Effect of dividend policy on the performance of listed oil and gas firms in Nigeria

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Abstract

The oil and gas sector has been the main stay of the Nigerian economy which has attracted lots of investors and consequently maximization of wealth in the form of dividend. This study therefore investigated the effect of dividend policy on the performance of listed oil and gas firms in Nigeria spanning from 2007-2016. Secondary data were sourced from 9 listed firms which formed the sample size of this study. The collected data were analysed using descriptive statistics, correlations matrix and pooled regression analysis. Also, residuals of result were subjected to various diagnostic tests such as Variance Inflation Factor and Heteroskedasticity. Findings from the analysis revealed that dividend payout ratio and retained earnings positively affects earnings per share of listed oil and gas firms in Nigeria while dividend yield had a significant but negative effect on earning per share. Based on this, the study therefore recommends that oil and gas firms willing to maximize shareholders wealth and firms value should endeavor to consistently increase their dividend payout ratio as this sends a signal that the firm is financially healthy.

Keywords: Earning per share, dividend payout ratio, dividend yield, retained earnings, oil and gas, dividend policy, Nigeria

1. Introduction

Financial performance can be viewed from various perspectives and they are different indicators for measuring firm's performance. Evaluating the financial performance of a firm allows management to access the results of business strategies and objectives in monetary terms. Various scholars have defined performance in different ways. According to Rahel and Serkalem (2010) they viewed performance in terms of profitability, they defined performance as, profitability which is a financial goal of every firm, used to expand the firm, and/or to serve as a cushion for future slow periods. They posits that profitability also helps a firm to ensure its solvency for owners to invest in the future and firms can go out of business, if it incurs loses and become insolvent and profit is generally attained only when a company operates effectively.

Since the discovery of crude oil in Nigeria, it has contributed largely to the economy and revenue of both government and other stakeholders involved. According to Odularu (2008) 80% of Nigeria's energy revenues flow to the government and about 4% go to investors. It is worthy to note that this revenue figures run into billions of dollars. Over the years, the petroleum industry has attracted

stakeholders from foreign and local explorers whom have benefited greatly as a result of increase in demand of crude oil as well as increase in its price. Oil and gas firms listed in the Nigerian Stock Exchange (NSE) are believed to be financially viable and as a result, shareholders require favorable dividend policies which will maximize their wealth as a result of increase firm's performance.

Managers are saddled with the responsibility of making optimum investment decisions on behalf of the firm and ensuring the maximization of shareholders wealth. This can be achieved when firms generate sufficient profits and strategically decide the amount to be reinvested into the firm and/or distributed to shareholders. The distributed funds to shareholders are known as dividends. According to Mukora (2014) dividends are distribution of cash to shareholders in proportion to their equity holding. He further explained that no company is compelled to declare a dividend and those that do may vary the amount. On the other hand, Zayol, Mya and Muolozie (2017) defined dividend policy as firm's dividend payout policy that mangers follow in deciding the pattern and size of cash distribution to shareholders in the form of dividend. They further explained that it is the decision of management about the portion of income that is given to shareholders in the form of dividend.

Dividend policy decisions regarding the distribution of profits in the form of dividends and the retention of profits for further use in the business could be in form of cash or share. Oliver and Ugah (2015) noted that dividend payment by corporate organizations is a fundamental expectation to shareholders and therefore ranks as one of the most important corporate decisions. A company's ability to consistently pay out increased levels of dividend over time, conveys information about the management's assessment of the firm's performance as well as its future prospects.

Statement of the Problem

Dividend policy is an important aspect of corporate finance which has attracted the attention of researchers leading to different school of thoughts as regards distribution of profits to firms shareholders as well as retaining earning to be reinvested in the business. The goal of publicly listed firms is maximization of shareholders wealth, this is supported by the fact that shareholders need to get a return for their risk and investment. Management are however saddled with the responsibility of achieving this goal through optimum investment strategy, financing and dividend policy.

Studies on dividend policy and firm performance in Nigeria are mostly on determinants, service industry such as financial and nonfinancial institutions, manufacturing sector (Adelegan, Adeyemo, Adejuwon & Taiwo, 2015; Salman, Lawal & Anjorin, 2015; Kajola, Adewumi, & Babatolu, 2015; Kajola, Adewumi & Oworu 2015; Hakeem & Bambale, 2016). However, given the importance and viability of the oil and gas sector which according to Odularu (2008) has contributed to the Nigeria economy in the area of creation of employment opportunities, contribution to government revenues, Gross Domestic Product (GDP), which according to the Nigerian Bureau of Statistics (2016), contributed 10.29% of total real GDP, foreign reserves and supply of energy to industry and

commerce. To the best of our knowledge, no prior study has focused on dividend policy proxied by dividend payout ratio, dividend yield and retained earnings on performance (earning per share) of oil and gas firms in Nigeria. More so, the continuous debated on dividend policy decisions as well as conflicting findings on the subject matter has necessitated the need to carry out a research on the subject matter. Hence, this study is an attempt to fill this gap by empirically investigating the effect of dividend policy on the performance of oil and gas firms in Nigeria.

2. Theoretical Framework

There are several theories which have been identified in dividend policy and firm performance studies. However, they are viewed from different perspectives in relation to the context of their work. The following theories are used to underpin this study, they include: Agency theory, signalling theory and dividend relevance theory.

i. Agency Theory

The agency theory was propounded by Jensen and Meckling (1976). The theory is based on the assumption that the firm as a collection of groups of individuals with conflicting interests and self-seeking motives. They posits that the agency relationship as a contract under which one or more persons referred to as the principal engage another person referred to as the agent to perform some service on their behalf which involves delegating some decision making authority to the agent. The management may conduct actions which are not in the best interest of the shareholders. Such conflicts lead to increased agency costs. In such cases, firms will prefer to increase their dividends and reduce agency cost by distributing the free cashflow.

ii. Signaling Theory

The theory was propounded by Modigliani and Miller (1961) who argued that dividend may have a signalling effect. Proponents of this theory posits that dividends have a signaling effect and investors or potential investors forecasts the profit of the company, which in fact is influenced by the rate of dividend. Firms have to distribute dividends among shareholders and high dividend payments are considered positive sign of profitability by shareholders. The payment of dividends have a signaling effect as dividend payment gives information about company to the market. On the basis of dividend announcements, investors, shareholders, and potential investors predict the position of company in context of profitability and when there is an increase in dividend payments, it is a good sign for firm, it increases its goodwill and its reputation in the mind of customers and share price increases.

iii. Dividend Relevance Theory

The dividend relevance theory was propounded by Walter (1963). He argued that the choice of dividend policies almost always affect the value of the firm. His model, shows the importance of the relationship between the firm's rate of return and its cost of capital in determining the dividend policy that will maximize the wealth of shareholders. Walter's model is based on the following assumptions:

First, the firm finances all investment through retained earrings; that is, debt or new equity is not issued. Secondly, the firm's rate of return and its cost of capital are constant. Thirdly, all earnings are either distributed as dividends or re-invested internally immediately. Fourthly, the values of earning per share and dividend remain constant. Lastly, the firm has a very long or infinite life.

It is believed that this model is quite useful to show the effects of dividend policy on an all equity firm under different assumptions about the rate of return. However, the simplified nature of the model can lead to conclusions which are not true in general, though true for Walter's model.

Empirical Studies

They are plethora of empirical studies dividend policy both in Nigeria and the world at large. Some have studied the determinants of dividend policy, why some have investigated the impact of dividend policy on firms performance in different sectors. Various studies have however, adopted various proxy for dividend policy as well as firms performance.

From the foreign scene, Topal (2014) analysed the relationship between dividend policies and financial performances of the companies operating in Istanbul Stock Exchange. The study used data of 172 companies outside of financial sector from 2008-2011. Multiple regression was employed to analyse the data. The results of analysis showed that dividend payments had influence on firms' performances. Also, there was a positive and statistically meaningful relationship between the dividend per share rate within groups and market based performance indicator (Tobin's q) while there was a statistically insignificant relationship between accounting based performance indicators (ROA & ROE) and dividend per share rate. The study concluded that dividend polices of firms are influential on their performance.

Velnampy, Nimalthasan and Kalaiarasi (2014) examined the relationship between dividend policy and firm performance of listed manufacturing companies in Sri Lanka. A set of listed manufacturing companies over a periods of 2008 – 2012. Regression result showed that dividend payout and earnings per share were insignificant. The study concluded that dividend policy does not affect firm performance in Sri Lanka.

Rachid and Wiame (2016) examined the relationship between dividend policies and financial performance of selected listed firms in Morocco. Secondary data were analyzed using panel data regression model. The findings indicated that dividend payment and total assets had a significant and positive relationship with firm performance. The study therefore concluded that dividend policy was relevant.

Farrukh, Irshad, Khakwani, Ishaque and Ansari (2017) established the impact of dividend policy on shareholders' wealth and firm performance in Pakistan between 2006-2015. A sample of 51 firms were drawn and the regression result found out that dividend policy proxied by dividend per share and dividend yield had positively significant impact on shareholders' wealth and firm performance. This study supported dividend relevance theory, signaling effect theory, bird in hand theory and clientele-effect theory.

A number of studies have conducted in Nigeria, for example, Uwuigbe (2013) investigated the determinants of dividends policy in the Nigerian stock exchange market spanning over 2006-2011. A total of 50 listed firms in the Nigerian stock exchange market were selected and analyzed for the study using the judgmental sampling technique. Using regression analysis, findings showed that there is a significant positive relationship between firms' financial performance and size of firms on the dividend payouts decisions of listed firms in Nigeria.

Shisia, Sang, Sirma and Maundu (2014) examined the effect of dividend policy on financial performance of companies quoted at the Nairobi Securities Exchange (NSE). The study sourced data from secondary sources. A sample of 30 listed companies at NSE was used and regression analysis was used in testing the hypotheses. The study concluded that there is significant but negative relationship between dividend payout ratio and firm performance.

Ehikioya (2015) investigated the impact of dividend policy on the value and performance of firms in developing economies. The sample of this study was drawn from 81 firms listed on the Nigeria Stock Exchange spanning 2001 to 2010. The study employed panel regression model to analyze the data. The findings revealed a significant positive impact of dividend payout on the performance of firms, measured as return on assets and return on equity. The finding confirms the proposition that dividend policy is an important determinant of firm performance.

Kajola et al. (2015) examined the relationship between dividend pay-out policy and financial performance of 25 non-financial firms listed on the Nigerian Stock Exchange between 2004 - 2013. Panel data methodology was employed and pooled Ordinary Least Squares (OLS) was used to estimate the ROA and Dividend Pay-out ratio. Regression result reveals a positive and significant relationship between dividend pay-out policy and firm performance.

Adelegan et al. (2015) identified the determinants of dividend policy of firms in Nigeria from 2009 to 2013. The study analysed data of 48 manufacturing firms listed on the Nigerian stock exchange. The pooled regression result shows that total distributable earnings determines dividend payout of corporate firms in general in Nigeria. Results showed that dividend policy of manufacturing firms

depends on profit after tax and earnings. The result also shows that the manufacturing firms ability to pay dividend depends more on profit after tax. The study therefore concludes that profit after tax and total distributable earnings are key determinants of firm dividend payment in Nigeria.

Umar and Saidu (2016) assessed the relationship between dividend policy and financial performance of oil and gas companies in Nigeria from 2005 and 2014. Pearson correlation and multiple regressions were used for the data analysis. The study found out that dividend payout has a significant positive relationship with the financial performance of the oil and gas companies. Also, dividend payout squared has a significant negative relationship with the financial performance of the companies. The study concluded that dividend payout of oil and gas companies has an optimal level beyond which the relationship tends to be negative.

Eniola and Akinselure (2016) examined the impact of dividend policy and earnings on selected quoted companies in Nigeria and spanned from 2004 - 2013. The study used stratified sampling technique in selecting the 25 companies considered in this research work which cut across seven sectors of the companies listed on the Nigeria Stock Exchange. The study used multiple regression and the findings revealed that there exists a relationship between earning per share and dividend yield. Also, the findings showed that dividend payout ratio does not affect earning per shares.

Zayol et al. (2017) evaluated the determinants of dividend policy of petroleum firms in Nigeria from 2011-2014. Secondary data were analysed using correlations and regression analysis. Findings from the study revealed that firm size, liquidity and leverage does not affect the dividend policy of petroleum firms in Nigeria, while profitability was found to affect the dividend policy of petroleum firms in Nigeria. The study concludes that profitability is one of the most considered determinants of dividend policy by listed petroleum firms in Nigeria.

Based on the reviewed literatures, the hypotheses are as follows:

H_{01}:   Dividend payout ratio has no significant effect on the performance of listed oil and gas firms in Nigeria.
H_{02}:   Dividend yield does not significantly affect the performance of listed oil and gas firms in Nigeria.
H_{03}:   Retained earnings does not significantly influence the performance of listed oil and gas firms in Nigeria.

3.   Methodology

The research design for this study is ex-post factor. According to Kerlinger (1970) ex-post facto research is also called causal comparative research and is used when the researcher intends to determine cause and effect relationship between an independent and dependent variables with a view to establishing a causal link between them. This research design was employed because of its suitability in research of this nature. The population consist of all listed oil and gas firms in the Nigerian Security and Exchange (NSE) as at December 2017. The total number of oil and gas firms listed in NSE as at December 2017 were 12. Table 3.1 shows the

list of oil and gas firms with their respective years of incorporation. A sample size was generated from the population which is shown

in table 3.2. It can be seen that all firms made the sampling list except Anino international Plc which was filtered out on the basis of

unavailability of data, while Rak unity Pet company Plc was filtered out on the basis of incomplete data and Seplat petroleum

development company Ltd. which was filtered on the basis that it became a publicly traded company 2009. Therefore, in total 9 firms

out of the 12 listed firms make up the sampling firms for this study. The study relied on secondary data which were generated from

various annual report of all sampled listed oil and gas firms in Nigeria from 2007-2016. Pooled regression was applied in testing the

formulated hypotheses with the aid of Stata 13.

Table 3.1: Listed Oil and Gas Firms as at December, 2017

S/N	Oil and Gas firms	Year of incorporation
1.	Anino international Plc	June, 1981
2.	Capital oil Plc	August, 1985
3.	Conoil Plc	June, 1970
4.	Eterna Plc	January, 1989
5.	Forte oil Plc	December, 1964
6.	Japaul oil & maritime services Plc	1994
7.	Mobil oil Nig. Plc	1951
8.	MRS oil Nigeria Plc	1969
9.	Oando Plc	1956
10.	Rak unity Pet company Plc	December, 1982
11.	Seplat petroleum development company Ltd.	June, 2009
12.	Total Nigeria Plc	June, 1956

Source: NSE (2017)

Table 3.2: Sample Size

S/N	Oil and Gas firms	Year of incorporation
1.	Capital oil Plc	August, 1985
2.	Conoil Plc	June, 1970
3.	Eterna Plc	January, 1989
4.	Forte oil Plc	December, 1964
5.	Japaul oil & maritime services Plc	1994
6.	Mobil oil Nig. Plc	1951
7.	MRS oil Nigeria Plc	1969
8.	Oando Plc	1956
9.	Total Nigeria Plc	June, 1956

Source: Field work (2018)

Model Specification

The following pooled regression model has been formulated to guide the researcher in this study.

$$EPS_{it} = \beta_0 + \beta_1 DPR_{it} + \beta_2 DY_{it} + \beta_3 RE_{it} + \varepsilon_{it}$$

Where,

DP = Dividend payout
DPS = Dividend per share
RE = Retained earning
β_0 = constant term
$\beta_1, \beta_2, \beta_3$ and β_4 = beta coefficients
ε = error term

Table 3.3: Variables and Their Measurements

Variable	Type	Description
Earning Per Share (EPS)	Dependent variable	Earning Per Share is the dependent variable which is used as a proxy for performance. The EPS is the portion of the company's distributable profit which is allocated to each outstanding equity share (common share). Earnings per share is a good indicator of the profitability of any organization and it is one of the widely used measures of profitability because it shows how much money the firm is making for its shareholders, which is not restricted to changes in profit but also after the effects of issuance of new shares. It is measured as: EPS = (Net profit after taxes – Preference dividends)/number of equity shares
Dividend Payout Ratio (DPR)	Independent Variable	Dividend Payout Ratio is the amount of dividends paid to stakeholders relative to the amount of total net income of a firm. Investors usually seek a consistent and/or improved dividends payout ratio. DPR is measured as: DPR = Total dividends/Total net earnings X 100%
Dividend Yield (DY)	Independent Variable	Dividend yield is the financial ratio that measures the cash dividends paid out to shareholders relative to the market value per share. It is measure as: DY = Dividend per share/Market price per share X 100
Retained Earnings	Independent Variable	Retained earnings are profits generated by a firm which are not distributed as dividends to the shareholders. It is also known as accumulated surplus, accumulated profits, accumulated earnings, undivided profits and earned surplus.

Source: Field Work (2018)

4. Results and Discussion

This section presents and analyse the results generated from annual reports of the sampled oil and gas firms in Nigeria. Table 4.1 presents the descriptive statistics of the dependent and independent variables. The number of observation is 90 comprising 9 oil and gas firms for a period of 10 years. The minimum value of the EPS is -74.7, while the maximum value stood at 43.58. However, the mean value of EPS is 3.759 implying that on the average for the period under review, oil and gas firms distributed profit to its shareholders stood at 375.9% with variations of about 11.44.

The DPR has a mean of 2.179 which implies that on average the ratio of dividend paid the earnings of oil and gas firms is 217.9%. The minimum and maximum values of DPR are 0 and 17 respectively implying that the maximum amount of dividend paid was 17% and the minimum was 0. However, the variations is 3.459.

DY has a minimum of -623.07 and a maximum of 194847. The average value of dividend yield for oil and gas firms for the period under review was 2210.599. It however, revealed a high level of dispersion with value of 20534.64.

The RE has an average of 11.839 implying that the firms retained 1183.9% of its revenue which are not distributed to shareholders. The minimum and maximum values are -50.941 and 86.763 respectively. The variation stood at 24.997.

Table 4.2 as contained in the appendices of the study present the pairwise correlation matrix of the dependent variable and the independent variables. In other words, it expalins the relation among the variables in this study. From the analysis there is statistical significant and positive relationship between EPS and DPR. This implies that the EPS increases in proportion to the increase in DPR. Also, the relationship between EPS and RE is positive and significant indicating a positive correlation between the two variables. However, the relationship between EPS and DY is significant but negative implying that as dividend yield increases, EPS decreases.

In testing the formulated hypotheses, pooled regression was adopted. The output in table 4.3 showed that the R^2 which is the coefficient of determination measures the proportion of the total variations in the dependent variable as explained by the independent variables jointly is 0.738. This implies that 73.8% of the total variation in EPS of listed oil and gas firms in Nigeria is caused DPR, DY and RE. The remaining 26.2% can be explained by other variables not included in the model. Also, the F statistics which measures the fitness of the model showed that the model is statistically fit at 1% level of significance with a value of 80.91. Hence, the findings of this study can be relied upon.

H_{01}: Dividend payout ratio has no significant effect on the performance of listed oil and gas firms in Nigeria.

The first null hypothesis from our regression output in table 4.3 was rejected at 1% significant level ($p<0.01$). Based on this result, we therefore accept the alternate hypothesis which state that, dividend payout ratio has significant effect on performance of listed oil and gas firms in Nigeria. The implication of this findings is that a unit increase in dividend payout will result to an increase in firm performance by 1.09. The study supports the findings of, Kajola et al. (2015) but contrary to the findings of Shisia et al. (2014) who found a significant but negative relationship between DPR and firm performance. Prior studies also found insignificant relationship among DPR and EPS (Velnampy et al. (2014), Priya and Nimalathasan (2013) Eniola and Akinselure (2016),

H_{02}: Dividend yield does not significantly affect the performance of listed oil and gas firms in Nigeria.
The pooled regression result in table 4.3 shows that dividend yield has significant but negative effect on the EPS of oil and gas firms in Nigeria. We therefore reject the null hypothesis and accept the alternate hypothesis at 1% significant level ($p<0.01$). Eniola and Akinselure (2016); and Farrukh et al. (2017) found that dividend yield significantly impacts shareholders wealth. However, this study

corroborate the findings of Soondur, Maunick and Sewak (2016) found that dividend yield have a negative relationship with EPS. The implication of this is that an increase in dividend yield invariable decreases the EPS of oil and gas firms in Nigeria.

H$_{03}$: Retained earnings does not significantly influence the performance of listed oil and gas firms in Nigeria.
The null hypothesis between RE and EPS was rejected at 1% significant level ($p<0.01$) as shown in table 4.3. We therefore conclude that that RE positively affects EPS of oil and gas firms in Nigeria. This study supports the findings of Soondur et al. (2016) who found a positive relationship between RE and EPS and concluded that RE of firms are important determinant of dividend policy. On the contrary, Gejalakshmi and Azhagaiah (2015) found that earnings does not affect EPS.

Heteroskedasticity Test

Heteroskedasticity assumes that the variables exhibits unequal levels of variance across the independent variables. In other words, varying variance errors are said to be heteroskedastic. On the contrary, constant variance are said to be homoscedastic which is desirable. The heteroskedasticity was tested in the residuals of the estimations using Breusch-Pagan/Cook-Weisberg test for Heteroskedasticity. The null hypothesis was stated as constant variance. From our analysis, the models had no heteroskedasticity. Hence, we could not find reasons to reject the null hypotheses because they were insignificant at 1%, 5% and 10%. We can therefore conclude that pooled regression can be relied upon as well as the findings of this study.

Multicollinearity Test

Multiple regression usually suffer from the problem of multicollinearity and the Variance Inflation Factor (VIF) which refers to a situation where two or more independent variables are correlated is usually used by researchers. The rule of thumb of the VIF to determine if a set of variables are suffering from multicollinearity is 10. However, the VIF values in table 4.5 in the appendix shows that they are less than 10. Hence, we can conclude that there is no problem of multicollinearity in our variables

5. Conclusion and Recommendation

The central objective of this research is to investigate the effect of dividend policy on the performance of listed oil and gas firms in Nigeria. Dividend policy was proxy by dividend payout ratio, dividend yield and retained earnings while performance was proxy by earning per share. A total of nine listed oil and gas firms in the Nigerian Security and Exchange commission made up the sample size for this study spanning over a period of 2007-2016. Regression result showed that dividend policy affects the performance of listed oil and gas firms in Nigeria. Specifically, dividend payout ratio and retained earnings positively affects earning per shares. While dividend yield negatively affects earning per share. Based on this results, the outcome is consistent with the Agency theory, Signaling theory and Dividend relevant theory.

Based on the findings, this study therefore recommends the following:

i.   Oil and gas firms willing to maximize shareholders wealth and firms value should endeavor to consistently increase their dividend payout ratio as this sends a signal that the firm is financially healthy.

ii.   Secondly, retained earnings should be set aside whenever possible as this could positively impact the performance oil and gas firms in Nigeria.

iii. The board of directors of oil and gas firms should be prudent in declaring dividend yield as higher dividend yield could mean that the share price are underpriced which could affect future dividends.

Limitations of the Study

The objectives of this study was to investigate the effect of dividend policy on the performance of listed oil and gas firms in Nigeria Security Exchange. Therefore, the findings of this study are limited to oil and gas firms listed on the NSE. The study spanned over a period of 10years (2007-2016) therefore, this study is limited to 10years study period.

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Appendices

Table 4.1: Descriptive Statistics

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. summarize eps dpr dy re
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Variable	Obs	Mean	Std. Dev.	Min	Max
eps	90	3.759552	11.44447	-74.7109	43.58
dpr	90	2.179667	3.459783	0	17
dy	90	2210.699	20534.64	-623.0792	194847
re	90	11.83948	24.99703	-50.9418	86.76334

Table 4.2: Correlation Matrix

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. pwcorr eps dpr dy re, obs sig
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	eps	dpr	dy	re
eps	1.0000			
	90			
dpr	0.4522	1.0000		
	0.0000			
	90	90		
dy	-0.7305	-0.0665	1.0000	
	0.0000	0.5336		
	90	90	90	
re	0.3665	0.3463	-0.0513	1.0000
	0.0004	0.0008	0.6312	
	90	90	90	90

Table 4.3: Pooled Regression

```
. reg eps dpr dy re
```

Source	SS	df	MS		
Model	8607.32361	3	2869.10787		
Residual	3049.54086	86	35.4597774		
Total	11656.8645	89	130.976005		

```
Number of obs =      90
F(  3,    86) =   80.91
Prob > F      =  0.0000
R-squared     =  0.7384
Adj R-squared =  0.7293
Root MSE      =  5.9548
```

eps	Coef.	Std. Err.	t	P>|t|	[95% Conf. Interval]	
dpr	1.095061	.1947348	5.62	0.000	.707941	1.482181
dy	-.0003887	.0000308	-12.61	0.000	-.0004499	-.0003274
re	.0989628	.0269286	3.68	0.000	.0454304	.1524951
_cons	1.06027	.7691882	1.38	0.172	-.468826	2.589365

Table 4.4: Heteroskedasticity Test

```
. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
        Ho: Constant variance
        Variables: fitted values of eps

        chi2(1)      =      2.18
        Prob > chi2  =    0.1399
```

Table 4.5: Multicollinearity Test

```
. vif

    Variable  |      VIF       1/VIF
--------------+----------------------
         dpr  |     1.14     0.877730
          re  |     1.14     0.879307
          dy  |     1.01     0.994674
--------------+----------------------
    Mean VIF  |     1.09
```