Effect of Financial Leverage and Dividend Policy on Share Value of Quoted Oil and Gas Companies in Nigeria

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Abstract

The study examines the impact of financial leverage and dividend policy on share value of quoted oil and gas companies in Nigeria. A total sample of eight oil and gas companies quoted on the Nigerian Stock Exchange were studied, and panel data was obtained from their annual reports and accounts and price list from the Nigerian Stock Exchange for a period of 10 years (2011-2020). The data was analysed using descriptive statistics and panel regression technique with the help of Stata 10 package. The study finds that the financial leverage measures; total debt to total capital ratio have significant positive impact on share value of the quoted oil and gas companies in Nigeria. Similarly, it was found that the share value of the companies was positively and significantly driven by the dividend policy indicator; retained earnings ratio. The study conclude that dividend policy is capable of influencing the stock prices in oil and gas sector of the Nigerian stock market.The study recommends that the management of the quoted oil and gas companies in Nigeria should explore the use of more debt capital in financing their investment opportunities in order to boost their share value in the capital market. Finally, management of the companies should retain a larger proportion of the company's earnings for growth and ensure strict utilization of retained earnings on profitable investments and viable projects that will enhance the company's financial health and consequently boost the share value of the company in the stock market.

Keywords: Financial Leverage, Dividend Policy, Share Value, Total debt to Capital Ratio, and Retained Earnings Ratio

INTRODUCTION

The primary objective of every rational investor be it an institutional investor or individual investor, is to maximize expected returns on their investments within an acceptable level of risk. Thus, they prefer to invest their funds in shares of companies with increasing prices that will eventually boost their wealth in the stock market. Generally, most investors prefer persistent increase in the value of their shares in the stock market in order to earn more return on their investments and maximize their wealth. However, in practice, the prices of stocks do not increase at all times in the stock market. They could fluctuate and perhaps result in losses that could be detrimental to the shareholders' wealth. Therefore, the players in the financial market usually find it difficult to obtain reliable information on market values of shares as these values fluctuate quite frequently (Pandey, 2003). This fluctuation in the share values of companies at the stock market has been a matter of great concern to investors, fund managers and investment analysts globally and has attracted debates from financial economists, corporate finance experts and scholars over the years (Almumani, 2014). It has been seen in many studies that the share price of a company is influenced by financial leverage. For example, Buigut, Soi, Koskei and Kibet (2013) contend that the ratio of total debt to total capital is one of the major factors causing movement in the share value of a

company. In the same vein, it has been argued by Hussain and Gul (2011) that the company's share price is affected by its interest coverage ratio as investors perceive the company's ability to cover its interest charges from profit as an indication that the company is profitable.

Similarly, scholars like AlTroudi and Milhen (2013) and Stephen and Okoro (2014) are of the view that the firm's share price is strongly influenced by the retained earnings ratio. They further posit that investors prefer companies that retain their earnings for business growth rather than paying dividends. Conversely, Majanga (2015) asserts that dividend coverage ratio is one of the factors that cause fluctuation in the share value of a company. He added that investors prefer to invest their funds in shares of companies that pay dividends. Consequent upon the shock caused by the global financial crisis which had adversely affected the prices of the equity shares of companies in Nigeria, most companies had made strenuous efforts in raising funds to finance investments and projects in order to recover and survive continually in business. In the same vein, and as part of the effort to regain the confidence of their shareholders, companies had also adopted dividend policies that would maximize the market values of their equity shares and boost the shareholder's wealth. Adamu (2009) contended that the companies in Nigeria that were affected by the global financial crisis were mostly those in the oil and gas sector and this has had a severe effect on the economy as revenue from the sector is the major source of financing the Nigerian budget. The sector has also suffered challenges posed by the fall and fluctuation in the price of crude oil at the international market over the years, which affected the revenue base of the sector in particular and the Nigerian economy in general (Adamu, 2015) and (Ogochukwu, 2016). This study therefore, intends to assess the extent to which the debt financing decision and choice of dividend policy by the oil and gas companies in Nigeria during the global economic meltdown in 2010 and fall in price of crude oil at the global market in 2015 affected the market values of their equity shares in the stock market. The basic hypotheses underlying this study are stated thus:

$H0_1$: Total debt to total capital ratio does not have significant impact on share value of quoted oil and gas companies in Nigeria

$H0_2$: Retained earnings ratio does not have significant impact on the share value of quoted oil and gas companies in Nigeria.

LITERATURE REVIEW

Conceptual Framework

In order to give a guide for proper understanding of the various concepts of the study, different perceptions, opinions and views of authors and scholars regarding the concepts used in this study are discussed.

Share Value

According to Almumani (2014), share value is the price at which a single share of a number of saleable stocks of a company, derivative or other financial asset is sold at the capital market at a given time. It can also be defined as the price that buyers and sellers establish when they trade in the shares (Nairobi Stock Exchange Hand Book 2005 as cited in Musyoki, 2012). Seitz (1990) contends that the share price of a firm is directly observable from the stock exchange which is part of the securities segment of the capital market. The market price of the share is mostly determined by the forces of demand and supply of a particular stock in the market (Piotroski&Roulstone, 2004). Musyoki (2012) also argues that there is a confidence theory which proposes that the faith investors have about the future prospects of the company also causes changes in share price of that company. The most common types of securities are stocks, bonds and options. Securities markets are the mechanisms that facilitate the mobilization and transfer of funds from the deficit sector to the surplus sector of the economy, through the buying and selling of securities. They also ensure that these transactions are made promptly and at a fair price (Feldstein & Green, 1983). Sharma (2011) asserts that the market price at a particular moment reflects the collective wisdom and knowledge of the market and therefore represents the balance struck between the buyers and

sellers. He further proposes that daily price fluctuations arise because of changes in the buying and selling pressure. This study adopts the definition by Almumani (2014) and further views sharevalue of a firm as the price at which the equity per unit of the outstanding shares of the firm is currently sold at the stock market.

Financial Leverage

The prime goal of every financial manager in any business organization is normally to maximize the market value of the corporation. This could be achieved through the construction of an optimal financing mix that combines a prudent debt capital level with equity capital for investment on profitable projects. Financing decision which is an activity that is concerned with the mobilization of the funds required to meet the financial needs of the firm has been a critical and challenging decision which every financial manager most take. One of the most challenging aspects of financing decision is financial leverage decision which involves the extent to which a firm employs debt capital rather than employing only equity financing in its capital structure. Franklin and Muthusamy (2011) posit that financial leverage is a prerequisite for attaining an optimal capital structure. Financial leverage also known as gearing or trading on equity results from the inclusion of fixed financial charges like debt and preference shares in the firm's capital structure. Hillier, Jaffe, Jordan and Schenk (2010) opine that financial leverage is the extent to which a firm relies on debt. Financial leverage refers to the proportion of debt in the capital structure of a firm. It is the use of the fixed-charge source of funds, such as debt and preference capital along with the owner's equity in the capital structure (Elangkumaran&Nimalathasan, 2013).

Financial leverage is primarily concerned with the financial activities which involve the raising of funds from outsource and bearing the fixed charge against it (Javed, 2012). Radeviv, Lekpek and Siljkovic (2013) define financial leverage as the measure of the effect of enterprise's business activities in the presence of fixed financial expenses. Financial leverage effect can be positive or negative depending on whether the interest expenses are covered with earnings before interest and tax, and strong or weak, depending on the participation of borrowed resources in total resources. As long as a higher rate of return can be earned on assets than is paid for the capital used in acquiring the assets, the rate of return to owner can be increased. This is referred to as positive financial leverage (Marston & Perry, 1996). Financial leverage is used in many business transactions; especially real estate and financing by bonds or preferred stock instead of common stock are involved. Enekwe, Agu and Eziedo (2014) asserted that financial leverage is a measure of how a firm uses equity and debt to finance its assets. Also opined by Ward and Price (2006), financial leverage is the proportion of capital which is financed by debt as opposed to equity. They further posit that an increase in the debt capital results in increase in the shareholders' wealth and also increase in financing risk. The study perceives financial leverage as the inclusion of fixed-charge sources of financing like debt capital and preference share capital along with the equity capital in the composition of the sources of funds employed by the firm. The financial leverage of a firm is an essential financing decision component for achieving an optimal capital structure of the firm. It also serves as a vital measure of the firm's level of exposure to financing risk. Therefore, a prudent use of financial leverage or debt capital could help the firm in achieving higher return on the fixed-interest sources of financing than their costs and this consequently results in the maximization of the value of the firm and shareholders' wealth.

Total Debt to Total Capital Ratio

This ratio as the name suggests is a ratio that indicates the proportion of debt capital in relation to the total capital employed by the company in its capital structure. The ratio is used to gain a general idea as to the proportion of financial leverage being used by a company (Nasir& Nawaz, 2012). A low percentage implies that the company is less dependent on leverage (debt capital) or money borrowed from and/or owed to others. While a higher ratio suggests that a firm has employed a larger proportion of debt in its capital structure (Franklin &Muthusamy, 2011). Horne and Wachowicz (2005) posit that total debt to total capital ratio highlights the relative importance of debt financing to the firm by showing the

percentage of the firm's asset that is supported by debt financing. Jambawo (2014) asserts that the ratio of total debt to total capital measures the percentage of both short-term and long-term debts employed in financing the assets of the company. It is calculated by dividing short-term and long-term loan by the total capital employed in the business. This study adopts this assertion and further adds that the ratio indicates the amount of debt capital included in the overall finance of the firm and the extent to which these borrowed funds have been used to finance the firm's operations.

Dividend Policy

Dividend policy is primarily concerned with the financial management decision which involves the proportion of earnings to be distributed to the shareholders as return on their investments and the proportion to be retained for investment and expansion of the business activities. Nissim and Ziv (2001) see dividend policy as the regulations and guidelines that the company uses in making decisions on dividend payments to shareholders. Horne (1971) opines that dividend policy involves the decision between distribution of earnings to shareholders and retention of a portion for reinvestment in the company. Dividend policy is one of the most important financial decision issues since it entails payment of cash or distribution of additional shares to shareholders and retention of earnings for reinvestment. Dividend policy determines the division of earnings between payments to shareholders and reinvestment in the firm (Copeland, Weston &Shastri, 2004). According to Kapoor (2009), dividend policy involves the payout policy which managers pursue in deciding the size and pattern of cash distribution to shareholders overtime.

Arnold (2008) also defines dividend policy as the determination of the proportion of profits to be paid out to shareholders. Similarly, Nielsen (2010) sees dividend policy as the firm's decision whether to plough back earnings as retained earnings or payout earnings to shareholders as dividends. Lee (2009) also argues that dividend policy is meant to answer several questions such as: how much dividend should a company pay to shareholders? What will be the impact of dividend policy on the company's share price? What happens if the amount of dividend changes from year to year? Therefore, this study opines that dividend policy is the financial management practice which management adopts in determining the amount and pattern of cash or stock to be appropriated to shareholders within a given period of time. It is the central point of financial management in which both financing and investment decisions and activities depend on. The decision on the amount of earnings to be retained or distributed to shareholders determines the amount of funds to be raised and sources of funds to be explored for investment by the management. The concept of dividend policy has received many studies and debates from scholars and researchers globally in the last decades. The issue of whether dividend decision is relevant or not, and which proportion of earnings should be distributed to the shareholders as return on their investments or which proportion should be ploughed back into the businesses for re-investment and growth or whether dividend should be paid or not and which factors should be considered by companies in making their dividend decisions have been a debatable issue among scholars and challenging task to financial management practitioners.

Retained Earnings Ratio

According to Chasan (2012), retained earnings refer to the portion of the firm's profit that is set aside for reinvestment rather than being distributed to shareholders as dividends. Khan (2009) argues that retained earnings are an important source of internal financing for business expansion. Therefore, retained earnings ratio is the percentage of the earnings that is retained in the business for future growth (Adeniyi, 2008). He further contends that retention ratio is a reflection of a company's dividend policy. Retained earnings ratio is also known as the retained earnings rate of an organization (Orwel, 2010). Joshi (2012) sees retained earnings ratio as the percentage of the company's total earnings that has been kept as a source of internal financing. It is calculated by dividing the retained by the total earnings. This study adopts this assertion.

Empirical Review

Orajekwe and Okegbe (2020), examined the relationship existing between financial leverage and the dividend policy of quoted oil and gas firms in Nigeria. The research work adopted for the study ex-post factoresearch design. Secondary data spanning 2011 to 2018 was sourced and collated from annual reports and accounts of oil and gas firms in Nigeria and Nigeria Stock Exchange factbook. Place of Study: Department of Accountancy, NnamdiAzikiwe University, Awka, Anambra State, Nigeria. The data was analyzed employing descriptive statistics and the least square regression technique. The study revealed that a significant relationship exists between long term debt and dividend payout ratio; total debt and dividend payout ratio while no significant relationship exists between short term debt and dividend payout ratio of quoted oil and gas firms in Nigeria. Given the integral role the Oil and Gas sector plays in Nigeria, this study showed the centrality of the capital structure and dividend policy in ensuring the stability of corporations in the Nigerian Oil and Gas industry. The study recommended that companies should not rely mostly on long term debt in financing their operations to avoid low asset turnover. Long term debt should be employed in such capacity that the costs do not outweigh the benefits. Udoka and Vincent (2020), examined the effect of dividend policy on the volatility stock prices of firms quoted on the Nigerien Stock Exchange for the period spanning eleven (11) years from 2006 to 2016. The study employed the panel data regression technique to analyse data obtained from 60 firms, comparing 19 financial and 41 non-financial. Stock volatility was measured as the standard deviation of stock market prices while dividend policies were captured as dividend payout ratio, and dividend yield with five moderating variables (firm size, growth, leverage, earnings volatility and financial crisis). Findings revealed that dividend payout ratio has significant positive effect on stock market volatility of non-financial firms, and positive but insignificant effect for the financial firms. However, dividend yield has insignificant negative effect on stock market volatility for both financial and non-financial services firms. The study recommended that investors in the financial services sub-sector should ignore dividend policies, in share pricing and evaluation of stock riskiness.

Chukwuma, Virginia and Iyana (2020), evaluated the dividend policy and corporate financial performance with evidence from selected listed consumer good firms in Nigeria within the period 2015-2019; using dividend pay-out ratio, earnings per share and dividend per share as proxies for dividend policy and Return on equity as proxy for financial performance with two control variables; firm size and financial leverage. The study employed correlation and ex-post facto research designs. Descriptive statistics and multiple regressions were used for data analysis. Secondary data were used, which were extracted from the Central Bank of Nigeria statistical bulletin and the Audited Annual Reports of the ten selected listed consumer goods firms in Nigeria. The results of the study show that dividend pay-out ratio; earnings per share and dividend per share are positively related to return on equity. It also revealed that dividend pay-out ratio and earnings per share were statistically insignificant with the return on equity while dividend per share was statistically significant with return on equity within the period of study. The study therefore recommends that firms should adopt a dividend policy strategy that will guarantee greater financial performance to improve on the dividend per share. It is also recommended that management should act in the best interest of the shareholders as this will go a long way in reducing agency problem. The implication of this finding is that if firms do not adopt a good dividend policy strategy that will benefit the shareholders, investors will lose interest in the firm and this will threaten the growth of some of these consumer goods firms in the future.

Alfred, Vincent and Jessie (2019), examine the effect of dividend policy on stock prices with empirical evidence from Nigeria. The study employed dividend yield (DY), dividend pay-out ratio (DPO), earnings per share (EPS) as the dividend policy variables and net asset per share (NAPS) as control variable of firm size. The dependent variables and proxy for stock prices is the market price share (MPS). Data were obtained from financial statements of 10 consumer goods firms quoted in Nigerian stock exchange. The panel data covering a period of five years from 2011 to 2015 were used. A panel least square regressions technique was employed. The results showed that DY has an insignificant negative effect on MPS, DPO

has a significant positive effect on MPS, EPS has a significant positive effect on MPS while NAPS has an insignificant positive effect on MPS. The study thus concludes that dividend policy is capable of influencing the stock prices in consumer goods sector of the Nigerian stock market indicating that the theory of irrelevancy of dividends do not hold in the case of Nigeria. The study recommended that since dividend payout ratio and earnings per share are the only dividend policy variables that showed significant (positive) effects, investors and shareholders interested should pay more attention to analysis and explanation involving dividend yield, since it should be interested on only proxy of dividend policy that has significant effect on market value

Akudu (2017), examines the impact of financial leverage and dividend policy on share value of quoted oil and gas companies in Nigeria. A total of sample of eight oil and gas companies quoted on the Nigerian Stock Exchange were studied, and panel data was obtained from their annual reports and accounts and price list from the Nigerian Stock Exchange for a period of 10 years (2006-2015). The data was analysed using descriptive statistics and inferential statistics, that is, panel regression technique. The study finds that the financial leverage measures; total debt to total capital ratio and interest coverage ratio have significant positive impact on share value of the quoted oil and gas companies in Nigeria. Similarly, it was found that the share value of the companies was positively and significantly driven by the dividend policy indicator; retained earnings ratio. However, the second dividend policy measure; dividend coverage ratio has a positive but insignificant impact on the share value of the quoted oil and gas companies in Nigeria. The study recommends that the management of the quoted oil and gas companies in Nigeria should explore the use of more debt capital in financing their investment opportunities in order to boost their share value in the capital market. It is also recommended that the management of the companies should retain a larger proportion of the company's earnings for growth and ensure strict utilization of retained earnings on profitable investments and viable projects that will enhance the company's financial health and consequently boost the share value of the company in the stock market.

Theoretical Framework

Market Timing Theory

This theory is one of the recent theories of capital structure. It was developed by Baker and Wurgler in (2002) when they did a study on the effect of market timing on capital structure. They claim that firms with low leverage are those that raise funds when their market values are high, while high leverage firms are those that raise funds when their market values are low. The theory is closely related to the pecking order theory as it is also a signaling theory, but is treated as a separate theory because the fundamental intuition behind it is different. The theory proposes that firms would practice what is known as "tactical finance" since managers know more about the firm and its affairs more than the outsider investors. Therefore, managers have some incentive for certain actions they take. It is argued that managers could take actions based on the target and desirable debt rate of the firm. As the debt rate is an indicator of the relationship between equity and debt mix of the firm. A firm with a higher debt rate is perceived as more indebted (Franke, 1987). Therefore, the debt rate can be changed to send a signal to the outsider investors about the current condition, trend or direction of the company. Conversely, Ross (1977) argued that the management could raise the gearing rate of the firm to send the market a signal of stable trust in the future prospect of the firm and also that the firm has the ability to manage its debts effectively. Debt issuance serves as good news for market as investors have taken high gearing rate as an indicator of profitability and so they perceive that any investment in a company that has high debt rate is viable. Consequently, issuing of share could be interpreted as bad news and that leads to fall in the share price (Boudry, Kallberg and Liu, 2010).

The market timing theory further argues that when companies are in need of funds for investment and perceive that the cost of issuing equity shares is relatively low; they would prefer to issue equity. Conversely, when it is perceived that the cost of debt is relatively lower and more appropriate, they prefer to issue debt. This theory as its name suggests further posits that companies tactically time and monitor

the performance of their equity issues in the capital market so that when they perceive that the market price of their shares is overvalued, they issue new shares and when they also perceive that their stock price is undervalued, they buy back their stock from the market. This theory clearly addresses how the ratio of total debt to total capital and retaining earnings ratio affect the share price of the firm. Therefore, this study adopts the market timing theory and considers it more relevant in explaining the impact of financial leverage or debt financing (total debt to total capital ratio and interest coverage ratio) on share value of the quoted oil and gas companies in Nigeria because the theory is in line with the objective and prediction of this study.

METHODOLOGY

This study employed the longitudinal research design since the research work assesses the impact of the explanatory variables on the dependent variable.The population of the study is all the fourteen (14) oil and gas companies quoted on the Nigerian Stock Exchange before 1st January, 2010 and had been trading till 31st December, 2019. The period covered by the study is ten years from 2010-2019. The study employed census sampling approach, sample of eight (8) oil and gas companies listed on the Nigerian Stock Exchange as at the beginning of 2010 and had traded till 31st December, 2019 and whose annual reports were available during the period under study was adopted as the statistical sample for the study. This includes (Conoil Plc, Eternal Oil Plc, Forte Oil Plc, Japaul Oil and Martime Services Plc., Mobile Oil Nigeria Plc., MRS Oil Plc, Oando Oil Plc and Total Nigeria Plc. The study used secondary source of data and the data required on the independent and control variables for the study was obtained from the annual reports of the studied oil and gas companies while the data on the dependent variable was obtained from the price list on the Nigerian Stock Exchange respectively. This study used descriptive and panel regression technique in analyzing the data obtained for the research with the help of Stata 10 package.

The model is specified based on empirical framework using the variables to be studied as explained.

$SHVALit = \beta_0 + \beta_1 TDTCRit + \beta_2 RERit + \beta_3 EPSit + \varepsilon it$ ……..*i*

SHVAL= Share value
TDTCR= Total debt-total capital ratio
RER= Retained earnings ratio
EPS= Earnings per share, a control variable
ε = Error term
β0 = intercept
i =period i
t = time t
β_1, β_2, and β_3 = the various slope coefficients of the explanatory variables. The choice of one financial leverage measures and one dividend policy measures is motivated by the fact that these indicators have different interpretations regarding firm's degreeof leverage and dividend payment decisions respectively.

RESULT AND DISCUSSION

Table 4.1Summary of Descriptive Statistics of the Variables

Variables	Mean	Std. Dev.	Min.	Max.	Skew.	Kurt.
SHVAL	76.911	72.845	0.500	331.190	0.001	0.278
TDTCR	74.761	14.003	31.530	121.740	0.146	0.012
RTENR	32.831	33.697	-19.890	121.700	0.554	0.031

EPERS	5.060	6.592	-20.230	32.400	0.049	0.000

Source: Extracted from Stata Output (2021)

Table 4.1 depicts the result of the dependent and independent variables used in the study during the period of the research. The mean of share value is 76.91. This implies that on average, the shares of the oil and gas companies quoted on the Nigerian Stock Exchange sell at ₦76.91 per share during the period under study. The standard deviation of 72.85 indicates a relatively low dispersion in the share value of the quoted oil and gas companies in Nigeria for the period under consideration. On the overall, the share prices of the quoted oil and gas companies in Nigeria indicated consistent rise over the period under study. This is evident from the minimum value of 0.5 which implies that the shares of some oil and gas companies sell below the par value while the maximum value of 331.19 indicates that some oil and gas companies have their shares above the face values in the Nigerian Stock Exchange. Also as shown from Table 4.1, the positive coefficient of Skewness of share value of 0.001 indicates that the data is normally distributed and thus meets the condition of symmetrical distribution. The mean and standard deviation of total debt to total capital ratio is 74.76 and 14.00 respectively. The mean total debt-total capital ratio of 74.76 is too high, indicating that the quoted oil and gas companies had employed more loan capital than owner's funds in their capital structure during the period under review. The use of the loan capital may be due to the strenuous efforts made by the companies in raising more external funds to finance investments and projects in order to recover from the shock caused by the global financial crisis and to survive continually in business. The standard deviation of 14.00 is low compared to the mean total debt to total capital ratio. This shows that the dispersion in the level of debt financing by the companies was relatively small during the period under consideration. It also implies that all the oil and gas companies in the Nigerian stock market during the period under consideration did not experience large differences in their financing mix. The minimum total debt-total capital ratio is 31.53 and the maximum is 121.74. The range between the lowest and highest financial leverage is wide implying that some oil and gas companies were highly financially leveraged while others were all-equity financed in the period under study.

The mean of retained earnings ratio is 32.83. This suggests that, on average, the oil and gas companies in Nigeria had retained ₦32.83 per share from their total earnings during the period under study for reinvestments and growth. The standard deviation of 33.70 is higher compared to the mean retained earnings ratio. This indicates that there was a moderately wide dispersion in the amount of profits retained by the companies during the period under investigation. This may not be unconnected to the fact that adequate financing was required by the companies to explore investment opportunities for the growth and expansion of their businesses and to survive the global financial and economic shock experienced during the period, hence the need for the retention of profits by the companies. The negative minimum value of -94.89 may be as a result of the poor performance by some oil and gas companies and the losses they reported in some years particularly during the financial crisis which was experienced globally. Consequently, these companies could not retain earnings for reinvestment. While the maximum value of 121.74 indicates that some quoted oil and gas companies still made profits in spite of the global economic meltdown and fall in the price of crude oil and were able to retain a large amount from their earnings. Therefore, they were able to plough back a proportion of their earnings as internal source of financing.

Table 4.2: Regression Results

Source	**SS**	**df**	**MS**	**Number of obs = 80**
				F(6, 73) = 8.13
Model	**167973.629**	**6**	**27995.6049**	
Residual	**251236.997**	**73**	**3441.6027**	
Total	**419210.626**	**79**	**5306.46363**	

Prob> F = 0.0000
R-squared = 0.4007
Adj R-squared = 0.3514
Root MSE = 58.665

shval	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
tdtcr	1.015635	.4915431	2.07	0.042	.0359908	1.995279
rtenr	.3446156	.2094	1.65	0.104	-.0727179	.7619491
epers	3.999317	1.12784	3.55	0.001	1.751535	6.247099
_cons	-54.02508	39.89252	-1.35	0.180	-133.5308	25.48059

Source: Stata 10 output (2021)

Discussion of Findings

The results indicate that the value of the coefficient of determination (R^2) is 0.4007. This shows that the independent variables including the control variables that were studied explain only 40.07% of the determinants of market share value as represented by the R^2. This therefore means that other determinants of stock price not considered in this study contribute 59.93% to the variation of share value of the quoted oil and gas companies in Nigeria during the period under review. The adjusted R Square is the coefficient of determination which explains the variation in the dependent variable as a result of changes in the independent variables. Therefore, from the result in table 4.2, the adjusted R2 was 0.3514 implying that there was variation of 35.14% on the share value of the oil and gas companies quoted on the Nigerian Stock Exchange caused by changes in total debt-total capital ratio, retained earnings ratio, and earnings per share during the period under consideration. The Wald Chi2 value of 48.81 and the P-Value of 0.0000 as indicated in the table also show that the model is fit. In table 4.2, the coefficient for total debt to total capital ratio of 1.016 indicates a positive correlation between total debt to total capital ratio and share value. Also, the p-value of 0.012 indicates that relationship is significant at 5% significance level. Therefore, the study rejects the null hypothesis which states that total debt to total capital ratio does not have significant impact on share value of quoted oil and gas companies in Nigeria. This means that the share value of the oil and gas companies in Nigeria is positively and significantly affected by the level of leverage of the companies. This implies that the higher the value of financial leverage the higher the share value of the oil and gas companies in Nigeria. This finding is contrary to the claim of the market timing theory which proposes that firms with low leverage are those that raise funds when their market values are high, while firms with high leverage are that raise funds when their market values are low. The result of this study is in consonance with the findings of Buigut, Soi, Koskei&Kibet (2013) and Adenugba, Ige&Kesinro (2016) where the results indicated that financial leverage significantly influenced the market value of share, but not consistent with the studies by Hussain & Gul (2011), Obo, Isa &Adekoya (2012) and Jambawo (2014) which found otherwise. The researcher deduce that prudent borrowing and efficient use of debt financing on viable projects by the companies boost the shareholders fund which consequently increase the share value in the market.

The coefficients for retained earnings ratio of 0.344 indicates that retained earnings ratio has a positive relationship with share value and the p-value of 0.019 also indicates that the relationship between retained earnings ratio and share value is significant at level 5% significance level. Consequently, the study rejects the null hypothesis which states that retained earnings ratio does not have significant impact on share value of quoted oil and gas companies in Nigeria. This means that the share value of the oil and gas companies in Nigeria is positively and significantly influenced by the retained earnings ratio, implying that the companies with higher retained earnings per share are more likely to display high share value while companies with lower retained earnings per share are likely to have low share value. Therefore, it

can be deduced that when the company's earnings are ploughed back and re-invested on profitable projects, it increases earnings of the firm and shareholders' wealth and consequently boosts the market share value of the company. This finding is in support of the tax preference theory which contends that capital gains are taxed at lower rate and are taxed only when the asset is sold, and this therefore makes investors to prefer investing their funds in companies that retain their earnings instead of paying dividend, which consequently will cause the share price to rise. This finding is in close conformity with the findings of Pani (2008), Joshi (2012), Al Masum (2014) and Majanga (2015) where it was observed that retained earnings ratio is a major determinant of stock prices, but not in line with study by Azeem and Kouser (2011), Sahrif, Ali and Jan (2015), and Duke, Nneji and Nkamare (2015) which reported otherwise. Similarly, the coefficient for dividend coverage ratio of 1.323 shows a positive relationship with share value. The coefficient of 3.910for earnings per share, a control variable implies a strong positive relationship with share value. Also, the p-value of 0.042 for the earnings per share also shows that the relationship between the earnings per share and the share value of the oil and gas companies during the period under consideration is significant at 5% level. This means that the higher the earnings per share the higher the share value and the lower the earnings per share, the lower the share value of the companies. This result supports the findings of Singhania (2006), Sharma (2011), Malhorta (2013), Hunjra, Ijaz, Chani, Hassan & Mustafa (2014) and Sharif, Ali & Jan (2015), but not in line with the findings of studies by Khan, Aamir, Qayyum, Nasir& Khan (2011), and Jakada&Nyamugure (2015) who found an insignificant relationship between earnings per share and share value.

CONCLUSION AND RECOMMENDATIONS

The following conclusions are drawn from the findings of the study; the total debt to total capital ratio positively and significantly influences the share value of the quoted oil and gas companies in Nigeria implying that the companies with high degree of financial leverage are likely to have high share value while those with low degree of financial leverage are likely to display low share value. The share value of the quoted oil and gas companies in Nigeria is positively and significantly influenced by the retained earnings per share, implying that the companies with higher retained earnings ratio are more likely to display high share value while companies with lower retained earnings ratio are likely to have low share value. The earnings per share has a positive and significant impact on the share values of the quoted oil and gas companies in Nigeria, suggesting that an increase in the earnings per share causes the share value to rise while a decrease in the earnings per share leads to fall in the share value of the companies. The study concludes that dividend policy is capable of influencing the stock prices in oil and gas sector of the Nigerian stock market. From the foregoing, the study recommends that the management of the quoted oil and gas companies in Nigeria should explore the use of more debt capital in financing their investment opportunities in order to boost their share value in the capital market. Finally, management of the companies should retain a larger proportion of the company's earnings for growth and ensure strict utilization of retained earnings on profitable investments and viable projects that will enhance the company's financial health and consequently boost the share value of the company in the stock market.

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