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EFFECT OF FINANCIAL STATEMENT RATIO ANALYSES ON SHAREHOLDERS' INVESTMENT DECISION OF QUOTED COMMERCIAL BANKS IN NIGERIA

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ABSTRACT

The aim of this study is to explore the effect of financial statement ratio analyses on shareholders' investment decision of twelve (12) commercial quoted banks in Nigeria for the period 2010 to 2018. Financial ratios which were included in this study are return on capital employed and dividend per share which also represented the independent variables. Dividend yield (a proxy for shareholders' investment decision) as seen in prior related literature is employed as the dependent variable. Ex-post facto and descriptive research design were both considered in the study methodology. Specifically, we employed Hierarchical Regression Analyses estimator to test the study hypotheses which clearly suggest that dividend per share is a very strong and significant indicator necessary to drive shareholders' investment decision. This finding is consistent with the Dividend Relevance Theory of Lintner & Gordon (1959) who argued that shareholders are most interested in current dividend payment than retained earnings. Therefore, in line with the outcomes obtained, this study recommends that managers of quoted commercial banks whose intent is to positively signal its prospective and existing investors/shareholders should prioritize dividend payout policies which will most certainly drive up per share dividend ultimately providing good signal to shareholders' investment decision.

KEYWORDS: *Hypotheses, Obtained, Hierarchical, Regression*