Analysis of Relationship Between Dividend Policy and Financial Performance in Deposit Money Banks in Nigeria

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Abstract *This study set out to investigate the connection between Nigerian deposit money banks' financial success and their dividend policies. This is accomplished by reviewing existing theoretical and empirical the signaling hypothesis served as the foundation for the study and the creation of literature. The Financial Statements and Annual Reports of 18 (18) Deposit Money Banks in Nigeria for the years 2015–2019 provided the data for this study, which used a longitudinal survey research approach. The arithmetic mean, standard deviation, minimum and maximum values, and the Auto-Regressive Distributed Lag (ARDL) regression technique were used to analyze the data produced for this study using both descriptive and inferential statistics. E-Views version 10 was used to calculate these. The study's conclusions showed that dividend policies had a mixed impact on the financial performance of Nigerian deposit money institutions. However, the dividend pay-out ratio significantly and negatively correlates with financial performance (return on equity), dividend yield has no discernible impact on the financial performance (ROE) of Nigerian deposit money institutions. The greatest African economy is that of Nigeria, which was rated as Determining the percentage of dividend payments that would improve financial performance in terms of return on equity requires management of deposit money banks to have a strong and sound dividend policy in place. They should also put in more effort to raise dividend yield and improve its influence on the financial performance (return on equity) of deposit money banks in Nigeria.*

Keywords: *Banks, Descriptive, Earnings Per Share, Financial Performance, Dividend Policy*

1. INTRODUCTION

Nigeria's economy is the biggest in Africa, and according to the IMF (2019), it was the 27th largest economy globally in terms of GDP. After overcoming the banking problems brought on by the global financial crises that took place, According to Masoyi, Abubakar, and Adamu (2016), the banking industry has been one of the most active on the Nigerian Stock Exchange (NSE) in 2008 and 2009. In fact, it has been the most active sector of the Nigerian economy for the past 20 years. As of December 31, 2019, the Central Bank of Nigeria has licensed nineteen deposit money institutions, eight of which had international authorization and eleven of which had national authorization. Of them, fourteen were listed on the Stock Exchange. The CBN Financial Sector reforms, which included the banking consolidation policy and post-crisis reforms in the Nigerian banking sector, strengthened Nigerian deposit money banks' resilience to failures (Abalaka, 2022). Additionally, this necessitated increased oversight and surveillance of a study of the factors influencing dividend policy is crucial for the banking sector listed on the stock market

because it could assist managers in corporate dividend decisions. More importantly, it is necessary to identify the various factors that influence bank performance in order to prevent bank failures and optimize the operations of these banks. This is because understanding these factors would help to build and sustain confidence in the banking system, and hence financial performance of the banks. The higher the performance of the banks, the higher the expected dividend payouts to investors, and inevitably the trend will increase the shareholders' value as reflected in share prices.

The Residual Dividend Policy, Stable Dividend Policy, Progressive Dividend Policy, Regular (Constant) Dividend Policy, and Zero Dividend Policy are among the theoretical models for dividend distribution or policy (Ramesh & Pandey, 1994; Nyor & Adejuwon, 2018). According to Bakera, Powell, and Veit (2017), managers' decisions about cash distribution methods are not entirely clear-cut and may be heavily influenced by the ways in which different market inefficiencies impact businesses. The board of directors determines an appropriate dividend payout policy and whether or not to declare a dividend to shareholders based on a number of specific company criteria, including size, maturity level, earnings, cash flow, and leverage. Typically, a publicly traded company creates a structure for a dividend payout policy, which permits a specific portion of its earnings to be distributed to shareholders as a dividend and serves as a return for their investment (Boloupremo & Ogege, 2018). Therefore, the management is concerned about the potential impact of their dividend decisions on share prices in addition to finance and investment decisions (Sharif, Ali & Jan, 2015). Therefore, a balanced approach is necessary because dividend decisions or policies affect both management and shareholders. Even if a company's dividend policy is significantly influenced by the industry it belongs to, regular or residual dividend plans are typically seen as more conservative approaches. A company may have a constant dividend policy if its earnings are steady as opposed to the company in a sector where profits are unpredictable and unequal (Abalaka, 2022).

Theoretically, choosing the best dividend payout ratio depends on a number of possible variables, including earnings, profitability, investment opportunities, leverage, cash flow, asset tangibility, business risk, firm maturity, size, the dividend from the prior year, taxes, and liquidity considerations. Depending on the nation and industry, these factors have different effects on dividend payment policies (Abdullahi, 2019). The majority of dividend payments to shareholders are made in cash, but they can also be made through share repurchase plans or the issuance of new shares to investors (scrip dividend) (Ajiteru, 2022).

Glen, Karmokolias, Miller and Shah (2015) explained the differences in dividend behavior in developed and developing nations, especially since businesses in emerging markets typically place greater weight on dividend payout ratios than on the total amount of dividends paid. The report also made clear that governments in developing nations have a significant say in dividend decisions, typically with the intention of enforcing regulatory constraints to safeguard creditors and minority shareholders. The purpose of this study is to investigate the factors that influence dividend policy for deposit money institutions that are listed on the Nigerian Stock Exchange (NSE), as shown by dividends per share (DPS). The following question is thus attempted to be addressed: How do profitability, firm size, return on equity, P/B value ratio, return on assets, firm risk, and growth affect the dividend distribution of deposits money banks that are listed on the Sulaiman, Nigerian Stock Exchange.

2. LITERATURE REVIEW

Problem statement

There hasn't been any agreement on the various hypotheses put forth to determine if dividend policy and corporate value including financial performance are related. For example, Miller and Modigliani (1961) questioned the dividend policy's applicability and came to the conclusion that it had no bearing on the firm's worth or financial results.

A 2016 study by Amidu and Abor demonstrates how dividend policy affects a company's profitability as a proxy for performance. The findings demonstrated a strong and favorable correlation between dividend policy, sales growth, return on equity, and return on assets. Additionally, according to Howatt (2019), increases in dividends are positively correlated with future increases in earnings per share. Lie (2015) contends, however, that there is insufficient evidence to support the idea that companies that pay dividends see successive performance improvements, so the study fills the gap by determining whether there is a relationship between dividend policy and financial performance among Nigerian listed Deposit Money Banks (Ajiteru, 2022).

The importance of the research

Many areas of inquiry have been spurred by the role of dividends. This study, however, focuses on investigating the connection between dividend policies and the favorable or unfavorable reaction they elicit from the business in terms of financial performance. Several groups will benefit from the study in the following ways:

This research work will assist companies" employees to predict the future performance of their companies so as to reconcile their expectations with conviction will help investors make informed decisions about whether to sell their shares or to purchase more shares. Moreover, it will serve as a trustworthy reference for corporate finance managers when they are at a crossroads or faced with difficulties on issues bordering on dividends. They will use it as a guide when creating policies, according to Abalaka (2022).

Both present and potential investors will find this study useful. It will be up to current investors to determine whether dividends are a hint that they will continue to be paid out in the future. Investors will be able to make well-informed decisions about whether to sell their shares or purchase more in order to gain future benefits from the company thanks to the correlation between dividends and financial performance. The findings of this study will also assist prospective investors in choosing where to put their money. Potential investors will seek investments in businesses that have been paying out large dividends if there is a positive correlation between the dividend policy and the company's financial performance. Ajiteru (2022).

Economists who want to comprehend and evaluate how the capital markets operate will also find value in the correlation found between dividend policy and financial performance. Additionally, this study will help financial analysts provide their clients with timely and pertinent advise. Their clients will be able to get advice from the financial analysts about which companies to invest in and which ones not to. Additionally, they will be able to advise businesses on whether to pay dividends and, if so, how to do so (Sulaiman, 2022).

2. REVIEW OF LITERATURE AND THEORETICAL FRAMEWORK

Dividend policy has been the subject of an abundance of theoretical and empirical research (Miller & Modigliani, 2021; Lintner, 2017; Gordon, 2018; Gupta & Walker, 2015; Black, 2016; Jensen, 2016; Bhattacharya, al-Malkawi, 2017; Yusuf, 2018; Maladjian & El Khoury, 2018; Kumaraswamy, Aktan & Al Halwachi, 2017; Abdullahi, 2019; Rozeff, 2017; Miller & Rock, 2015; Amidu & Abor, 2016). Numerous opposing views on company dividend decisions or policy are reflected in the financial literature (Abalaka, 2022). Among these is the traditional Miller and Modigliani (MM) hypothesis (1961), which contends that dividends are meaningless and have no bearing on a company's share value. It is based on the idea of a perfect capital market (without taxes or transaction costs). According to the theory, investors can influence their return on a stock regardless of its dividend, and in an ideal (efficient) capital market, the dividend policy has no

effect on the wealth of shareholders. It also concludes that the firm's One of the study's significance is that it will complement what students have learned or studied about dividend decisions and financial performance from the perspective of corporate finance, making it relevant to students in management sciences and related fields. It's only its fundamental earning potential and business risk define its value. A few studies (Black & Scholes, 2016; Miller, 2016; Bernstein, 1996; Miller & Rock 2015) provided empirical support for the MM theory, but many other researchers disagreed with it because it assumed a flawless capital market, which does not exist in reality. Since asymmetric information, taxes, and transaction costs are the main causes of market imperfections connected to dividend distribution, dividend policy models and theories that were established after the MM theory were mostly focused on relaxing or unraveling these imperfections. Ajiteru (2018).

Based on the asymmetric information between insiders (managers and directors) and outsiders (shareholders), dividend signaling theory further explains that dividend payments typically convey insider information to the market (Sulaiman, 2022). According to the dividend signaling theory's proponents, shifts in the dividend payment ratio inform investors about the company's potential profitability. According to Bhattacharya (2019) and Miller & Rock (2015), a large dividend payout is interpreted as management sending "good signals" that future earnings would rise to support the dividend increase. Empirical research on this hypothesis has produced a range of results. While some studies support the validity of the signaling theory, which holds that dividend increases provide a signal for increased future earnings or profitability, other studies have demonstrated that dividend changes are not a reliable indicator of a firm's future earnings and profitability (Grullon, Micaely, Bernatzi & Thaler, 2015). Despite the fact that dividend adjustments might be a signal to educate the market; occasionally, dividend fluctuations could be a confusing signal (Al-Malkawi, Rafferty & Pilla, 2020).

Gupta and Walker (2015) pioneered specific research on the factors influencing dividend policy in the banking industry by studying a sample of 980 banks from 1965 to 1968. According to the study, dividends have a negative link with liquidity position, whereas they have a positive relationship with current year earnings, earnings fluctuation from year to year, cumulative earnings, and increase in total assets. The main finding of the Gupta and Walker (2015) study is that, in contrast to businesses in other economic sectors, banking institutions operate in a sector that is subject to distinct regulations. This evident fact is anticipated to set banking institutions'

dividend distribution policies apart from those of companies in other industries, according to Abalaka (2022).

In a different study, Bassey, Atairet, and Asinya (2014) used the Ordinary Least Squares (OLS) regression technique to look at the factors that affected the dividend payout of two particular commercial banks in Nigeria from 1989 to 2010. According to the study, the two banks' cash dividend payout was mostly determined by current earnings, lagged dividends, and lending rates; inflation rate and liquidity ratio, on the other hand, were unable to account for the difference in dividend payout (Sulaiman, 2022).

Additionally, Yusuf (2015) used correlation analysis and multiple regressions to examine how performance affected the dividend payout ratio of a few chosen deposit money banks in Nigeria between 2004 and 2013 in the data analysis. The findings demonstrated a negative correlation between the dividend payout ratio and the profitability and leverage of banks. According to the study's findings, Nigerian Sulaiman's dividend payout ratio and deposit money banks' profitability are inversely correlated.

More recently, Boloupremo and Ogege (2018) looked at thirteen of the twenty-one deposit money banks listed on the Nigerian Stock Exchange over a ten-year period from 2006 to 2015 in an effort to identify the different factors that affect dividend policy in the banking sector from the perspective of a developing country. The Lintner model was used in the study to examine the relationship between dividend payouts and earnings per share, financial leverage, bank size, dividends from prior years, and return on assets. It was discovered that elements such While earnings per share, financial leverage, and return on assets are inversely connected with dividend payments, the size of the bank and dividend pays in prior years are crucial factors in determining dividend payouts. As a result, the findings did not align with the Lintner model (1956) for Nigerian Abalaka (2022) deposit money banks.

It is clear from the literature analysis above that some firm-specific elements may be important explanatory variables to explain Nigeria's deposit money banks' dividend policy. These comprised the following: Firm Risk, Growth, Liquidity, Age, Market Capitalization, Firm Size, Profitability, Leverage, Return on Equity, P/B value ratio, Return on Assets, and Cash Flow per Share. Ajiteru (2022).

Factors influencing dividend policy (restrictions on dividend payments) and actions

Most businesses recognize that dividends are something stockholders desire, but various factors influence a company's decision on dividend payments. According to Akinsulire (2016),

these factors include legal constraints, as company law permits dividends only from distributable profits, such as revenue reserves and realized profits from the sale of a single fixed asset, while prohibiting payments from capital under CAMA Sections 379–382. Government regulation also plays a role, as dividend payments were previously capped at a certain proportion of post-tax profits, though they have been deregulated since 1988. Additionally, statutory requirements mandate that a percentage of profit before and after taxes be allocated to statutory reserves; for example, life insurance companies must transfer 10% of PBT or 1% of the total premium, while nonlife insurance companies must allocate 3% of the total premium or 20% of PBT, whichever is higher. Banks also follow specific reserve requirements, including allocating 10% of PBT to the SME reserve, 15% of PAT if the statutory reserve is below the minimum paid-up capital, and 30% of PAT if it remains insufficient. Liquidity is another critical factor, as companies lacking sufficient cash on hand may be unable to pay dividends unless they secure financing, such as a bank overdraft. Lastly, share valuation influences dividend policy, as investors prefer companies with stable or gradually increasing dividends rather than unpredictable fluctuations, leading many firms to adopt a cautious dividend policy.

There are essentially two dividend policy measures:

1.   Dividend yield: This relates the dividend paid to the price of the stock:

Dividend Per Share

Dividend yield = _____

Market Price Per Share

Because it measures the portion of the overall return that comes from dividends, with the other portion coming from price appreciation, the dividend yield is important.

1. Lasher (2000) defines the dividend payout ratio as the proportion of dividends paid to earnings. According to what the study understands, it is the percentage given to each shareholder's or all shareholders' shares based on their ownership stakes in the company. It is provided as

Dividend per share

_____

Earnings per share

3. METHODS FOR PAYING DIVIDENDS

Residual method: In this scenario, dividends are only disbursed following the satisfaction of the company's capital requirements. Businesses that employ the residual dividend policy have

decided to fund any new initiatives entirely with internally produced equity. These businesses typically make an effort to keep their debt-to-equity ratio balanced before paying out dividends, indicating that they only do so when there is sufficient cash left over after all operating and expansion expenses have been covered.

Stable method: The management of the majority of companies' shareholders views dividend stability or regulation as a desirable policy. The dividend volatility brought about by the residual policy stands in stark contrast to the certainty offered by the steady dividend policy approach. The market price of a company's shares is positively impacted by consistent dividend payments. Maintaining consistent dividend policy is a goal shared by many financial managers. If a company's management is unsure that they will sustain the dividend growth over time, they will not increase it (in the future).

The hybrid approach: combines the principles of steady dividend policy with residual policy. Here, the business aims to see the debt-to-equity ratio as a long-term objective rather than a short-term one. In businesses nowadays, the hybrid approach is more prevalent. In this case, businesses often have a single, easily sustained payout that is set at a comparatively small percentage of annual income. Furthermore, these businesses will only pay out further dividends when overall income thresholds are exceeded. In conclusion, only one of these three dividend payment systems is anticipated to be used by businesses.

Factors influencing financial performance and metrics

Bank performance is measured using two general methods: the accounting technique, which uses financial ratios and econometric techniques (Ncube, 2019). In this study, both the accounting approach and the econometric approach will be used. Financial performance measures cut across different major classifications. These different financial measures as stated by Thukaram (2019) are stated as follows:

Empirical studies

Velnampy et al. (2016) did a research work on dividend policy and firm performance with evidence from the manufacturing companies listed on the Colombo Stock Exchange. The purpose of this study was to determine whether dividend policies and the performance of Sri Lankan listed manufacturing companies were related.

The analysis was for a period of 5 years, 2008 to 2012. Here, dividend payout and earnings per share were employed as measures of dividend policy while, returns on equity and returns on assets were used as predictors of business success. The results of the analyses showed that there is

no correlation between the firm performance metrics of the company and the factors that determine dividend policy. Retained earnings, Lagged Price Earnings Ratio, and Lagged Market Value of Equity were used as explanatory variables. Data were gathered from State Bank of Pakistan, Karachi Stock Market, and company's annual reports. The results of this study showed that the difference between dividend-paying and nonpaying companies' average market value (AMV) in relation to book value of equity (BVE) is highly significant, while retained earnings have little effect on market value of equity (Abalaka, 2022). Firm size, asset tangibility, and leverage are control variables. The regression result indicates a positive and significant relationship between dividend payout policy (DPO) and financial performance (ROA). It was advised that companies should Leverage, asset tangibility, and business size are examples of control variables. The results of the regression show a strong and positive correlation between financial performance (ROA) and dividend distribution policy (DPO). Companies were advised to work toward implementing a strong dividend payout policy that would incentivize investments in projects with positive net present value (Sulaiman, 2022).

Techniques

The study's independent variable (dividend policy) was examined using the dividend payout ratio and dividend yield, while the dependent variable (financial performance) was measured using return on equity (ROE) (Sulaiman, 2022). The study qualified as a panel since the data for these variables came from the financial statements and annual reports of 18 (18) deposit money banks in Nigeria for the years 2016–2019 data analysis. As a result, the study had to employ a longitudinal survey research approach. Using nonstationary data in the model may result in spurious regression, which makes it impossible to utilize for accurate prediction, given that the majority of panel data, such as time series data, are not stationary (Gujarati, 2003). Therefore, the stationarity of each individual panel data set is a precondition for the co-integration test. Since non-stationary behavior is a need for using them in the co-integration analysis, the study looked at the unit root properties of each panel data before moving on to the investigation of the long-term relationships between the variables (Sulaiman, 2022). Panel data are considered integrated of order if their levels remain constant zero, or I (0); they are considered integrated of order one, or I (1), if they are stationary in their first differences; they are considered integrated of order two, or I (2), if they are stable in their second differences. The Augmented Dickey-Fuller (ADF) tests were used to examine the variables' order of integration. The arithmetic mean, standard deviation, minimum and maximum values, and the Auto-Regressive Distributed Lag (ARDL) Regression approach

were used to examine the data produced for this study using both descriptive and inferential statistics. E-Views version 10 was used to calculate these.

Model Specification and Estimation

The model specification for this study is given in functional form as:

FP = f (DPO, DY) -- (i)

In econometric form, the model becomes:

FP = ∝o+β1DPOit + β2DYit + - -µi ------------------- (ii)

Where: FP = Financial performance (return on equity)

DPO = Dividend payout ratio

DY = Dividend yield

∝ = Regression Constant

β = Regression Coefficient

µ = Stochastic term

An examination of the relationship between Nigerian Deposit Money Banks' financial performance and dividend policy

Our a priori hypothesis in this study is that a successful dividend policy will improve the financial performance of Nigerian deposit money institutions. In conclusion, β1, β2, and β2 should be greater than 0. The following robustness assessment was carried out to evaluate the reliability of our data and the model used in this investigation:

Test of the Unit Root

The purpose of this preliminary analysis is to determine whether the panel data series Sulaiman (2022) contains a unit root. Table 1 displays the outcomes of the Augmented Dickey Fuller (ADF) test.

Table 1: Summary of the Augmented Dickey Fuller Unit Root Test of the Variables

VARIABLE	ADF TEST STAT.	5% CRITICAL VAL.	REMARKS
ROE	-2.861780	-3.065585	Non-stationary
DPO	-4.011127	-3.052169	Stationary
DY	-4.286816	-3.733200	Stationary
ΔROE	-4.315336	-3.065585	Stationary

According to Table 1's empirical findings using the Augmented Dickey Fuller (ADF) unit root test at 5% critical levels, the Return on Equity (ROE) was stationary only at first differencing I(1), whereas the Dividend Payout Ratio (DPO) and Dividend Yield (DY) were stationary at level

I (0). As a result, the variables' mixed order of integration ranges from 0 to 1. This conclusion is based on a comparison between Mackinnon's (2016) critical values and the Augmented Dickey Fuller statistics. We can use the Auto-regressive Distributed Lag (ARDL) model to determine whether the variables have a long-term relationship because they have distinct orders of integration. Abalaka (2022).

Table 2: Error Correction Model

ECM Regression

Case 3: Unrestricted Constant and No Trend

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.662444	0.065452	10.12099	0.0021
D(ROE(-1))	-1.325556	0.143213	-9.255818	0.0027
D(ROE(-2))	-0.057273	0.078681	-0.727912	0.5193
D(ROE(-3))	-0.635278	0.095065	-6.682594	0.0068
D(DPO)	-0.989252	0.148776	-6.649282	0.0069
D(DPO(-1))	1.636374	0.168356	9.719748	0.0023
D(DY)	6.385277	0.617038	10.34827	0.0019
D(DY(-1))	-0.552040	0.121155	-4.556468	0.0198
CointEq(-1)*	0.457958	0.137940	10.56954	0.0018

The results in Table 2 show that the ECM is negative and statistically significant, showing that an established short-run relationship can be attained. The speed of Adjustment of -0.457958implies that 45.79 percent of the deviation of ROE from its short run equilibrium can be reconciled per annum Sulaiman (2022).

Table 3: Auto Correlation Test

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.270711	Prob. F(2,1)	0.2944
Obs*R-squared	12.78698	Prob. Chi-Square(2)	0.1791

The results in Table 3 shows that there is no serial correlation in the model since the probability value of the F-statistic and the Chi-square of 0.2707 and 0.1791 respectively are greater than 5%.

Table 4: Heteroskedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	1.510666	Prob. F(10,3)	0.4060
Obs*R-squared	11.68041	Prob. Chi-Square(10)	0.3070
Scaled explained SS	0.471766	Prob. Chi-Square(10)	1.0000

The results of the Breusch-Pagan-Godfrey heteroskedasticity test shows that the null hypothesis is rejected and we then conclude that the residuals are not heteroskedastic since the probability statistic of the F-statistic and the Chi-square statistics are greater than 5%.

Table 5: CUSUM Test
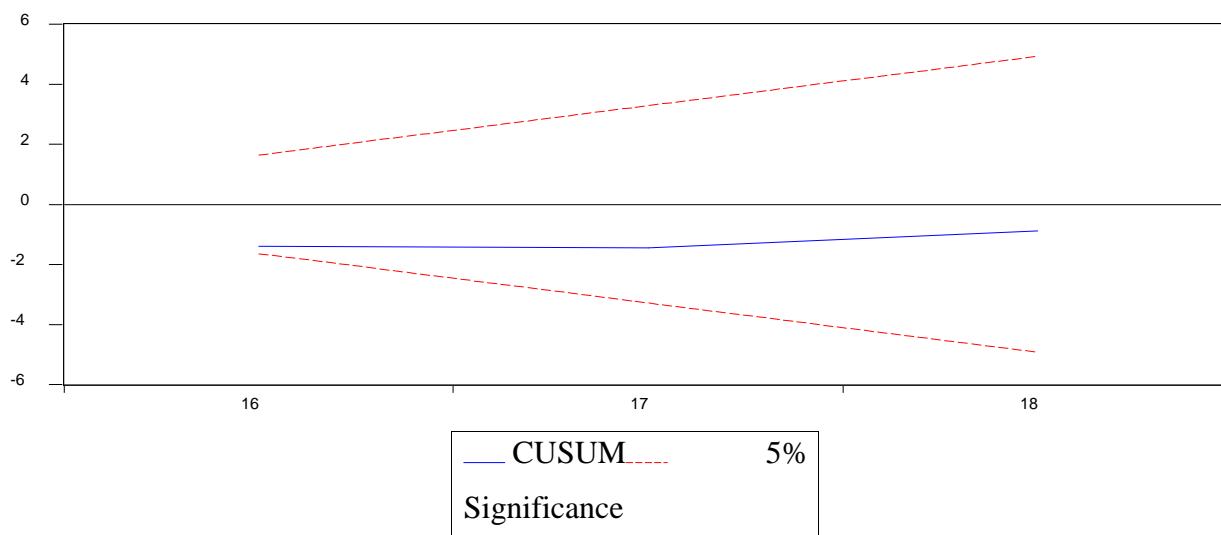
The results in Table 5 shows that the model is stable since the expected values of the sequence are within the upper critical line and the lower critical line (within +4 and -4).

4. RESULT AND DISCUSSION

In this phase of the study, the data is presented, analyzed, and the results are interpreted using the data that was gathered. The presentation of five-year average data on the impact of dividend yield and payout ratio on the financial performance of Nigerian deposit money banks is covered in the first section. The information gathered from the annual reports and financial statements of the banks chosen for this study, Sulaiman (2022), is displayed in Table 6 below.

Table 6: Values of DPO, DY and ROE of Deposit Money Banks in Nigeria

BANKS	DPO	DY	ROE
Access Bank	0.499	0.088	0.309
Diamond	0.165	0.013	0.143
Ecobank	0.994	0.981	0.59
FCMB	0.556	0.387	0.765
Fidelity Bank	0.865	0.972	0.275
First Bank	0.149	0.002	0.097
First City Monument Bank	0.367	0.098	0.026
Guaranty Trust Bank	0.159	0.023	0.229
Skye	0.233	0.033	0.341
Mainstreet Bank	0.371	0.044	0.831
Polaris Bank Stanbic	0.712	0.099	0.954
Standard Chartered Bank	0.757	0.001	0.436
Sterling Bank	0.198	0.073	0.233
IBTC Bank	0.289	0.064	0.121
Union Bank	0.877	0.097	0.563
United Bank for Africa	0.173	0.066	0.229
Unity Bank	0.331	0.075	0.234
Wema Bank	0.317	0.072	0.436
Zenith Bank	0.770	0.038	0.299

Source: Computed from theFinancial Statements andAnnual Reports of the Selected Banks

Descriptive Analysis of Data

The descriptive statistics shows the description of the data in the study. The descriptive statistics describes the mean, median, mode, standard deviation and normality test. Table 7 shows the descriptive statistics of the variables of the various banks for the time period Sulaiman (2022).

Table 7: Descriptive Statistics

	ROE	DPO	DY
Mean	0.352556	0.457000	0.157722
Median	0.287000	0.349000	0.069000
Maximum	0.954000	0.994000	0.981000
Minimum	0.026000	0.149000	0.001000
Std. Dev.	0.247875	0.290236	0.299577

Skewness	1.072957	0.565040	2.420851
Kurtosis	3.462150	1.783085	6.974739
Jarque-Bera	3.613900	2.068472	29.43047
Probability	0.164154	0.355498	0.000000
Sum	6.346000	8.226000	2.839000
Sum Sq. Dev.	1.044510	1.432032	1.525692
Observations	18	18	18

Source: *Author's computation using Eviews 10.0 Software*

Table 7 shows the descriptive statistics of the model's independent and dependent variables. The average ROE, DPO, and DY values from 2016 to 2020 are 0.352556, 0.457000, and 0.157722, respectively. These numbers can be contrasted with ROE, DPO, and DY maximum values of 0.954000, 0.994000, and 0.981000, respectively. It is possible to draw the conclusion that all of the variables' means are well below their maximum values. The asymmetry of a series' distribution around its mean is measured by its skewness. Every variable has skewness greater than zero. It shows that the skewness is positive. Consequently, each variable's observation has a right long-tailed distribution. A normal distribution has a kurtosis of 6. Table 7. further demonstrates that the distributions are platykurtic, with ROE, DPO, and DY all having Kurtosis values smaller than six. Since the JarqueBera probability values of ROE, DPO, and DY—3.61, 2.07, and 29.43— are all more than 0.05, the JaqueBera statistics of all the variables demonstrate that all the series are normally distributed.

Hypothesis Testing

The Autoregressive Distributed Lag (ARDL) model was used to test the two null hypotheses in this study. Eviews 10.0 was used to assess the degree to which the independent variables (DPO and DY) affect the dependent variable (FP). The association between dividend policy and financial performance was investigated using the Autoregressive Distributed Lag (ARDL) model, and the result obtained are presented in Table 8 below.

Table 8:Effect of Dividend Policy on Financial Performance

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
ROE(-1)	1.132402	0.385706	2.935921	0.0607
ROE(-2)	1.268283	0.379639	3.340763	0.0444
ROE(-3)	-0.578005	0.213433	-2.708134	0.0733
ROE(-4)	0.635278	0.356415	1.782412	0.1727
DPO	-0.989252	0.427039	-2.316536	0.1034
DPO(-1)	-1.425584	0.400457	-3.559894	0.0378
DPO(-2)	-1.636374	0.389087	-4.205679	0.0245
DY	6.385277	1.476368	4.324990	0.0228
DY(-1)	0.722815	0.222983	3.241571	0.0478
DY(-2)	0.552040	0.322770	1.710321	0.1857
C	0.662444	0.130565	5.073686	0.0148
R-squared	0.968911	Mean dependent var		0.359214
Adjusted R-squared	0.865280	S.D. dependent var		0.268283
S.E. of regression	0.098471	Akaike info criterion		-1.767125
Sum squared resid	0.029090	Schwarz criterion		-1.265009
Log likelihood	23.36988	Hannan-Quinn criter.		-1.813605
F-statistic	9.349671	Durbin-Watson stat		2.057727
Prob(F-statistic)	0.045894			

*Note: p-values and any subsequent tests do not account for model selection.

Source: Eviews 10.0 Statistical Software

HO1: Dividend payout ratio does not significantly affect return on equity of deposit money banks in Nigeria.

The study's Autoregressive Distributed Lag (ARDL) result is displayed in Table 8 above. The results show that the Dividend Payout Ratio (DPO) has a significant negative coefficient of -1.636374 with a p-value of 0.0245. According to the interpretation of the negative coefficients of DPO, if all other factors remain constant, a one-unit drop in DPO will result in an increase in ROE. According to the Adjusted R-Squared value of 0.968911, DPO and DY were responsible for approximately 96.89% of the systematic fluctuations in the dependent variable (ROE) across the observed years, with other deciding variables outside the model accounting for the remaining 3.11% of the variations. A significant probability value (0.045894<0.05) is displayed by the F-statistic. This indicates that the independent variables' the impact of (DPO and DY) on the dependent variable (ROE) was not coincidental. There is no autocorrelation, according to the

Durbin-Watson statistic of 2.057727. The null hypothesis is thus rejected since the Dividend Payout Ratio (DPO) probability value of 0.0245 is less than the 5% level of significance. This implies that the dividend payout ratio has a major impact on the deposit money banks' return on equity in Nigeria, according to Sulaiman (2022).

HO2: The return on equity of Nigerian deposit money institutions is not substantially impacted by dividend yield.

Based on the Autoregressive Distributed Lag (ARDL) data in Table 8, dividend yield has a p-value of 0.1857 and a positive coefficient of 0.552040, which is not statistically significant. According to the interpretation of the positive DY coefficients, a one-unit rise in DY will raise the Return on Equity (ROE) by 0.552040 units. The null hypothesis is thus accepted since the dividend yield (DY) probability value of 0.1857 is higher than the 5% level of significance. According to Sulaiman (2022), this implies that dividend yield has no discernible impact on the return on equity of deposit money banks in Nigeria.

Analysis of the Results

Based on the model's empirical results, this study discovered that dividend yield has no discernible impact on the return on equity of Nigerian deposit money banks, but the dividend pay-out ratio has a negative, substantial association with return on equity. Prior research pertaining to the results of this study includes Enekwe, Nweze, and Agu (2015), Rahan and Wali (2018), Idewele & Murad (2019), Santosa, Aprilia, and Tambunan (2020), and Kajolaet al. (2015), Mohammed (2017), Gulet al. (2017), Anijesushola and Jimoh (2017), Velnampy et al. (2014), Monogbe and Ibrahim (2015), and Farsio et al. (2024).According to Santosa et al. (2020), dividend policy increases business value. Financial performance generally has a greater impact on business value and a smaller impact on dividend policy. According to Idewele and Murad (2019), the dividend payout ratio and financial performance have a favorable and significant link. In contrast, there is a negligible and adverse correlation between financial success and dividend yield. According to Monogbe and Ibrahim (2015), ROCE, ASSET, and dividend policy have a substantial and favorable link.

According to Raham and Wali (2018), return on equity (ROE) and dividend per share have a negligible positive correlation. share (DPS). As a result, our analysis backs up the pertinent dividend policy ideas. According to Enekwe et al. (2015), the dividend payout ratio (DPR) has a statistically significant correlation with return on capital employed (ROCE) and return on asset (ROA), while it has a statistically insignificant correlation with return on equity (ROE) of quoted

cement companies in Nigeria. According to Kajola et al. (2015), there is a strong and favorable correlation between financial performance (ROA) and dividend payout policy (DPO). According to Velnampy et al. (2014), companies' ROE and ROA are unaffected by dividend policies. According to Gulet al. (2017), there is a considerable difference between companies that pay dividends and those that do not in terms of average market value (AMV) compared to book value of equity (BVE). Anijesushola as well as According to Jimoh (2012), the dividend payout and the performance of the sampled Nigerian enterprises are significantly positively correlated. Mohammed (2007) found a negative correlation between leverage, dividend payout ratio, and return on assets. According to Farsio et al. (2024), dividend distribution and future earnings (financial performance) are negatively correlated.

5. RECOMMENDATIONS AND CONCLUSION

One of the most important choices in corporate finance is whether to pay dividends. It increases the market worth of the company and the wealth of the owners. The management is torn between keeping their gains for future investments or paying out a large, small, or zero percentage as dividends. Therefore, the questions are: should the company give money to its shareholders, or ought the company to invest that money on their behalf? What proportion of a company's profits should be distributed as a dividend if it chooses to do so? Will the firm's share price be impacted by the aforementioned? If the corporation implemented a specific dividend policy, would some shareholders leave? The requirement for management to meet the diverse demands of shareholders is what led to this. For example, shareholders would prefer to get high dividends immediately if they need the money for advantageous investment opportunities. However, shareholders who want to make future investments will want dividends to be kept by the business and reinvested. This investigation showed that the Dividend policies have a varied impact on Nigerian deposit money banks' financial success. Dividend yield has no discernible impact on the financial performance (return on equity) of Nigerian deposit money banks, while the dividend pay-out ratio has a negative significant link with this metric.

Based on the findings and conclusions, it is recommended that deposit money bank management establish a strong and sound dividend policy to determine the optimal proportion of dividend payments that would enhance financial performance, particularly in terms of return on equity. Additionally, efforts should be intensified to increase dividend yield and strengthen its impact on the financial performance of Nigerian deposit money banks.

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