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INFLUENCE OF DIVIDEND POLICY ON SHAREHOLDER'S WEALTH IN NIGERIAN BANKS

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Abstract: This study examines the effect of dividend policy on shareholder wealth in Nigerian banks. Specifically, it investigates the impact of the Dividend Payout Ratio (DPR), Dividend Yield (DY), Dividend Stability (DS), and Dividend Growth Rate (DGR) on shareholder wealth. An ex post facto research design was adopted, utilizing historical financial data from two major Nigerian banks: United Bank for Africa (UBA) and Access Bank. These banks were purposively selected due to their market significance and consistent dividend payment history. Additionally, primary data was collected through a structured questionnaire. Multiple linear regression analysis was employed to assess the relationship between dividend policy variables and shareholder wealth. The findings indicate that the Dividend Payout Ratio (DPR) has a significant positive effect on shareholder wealth, suggesting that a higher DPR enhances investor returns. However, Dividend Yield (DY), Dividend Stability (DS), and Dividend Growth Rate (DGR) do not significantly impact shareholder wealth. This implies that Nigerian investors may prioritize actual dividend payments over stability or growth when making investment decisions. The study concludes that a well-structured dividend payout strategy is essential for maximizing shareholder wealth in Nigerian banks. The research contributes to knowledge by highlighting the importance of payout decisions in financial management and investment strategies. It is recommended that Nigerian banks maintain a balanced and transparent dividend policy to enhance investor confidence. Additionally, financial managers should ensure clear communication regarding dividend policies while considering alternative strategies such as reinvesting retained earnings to create long-term value. Educating investors on dividend policies through financial literacy initiatives is also suggested to promote informed investment decisions.

Keywords: Dividend Policy, Shareholder Wealth, Dividend Payout Ratio (DPR), Nigerian Banks, Multiple Linear Regression Analysis

1. Introduction

Dividend policy plays a significant role in shaping shareholder wealth and influencing investment decisions globally. Companies in developed economies, such as the United States and Europe, prioritize stable dividend payouts to signal financial stability and attract long-term investors. In contrast, Asian firms adopt a mix of conservative and aggressive dividend policies, influenced by economic cycles and governance structures. In Africa, dividend policies are more volatile due to macroeconomic instability, regulatory constraints, and market inefficiencies. Within West Africa, particularly Nigeria, the banking sector's dividend policies are crucial for economic growth and shareholder returns (Ademola, 2024).

Dividend policy is categorized into stable, residual, and hybrid approaches. The stable policy maintains consistent payouts, providing investors with predictable returns, while the residual policy focuses on reinvestment, distributing dividends only when excess earnings exist. Hybrid policies balance stability and reinvestment. In Nigerian banks, regulatory and capital adequacy requirements influence dividend decisions, affecting shareholder wealth, typically measured by Earnings Per Share (EPS). A higher EPS reflects increased shareholder wealth; while declining or inconsistent EPS may signal financial instability or poor capital allocation (Onyeogo, 2017).

The Dividend Payout Ratio (DPR) and Dividend Yield (DY) are critical sub-variables in dividend policy. DPR measures the proportion of earnings distributed as dividends, with high payouts attracting income-seeking investors but limiting future growth potential. Conversely, low payouts favor reinvestment. In Nigerian banks, a moderate DPR is common to balance shareholder expectations with capital buffer needs. DY represents the ratio of annual dividends to stock price, signaling investment returns. While high DY attracts investors, excessively high DY may indicate financial distress (Adaramola, 2018). Stability in dividend payments also enhances investor confidence, especially in Nigeria’s volatile economic environment.

Empirical studies emphasize the interplay between dividend policy and shareholder wealth, noting that strong earnings capacity enables higher dividends without compromising financial stability. However, economic factors like inflation, interest rates, and government policies impact the sustainability of dividend payouts. The Modigliani and Miller (1961) theory suggests that, in perfect markets, dividend policy does not affect firm value, but real-world imperfections such as taxes and transaction costs indicate that dividend policy does influence shareholder wealth. In Nigeria, stable dividend policies are preferred, especially in the volatile stock market, reinforcing the connection between dividend policy and shareholder wealth (Ogiriki, 2023).

Shareholder wealth in Nigerian banks, measured by Earnings Per Share (EPS), faces several challenges stemming from inconsistent or inadequate dividend policies. One major issue is irregular dividend payments, which undermine investor confidence and damage the bank’s stock valuation. A stable Dividend Payout Ratio (DPR) can resolve this by ensuring consistent and predictable dividends, which help retain investor trust and enhance EPS. Additionally, a higher Dividend Yield (DY) can make stocks more attractive to investors, increasing demand and ultimately boosting EPS. (Adeiza, 2020)

Another challenge is the lack of dividend growth, which can signal stagnation and lower shareholder expectations. If a bank fails to grow its dividends, it may indicate poor prospects, negatively affecting shareholder wealth. Implementing a strong Dividend Growth Rate (DGR) can address this issue by demonstrating the bank’s commitment to increasing shareholder returns, thereby improving long-term EPS. A well-calculated DPR can also help balance immediate payouts with reinvestment needs, ensuring both short-term and long-term growth. (Ademola, 2024)

Finally, the absence of a clear dividend policy can create uncertainty and dissatisfaction among investors, leading to declining EPS. A stable and transparent Dividend Stability approach helps mitigate this by fostering investor confidence and predicting future returns. Consistent and well-communicated dividend policies reinforce shareholder loyalty, boosting market value and EPS. Thus, the optimal use of DPR, DY, DGR, and Dividend Stability can significantly enhance shareholder wealth in Nigerian banks (Ogiriki, 2023)

1.2 Objective of the Study

This study aims to determine the effect of the Influence of Dividend Policy on Shareholder's Wealth In Nigerian Banks. The specific aims of this study are:

I. To examine the effect of Dividend Payout Ratio (DPR) On Shareholder's Wealth in Nigerian Banks.
II. To analyze the effect of Dividend Yield (DY) On Shareholder's Wealth in Nigerian Banks.
III. To ascertain the effect of Dividend Stability on Shareholder Wealth in Nigerian Banks.
IV. To assess the effect of Dividend Growth Rate on Shareholder's Wealth in Nigerian Banks.

1.3 Research Question

I. To what extent does the Dividend Payout Ratio (DPR) affect shareholder's wealth in Nigerian banks?
II. To what extent does Dividend Yield (DY) influence shareholder's wealth in Nigerian banks?
III. To what extent does Dividend Stability impact shareholders' wealth in Nigerian banks?
IV. To what extent does the Dividend Growth Rate affect shareholder's wealth in Nigerian banks?

1.4 Hypotheses

I. $\mathbf{H_{01}}$: There is no significant effect of the Dividend Payout Ratio (DPR) on shareholders' wealth in Nigerian banks.
II. $\mathbf{H_{02}}$: There is no significant effect of Dividend Yield (DY) on shareholder wealth in Nigerian banks.
III. $\mathbf{H_{03}}$: There is no significant effect of Dividend Stability on shareholder wealth in Nigerian banks.
IV. $\mathbf{H_{04}}$: There is no significant effect of the Dividend Growth Rate on shareholder wealth in Nigerian banks.

2.1 Conceptual Review

2.1.1 Dividend Policy

Dividend policy is a crucial aspect of corporate finance, encompassing the strategies firms use to allocate profits to shareholders in the form of dividends. It directly impacts shareholders' wealth and plays a significant role in shaping investor behavior and market perceptions. Companies adopt different dividend policies based on their financial goals, market conditions, regulatory frameworks, and investor preferences. While some firms prioritize maintaining consistent and predictable dividend payouts, others may choose to reinvest profits in growth opportunities or adopt hybrid policies that combine both approaches. In the banking sector, particularly within Nigeria, dividend policies are closely tied to regulatory requirements, capital adequacy, and the need to balance short-term shareholder returns with long-term financial stability. (Sadiq, 2023)

Understanding dividend policy is essential for both companies and investors, as it affects stock valuation and investor confidence. By managing dividend payouts effectively, firms can influence investor expectations and enhance their attractiveness in the capital markets. While various factors determine the structure of dividend policies, the overall goal is to ensure that the policy aligns with corporate objectives, maintains financial health, and meets shareholder expectations. The relationship between dividend policy and shareholder wealth is complex, involving several financial indicators that reflect the financial performance and stability of a firm. Key elements of dividend policy include considerations of profitability, market conditions, and regulatory obligations, all of which play a role in determining the optimal dividend strategy for a firm. (Emeka-Nwokeji, 2022)

2.1.2 Dividend Payout Ratio (DPR)

The Dividend Payout Ratio (DPR) is a financial metric that measures the proportion of a company's earnings paid out as dividends to shareholders, providing insight into the company's dividend policy and profitability. DPR is calculated by dividing the total dividends paid by the company by its net income. This ratio reflects how much profit is distributed to shareholders compared to the amount retained for reinvestment. For firms that maintain a high payout ratio, it signifies a commitment to returning substantial profits to shareholders, while a lower ratio may indicate a preference for reinvestment to fund future growth. The DPR is a key indicator of a firm's financial strategy, balancing shareholder returns with long-term capital needs (Ojogbo, 2022).

DPR is integral to corporate finance as it signals how companies choose to allocate profits, providing a framework for understanding management's preference between paying dividends and retaining earnings. DPR can attract income-seeking investors but might limit the firm's ability to reinvest in business opportunities, thus potentially curtailing long-term growth prospects. Conversely, a lower DPR can offer the company greater flexibility to reinvest profits, but it may alienate investors who prefer regular dividend payouts. Thus, the DPR is a vital indicator that reflects both the current financial health of a company and its approach to balancing immediate shareholder wealth with future financial stability. (Alashe, 2021)

2.1.3 Dividend Yield (DY)

Dividend Yield (DY) is a financial ratio that indicates the return on investment in the form of dividends, relative to the market price of a company's stock., the DY is calculated by dividing the annual dividends per share by the market price per share, providing investors with an understanding of the income they can expect from dividends about their investment. A higher DY suggests that a company offers a more significant dividend relative to its stock price, which can be appealing to income-focused investors. DY serves as an important metric in assessing a firm's dividend policy and the financial health of the company, giving an indication of the firm's ability to provide consistent returns to shareholders. (Sadiq, 2023)

DY is particularly useful for comparing dividend-paying companies within the same industry, as it reflects the immediate cash return on investment. The ratio is often analyzed in conjunction with other financial metrics, such as earnings and dividend growth, to evaluate the sustainability of dividend payments. Investors closely monitor DY, as it not only signals the company's policy but also influences investor behavior, with many seeking stocks with a stable or growing dividend yield for steady income generation. Thus, DY is a valuable metric for investors looking to gauge the attractiveness of a company's stock based on its dividend payout relative to its price. (Ogiriki, 2023)

2.1.4 Dividend Stability

Dividend stability refers to the consistency and predictability of a company's dividend payments over time. Dividend stability is a key indicator of a company's financial health, as it reflects its ability to maintain regular dividend payments despite fluctuations in earnings and market conditions. Stable dividends provide investors with a sense of security and predictability, making the company more attractive to risk-averse investors. Firms with stable dividend policies tend to be more reliable in the eyes of investors, signaling strong management and sound financial strategies. A stable dividend policy can also suggest that the firm is focused on long-term value creation, rather than short-term gains. (Adaramola, 2018)

Dividend stability is critical in building investor confidence, particularly in firms operating in volatile or uncertain economic environments. The stability of dividends is perceived as a signal that a firm can generate sufficient cash flows to meet its dividend obligations, even in times of financial stress. Dividend stability is closely tied to investor expectations, as consistent dividend payments tend to increase shareholder loyalty and enhance stock valuation. Therefore, dividend stability plays a crucial role in shaping investor perceptions of a company's financial stability and long-term sustainability, ultimately influencing its stock market performance. (Adeiza, 2020)

2.1.5 Dividend Growth Rate

Dividend Growth Rate (DGR) refers to the annualized percentage increase in dividends paid to shareholders over a specific period. DGR is an important metric that reflects a company’s capacity to increase its dividend payouts as it grows. It is viewed as an indicator of a company's future earning potential, with a higher DGR signaling confidence in continued growth and profitability. Companies with a consistent and sustainable DGR tend to attract long-term investors who are seeking not just current returns but also the promise of increasing future returns. A steady DGR is considered an essential element in creating shareholder value and ensuring investor satisfaction over time. (Onyeogo, 2017)

DGR reflects a firm’s policy towards reinvestment of earnings and its growth prospects, with many firms seeking to maintain a moderate but consistent increase in dividends to signal their financial health. A positive DGR implies that the company is effectively managing its earnings to ensure both reinvestment in the business and adequate returns for shareholders. DGR often aligns with strong corporate governance and effective capital management strategies. Consequently, DGR serves as a key performance metric, indicating how well a company balances its growth ambitions with its obligations to shareholders. (Ademola, 2024)

2.2 Theoretical Review

2.2.1 Dividend Relevance Theory

Dividend Relevance Theory, founded by John Lintner in 1956 and further developed by James E. Walter in 1963, suggests that dividend policy has a direct impact on a company's valuation and shareholders' wealth. Walter's model argues that the value of a firm is determined by the dividend policy, where firms that pay higher dividends offer higher returns, thus increasing shareholder wealth. The company’s internal rate of return (IRR) and its dividend payout ratio must align to maximize shareholder value. Similarly, Wogu, Ejem, and Effe-Nnamdi (2023) posit that a high dividend payout ratio leads to higher present value for shareholders, with investors perceiving dividends as a source of income. Proponents of the theory, that dividend policy directly influences stock price and investor satisfaction, as investors prefer consistent and predictable dividends. The theory suggests that dividend decisions are not irrelevant and, instead, play a significant role in shaping investor perceptions and financial outcomes.

However, the Dividend Relevance Theory has faced criticism. Bello and Olarinde (2020) argued that in a perfect capital market, dividend policy does not affect a firm’s value, asserting that investors can create their own "homemade" dividends by selling shares if they prefer cash flows over capital gains. Dividend policy matters less in inefficient markets, where investor wealth is not significantly impacted by dividend decisions. Despite the criticisms, the Dividend Relevance Theory justifies this study by highlighting the importance of dividend policy decisions in influencing shareholder wealth, particularly in the Nigerian banking sector. This study aims to explore the impact of Dividend Payout Ratio (DPR), Dividend Yield (DY), Dividend Stability, and Dividend Growth Rate on shareholder wealth in Nigerian banks, aligning with the premise of the theory that dividends play a crucial role in shaping investor perceptions and wealth. The theory provides a foundation for understanding how the Nigerian banking sector's dividend policies could affect shareholder wealth, supporting the need for this study's focus on dividend metrics and their relationship with financial outcomes for investors.

2.3 Empirical Review

Oteniya (2021) investigated the effect of dividend policy on bank performance in Nigeria, using secondary data from WEMA Bank PLC. The study aimed to analyze the impact of dividend yield and dividend payout ratio on the return on asset (ROA) and return on equity (ROE). A variety of estimation techniques, including unit root testing (ADF), regression analysis, and ARDL cointegration, were employed. The findings revealed that while dividend yield and dividend payout ratio had a negative and insignificant effect on ROA and ROE, respectively, the dividend payout ratio showed a positive but insignificant relationship with both performance indicators. Moreover, the study found no long-run relationship between the variables, as the bound test revealed that the null hypothesis of no long-run relationships could not be rejected. The study concluded that dividend policy, particularly the dividend payout ratio, does not significantly influence bank performance in the long term and recommended further investigation into other factors that may contribute to bank performance in Nigeria.

Ademola, Al-Faryan, and Kazeem (2024) investigated the determinants of dividend payout ratio in Nigerian deposit money banks (DMBs), analyzing secondary data from annual reports of five selected banks over the 1987–2022 period. The study aimed to assess the impact of bank-specific factors, macroeconomic influences, and mergers and acquisitions on dividend payout ratio, employing correlation analysis, panel least squares regression, and diagnostic tests like the Hausman test. The findings showed that profitability, liquidity, and bank size were positively associated with the dividend payout ratio, while leverage had a negative effect. Furthermore, macroeconomic factors such as gross domestic product and exchange rate positively influenced the dividend payout ratio, while inflation and interest rates had an adverse effect. The study also found that post-merger and acquisition factors such as bank capitalization, current ratio, and market shares positively affected the dividend payout ratio, while the debt ratio had a negative impact. The study concluded by recommending that Nigerian banks focus on improving profitability, maintaining liquidity, and effectively managing leverage to strengthen their dividend payout policies (Ademola, Al-Faryan, & Kazeem, 2024).

Andabai (2020) investigates the impact of dividend policy on the market value of deposit money banks in Nigeria, using data from 1996 to 2019. The study employs secondary data from the Central Bank of Nigeria's Statistical Bulletin and considers the equity/stock price of quoted deposit money banks as a proxy for market value. The independent variables used to measure dividend policy include dividend payout ratios, retained earnings ratios, dividend yields, and earnings per share. Using time series econometric techniques, the study reveals that dividend payout ratio, retained earnings ratios, dividend yields, and earnings per share all have a positive and significant impact on the market value of deposit money banks in Nigeria. The coefficient of determination indicates that about 62% of the variations in market value can be explained by changes in these dividend policy variables. The study concludes that dividend policy significantly influences the market value of Nigerian deposit money banks and recommends that regulatory authorities enhance oversight functions to ensure transparency, ethical business practices, and good corporate governance in the banking sector, helping to reduce investor fears and combat issues like insider trading and stock price manipulation (Andabai, 2020).

Ajiboye, Bosun-Fakunle, and Olowookere (2024) examine the influence of dividend policy on the market value of listed Nigerian deposit money banks. Using an ex post facto research design and purposive sampling, the study selects 12 banks from the 14 banks listed consistently with available data from 2011 to 2022. Data on market value, measured by Tobin’s Q and share price, as well as dividend policy variables such as dividend payout, dividend per share, and dividend yield, were obtained from the bank's annual reports and the Nigerian Exchange Group Fact Book. The study employs descriptive statistics (mean, median, standard deviation) and inferential statistics (correlation and panel data estimation) for data analysis. The findings show that dividend payout has a positive and significant influence on the market value of the banks, indicating that regular dividend payments increase market value. The study concludes that dividend policy significantly affects the market value of listed Nigerian deposit money banks and recommends that bank management should pay attractive dividends regularly, with regulatory measures to enforce consistent dividend payments (Ajiboye, Bosun-Fakunle, & Olowookere, 2024).

3. Methodology

3.1 Research Design

This study employs an ex post facto research design. This design is appropriate because it examines the relationship between dividend policy (Dividend Payout Ratio, Dividend Yield, Dividend Stability, and Dividend Growth Rate) and shareholder wealth using existing historical data, without manipulating any variables. This approach is suitable for analyzing the impact of past dividend decisions on shareholder wealth.

3.2 Population of the Study

The population for this study consists of all commercial banks operating in Nigeria. While the number fluctuates, publicly available data from the Central Bank of Nigeria (CBN) indicates that there are approximately 25 commercial banks operating in Nigeria as of the most recent available data. This figure provides the basis for understanding the overall population size.

3.3 Sample Size and Sampling Technique

This study focuses specifically on two major commercial banks in Nigeria: United Bank for Africa (UBA) and Access Bank. These banks were selected purposively due to their significant market share, consistent dividend payment history, and publicly available financial data, making them representative of the larger banking sector in Nigeria. While the study focuses on these two banks, the findings can offer insights into broader trends within the Nigerian banking sector. It is important to acknowledge that the sample size is limited to two banks, which may limit the generalizability of the findings to the entire population of commercial banks in Nigeria.

3.5 Data Collection Instrument

A structured questionnaire with Likert scales and open-ended questions was used to collect primary data on dividend policy and shareholder wealth. The questionnaire was pre-tested for validity and reliability with an alpha score above 70%.

3.6 Data Analysis Technique

Multiple linear regression analysis was used to determine the effect of dividend policy on shareholder wealth. The regression model for the study is specified as follows:

$SW=\beta 0+\beta 1DPR+\beta 2DY+\beta 3DS+\beta 4DGR+\varepsilon$

Where:

- SW = Shareholder Wealth (Dependent Variable)
- DPR = Dividend Payout Ratio (Independent Variable)
- DY = Dividend Yield (Independent Variable)
- DS = Dividend Stability (Independent Variable)
- DGR = Dividend Growth Rate (Independent Variable)
- $\beta 0$ = Intercept (Constant Term)
- $\beta 1$, $\beta 2$, $\beta 3$, $\beta 4$ = Regression Coefficients for the independent variables
- ε = Error term representing unobserved factors

Variable Measurements

Variable	**Definition**	**Indicators**	**Measurement Scale**	**Source**
Shareholder Wealth (SW) (Dependent Variable)	The financial benefit accrued to shareholders as a result of dividend policy.	- Market price per share (MPS) - Earnings per share (EPS) - Return on equity (ROE)	Ratio Scale (Monetary Value in Naira, Percentage)	Financial Reports of UBA & Access Bank, CBN Reports
Dividend Payout Ratio (DPR)	The proportion of earnings paid out as dividends to shareholders.	- Total dividends declared / Net income	Ratio Scale (Percentage)	Annual Reports of UBA & Access Bank
Dividend Yield (DY)	The dividend income earned relative to the market price of a share.	- Annual dividends per share / Market price per share	Ratio Scale (Percentage)	Stock Market Reports (NGX), Financial Statements
Dividend Stability (DS)	The consistency of dividend payments over time.	- Standard deviation of dividend payments over a period	Ratio Scale (Numerical Value)	Historical Dividend Reports of UBA & Access Bank
Dividend Growth Rate (DGR)	The annualized percentage increase in dividends paid to shareholders.	- (Current year dividend - Previous year dividend) / Previous year dividend	Ratio Scale (Percentage)	Annual Financial Reports of UBA & Access Bank

4. Data Analysis and Interpretation

Table 4.1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	0.812	0.659	0.568	5.294	0.659	7.251	4	15	0.002

Predictors: (Constant), Dividend Growth Rate, Dividend Stability, Dividend Payout Ratio, Dividend Yield
Dependent Variable: Shareholder Wealth

Table 4.3 ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	812.818	4	203.205	7.251	0.002
Residual	420.387	15	28.026		
Total	1233.205	19			

Table 4.3: Coefficients[a]

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
	B	Std. Error	Beta	
(Constant)	46.117	13.727		3.36
Dividend Payout Ratio	0.353	0.083	0.747	4.228
Dividend Yield	1.203	0.634	0.401	1.898
Dividend Stability	1.329	11.053	0.021	0.12
Dividend Growth Rate	0.42	0.433	0.208	0.972

4. Data Analysis and Interpretation

Table 4.1 presents the model summary, indicating an R value of 0.812, which signifies a strong positive correlation between the independent variables (Dividend Payout Ratio, Dividend Yield, Dividend Stability, and Dividend Growth Rate) and the dependent variable (Shareholder Wealth). The R Square value of 0.659 suggests that approximately 65.9% of the variations in shareholder wealth can be explained by the predictor variables. The Adjusted R Square value (0.568) further accounts for the number of predictors in the model, implying that the model explains a substantial proportion of the variance. The F-change statistic (7.251, p = 0.002) indicates that the overall model is statistically significant.

Table 4.3 presents the ANOVA results, which confirm the overall statistical significance of the regression model (F(4, 15) = 7.251, p = 0.002). Since the p-value is less than the standard significance level of 0.05, we conclude that at least one of the independent variables significantly affects shareholder wealth. This justifies the inclusion of the predictor variables in explaining shareholder wealth in Nigerian banks.

H_{01}: There is no significant effect of the Dividend Payout Ratio (DPR) on shareholder wealth in Nigerian banks.

The results in Table 4.3 indicate that the Dividend Payout Ratio (DPR) has a coefficient of 0.353, a t-value of 4.228, and a p-value below 0.05. Since the p-value is statistically significant, we reject the null hypothesis (H_{01}) and accept the alternative hypothesis. This implies that DPR has a significant positive effect on shareholder wealth. The finding suggests that an increase in DPR improves shareholder wealth, emphasizing the importance of a stable dividend policy in maximizing returns for investors.

H_{02}: There is no significant effect of Dividend Yield (DY) on shareholder wealth in Nigerian banks.

The coefficient for Dividend Yield (DY) is 1.203, with a t-value of 1.898 and a p-value above 0.05. Given that the p-value is not statistically significant, we fail to reject the null hypothesis (H_{02}). This suggests that dividend yield does not have a significant impact on shareholder wealth in Nigerian banks. This may imply that investors do not place much emphasis on dividend yield when assessing firm value, possibly due to the preference for capital gains over periodic dividends.

H_{03}: There is no significant effect of Dividend Stability on shareholder wealth in Nigerian banks.

The coefficient for Dividend Stability is 1.329, with a t-value of 0.12 and an insignificant p-value. Since the p-value is greater than 0.05, we fail to reject the null hypothesis (H_{03}). This indicates that Dividend Stability does not significantly influence shareholder wealth in Nigerian banks. The implication is that stability in dividend payments alone may not be a strong determinant of shareholder value, as investors might prioritize other financial metrics such as profitability and market performance.

H_{04}: There is no significant effect of the Dividend Growth Rate (DGR) on shareholder wealth in Nigerian banks.

The coefficient for Dividend Growth Rate (DGR) is 0.42, with a t-value of 0.972, and a non-significant p-value. Since the p-value is greater than 0.05, we fail to reject the null hypothesis (H_{04}). This suggests that the growth rate of dividends does not have a statistically significant effect on shareholder wealth. The implication is that while a growing dividend may signal financial stability, it may not necessarily translate into increased shareholder value, particularly if not accompanied by strong earnings growth and overall market confidence.

Implications of Findings

The findings indicate that among the dividend policy variables examined, only the Dividend Payout Ratio has a significant positive effect on shareholder wealth. This underscores the importance of dividend payout strategies in enhancing investor confidence and maximizing shareholder value. On the other hand, Dividend Yield, Dividend Stability, and Dividend Growth Rate do not show significant effects, suggesting that Nigerian investors may focus more on actual dividend payments rather than the rate of dividend growth or stability. These insights can guide policymakers and financial managers in Nigerian banks to optimize dividend policies that align with shareholder expectations and market dynamics.

Conclusion and Recommendations

This study examined the impact of dividend policy variables—Dividend Payout Ratio (DPR), Dividend Yield (DY), Dividend Stability, and Dividend Growth Rate (DGR)—on shareholder wealth in Nigerian banks. The findings indicate that among these variables, only the Dividend Payout Ratio has a significant positive effect on shareholder wealth. This suggests that Nigerian investors prioritize actual dividend payments over the stability or growth of dividends when making investment decisions.

The results emphasize the importance of dividend payout strategies in enhancing investor confidence and maximizing shareholder value. Since dividend yield, stability, and growth rate did not show significant influence, it implies that shareholders may be more focused on receiving substantial and direct returns rather than relying on potential future capital gains or gradual increases in dividends. Therefore, banks seeking to improve shareholder wealth should adopt dividend policies that emphasize a stable and favorable payout ratio.

Nigerian banks should optimize their dividend payout policies by ensuring that a stable and reasonable proportion of earnings is consistently distributed to shareholders. Since the Dividend Payout Ratio was found to significantly impact shareholder wealth, maintaining a balanced payout strategy can enhance investor confidence and attract long-term investments.

To enhance investor confidence, financial managers should ensure that dividend policies are transparent, predictable, and aligned with shareholder expectations. Clear communication regarding dividend decisions can help build trust and improve shareholder satisfaction.

Given that dividend stability and growth rate did not significantly influence shareholder wealth, banks should consider alternative value creation strategies such as reinvesting retained earnings into high-yield projects or expanding operations to enhance overall firm value. This approach may generate higher returns for shareholders in the long run.

Additionally, there is a need to educate investors on dividend policies to ensure they understand the implications of different dividend policy components. Awareness programs and financial literacy initiatives can help investors make informed decisions regarding their investments.

Lastly, banks should review their dividend yield strategies to assess whether their dividend policies align with investor preferences and market conditions. If investors are more inclined towards capital gains rather than periodic dividend returns, banks may need to reconsider their approach to dividend distribution to better serve shareholder interests.

By implementing these recommendations, Nigerian banks can develop effective dividend policies that maximize shareholder value while maintaining financial stability and long-term growth.

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