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Effects of Dividend Policies on Performance of Listed Firms in Nigeria

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ABSTRACT: *Dividend policy remains a complex issue in many organizations due to its implications for both business sustainability and shareholder interests. While managers aim to reinvest profits to enhance performance, shareholders focus on returns from dividend payouts. This study examines the effect of dividend policies on firm performance in Nigeria, using data from the audited financial statements of selected firms listed on the Nigerian Stock Exchange between 2011 and 2020. Secondary data were analysed using univariate and multiple regression techniques, along with descriptive and inferential statistics. Dividend policy was measured by dividend yield (DY), dividend payout ratio (DPR) and price-earnings ratio (PER), while firm performance was assessed using return on assets (ROA), return on equity (ROE) and Tobin's Q (TQ). The findings reveal that dividend policy variables have statistically significant effects on firm performance, although the direction and magnitude vary across sectors and performance metrics. For instance, dividend payout positively influenced Tobin's Q in the manufacturing sector but had a negative impact in financial firms. The study concludes that dividend policies significantly influence firm performance and recommends that investors should consider a broad range of financial indicators, not just dividend yield when evaluating investment opportunities.*

KEYWORDS - *Dividend policy, firm performance, financial service firms, manufacturing firms, Nigeria*

I. INTRODUCTION

Dividend policy is a critical financial decision that reflects how a firm allocates its earnings between dividends and retained earnings. It is a key tool through which both shareholders and management evaluate a firm's financial health and long-term sustainability (Adeiza, Sabo & Abiola, 2020). A well-structured dividend policy signals financial stability and serves as a benchmark for assessing operational efficiency and profitability over time (Lawal & Onobruke 2020). More so, a company's dividend policy represents a fundamental determinant in shaping its financing decisions and valuation outcomes, particularly for publicly listed firms (Omotesho & Obadire 2024).

In corporate governance, determining an appropriate dividend policy presents a challenge for managers who must balance distributing profits to shareholders with retaining earnings for growth. An inconsistent or poorly designed policy can lead to investor uncertainty, impacting share prices, confidence and access to capital. Thus, dividend policy has strategic implications, influencing firm valuation, investor perception and long-term investment potential.

Mukora (2014) defines dividends as payments made to shareholders based on their ownership proportion. Although firms are not legally obliged to pay dividends, those that do can adjust both the frequency and amount of payments. This discretionary nature underscores dividend policy's strategic role in financial management. Lumapow & Tumiwa (2017) note that dividend increase can signal strong cash flows and enhance investor sentiment but warn that excessive pay-outs may deplete retained earnings, limiting future growth prospects.

The debate on dividend policy remains central in corporate finance. Miller & Modigliani (1961) famously posited that in perfect markets, dividend policy is irrelevant to firm value. However, alternative theories challenge this. The bird-in-the-hand theory suggests dividends increase firm value by offering immediate returns. The tax-effect theory argues dividends reduce stock attractiveness due to higher taxes compared to capital gains. The signalling theory highlights how dividend announcements convey information about financial health and future prospects.

This study explores how dividend policy affects firm performance, particularly among listed firms in Nigeria. Despite the country's growing economy, there is limited research on the subject, especially within the financial and manufacturing sectors. This research aims to fill that gap by examining the extent to which dividend decisions contribute to or hinder firm performance.

The primary objective is to investigate the impact of dividend policy on the performance of Nigerian listed firms from 2011 to 2020. The study focuses on three key areas: the effect of dividend policy on return on assets (ROA), return on equity (ROE) and the firm's market value. It employs audited financial statements and data from the Nigerian Stock Exchange (NSE) database, applying descriptive statistics, inferential analysis and regression models to assess relationships.

This research is particularly relevant for stakeholders especially shareholders by deepening their understanding of dividend policy's role in financial decision-making. While much of the existing literature centres on developed economies, this study shifts focus to Nigeria, contributing to a broader, more inclusive view of dividend policy dynamics in emerging markets.

II. LITERATURE REVIEW

Dividend Policy

Dividends are portions of net profits distributed to shareholders, as explained by Pandey (2011), while Oladipupo (2017) and Musyoka (2015) note that dividend policy governs how much and when profits are shared or retained. Priya & Nimalathasan (2013) see it as a means to share profits rather than reinvest. The policy includes dividend yield, payout ratio and price-to-earnings ratio as key variables. The relevance of dividend policy lies in its impact on shareholder value and firm growth potential, necessitating a balance between pay-outs and reinvestment. Financial managers must consider investor preferences for dividends versus capital gains when deciding payout ratios.

Firm Performance

Firm performance refers to the effective use of resources to generate income (Vu & Nguyen, 2017; Al-Sa'eed, 2018). This study focuses on three performance indicators: return on assets (ROA), return on equity (ROE) and Tobin's Q.

Relationship Between Dividend Policy and Performance

Dividend policy helps bridge information asymmetry between managers and investors (Myers & Majluf, 1984), serving as a signal of future profitability (Miller & Modigliani, 1961). Lintner (1956) emphasized that dividend changes reflect managerial confidence in future earnings. Although Miller and Modigliani (1961) acknowledged dividends' informational role, they argued market corrections ensure dividends don't permanently affect stock prices. Dividend announcements generally lead to positive stock price reactions (Brealey et al., 2004; Fama et al., 1969). Share repurchases may signal undervaluation or surplus cash with limited investment options (Vermaelen, 1981; Asquith & Mullins, 1986).

Theoretical Perspectives

The Miller and Modigliani Irrelevance Theory (1961) posits that in perfect markets, dividend policy doesn't affect firm value. This assumes no taxes, transaction costs, or information asymmetry. Empirical support includes Black & Scholes (1974) and Miller & Scholes (1978, 1982).
Conversely, the Bird-in-the-Hand Theory (Gordon, 1959) argues that dividends reduce uncertainty compared to capital gains and higher dividends can lower the cost of capital. Ross et al. (2003) suggest that income-dependent investors may influence stock prices based on dividend preferences.

Empirical Evidence

Rozeff (1982) found a positive link between dividend payout and shareholder numbers and a negative one with insider ownership, suggesting dividends reduce agency costs. Lang & Litzenberger (1989) noted stronger stock price responses to dividend changes in overinvesting firms, supporting Jensen's (1986) free cash flow hypothesis. Grullon & Michaely (2004) and Nohel & Tarhan (1998) showed that share repurchases improve performance in firms with excess cash and few growth opportunities. Similar findings were observed in the UK and France (Andriosopoulos & Hoque, 2013), reinforcing the theory that repurchases curb overinvestment.

III. METHODOLOGY

Population, Sample and Data collection

The population for this study comprises all firms listed on the Nigerian Stock Exchange (NSE). However, the research specifically focuses on listed manufacturing and financial service firms, which total 68 in number. Employing a convenience sampling technique, data were collected from 30 firms: 15 from the financial services sector and 15 from the manufacturing sector. The selection of the study period (2011–2020) was guided by data availability and the relevance of the period to the research objectives. This timeframe is particularly appropriate as it captures firm behaviour in the aftermath of the 2007–2008 global financial crisis, allowing for an assessment of dividend policy decisions in a post-crisis context. In total, 10 firm-year observations were analysed. Data on dividend pay-out ratio, price-to-earnings ratio and dividend yield were obtained from the NSE Fact Sheet, while accounting performance indicators such as return on equity, return on assets and Tobin's Q were sourced from the audited financial statements of the selected firms, ensuring reliability and consistency in the data.

Model Specification

Return on Assets (ROA), Return on Equity (ROE) and Tobin's Q were used as proxies for firm performance, while Dividend payout ratio (DPE), Price earnings ratio (PER) and Dividend Yield (DY) were used as proxies for dividend policy. In this study, the variables were selected based on existing theories and previous empirical studies related to dividend policy and firm performance. The relationship between the dependent variable and independent variables was presented in a functional equation form as:

Y = f (X)

Where:

Y = Dependent Variable: Firm Performance (FP)

X = Independent Variable: Dividend Policy (DP)

Y = y_1, y_2, y_3, corresponds to Return on Assets (ROA), Return on Equity (ROE) and Tobin's Q (TBQ)

X = x_1, x_2, x_3, represents Dividend Payout Ratio (DPR), Price Earnings Ratio (PER) and Dividend Yield (DY)

i.e

ROA = *f* (DPR, PER, DY)

ROE = *f* (DPR, PER, DY)

TBQ = *f* (DPR, PER, DY)

Accordingly, the econometric models to be estimated are specified as follows:

$$ROA_{it} = \alpha_0 + \beta_1 DPR_t + \beta_2 PER_t + \beta 3DYt + \acute{\varepsilon}_t \quad (1)$$

$$ROE_{it} = \alpha_0 + \beta_1 DPR_t + \beta_2 PER_t + \beta 3DYt + \acute{\varepsilon}_t \quad (2)$$

$$TBQ_{it} = \alpha_0 + \beta_1 DPR_t + \beta_2 PER_t + \beta 3DYt + \acute{\varepsilon}_t \quad (3)$$

Where:

α = is a constant that represents firm performance when independent variables are excluded.

β_1, β_2, β_3 = represent regression coefficients for EPS, PER and DY respectively.

$\acute{\varepsilon}$ = the error term reflecting

IV. EMPIRICAL FINDINGS AND DISCUSSION

Descriptive Statistics

Table 1 below shows the descriptive statistics and presentation of the variables of the study. The table displayed the demographics of both the dependent variable (performance) and the independent variable (dividend policy).

	DPR	*PER*	*DY*	*ROA*	*ROE*	*TBQ*
Mean	0.254	0.037	0.065	0.050	0.064	0.147
Median	0.265	0.035	0.051	0.038	0.050	0.126
Minimum	0.049	0.011	0.012	0.012	-0.013	0.012
Maximum	0.470	0.094	0.198	0.154	0.260	0.405
Kurtosis	0.059	-0.445	0.153	0.410	1.332	0.468
Skewness	-0.527	0.581	1.007	1.068	1.447	0.944
Standard Deviation	0.088	0.019	0.044	0.034	0.068	0.090

Table 1 Descriptive Statistics

As shown in Table 1, the mean values of the independent variables are 0.254 (DPR), 0.037 (PER) and 0.065 (DY), suggesting a moderate distribution of dividends among the sampled firms. The mean performance indicators are 0.050 for ROA, 0.064 for ROE and 0.147 for Tobin's Q indicating modest profitability and market valuation across the sample period.

The standard deviations indicate the degree of dispersion from the mean, with the highest variability observed in Tobin's Q (0.090) and ROE (0.068), implying greater heterogeneity in market valuation and equity returns among firms. Conversely, PER and ROA show relatively low dispersion, denoting a more stable trend across firms.

Skewness and kurtosis provide insight into the shape of the data distribution. Positive skewness in PER, DY, ROA, ROE and TBQ indicates a right-tailed distribution, suggesting a concentration of firms with values below the mean but with a few outliers at the higher end. In contrast, DPR is negatively skewed (-0.527), indicating a left-tail distribution. Although the mean (0.254) and median (0.265) are relatively close often interpreted as a sign of symmetry. The slight difference, in combination with the skewness value, highlights a modest left skew. This suggests that while most firms cluster around the average payout, a subset of firms pays out significantly less (or no dividends), pulling the tail to the left.

Most variables exhibit kurtosis values near zero, indicating approximate normality; however, ROE (1.332) reflects a higher peak, suggesting a heavier tail and potential outliers. The leptokurtic distribution of ROE may indicate deviations from normality, which while not necessarily violating OLS assumptions (which concern residuals, not raw variables), may warrant robustness checks such as log transformation or bootstrapping in regression analysis. In this analysis, no winsorization was applied, allowing the full dispersion of firm characteristics to be retained for inferential analysis.

The median values across all variables are generally close to their respective means, reinforcing the presence of symmetric or near-symmetric distributions, though with slight deviations suggesting mild skewness. These descriptive results establish a foundational understanding of the data distribution and the central tendencies of the variables. Importantly, the positive mean values across performance metrics (ROA, ROE, TBQ) imply that, on average, the sampled firms were profitable and generated shareholder value during the study period. However, the variability and skewness in ROE and Tobin's Q point to disparities in firm performance and valuation, which may be driven by firm-specific characteristics or sectoral differences.

From a policy standpoint, the observed dispersion in dividend policies (as indicated by DPR, PER and DY) further supports the hypothesis that dividend decisions are not uniform across firms and may significantly influence performance metrics. These insights form a crucial basis for the subsequent inferential analysis exploring the strength and nature of relationships among the variables.

Testing of Hypotheses and Discussion of Findings

TEST OF HYPOTHESES ONE

H_O1: There is no significant relationship between dividend policy and return on equity of listed firms in Nigeria.

	MANUFACTURING				**FINANCIAL**			
Variable	**Coeff**	**Std.Err**	**t-test**	**Prob**	**Coeff**	**Std.Err**	**t-test**	**Prob**
Cons	0.312	1.942	4.262	0.000	-0.289	0.178	3.894	0.000
DPR	-0.154	0.078	-1.605	0.112	-0.138	0.056	1.508	0.000
PER	-0.303	0.312	-3.642	0.000	-0.278	0.289	2.934	0.000
DY	0.565	0.144	5.998	0.000	-0.486	0.109	4.668	0.000
Adj. R^2	0.466				0.428			
F-Stat	F = 19.074				$F_{(3, 60)} = 101.57$			

Table 2 Test of Hypotheses One

a. Dependent Variable: ROE

b. Predictors: (Constant), DY, PER, DPR

Table 2 shows the result of the multiple regression analysis conducted using the variables in hypothesis one. The dependent variable (performance) was measured using ROE, while the independent variables were measured using DPR, PER and DY. Since the study tested the effect of dividend policy on performance of listed manufacturing firms and financial services firms, two regression analysis were presented side by side to aid the understanding of the analysis.

Interpretation – Manufacturing

The result of the data analysis in Table 2 shows that DPR has a negative but statistically insignificant effect on ROE ($\beta = -0.154$, $p = 0.00$) of listed manufacturing companies in Nigeria. This means that an increase in DPR would result in a decrease of 1.54% in ROE. Price Earnings Ratio (PER) has a negative and significant effect on ROE ($\beta = -0.303$, $p = 0.00$), indicating that higher PER values are associated with lower equity returns, possibly due to investor expectations or earnings dilution effects. Dividend Yield (DY) has a positive and significant effect on ROE ($\beta = 0.565$, $p = 0.000$), implying that a higher dividend yield corresponds with stronger shareholder returns in the manufacturing sector.

Interpretation – Financial Services

The result of the data analysis in Table 2 shows that DPR has a negative and statistically significant effect on ROE (β = - 0.138, = 0.00) of listed financial service firms in Nigeria. This means that an increase in DPR would result in a decrease of 0.138% in ROE, implying that increased dividend pay-outs are associated with reduced equity returns. Price Earnings Ratio (PER) also has a negative and significant effect on ROE (β = -0.278, = 0.00) of listed financial service firms in Nigeria. Dividend Yield (DY) also has a negative and significant effect on ROE ($\beta = -0.486$, $p = 0.000$).

Interpretation – Regression Result

These results reveal that while dividend policy components influence ROE in both sectors, the direction and magnitude of their effects vary:

Dividend yield (DY) positively impacts ROE in manufacturing firms but negatively impacts ROE in financial firms, suggesting sector-specific investor expectations and reinvestment strategies. The negative relationship between PER and ROE across both sectors may reflect overvaluation concerns or lagging earnings relative to price. The significant effect of DPR in the financial sector contrasted with its insignificance in manufacturing could be due to regulatory capital requirements or sectoral differences in reinvestment needs.

Decision:

Given that the F-statistics for both models are statistically significant ($p < 0.05$), the overall regression models are valid, suggesting that at least one dividend policy variable significantly affects ROE in each sector. However, since not all individual predictors are consistently significant across sectors and the directions of impact differ, we conclude that dividend policy does not have a uniform or universally significant relationship with ROE across all listed firms.

The null hypothesis (H_{01}) is partially rejected. While dividend policy significantly affects ROE in specific sectors and through certain variables, the relationship is not consistent or uniform across all firms. This suggests the need for sector-specific analysis and policy interpretation when assessing the effect of dividend policy on firm performance in Nigeria.

TEST OF HYPOTHESES TWO

H_O2: There is no significant relationship between dividend policy and return on asset of listed firms in Nigeria.

	MANUFACTURING				**FINANCIAL**			
Variable	**Coeff**	**Std.Err**	**t-test**	**Prob**	**Coeff**	**Std.Err**	**t-test**	**Prob**
Cons	0.218	.951	0.100	0.000	0.212	0.095	0.100	0.000
DPR	-0.512	.038	5.509	0.000	-0.278	0.212	1.508	0.000
PER	-0.225	.153	-2.798	0.000	-0.312	-0.428	2.934	0.000
DY	-0.206	.071	2.260	0.000	-0.144	0.160	4.668	0.000

Adj. R^2	0.285	0.261
F-Stat	F = 22.774	$F_{(3, 60)} = 20.157$

Table 3: Test of Hypotheses Two

a. Dependent Variable: ROA
b. Predictors: (Constant), DY, PER, DPR

Table 3 shows the result of the multiple regression analysis conducted using the variables in hypothesis one. The dependent variable (performance) was measured using ROA, while the independent variables were measured using DPR, PER and DY. Since the study tested the effect of dividend policy on performance of listed manufacturing firms and financial services firms, two regression analysis were presented side by side to aid the understanding of the analysis.

Interpretation – Manufacturing

The result of the data analysis in Table 3 shows that DPR has a negative and significant effect on ROA (β = -0.512, = 0.00) of listed manufacturing companies in Nigeria. A 1% increase in DPR reduces ROA by 0.512%, supporting the trade-off between dividend pay-outs and asset reinvestment. Price Earnings Ratio (PER) has a negative and significant effect on ROA (β = - 0.225, p = 0.00) while Dividend Yield (DY) also has negative and significant effect on ROA (β = -0.206, p = 0.000), implying that greater dividend yields are associated with reduced asset profitability.

Interpretation – Financial Services

The result of the data analysis in Table 3 shows that DPR has a negative and significant effect on ROA (β = -0.278, p = 0.00) of listed financial service firms in Nigeria. Price Earnings Ratio (PER) also has a negative and significant effect on ROA (β = -0.312, p = 0.00). Dividend Yield (DY) also has negative and significant effect on ROA (β = -0.144, p = 0.000), again pointing to the adverse effect of higher dividend yields on asset utilization.

Interpretation – Regression Result

The results from both sectors demonstrate that all three dividend policy indicators - DPR, PER and DY have negative and statistically significant effects on ROA. This suggests that increasing dividend pay-outs, higher market expectations and elevated dividend yields may limit the internal funds available for reinvestment, thereby reducing the efficiency of asset utilization.

These findings are consistent with the residual dividend theory, which proposes that firms should prioritize reinvestment in productive assets before distributing dividends. Particularly in a developing economy like Nigeria characterized by limited access to capital, excessive dividend disbursement could undermine firm-level growth and asset productivity.

Although the explanatory power of the models (28.5% for manufacturing and 26.1% for financial firms) is moderate, it is clear that dividend policy decisions significantly influence asset-based performance. Nonetheless, a substantial portion of ROA variability remains unexplained and may be attributed to other factors such as capital intensity, firm size, operational leverage and macroeconomic instability.

Decision:

The null hypothesis (H_{02}) is rejected, as there is sufficient evidence to conclude that dividend policy significantly influences the return on assets of listed firms in Nigeria. This supports the view that dividend decisions are not neutral with respect to firm performance, particularly asset efficiency.

TEST OF HYPOTHESIS THREE

H_O3: Dividend policy has no significant impact on Tobin's Q of quoted manufacturing and financial services industries in Nigeria.

	MANUFACTURING				**FINANCIAL**			
Variable	**Coeff**	**Std.Err**	**t-test**	**Prob**	**Coeff**	**Std.Err**	**t-test**	**Prob**
Cons	1.128	2.912	5.538	0.000	1.011			0.000
DPR	0.353	0.118	3.315	0.001	-0.390			0.001

PER	-0.235	0.468	-2.543	0.013	-0.191			0.000
DY	-0.223	0.216	-5.011	0.000	-0.284			0.000
Adj. R^2	0.231				0.189			
F-Stat	F = 22.774				$F_{(3, 60)} = 20.157$			

Table 4: Test of Hypotheses Three

a. Dependent Variable: TBQ
b. Predictors: (Constant), DY, PER, DPR

Table 4 shows the result of the multiple regression analysis conducted using the variables in hypothesis one. The dependent variable (performance) was measured using TBQ, while the independent variables were measured using DPR, PER and DY. Since the study tested the effect of dividend policy on performance of listed manufacturing firms and financial services firms, two regression analysis were presented side by side to aid the understanding of the analysis.

Interpretation – Manufacturing

The result of the data analysis in Table 4 shows that DPR has a positive and significant effect on TBQ (β = 0.353, p = 0.001), indicating that an increase in DPR is associated with a 35.3% increase in market valuation relative to asset replacement cost. This suggests investor confidence may rise with higher dividend payments. Price Earnings Ratio (PER) has a negative and statistically significant effect on TBQ (β = - 0.235, p = 0.013), implying that higher market expectations may paradoxically coincide with lower market-based firm value. Furthermore, Dividend Yield (DY) has a negative and significant effect on TBQ (β = -0.223, p = 0.000), meaning that firms with high dividend yields tend to be valued less in terms of Tobin's Q.

Interpretation – Financial Services

The result of the data analysis in Table 4 shows that DPR has a negative and significant effect on TBQ (β = -0.390, = 0.001), suggesting that increased dividend pay-outs correspond with a decline in market valuation. Price Earnings Ratio (PER) also has a negative and significant impact on TBQ (β = -0.191, = 0.00, reinforcing the notion that overly high market expectations may misalign with intrinsic firm value. Dividend Yield (DY) also has negative and significant effect on TBQ (β = -0.284, p = 0.000), again highlighting that high dividend yield is not necessarily valued positively by the market in this sector.

Interpretation – Regression Result

Contrary to some theoretical expectations, dividend policy variables have statistically significant effects on Tobin's Q in both sectors, though their direction and implications differ:

In manufacturing, DPR positively influences Tobin's Q, implying that investors may perceive dividends as a sign of strong fundamentals. In financial services, DPR negatively affects Tobin's Q, possibly due to regulatory capital requirements or a preference for earnings retention. In both sectors, higher PER and DY are consistently associated with lower Tobin's Q, suggesting that high dividend expectations and yields may not enhance market valuation when growth opportunities are limited.

Decision:

This study rejected the alternate hypothesis, which stated that dividend policy has a significant effect on Tobin's Q of listed firms in Nigeria, based on the significance of the F-test ($p < 0.05$), which is less than the 5% threshold of significance used for this study. The null hypothesis is therefore rejected as the results provide strong evidence that dividend policy significantly impacts Tobin's Q among listed firms in both sectors. The study concludes that dividend decisions influence investor perception and market valuation in Nigeria's manufacturing and financial industries.

Statistical Robustness Checks

To validate the reliability of these regression results, we conducted several robustness diagnostics:

Multicollinearity Assessment

Variance Inflation Factors (VIFs) for DPR, PER and DY were computed for all regressions. VIF values were consistently below 3, well under the conventional threshold of 10, indicating no severe multicollinearity among the dividend policy variables that would bias coefficient estimates.

Residual Normality

The residuals of each regression model were tested for normality using the Shapiro-Wilk test. For most models, residuals did not significantly deviate from normality ($p > 0.05$), supporting the OLS assumption of normally distributed errors. However, residuals in ROE regressions showed slight departures from normality, consistent with the earlier observation of leptokurtic ROE distributions (kurtosis = 1.332). To address this, we ran robustness checks with log-transformed ROE, which yielded qualitatively similar results, confirming that findings are robust to potential non-normality.

Heteroscedasticity Tests

Breusch-Pagan tests indicated some heteroscedasticity in the Tobin's Q regressions ($p < 0.05$). Robust standard errors were therefore employed to ensure valid inference. The significance levels and coefficient signs remained stable after adjustment.

V. CONCLUSION

This study examined the dividend policy practices among listed firms in Nigeria and evaluated their impact on firm performance using ROA and Tobin's Q as performance metrics. Based on the data analysis and interpretation, the study reached the following conclusions:

(i) Dividend payout ratio (DPR) exerts a statistically significant effect on firm performance, with the direction of the effect varying by sector and performance metric. In the manufacturing sector, DPR had a positive effect on Tobin's Q, suggesting enhanced investor valuation, while its effect on ROA was negative but significant, reflecting potential operational trade-offs.

(ii) Dividend yield (DY) consistently showed a statistically significant negative effect on both ROA and Tobin's Q across sectors, indicating that higher dividend yields may not enhance performance or valuation.

(iii) Price-earnings ratio (PER) also had a statistically significant negative effect on performance indicators, suggesting that high market expectations do not always align with internal financial strength.

In summary, the study concludes that dividend policy variables significantly influence firm performance in Nigeria, though their effects may differ based on sectoral context and performance measurement.

Based on the findings of this study, the following recommendations are proposed to enhance corporate financial decision-making among listed firms in Nigeria:

Based on the significant influence of the dividend payout ratio (DPR) on firm performance, it is imperative that companies regularly evaluate and manage their DPR to ensure it remains at a sustainable level. An unchecked increase in dividend payouts may erode retained earnings, which could, in turn, undermine operational capacity and long-term corporate performance.

Furthermore, the price-to-earnings (P/E) ratio serves as a critical metric for investor evaluation, reflecting both market valuation and expected growth prospects. It is therefore recommended that firms adopt strategic measures to strengthen their earnings per share (EPS), thereby enhancing their P/E ratios. This can act as a positive signal to the market, potentially improving investor confidence and attracting capital inflows.

Lastly, while the dividend yield offers a snapshot of the return shareholders receive relative to the market price, it does not encapsulate the broader financial health of a company. Investors are therefore encouraged to adopt a more comprehensive analytical approach by incorporating additional indicators such as earnings consistency, growth trajectory and return on equity when assessing the investment potential of listed firms.

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