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INSTITUTIONAL FEATURES AND THE LEVEL OF UNCLAIMED DIVIDEND IN NIGERIA

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ABSTRACT: *The level of unclaimed dividend in Nigeria has been a source of concern to the capital market regulators in Nigeria. Hence, this study is designed to examine the effect of institutional features on the level of unclaimed dividend in Nigeria. This study is framed firmly on the rational choice theory. The ex-post facto research design was used and secondary data was collected over a ten-year period which spanned from 2010 to 2019. The multiple regression model was used to analyze the effect of shareholders' participation and payment channels on the level of unclaimed dividend in Nigeria. The result from the study reveals that both shareholders' equity capitalization and cheque payment have an inverse effect on the level of unclaimed dividend in Nigeria while savings and electronic fund transfer have a positive effect on the level of unclaimed dividend in Nigeria. The study concluded that institutional characteristics have a significant effect on the level of unclaimed dividend in Nigeria. It is therefore recommended from the study that due diligence be taken in getting the correct information from potential investors when they patronize the shares of listed firms in Nigeria.*

KEYWORDS: *Bank cheques, Electronic fund transfers, Market capitalization, Savings, Unclaimed dividend.*

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INTRODUCTION

Unclaimed dividend is a challenge which is not peculiar to Nigeria alone. However, the rate of increase in unclaimed dividend between 2010 and 2021 is about 389 percent which is alarmingly high. A further study of the data on unclaimed dividend in Nigeria shows that between 2010 and 2011, the increase in the level of unclaimed dividend was approximately forty-one percent while between 2020 and 2021, the increase in unclaimed dividend was fifty-nine percent approximately. This is quite worrisome especially with the creation of e-dividend in 2008 which has as one its objectives the reduction of unclaimed dividend. According to Owolabi and Obida (2013), unclaimed dividend can be caused by either late receipt of dividend warrant, uninformed investors, intentional practice of the company, death of the shareholder, inefficiency of the registrars, and inefficient postal service, amongst other factors. Ezeudu and Orikara (2017) traced the history of unclaimed dividend as occurring since the privatization policy in the 1970s. They opined that the reason for holding shares goes beyond receiving dividend but includes market price appreciation or gain amongst others. Furthermore, the introduction of e-dividend, according to Ekwueme and Omenka (2017), has been sufficiently publicized. Despite this, unclaimed dividend is still increasing at a geometric progression rate and at a higher rate compared to when dividends were paid through cheques and dividend warrants. The occurrence of unclaimed dividend can send a wrong signal (non-transparency) to both existing and potential investors which might hamper the activities of the money market in Nigeria (Audu, 2020; Ekwueme & Omenka, 2017). Despite this, a close examination of the data on equities capital raised in the market seems to be on the increase. An examination of the market capitalization attributable to equities between 2010 to 2019 shows a rise of sixty-four percent approximately. This is contrary to the view of Ekwueme and Omenka (2017) who opined that unclaimed dividend can send a wrong signal and make investors loose interest. Hence, this study is aimed at examining the effect of institutional features on the level of unclaimed dividend in Nigeria.

CONCEPTUAL REVIEW

Duke *et al.* (2015) described dividend as an appropriation of profit to shareholders after the deduction of tax and interest. It can exist in the form of cash or bonus form. Okezie *et al.* (2021) described unclaimed dividend in line with the Companies and Allied Matters Act (CAMA) as any dividend that has not been received by shareholders fifteen months after they are declared.

Prior to the Finance Act of 2020, an unclaimed dividend not claimed within twelve years after its declaration is to be forfeited. However, with the creation of the Finance Act of 2020, such funds (unclaimed dividend) are to be moved to a trust fund managed by the federal government which can be claimed by the shareholders.

To curb the trend of unclaimed dividend, Owolabi and Obida (2013) showed that e-dividend was introduced in Nigeria in 2018 to stem the tide of unclaimed dividend. Furthermore, Ekwueme and Omenka (2017) stated that the Securities Exchange Commission (SEC) introduced the E-Dividend Mandate Management System (E-DMMS) in partnership with the Central Bank of Nigeria (CBN) and Nigerian Interbank Settlement System (NISS), amongst others. However, statistics on unclaimed dividends are still on the rise, hence the need for this study.

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Theoretical Framework and Hypotheses Formulation

This study is hinged on the theory of rational choice theory and technology acceptance model theory, which are discussed below:

Rational Choice Theory

The rational choice theory development is credited to Adams Smith who postulated that individuals before making choices will rationally carry-out a cost-benefit analysis to ascertain the best action to take (Downs, 1957). The theory further shows that the accumulation of right choices to be made by various individuals will lead to a positive development for the economy. The rational theory is largely developed on three major concepts which are the existence of rational actors which might be individuals or firms, self-interest and the working of the invisible hands. The theory is further framed on the assumption that there is perfect information, decisions affect choices at different points in time and there is the ability to weigh the outcome of actions before taking them.

Criticisms against the theory state that information is not always perfectly available; uncertainty exists; hence, the outcomes of decisions cannot always be accurately predicted. Furthermore, critics show that scarcity can inhibit rational choices among rational actors (Arrow, 1989). However, supporters of the theory explain that self-interest will always make individuals act rationally to their own benefit, hence the potency of the theory (Fernandes-Huerga, 2008).

This theory explains that share capitals are subscribed to by individuals to get gains rationally which might occur through the payment of dividend or the appreciation of share prices. At the same time, this theory justifies the existence of unclaimed dividend, that is, participants in the dividend payment process might choose to circumvent the dividend payment process to shareholders and this leads to unclaimed dividend and allows them access to fund their business projects. Based on the position of this theory, this will lead to the development of the first hypothesis as stated below to prove its validity in the Nigerian capital market.

Hypothesis One

H_0: Shareholders' participation does not significantly affect the level of unclaimed dividend in Nigeria.

Technology Acceptance Model Theory

The theory is believed to have been initially developed by Fred Davis in 1989 and is perceived to be built on the theory of reasoned activities. The theory posits that new technologies are used basically based on their perceived ease in usage and based on their perceived utility. Vankatesh and Bala (2008) also added that the confidence of the intended users in the product will also affect the patronage of the electronic products.

Criticism against the theory is made based on the fact that the very assumptions behind the theory are not measurable and not factual and might be exaggerated (Benbasat & Barki, 2007).

However, Legris, Ingham and Collerette (2003) stated that the premise of the theory is similar with other theories such as diffusion of innovations theory and theory of reasoned activities, hence the validity of the theory.

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In the light of this, e-dividend or electronic payment has been introduced to reduce unclaimed dividend; hence, its perceived ease in use and benefit will promote unclaimed dividend. Based on the position of this theory, this will lead to the development of the second hypothesis as stated below to prove its validity in the Nigerian capital market.

Hypothesis Two

H_0: Payment channels do not significantly affect the level of unclaimed dividend in Nigeria.

1. Review of Extant Literature

Kighir (2003) assessed the growth of unclaimed dividend in Nigeria using the survey method to gather primary data from various respondents along the different strata of capital market movement. The result from the study shows that unclaimed dividends have been on the rise and some of the causes are attributed to increasing levels of capitalization, ineffective postal system, dubious practice by firms not to pay dividends, and lack of strict laws to ensure appropriate disclosure of unclaimed dividends by companies.

Owolabi and Obida (2013) assessed the issue of unclaimed dividend in Nigeria using First Bank of Nigeria as a case study using the qualitative method. Secondary data was obtained on the case study, which was analyzed with descriptive statistics. The result of the study shows that unclaimed dividend is growing at a geometric progression rate.

Okpaleke *et al.* (2014) investigated how to prudently use unclaimed dividends to meet the funding of housing deficits in Nigeria. A qualitative method was used, which involved the desk review of existing literature. They pointed out that there is no advocacy for the use of unclaimed dividend in funding the deficit of the housing sector in Nigeria.

Ekwueme and Omenka (2017) explored the view of the public on e-dividend and the development of the capital market in Nigeria. They adopted the survey research method and primary data was collected from the use of questionnaires and the conduction of interviews. They revealed that e-dividend enlightenment has been sufficiently explored in Nigeria.

Ezeudu and Orikara (2017) examined the issue of unclaimed dividend and the issues that surround it and its effect on economic growth in Nigeria. Ex-post facto research design was used and secondary data was gathered for the study. The study showed that there is a significant positive relationship between unclaimed dividend, earnings per share and real gross domestic product in Nigeria.

Akaayar (2020) examined the laws and rules that guide the distribution of dividends in Nigeria. Exploratory research design was used in the study to check various texts and literature. It was pointed out from the study that dividend payment is seen as an ethical practice especially as the non-declaration of such might be considered as oppressive by non-controlling interest.

Okezie *et al.* (2021) assessed unclaimed dividend and its effect on the market value of quoted firms in Nigeria. Ex-post facto method was used with secondary data gathered from seven selected firms from the consumer goods industry. The outcome of the study shows that unclaimed dividend has an inverse effect on the market price of the selected firms and it also shows that unclaimed dividend has a significant positive effect on earnings per share of the selected firms.

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METHODOLOGY

The quantitative research method was used in this study with the *ex-post facto* research design adopted with secondary data of already established events used in carrying out the analysis of this study. Secondary data on the variables (shareholders participation, payment methods and unclaimed dividends) for 2010–2019 were obtained from the CBN statistical bulletin 2021 and mass media publication. The multiple regression was used in assessing the effect of shareholders' participation and payment channels on unclaimed dividend at 5% level of significance. The multiple regression model is represented below:

Y=f(X)

Unclaimed Dividend = f (Institutional Characteristics)

Mathematically, this can be written as shown below:

$UncD = \beta_0 + \beta_{1SEi} + \beta_{2SSi} + e$

$UncD = \beta_0 + \beta_{3CHi} + \beta_{4ETi} + e$

where

UncD = Unclaimed Dividend (Dependent Variable)

β_0 = Intercept where independent variable is zero

β_{1SEI} = Shareholders' equity (Independent Variable)

β_{2SSI} = Shareholders' savings (Independent Variable)

β_{3CHI} = Cheque payments (Independent Variable)

β_{4ETI} = Electronic fund transfers (Independent Variable)

e = error term

DATA ANALYSIS AND DISCUSSION OF FINDINGS

Test of Hypotheses

Hypothesis One

H_0: Shareholders' participation does not significantly affect the level of unclaimed dividend in Nigeria.

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.972[a]	.946	.930	9.471

a. Predictors: (Constant), Savings, Equity Capitalization

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Table 1 shows that shareholders' participation explains 93% in the level of unclaimed dividend in Nigeria. The result further shows that there is a close relationship between shareholders' participation and the level of unclaimed dividend in Nigeria. This is represented by an R of 97.2%.

Table 2: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10947.953	2	5473.976	61.023	.000[b]
	Residual	627.923	7	89.703		
	Total	11575.876	9			

a. Dependent Variable: Unclaimed Dividend
b. Predictors: (Constant), Savings, Equity Capitalization

The result from Table 2 reveals the computed p-value of 0.000 which is lower than the set p-value of 0.005. Therefore, the null hypothesis is rejected and the alternate hypothesis which states that 'Shareholders' participation does significantly affect the level of unclaimed dividend in Nigeria' is retained.

Table 3: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.241	14.167		-.158	.879
	Equity Capitalization	-.002	.002	-.120	-.978	.361
	Savings	.009	.001	1.052	8.584	.000

a. Dependent Variable: Unclaimed Dividend

Table 3 shows the coefficient of the independent variables; it shows that equity capitalization has an inverse influence on the level of unclaimed dividend. This means that the more equity capital transactions that are acquired on the Nigerian Exchange, the lower the level of unclaimed dividend, while the savings level available to investors has a positive effect on the level of unclaimed dividend in Nigeria.

Hypothesis Two

H_0: Payment channels do not significantly affect the level of unclaimed dividend in Nigeria.

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.965[a]	.931	.911	10.671

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a. Predictors: (Constant), Electronic Fund Transfer, Cheques

Table 4 reveals that payment channels explain 91% approximately of the level of unclaimed dividend in Nigeria. The result also shows that payment channels have a close relationship with the level of unclaimed dividend in Nigeria. This is represented by an R of 96.5%.

Table 5: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10778.741	2	5389.370	47.326	.000[b]
	Residual	797.135	7	113.876		
	Total	11575.876	9			

a. Dependent Variable: Unclaimed Dividend
b. Predictors: (Constant), Electronic Fund Transfer, Cheques

Table 5 shows a computed p-value of 0.000 which is lower than the set p-value of 0.005. Hence, the null hypothesis is rejected and the alternate hypothesis which states that 'Payment channels do significantly affect the level of unclaimed dividend in Nigeria' is retained.

Table 6. Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	87.444	7.949		11.001	.000
	Cheques	-.002	.001	-.368	-3.317	.013
	Electronic Fund Transfer	.017	.003	.742	6.687	.000

a. Dependent Variable: Unclaimed Dividend

Table 6 reveals the coefficient values of the independent variables in Nigeria. The result shows that there is an inverse effect of cheques on the level of unclaimed dividend and that there is a positive effect of electronic transfers on the level of unclaimed dividend in Nigeria.

Discussion of Findings

The result shows that shareholders' participation has a positive significant effect on unclaimed dividends in Nigeria. However, equity capitalization has an inverse effect on unclaimed dividend and savings has a positive effect on unclaimed dividend. The result, when viewed from the lens of rational choice theory, shows that investors indeed put in their funds to get returns, hence the reduction in the level of unclaimed dividend. This perhaps shows that

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unclaimed dividends might be a result of old equity stock or from the angle of savings, a result of investors who are not interested in returns but keeping funds for precautionary motives.

The result of hypothesis two shows that payment channels have a significant effect on unclaimed dividend in Nigeria. It further reveals that cheques have an inverse effect on unclaimed dividends in Nigeria. In addition, electronic fund transfer has a positive effect on the level of unclaimed dividend in Nigeria. In line with the technology acceptance model theory, it shows that electronic fund transfer has a positive effect on the level of unclaimed dividend in Nigeria. Based on the technology acceptance model theory, this means that ease in use or the perceived benefits have not been fully revealed to the general populace (Vankatesh & Bala, 2008).

CONCLUSION

This study was designed to assess the effect of institutional features on the level of unclaimed dividend in Nigeria. The result from this study shows that equity capital and cheques both have an inverse effect on the level of unclaimed dividend in Nigeria. Furthermore, the result from this study shows that savings and electronic funds transfer have a positive effect on the level of unclaimed dividend in Nigeria. Finally, it is concluded from the study that institutional features have a significant effect on the level of unclaimed dividend in Nigeria.

Policy Implication and Recommendation

Based on the result from this study, the following recommendations are made:

i. Existing list of unclaimed dividend should be used in getting the identified next of kin to these shares by the registrars;

ii. Stockbrokers should ensure that proper information is gotten from prospective shareholders and that e-dividend mandates are correctly filled before a transaction is closed.

iii. Lastly, the education of e-dividend should be continuous to ensure its acceptance by all stakeholders.

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