dividend payment. The relationship between dividend payout and investment opportunities, liquidity, and managerial ownership was found to be insignificant.

Eriki, Iyoha and Adetula (2022) examined the effect of e-dividend payment system and the management of unclaimed dividends in Nigeria. The study used the pre period of 2010 to 2014 and post period of 2015 to 2019 to determine the significant differences. The study used stochastic dominance to investigate the significant difference between the two periods. The paired sampled t-test was also employed as an additional statistical technique for analyzing the data collected to determine the significant difference. The study revealed that the introduction of e-payment of dividends in reducing the trend of increasing unclaimed dividends in Nigeria was not effective. The stochastic dominance between the two pre and post e-dividend payment system showed that the e-dividend payment system introduced has no impact on the rising unclaimed dividends in Nigeria.

### **Gap in Literature**

The uniqueness of this work lies in introducing the classifications of unclaimed dividends as given by the Nigerian Securities Exchange Commission (SEC) in the empirical literature. This classification consists of unclaimed dividends of “less than 15 months”, unclaimed dividends with registrars and unclaimed dividends with companies. This no doubt provided a functional all-encompassing model that captures unclaimed dividend in its entirety in Nigeria; thereby establishing a better empirical relationship between unclaimed dividends and share price movements.

## **METHODOLOGY**

This study adopted the quasi-experimental research design. This is because a quasi-experimental experiment is almost a true experiment and the design does not allow a researcher to randomly select specific elements (frequently the participants) in the research/experiment. However, it allows an independent variable to be manipulated to see the cause-and-effect of the dependent variable (Esene, 2012). This study used secondary, yearly, time series data. These data were on unclaimed dividends and all-share index of the Nigeria stock exchange. Data on the former was collected from SEC statistical bulletin while that of the latter was collected from CBN statistical bulletin for 2021.

## Data Analysis Techniques

### Unit Root/Stationarity Test

The stationarity process of each of the economic time series data utilized in this work was captured using the Augmented Dickey Fuller (ADF) approach to unit root test as proposed by Dickey and Fuller (1981). This stationarity approach was applied in testing the null hypothesis of a unit root against the alternative hypothesis of no unit root at the conventional 5 percent level. For each of the variables included in the unit root model, it is expected to be I(0) or I(1), but not I(2). Thus, we accept  $H_0$  (null hypothesis) and reject  $H_1$  (alternative hypothesis) if the absolute value of ADF test statistic is less than the absolute critical value at 5% level; otherwise, reject  $H_0$  and accept  $H_1$ .

### Co-integration Test

According to Granger and Newbold (2012), to test for co-integration there is need to first ensure that the variables involved are stationary. Harris (2012) averred that co-integration technique arose from the need to integrate short-run dynamics with long-run equilibrium through the inclusion of an ECM (Error Correction Mechanism) in the dynamic formulation of the model for estimation. As such, the bounds test approach to co-integration was adopted to examine if long run relationship exists among the underlying variables of our models. For this test, the null hypothesis of no co-integration was tested against the alternative hypothesis of co-integration with the application of F-test.

### Diagnostics Tests

This test was carried out to confirm the validity of the estimates obtained in this study. It covered normality, serial correlation and heteroscedasticity tests.

### 3.4 Model Specification

$$\text{ALSI} = f(\text{LUD}, \text{UDR}, \text{UDC}) \dots\dots\dots 1$$

$$\text{ALSI} = B_0 + B_1\text{LUD} + B_2\text{UDR} + B_3\text{UDC} + e \dots\dots\dots 2$$

Where:

ALSI	=	All-Share Index
LUD	=	Less than 15 months Unclaimed Dividends
UDR	=	Unclaimed Dividends with Registrars
UDC	=	Unclaimed Dividends with Companies
$B_0$	=	Intercept term of the model
$B_1$	=	Regression slope of LUD
$B_2$	=	Regression slope of UDR
$B_3$	=	Regression slope of UDC
f	=	Functional notation
e	=	Error term of the model

### A priori Expectations (Test)

$B_1, B_2, B_3 < 0$ ; this implies that we expect a negative relationship between “less than 15 months” Unclaimed dividend, unclaimed dividends with registrars, unclaimed dividends with companies and all-share index of the Nigeria stock exchange.



## ANALYSIS AND INTERPRETATION OF RESULTS

**Table 1:** ADF Unit Root Test Results

Variables	ADF Statistic	5% Critical Value	P-Value	Order of Integration
ALSI	-3.016253	-2.963972	0.0447	I(0)
LUD	-6.293269	-2.967767	0.0000	I(1)
UDR	-7.165346	-2.967767	0.0000	I(1)
UDC	-4.387707	-2.967767	0.0017	I(1)

**Source:** Researcher's Compilation based on E-Views Output

The ADF test result above revealed that the variable ALSI was stationary at level I(0), while the other variables were stationary at first difference I(1). This informed the decision to adopt ARDL technique.

### ARDL Short Run Analysis

ARDL short run estimates (see Appendix B) revealed that in the short run, LUD (Less than 15 months Unclaimed Dividends) and UDC (unclaimed dividends with companies) have positive insignificant effects on ALSI (All-Share index) while UDR (unclaimed dividends with registrars) has a negative insignificant effect on ALSI. However, lagged ALSI (-1) has a positive significant effect on ALSI.

### ARDL Long Run Analysis

Result of ARDL long run analysis revealed that in the long run, LUD (less than 15 months unclaimed dividends) has a negative insignificant effect on ALSI while UDR (unclaimed dividends with registrars) and UDC (unclaimed dividends with companies) have positive and significant effects on ALSI.

### Bounds Co-integration Test

Results of our Bounds test shows that unclaimed dividends have a long run equilibrium relationship with All-share index in Nigeria. This is because the value of F-statistic (11.72987) is greater than the 5% critical value of the upper bound (3.67). Hence, there was need for an ECM test.

### ECM Estimation

Our co-integrating equation is correctly signed with a coefficient of -0.867833 and a p-value of 0.0000; which implies that in an event of any distortion to the equilibrium relationship established above, the speed at which equilibrium can be restored is about 86.78% per annum. In other words, the absolute value of ECM (-1) term showed 86.78 percent speed of convergence to equilibrium.

**Table 2: Diagnostic Test Results**

Test Statistics	F-statistics	P-value
Normality (Jarque-Bera)	3.229756	0.198915
Serial Correlation	1.199780	0.3325
Heteroscedasticity (Breusch-Pagan-Godfrey)	1.118272	0.4110

**Source:** Researcher's Compilation based on E-Views Output

The results of our diagnostic tests as summarized in table 4.3 showed that the errors of our model are normally distributed; and there are no presence of serial correlation and heteroscedasticity in the errors of our model. This validates all the results above.

### Discussion of Findings

The Augmented Dickey Fuller (ADF) unit root test criterion was used to examine the order of integration of the variables used in this study. Results here revealed that the variables were stationary at level and first difference at 5% level of significance. This qualified the research model for ARDL model analysis. Short run estimates revealed that Less than 15 months Unclaimed Dividends and unclaimed dividends with companies have positive insignificant effects on All-Share index while unclaimed dividends with registrars has a negative insignificant effect on ALSI. However, lagged ALSI (-1) has a positive significant effect on ALSI. This implies that in the immediate term, unclaimed dividends with registrars and companies have the expected negative effects on ALSI of the Nigeria stock market. In other words, as unclaimed dividends keep piling up, a rational investor, all things being equal, will be dissuaded from investing in the equities market given that there are alternative investment platforms; this translates to less patronage of the equities market, which will directly affect the price of listed securities adversely. However, the positive effect observed between Less than 15 months Unclaimed Dividends and ALSI index is down to the fact that 15 months is short a time to properly estimate the relationship between variables. Also, it was observed in the short run analysis that unclaimed dividends of less than 15 months and those with registrars and companies exert a joint significant influence of about 94% on share price movements (ALSI), which also demonstrates the predictive ability of unclaimed dividends in determining the market value of shares on daily basis.

On the other hand, long run estimates showed that less than 15 months unclaimed dividends have a negative insignificant effect on ALSI while unclaimed dividends with registrars and unclaimed dividends with companies have positive and significant effects on ALSI. Here, given a better time frame, less than 15 months unclaimed dividend reported the desired negative relationship, though still insignificant because a large chunk of unclaimed dividends in Nigeria resides with companies. This nonetheless accounts for the significant effects of unclaimed dividends with registrars and companies in the long run. Furthermore, bounds co-integration test demonstrated that unclaimed dividends in general have a long run equilibrium relationship with All-share index in Nigeria. However, in event of any distortion to this balanced relationship, unclaimed dividends have about 86.78% ability to restore equilibrium annually.

Finally, it was revealed that estimates obtained from the ARDL technique in this work were both valid and reliable. This is because results of diagnostics tests carried out showed no presence of serial correlation and heteroscedasticity; and the errors mirror a normal distribution as expected.

## CONCLUSION AND RECOMMENDATIONS

### Conclusion

The concern of this study was to investigate the effects of unclaimed dividends on share price movements in Nigeria. The objectives of the study were to determine the extent to which “less than 15 months”, unclaimed dividends with registrars and unclaimed dividends with companies has affected the all-share index of the equities market in Nigeria. Adopting a quasi-experimental research approach, data on these classes of unclaimed dividends and all-share index, which was used to represent share price movements, were collected from the statistical bulletins of the Central Bank of Nigeria (CBN) and Securities and Exchange Commission (SEC) for various years. These generated data were first exposed to Augmented Dickey Fuller (ADF) unit root test, followed by ARDL short and long run analysis, Bounds co-integration test, ECM estimation, normality test, serial correlation test and heteroscedasticity test. The unit root test result showed that the variable all-share index was stationary at level while the other variables were stationary at first difference. This informed the need to basically adopt ARDL estimation technique in the study. Results further revealed that in the short run, less than 15 months unclaimed dividends and unclaimed dividends with companies have positive insignificant effects on ALSI (all-share index); less than 15 months unclaimed dividends, unclaimed dividends with registrars and those with companies have a combined significant effect of about 94% on share price movements in Nigeria; unclaimed dividends with registrars and unclaimed dividends with companies have positive and significant effects on ALSI in the long term; and there is a long run equilibrium relationship between unclaimed dividends and share price movements in Nigeria. In addition, the absolute value of ECM term showed a convergence speed of about 86.78% in an event of disequilibrium in the relationship between unclaimed dividends and share price movements in the Nigerian stock market. Diagnostic test results showed that the errors of our model mirror a normally distribution; the error of one observation does not influence that of another observation (no presence of serial correlation); and the said errors have constant variance (the errors are not heteroscedastic); which validates the ARDL estimates. Thus, it was concluded that unclaimed dividends have a long term significant effect on share price movements in the Nigeria equities market as expected. On this backdrop, we advised that extra measures should be taken to drastically reduce the volume of unclaimed dividends with registrars and companies in Nigeria; the Nigerian government, the Securities and Exchange Commission (SEC) and registered companies should be sincere in their drive to reduce the humongous volume of unclaimed dividends in Nigeria; there is need for more radical awareness drive on the existence and operational activities of the equities market in Nigeria; and the equities market should be strengthened on all fronts to further boost the confidence of investors.

The main aim of this work was to determine the effects of unclaimed dividends on share price movements in the Nigerian equities market for the period 1991-2021 based on data collected from the statistical bulletins of the Central Bank of Nigeria and Securities and Exchange Commission. Results revealed that in the short run, none of the classis of unclaimed dividends considered was statistically significant while in the long run, unclaimed dividends with registrars and companies were statistically significant. On this premise, it was concluded that unclaimed dividends have a long term significant effect on share price movements in the Nigeria equities market as expected. For all intents and purposes, this position agrees with those expressed by Duke, Ikenna and Nkamare (2015), and Kighir (2006).

## Recommendations

- i. Extra measures, like going after these shareholders who for one reason or the other have abandoned their shares and dividends, should be adopted to drastically reduce the volume of unclaimed dividends with registrars and companies, as this is a negative signpost for the country's equities market.
- ii. There is need for sincerity on the part of the government, SEC and registered companies to reduce the volume of unclaimed dividends in Nigeria as this will go a long way in boosting the performance of the Nigerian equities market in terms of the price of listed securities.
- iii. There is need for awareness on the existence and activities of the Nigerian equities market as there are large sums of money outside the financial market as a result of ignorance on the part of some Nigerians.
- iv. To boost the confidence of investors, there is need to strengthen the Nigerian equities market as the market currently falls behind in terms of development indices like number of listed securities, liquidity status, institutional framework and transparency.

## REFERENCES

- Adediran S.A. & Alade S.O. (2013) Dividend Policy and Corporate Performance in Nigeria. *American Journal of Social and Management Sciences*, doi:10.5251/ajsms.2013.4.2.71.77
- Bhattacharya, S. (1979). Imperfect Information, Dividend Policy and The Bird in the Hand Fallacy. *Bell Journal of Economics*, 10, 259-270.
- CBN (2021). *Central Bank of Nigeria Statistical Bulletin*, 32.
- Chen, J. and Scott, G. (2020). What is an Equity Market? <https://www.investopedia.com/terms/e/equitymarket.asp>
- Dickey, D.A. & Fuller, W.A. (1981). Likelihood Ratio Statistics for Autoregressive Time Series with Unit Root. *Econometrica*, 49, 1057-1072.
- Duke, S.B., Ikenna, N.D. & Nkamare, S.E. (2015). Impact of Dividend Policy on Share Price Valuation in Nigerian Banks. *Archive of Business Research*, 3(1), 156-170.
- Ekwueme, A.C. & Omenka, J.O. (2017). Public Perception of Electronic Dividend on the Nigerian Capital Market Development. *Global Journal of Human-Social Science*, 17(4).
- Ekwueme, C.M. & Ezelibe, C.P. (2017). Unclaimed Dividend, Profitability and Firm Value of Quoted Deposit Money Banks (DBMS) in Nigeria. *International Journal of Trend in Scientific Research and Development*, 2(1), 1358-1365.
- Eriki, E., Iyoha, F.O. & Adetula, D. (2022). Effect of E-Dividend Payment System and Management of Rising Trend of Unclaimed Dividends in Nigeria. *Journal of Internet Banking and Commerce*, 27(7), 1-10.

- Esene, R. A. (2012). *Research Methods in Education, Social Sciences and Vocational Studies*. Agbor: Royal Pace Publications.
- Gbegi, D. and Pavtar, A.A. (2018). Determinants of Dividend Policy of Nigerian Breweries. Research paper presented to *Department of Accounting, Faculty of Management Sciences, Benue State University, Makurdi*.
- Gordon, M. (1963). The Savings, Investment and Valuation of a Corporation. *Review of Economics and Statistics*, February, 37 –51.
- Granger, G. and Newbold, P. (2012). Time Series Regression with a Unit Root. *Econometrica*, 55(15), 15-25.
- Harris, T. W. (2012). *Introduction to Econometrics*. London: Hall Mark Publishing House.
- Hayes, A. (2021). Bond Market. <https://investopedia.com/terms/b/bondmarket.asp>
- Kighir, A.E. (2006). Impact of Dividend Payout and Unclaimed Dividends on Stock Price in Nigeria. *Accounting and Finance Department, Postgraduate School, Ahmadu Bello University, Zaria*.
- Lintner, J. (1956). Distribution of Incomes of Corporations among Dividend, Retained Earnings, and Taxes. *American Economic Review*, 46, 97-113
- Malaolu, V.A., Ogbuabor, J.E. & Orji, A. (2013). Determinants of Stock Price Movements in Nigeria: Evidence from Monetary Variables. *Journal of Economics and Sustainable Development*, 4(14), 61-68.
- Munene, L. (2013). Dividend Policy Theories. [https://www.laliboni.wordpress.com/2013/08/02/dividend-policy-theories/...](https://www.laliboni.wordpress.com/2013/08/02/dividend-policy-theories/)
- Muhammad, T. & Muhammad, M. (2016). Determinants of Dividend Payout: Evidence from Listed Oil and Gas Companies. *Journal of Asian Finance, Economics and Business*, 3(4), 25-37.
- Murekefu, T.M. & Ouma, O.P. (2012). The Relationship between Dividend Payout and Firm Performance: A Study of Listed Companies in Kenya. *European Scientific Journal*, 8(9), 199-215.
- Nnodim, O. (2022). Capital Market's Unclaimed Dividends Hit N177bn – SEC. <https://www.google.com/amp/s/punchng.com/capital-markets-unclaimed-dividends-hit-n177bn-sec/%3famp>.
- Ogbodo, O.C. (2017). Effect of Unclaimed Dividend on the Financial Statement of Selected Commercial Banks in Nigeria. *Journal of Global Accounting*, 5(1), 79-98.

- Okafor, S.O. & Ugochukwu, H.J. (2021). Unclaimed Dividend and Market Value of Listed Firms in Nigeria Stock Exchange. <https://ssrn.com/abstract=3993780>
- Oyinlola, A., Omolola, A. & Adenira, A. (2014). The Influence of Dividend Payout in the Performance of Nigerian Listed Brewery Companies. *International Journal of Economics and Management Sciences*, 3(1), 13-21.
- Proshare (2015). The Launch of the New E-dividend Mandate Management System. The Nigerian Investor, July 30. <http://www.proshareng.com/news/Products%20/The-Launch-of-the-New-Proshare/28022>
- Rehman, M.U. & Hussain, A. (2013). Impact of Dividend Policy on Performance of Firms Having Stocks Listed In an Emerging Stock Market. *Asian Journal of Empirical Research*, 3(1), 20-29.
- SEC (2021). *Securities and Exchange Commission Statistical Bulletin*, 3.4.
- Tardi, C. (2022). Price Change: Definition, Types, Causes and Effects. <https://www.investopedia.com/terms/p/price-change.asp>
- Unegbu, O.C.K (2012). The Problem of Unclaimed Dividends in Nigeria: Need for Law Reform. *The Nigerian Stock broker*, July/September, 3.

**APPENDICES**

**APPENDIX A: Table of Standardized Data**

<b>YEAR</b>	<b>Log(ALSI)</b>	<b>Log(LUD)</b>	<b>Log(UDR)</b>	<b>Log(UDC)</b>
1991	6.509693	3.913622	0.908259	2.241773
1992	6.836281	3.926715	0.113329	2.128232
1993	7.113981	4.152771	0.277632	2.201659
1994	7.556548	4.408669	1.054312	2.314514
1995	8.246727	3.994156	1.095273	2.386007
1996	8.69201	4.217594	1.238374	2.60343
1997	8.940968	4.195546	1.095273	3.135929
1998	8.693141	4.169297	1.302913	3.40386
1999	8.568683	4.287304	2.13771	4.214938
2000	8.810039	4.380025	2.036012	4.266195
2001	9.228679	4.337944	2.184927	4.35863
2002	9.361504	4.326514	2.184927	4.390367
2003	9.652452	4.230622	2.474856	4.396915
2004	10.11612	3.250374	2.29556	4.458872
2005	10.03788	2.947067	2.618125	4.454115
2006	10.24358	2.476538	2.417698	4.49032
2007	10.79494	2.939162	2.733068	4.504023
2008	10.82824	2.801541	2.332144	4.548706
2009	10.04722	1.912501	2.70805	4.598548
2010	10.11761	2.855895	2.189416	4.613535
2011	10.06022	3.044046	2.211566	4.617593
2012	10.06188	3.035914	2.489065	4.671239
2013	10.49701	2.152924	2.320425	4.760206
2014	10.58177	2.72589	2.161022	4.577182
2015	10.33745	2.925846	2.095561	4.70266
2016	10.18957	3.600595	2.40243	4.698843
2017	10.37851	2.852439	2.414126	4.842374
2018	10.52369	3.048799	1.899118	4.587413
2019	10.27713	3.002708	2.211566	4.877104
2020	10.22141	2.852439	2.489065	5.230199
2021	10.59905	3.714547	2.953868	4.760206

**Sources:** E-Views 10 Output

## APPENDIX B: ARDL Short Run Result

Dependent Variable: ALSI

Method: ARDL

Date: 02/25/23 Time: 01:06

Sample (adjusted): 1995 2021

Included observations: 27 after adjustments

Maximum dependent lags: 4 (Automatic selection)

Model selection method: Akaike info criterion (AIC)

Dynamic regressors (4 lags, automatic): LUD UDR UDC

Fixed regressors: C

Number of models evaluated: 500

Selected Model: ARDL(2, 1, 1, 4)

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
ALSI(-1)	0.777897	0.156777	4.961814	0.0002
ALSI(-2)	-0.645730	0.188818	-3.419858	0.0038
LUD	0.171114	0.102945	1.662193	0.1172
LUD(-1)	-0.256522	0.104651	-2.451201	0.0270
UDR	-0.140908	0.150131	-0.938570	0.3628
UDR(-1)	0.675611	0.183289	3.686048	0.0022
UDC	0.600785	0.289491	2.075316	0.0556
UDC(-1)	-0.274346	0.274398	-0.999808	0.3333
UDC(-2)	-0.281404	0.284965	-0.987505	0.3391
UDC(-3)	-0.508232	0.277860	-1.829093	0.0873
UDC(-4)	0.951646	0.244556	3.891330	0.0014
C	5.687659	1.354230	4.199920	0.0008
R-squared	0.971145	Mean dependent var	9.855833	
Adjusted R-squared	0.949985	S.D. dependent var	0.751775	
S.E. of regression	0.168127	Akaike info criterion	-0.427089	
Sum squared resid	0.424001	Schwarz criterion	0.148838	
Log likelihood	17.76571	Hannan-Quinn criter.	-0.255836	
F-statistic	45.89491	Durbin-Watson stat	2.151988	
Prob(F-statistic)	0.000000			

\*Note: p-values and any subsequent tests do not account for model selection.

Sources: E-Views 10 Output



**APPENDIX C: Long Run Analysis & Bounds Test**

ARDL Long Run Form and Bounds Test

Dependent Variable: D(ALSI)

Selected Model: ARDL(2, 1, 1, 4)

Case 2: Restricted Constant and No Trend

Date: 02/25/23 Time: 01:48

Sample: 1991 2021

Included observations: 27

**Conditional Error Correction Regression**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.687659	1.354230	4.199920	0.0008
ALSI(-1)*	-0.867833	0.160439	-5.409130	0.0001
LUD(-1)	-0.085408	0.124043	-0.688534	0.5016
UDR(-1)	0.534702	0.209765	2.549050	0.0222
UDC(-1)	0.488451	0.199927	2.443150	0.0274
D(ALSI(-1))	0.645730	0.188818	3.419858	0.0038
D(LUD)	0.171114	0.102945	1.662193	0.1172
D(UDR)	-0.140908	0.150131	-0.938570	0.3628
D(UDC)	0.600785	0.289491	2.075316	0.0556
D(UDC(-1))	-0.162011	0.202081	-0.801710	0.4352
D(UDC(-2))	-0.443415	0.214233	-2.069776	0.0562
D(UDC(-3))	-0.951646	0.244556	-3.891330	0.0014

\* p-value incompatible with t-Bounds distribution.

**Levels Equation**

Case 2: Restricted Constant and No Trend

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LUD	-0.098415	0.131908	-0.746089	0.4671
UDR	0.616135	0.276092	2.231633	0.0413
UDC	0.562839	0.165141	3.408238	0.0039
C	6.553864	0.720054	9.101903	0.0000

$$EC = ALSI - (-0.0984*LUD + 0.6161*UDR + 0.5628*UDC + 6.5539)$$

F-Bounds Test

Null Hypothesis: No levels  
relationship

Test Statistic	Value	Signif.	I(0)	I(1)
Asymptotic: n=1000				
F-statistic	11.72987	10%	2.37	3.2
k	3	5%	2.79	3.67
		2.5%	3.15	4.08
		1%	3.65	4.66
Finite Sample: n=35				
Actual Sample Size	27	10%	2.618	3.532
		5%	3.164	4.194
		1%	4.428	5.816
Finite Sample: n=30				
		10%	2.676	3.586
		5%	3.272	4.306
		1%	4.614	5.966

Sources: E-Views 10 Output

#### APPENDIX D: ECM Result

ARDL Error Correction Regression

Dependent Variable: D(ALSI)

Selected Model: ARDL(2, 1, 1, 4)

Case 2: Restricted Constant and No Trend

Date: 03/02/23 Time: 00:52

Sample: 1991 2021

Included observations: 27

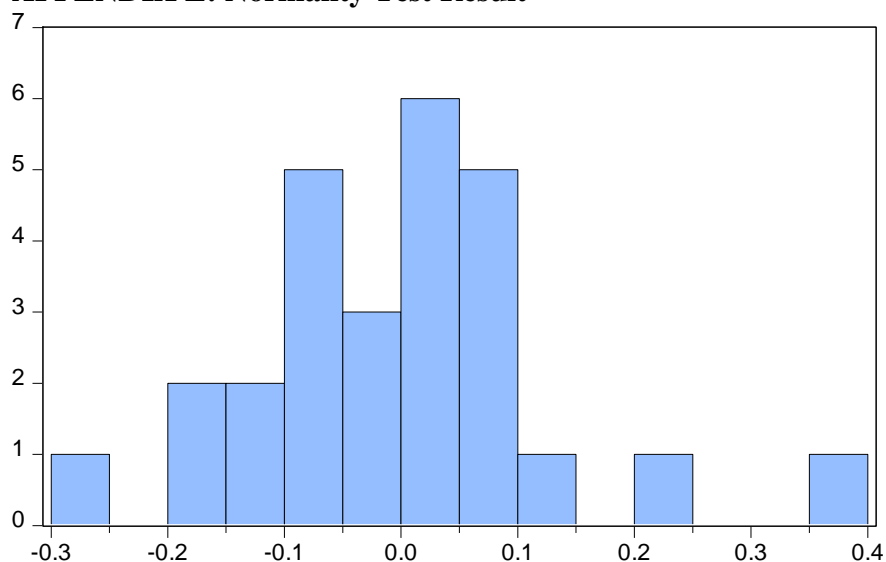
ECM Regression Case 2: Restricted Constant and No Trend				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(ALSI(-1))	0.645730	0.101307	6.373966	0.0000
D(LUD)	0.171114	0.067034	2.552633	0.0221
D(UDR)	-0.140908	0.105795	-1.331897	0.2028
D(UDC)	0.600785	0.163833	3.667054	0.0023
D(UDC(-1))	-0.162011	0.157354	-1.029593	0.3195
D(UDC(-2))	-0.443415	0.182887	-2.424534	0.0284

D(UDC(-3))	-0.951646	0.184609	-5.154935	0.0001
CointEq(-1)*	-0.867833	0.100687	-8.619117	0.0000
R-squared	0.832715	Mean dependent var	0.112685	
Adjusted R-squared	0.771084	S.D. dependent var	0.312226	
S.E. of regression	0.149385	Akaike info criterion	-0.723386	
Sum squared resid	0.424001	Schwarz criterion	-0.339434	
Log likelihood	17.76571	Hannan-Quinn criter.	-0.609217	
Durbin-Watson stat	2.151988			

\* p-value incompatible with t-Bounds distribution.

Sources: E-Views 10 Output

### APPENDIX E: Normality Test Result



Sources: E-Views 10 Output

### APPENDIX F: Serial Correlation Test Result

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	1.199780	Prob. F(2,13)	0.3325
Obs*R-squared	4.207141	Prob. Chi-Square(2)	0.1220

Test Equation:

Dependent Variable: RESID

Method: ARDL

Date: 02/25/23 Time: 03:02

Sample: 1995 2021

Included observations: 27

Presample missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ALSI(-1)	0.103414	0.209609	0.493366	0.6300
ALSI(-2)	0.034036	0.233336	0.145865	0.8863
LUD	-0.033288	0.116874	-0.284818	0.7803
LUD(-1)	0.076086	0.122070	0.623300	0.5439
UDR	-0.049879	0.155785	-0.320181	0.7539
UDR(-1)	-0.051672	0.193090	-0.267608	0.7932
UDC	-0.057916	0.327911	-0.176621	0.8625
UDC(-1)	0.093862	0.279051	0.336361	0.7420
UDC(-2)	0.041186	0.305210	0.134943	0.8947
UDC(-3)	-0.085441	0.286596	-0.298122	0.7703
UDC(-4)	-0.038685	0.263412	-0.146862	0.8855
C	-1.085339	1.521131	-0.713507	0.4881
RESID(-1)	-0.232778	0.365290	-0.637242	0.5350
RESID(-2)	-0.493636	0.338189	-1.459647	0.1681
R-squared	0.155820	Mean dependent var	-3.58E-15	
Adjusted R-squared	-0.688360	S.D. dependent var	0.127702	
S.E. of regression	0.165932	Akaike info criterion	-0.448331	
Sum squared resid	0.357934	Schwarz criterion	0.223585	
Log likelihood	20.05246	Hannan-Quinn criter.	-0.248535	
F-statistic	0.184582	Durbin-Watson stat	1.938048	
Prob(F-statistic)	0.997725			

Sources: E-Views 10 Output

### APPENDIX G: Heteroscedasticity Test Result

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	1.118272	Prob. F(11,15)	0.4110
Obs*R-squared	12.16537	Prob. Chi-Square(11)	0.3513
Scaled explained SS	6.050581	Prob. Chi-Square(11)	0.8700

Test Equation:

Dependent Variable: RESID<sup>2</sup>

Method: Least Squares

Date: 02/25/23 Time: 03:02

Sample: 1995 2021

Included observations: 27

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.323292	0.225826	1.431598	0.1728

ALSI(-1)	0.021692	0.026143	0.829748	0.4197
ALSI(-2)	-0.056310	0.031487	-1.788385	0.0939
LUD	0.001000	0.017167	0.058239	0.9543
LUD(-1)	-0.034027	0.017451	-1.949811	0.0701
UDR	0.052937	0.025035	2.114505	0.0516
UDR(-1)	0.015259	0.030564	0.499244	0.6248
UDC	0.039053	0.048274	0.808989	0.4312
UDC(-1)	-0.026628	0.045758	-0.581932	0.5693
UDC(-2)	-0.047094	0.047520	-0.991044	0.3374
UDC(-3)	0.020130	0.046335	0.434445	0.6701
UDC(-4)	0.011298	0.040781	0.277049	0.7855
R-squared	0.450569	Mean dependent var	0.015704	
Adjusted R-squared	0.047654	S.D. dependent var	0.028729	
S.E. of regression	0.028036	Akaike info criterion	-4.009536	
Sum squared resid	0.011790	Schwarz criterion	-3.433609	
Log likelihood	66.12874	Hannan-Quinn criter.	-3.838283	
F-statistic	1.118272	Durbin-Watson stat	2.760079	
Prob(F-statistic)	0.411031			

**Sources:** E-Views 10 Output