

The Dividend Policy Effect on Shareholder Wealth: An Empirical Assessment of Nigerian Listed Insurance Firms

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ABSTRACT: This study examines the empirical influence of dividend policy over shareholder wealth within the context of listed insurance firms in Nigeria. The ex post facto research design was adopted making it possible for secondary data to be gathered from the audited annual financial statements of ten purposively selected insurance firms over a ten year duration (2016-2025). Shareholder wealth was operationalized using the earnings per share while dividend policy relied on these three key metrics: total payout ratio, dividend coverage ratio and dividend yield ratio. The data was meticulously analyzed via the descriptive statistics and panel least regression model. The study discovered that two out of the metrics of dividend policy (dividend coverage ratio and dividend yield ratio) significantly had positive effect on shareholder wealth. Whereas total payout ratio had a significant negative impact on earnings per share. Based on these results, the study recommends amongst others that insurance firms should avoid excessively high dividend payouts but rather prioritise a stable balanced payout policy. Again, management should focus on strengthening dividend coverage by enhancing profitability and building sufficient retained earnings.

Keywords: *Dividend Policy, Shareholder Wealth, Dividend Coverage*

1. Introduction

Globalization and privatization have resulted in deep competition in the corporate industry and in order to keep up with this increasing trend, managers must take critical financial decisions. Mere coping with this pattern isn't enough but should be backed by adding value in the form of investors getting their worth of financial benefits for their funding of such firms. Traditionally, the main goal of firm is to maximize profit but this narrative is laden with several deficiencies in real life situations (Ireghan,2022). One of its faults is its inability in acknowledging the existence of a link between risk and profit in the sense that if profit maximization is solely pursued, then the risk component is completely neglected. In the long run, it means firms will embrace extremely risky ventures as far as profit is involved, erasing the fact that risk needs to be proportional with profit. Furthermore, the profit narrative has ignored the time pattern of returns, which suggests that various proposals are followed with various time frames and returns. Additionally, it failed to recognize the social considerations and commitments to various stakeholders. All these flaws rendered the profit maximization irrelevant and unsuitable in today's global business place with increasing demands and therefore gave way to the wealth maximization concept.

Financial performance serves as a vital tool for assessing a firm's overall health and viability, offering valuable guide into its ability to effectively manage financial resources and generate income. Such financial performance measures come in different ways, including profitability and cash flow which allows investors assess business course of actions and outcomes in real monetary values. Profitability which indicates a company's capacity in generating returns after expenses and cash flow handling, necessary for maintaining operations is unarguably a pivotal measure of financial soundness. Also, payment of dividends also serves as a major sign of a firm's financial condition. However, cases of dividend payments in between financial dilemma have continuously become a source of concern as to the real intentions backing such distributions.

With this development, firms are now more pressured than ever in designing favorable dividend policies and financial roadmaps that will ensure asset value and generate wealth for shareholders (Otuonye *et al*,2026). Dividend policy is central in the shareholder's wealth cycle in the sense that the strategic decisions implemented by firms on this can

significantly influence or dampen investor satisfaction and public opinion of corporate health. Recent happenings in corporate governance, ESG considerations and shareholder activism have further reshaped dividend policy patterns (Rastogi & Singh,2025). Firms are now more concerned in balancing conventional wealth maximization plans with wider stakeholder expectations, regulatory demands and sustainability goals (Agyemang *et al*,2025). This assertion is also confirmed by Makhija *et al* (2025) by declaring that companies with strong ESG performance maintain constant dividend payouts, thereby enhancing long term shareholder worth and such firms enjoy gains arising from this action over multiple periods.

A study by Besse binder (2023) indicated that investment in public quoted US stocks greatly increased shareholder's wealth by more than \$55.1trillion for the periods of 1926 and 2022. In the words of Abubakar *et al* (2020), a higher dividend payout is linked with lesser level of block holder and foreign ownership, alongside higher institutional ownership in listed Nigerian non-financial firms. Addico *et al* (2025) revealed that dividend procedures differ across market categories, identifying differences in investor expectations and regulatory circumstances. These distribution payout ratios which are equally necessary are often times determined by key factors such as ownership structure, leverage, free cash flow and agency expenses. Retained earnings, another key element of dividend policy aids expansion and affects profitability pointers such as return on equity and return on assets.

The nexus between retained earnings and shareholder wealth is reflected in the highlighting of balance between immediate dividend payouts and long-term value improvements through reinvestment (Niharika & Laxmi,2025). The literature is also in agreement to the view that portrays dividend policy as a complex concept sponsored by firm characteristics, governance quality, market conditions and evolving sustainability (Dawakit,2026). However, there are conflicting views as to what constitutes suitable proxies of dividend policy. While some measurements have been over flogged in the studies of Ireghan (2022), Sulaiman (2025) and Reddy & Maruti (2025) overlooking the joint outcomes of particular indicators such as total pay outs and dividend coverage ratios. Additionally, while several studies have reasonably dissected the dividend policy and shareholder wealth debacle in other sectors, gaps still exist in the insurance sector. This

lacuna therefore creates the need for further robust empirical investigations that will positively shape the dividend policy and shareholder wealth literary fireworks. This study will go a long way in achieving this goal and hopefully create a certain degree of consensus in the literature. The broad objective of this study is to investigate the effect of dividend policy on shareholder wealth of quoted insurance firms in Nigeria on shareholder wealth. Special, the study seeks:

- 1) To examine the influence of total payout ratio on earnings per share
- 2) To evaluate the impact of dividend coverage ratio on earnings per share
- 3) To determine the effect of dividend yield ratio on earnings per share

2. Review of Related Literature

Dividend Policy

This shareholder centered strategy is an integral aspect of the operations of firms since it portrays their strengths and also releases information on their potential for development. It represents a vital corporate decision that determines the proportion of earnings to be shared versus the proportion to be ploughed back to the firm. Its importance is borne out of its strategic influence in maximizing wealth of shareholders, stock price reactions and firm worth (Peller & Bolton, 2021). This dividends are normally dependent on earnings implying that increases in earnings increases the dividends and decreases in earnings lead to dividends cuts (Mohammad, 2013). Dividends can come in form of cash stock, stock splits, stock repurchases and regular dividend payments (Ozuomba *et al*, 2013). Adele cuts (s s (2021) asserted that an optimal dividend policy should ensure that the wealth of the shareholders is maximized thereby making funds available for productive investment opportunities in the stock market which automatically translates to economic growth. The most favorable dividend policy is the one that gives room for the maximization of a firm's stock price which translates to maximization of shareholders' wealth and faster economic growth. The policy is of two types: the managed dividend policy and the residual dividend policy. The latter is the system that believes in paying dividends from the leftover cash after certain investments have been made and such dividends usually vary and also do not exist after making such investments. The former is, however, deployed when a firm believes dividends are important to shareholders and also have a positive effect on share

price value. Ideally, firms adopt dividend policies that are most suitable at the level of growth they're at the moment. High growth firms with huge cash flows and lesser projects are naturally expected to pay more of their earnings as dividends and vice versa.

Sulaiman *et al* (2025) stated that dividend policy varies from one firm to the other and it's deployed by firms in maintaining a certain degree of earnings in a firm and to keep stock prices stable. However, one of the challenges of this will be thought out policy is implementing a well-planned dividend policy in a company. PZ for instance decreased its dividend by 44% after a huge decrease in Nigeria's currency value resulting in a sharp decrease in share price (The Times,2024). This is good evidence that aptly explains how well-planned dividend policies can maximize wealth of shareholders while a badly managed one can shrink investor confidence. For investors, dividend arrangements are held in high regard in their decision-making process and so firms must exercise caution while choosing dividend policy styles. According to Jaydev & Kamini (2025), shareholders rate dividend paying companies favorably as regular dividend receipts provides a constant stream of returns and positively affects portfolio stability.

While arriving at choices of dividend policy styles, factors such as financial performance, cash flow position, growth opportunities and capital allocation priorities are often relied on by firms (Jaydev & Kamini,2025). Notwithstanding the fact that dividend payments provide a reference point for assessing a firm's capacity to make sustainable profits, caution should be exercised. This is due to the fact that over distribution of dividends could mar a firm's growth through shrinking of internal financial capacity and growth opportunities. So firms should balance retained and distributed earnings, which is the hallmark of the tradeoff theory. When the total earnings of a firm are determined by its investment decisions and cost structure, dividend decision is more of a function of the capital structure of the firm. By implication, the financing style will be decided by how much of the total pie of profits earned by a firm is to be sliced amongst different stakeholders viz debenture holders in the form of interests, government in the form of taxes and preference shareholders via preference dividends.

Shareholder Wealth

This is the totality of earnings realized after a firm has deployed the equity capital contributed by shareholders in driving it's strategic, operational and financing decisions

targeted at expanding the fortune of shareholders beyond their initial investment (Frances & Nworie, 2025). This wealth is achieved when the return on invested capital surpasses the weighted average cost of capital. This principle prioritizes the creation of long-term value above short-term accounting profits. It is based on the idea that corporate decisions relating to financing, investment, and dividend policy should ultimately increase the firm's market value and improve shareholder returns (Denis 2019). This view acknowledges that shareholders benefit more when firms invest in profitable projects capable of shoring up future cash flows, strengthening market competitiveness, and enhancing long-term firm value. Consequently, shareholder wealth should be seen as an ongoing process of creating sustainable economic value, rather than simply increasing current dividend payments. Invariably, shareholder wealth serves as a key mechanism for evaluating corporate financial performance and assessing if management decisions have positively impacted on owners' wealth. In the build up to this wealth actualization, Majanga (2015) recognizes various factors which include net earnings after tax, interest, market dynamics, movement in share prices and dividend payout framework. Furthermore, some corporate attributes have also been recognized as significant determinants of shareholder wealth creation. Otuonye *et al* (2025) rightly noted that firm size positively influences shareholder wealth maximization, as larger firms typically have greater access to capital, stronger competitive positions, and an enhanced capacity to generate sustainable earnings. Shareholder wealth is also determined by growth in sales, quantum leap in profit margins, capital investment decisions and capital structure strategies.

Current finance literature characterizes shareholder wealth maximization as a comprehensive corporate goal that extends beyond profit generation to include sustainable value creation through efficient resource allocation, prudent financial management and strategic decision making. Dividend policy influences shareholder wealth through dividend income, share price appreciation, investor confidence, and firm value. An optimal dividend policy allows firms to distribute sufficient returns to shareholders while retaining adequate earnings to finance future investment opportunities capable of generating sustainable growth. Consequently, firms that successfully balance current dividend payments with long-term investment needs are more likely to maximize shareholder wealth through increased market value, improved investor satisfaction, and sustained corporate performance. According to Akintunde *et al* (2021), financing decisions significantly affect

shareholders' wealth because the choice between debt and equity financing influences a firm's cost of capital, profitability, and market value. Appropriate financing frameworks therefore enhance shareholder returns by improving operational performance while minimizing financing costs. Their findings further buttress the argument that shareholder wealth is realized by the incorporation of financing, investment, and dividend decisions instead of just a single financial policy. The share price which is a key measure of shareholder wealth is also a good technique for the market's assessment of a firm's future earnings and overall financial health (Sulaiman *et al*,2025). Shareholders often view dividend payments as a concrete return on investments, especially in firms known for information asymmetry and market uncertainty. Momin (2013) insinuated that shareholders may want a stable rate of dividend payments for a number of reasons. The risk-conscious shareholders would be willing to invest only in those companies that pay high current returns on shares. The investors such as pensioners and other low savers are partly or completely dependent on dividends to meet their daily needs. Furthermore, educational institutions and charity firms will likely go for stable dividends, because they will not be able to carry on their current operations otherwise. Such categories would prefer companies that pay a regular dividend every year.

Earnings Per Share (EPS) is a widely utilized financial parameter for appraising a company's profitability from the view of ordinary shareholders. It quantifies the net earnings allocated to each outstanding ordinary share and serves as a key indicator of a firm's capacity to generate returns for its owners. As a measure of financial performance, EPS enables investors to evaluate profitability on a per-share basis, making it necessary for investment analysis, valuation, and corporate financial decision-making. In the context of dividend policy, EPS is particularly significant because it reveals the earnings available for dividend allocation while also reflecting the firm's potential for future growth and shareholder wealth creation.

EPS is seen as a critical proxy for shareholder wealth, as it directly shapes investors' opinions of a firm's financial soundness and future earnings potential. A higher EPS typically signals improved profitability, stronger operational efficiency, and a greater capacity to deliver returns to shareholders. Consequently, investors often view rising EPS as an indicator of enhanced firm value and higher market prices, making EPS a key

determinant of shareholder wealth maximization. According to Onyeka-Iheme (2024), financial performance impacts the EPS and suggests that improvements in corporate performance ultimately translate into greater earnings attributable to shareholders. This implies that firms maintaining robust financial performance are more likely to enhance shareholder wealth through superior earnings generation.

Dividend Policy and Shareholder Wealth: The Link

It has been observed empirically that firms that pay dividends have positive stock price responses, with share prices increasing due to investor perception of financial soundness (Asquith & Mullins, 2023). Moreover, investors tend to favour firms with stable dividend styles since unpredictability of dividend payments can result to stock price uncertainty (Al Hassan *et al*, 2023). Walter (1963) developed a model that revealed the existing connection between a firm's rate of returns in determining the dividend policy that will maximize the wealth of shareholders. This view is hinged on the fact that shareholders would prefer and welcome low dividends when the expected rate of return is greater than market capitalization rate but would prefer higher dividends when the former is less than the latter. Pertinent questions such as how much cash should firms give back to their shareholders and if corporations should pay dividends indirectly by shares repurchasing (which is the least costly form of payout from tax dimension) should be painstakingly answered by firms if they truly have shareholder interests at heart. The nexus between dividend policy and shareholders' wealth is clearly seen in the way dividend decisions influence firm value. Research from emerging markets suggests that dividend distributions convey valuable signals to investors and can bolster market confidence, thereby resulting in higher firm valuations and increased shareholder wealth (Munzhelele, Wolmarans, & Hall (2022). The dividend relevance payout theory propounded by Munzhelele *et al* (2022) suggests that in settings with limited investor protection, investors place substantial value on dividend payments as a tool for realizing returns on their investments, rendering dividend policy a critical determinant of shareholder wealth (Munzhelele *et al.*, 2022). Limitations on dividend payments may diminish firms' capacity to signal financial strength to investors, thereby influencing outcomes related to shareholder wealth (Abdiaziz *et al.*, 2025). The role of dividend policy in wealth maximization is further corroborated by studies examining dividend yield and earnings quality. Amir *et al* (2024) found that dividend-

related metrics remain important indicators used by investors in evaluating firms, suggesting that dividend policy influences investment decisions and market perceptions. All these findings are pointers to the role dividend policy plays to shareholders' wealth not in isolation but through its interaction with broader market and corporate governance factors. During periods of economic crises, dividend policy remains an important governance mechanism.

Shareholder wealth is portrayed in the market price of a firm's common stock, which is the function of its investment, financing and dividend decisions. For the given degree of funds needed, the higher the share price, the less dilution will be incurred by current shareholders. This increase in value can be achieved by compensating shareholders with returns from dividends and capital gains. Furthermore, market abnormalities like tax rates, information asymmetries between insiders and outsiders, conflicts of interest between managers and shareholders, transaction costs, flotation costs and absurd investor behaviour has made the dividend decision very relevant. Shareholders, desiring managerial prefer the need to turn to capital markets to finance investments while shareholders desiring managerial efficiency in investment decisions, want to leave little discretionary cash in management's hands and to compel managers to resort to capital markets to fund investments. In other words, shareholders can use dividend policy to encourage managers to take care of owners' best interests, higher payouts make room for more monitoring by the capital markets and more managerial discipline.

In addition, Petit (1972) documented that dividend increase announcements are often heralded by significant share price increases and that announcements of dividend decreases are met with landslide share price drops. Consequently, dividend policy acts as a bridge between corporate profitability and shareholder wealth by determining how earnings are shared amongst current distributions and future growth opportunities (Sulistyowati *et al.*, 2025). Recent empirical findings indicate that the effectiveness of dividend policy should be assessed not only by the amount of dividends paid but also by its impact on firm value and the creation of shareholder wealth. Although traditional financial theory such as the dividend irrelevance theory developed by Miller & Modigliani (1961) argue that in perfect capital markets where there are no taxes, transaction costs or information asymmetries, dividend policy has no effect on shareholder wealth. Nevertheless, this idealized principle

rarely holds in real world financial atmospheres, particularly in developing economies like Nigeria. In conclusion, healthy dividend payouts signify that firms are actually generating earnings and not manipulating books.

2.2. Review of Previous Empirical Studies

The study of the influence of dividend policy on shareholder's wealth maximization has been examined using annual reports and accounts of quoted companies in the stock exchange around the world. The variables utilized in these studies vary and combined differently. The various findings from these studies have over time shown mixed findings as some studies have been coming up with positive explanations on the role of the independent variable on the dependent variable while others ended in negative findings. Simoes *et al* (2026) conducted a study on the link between dividend policy decisions and shareholder wealth in the Indian banking sector for the period covering 2021-2025. Five leading public sector banks were purposively selected and tested via their financial reports. Specifically, they explored the relationship between retained earnings and shareholder wealth when market valuation is considered. Again, to determine the role of dividend on shareholder wealth and market price and to assess the total influence of dividend payout and retain earnings on firm value nas wealth creation. Time series trend analysis, specifically the Pearson correlation coefficient analysis and sustainable growth rate modelling served as the technique for data analysis. The study discovered a strong relationship between earnings per share and market share and also a positive correlation between dividend per share and market prices. They however advised banks to restrict payouts ana face a framework that leads to earnings driven valuation.

In a separate study carried out Sulaiman *et al* (2025) on the moderating effect of firm size on the nexus between dividend policy and shareholder wealth of quoted Nigerian industrial firms. Dividend payout, dividend per share and dividend yield served as the variables of dividend policy while market share price served as the indicator of shareholder wealth. The financial reports of these firms for the period 2012 till 2023 were subjected to analysis through the instrumentality of panel regression model. Results from the study showed that higher dividend payout will boost shareholders wealth, while as firms grow bigger, the effect on market share shrinks or decreases the strength of a favorable relationship between dividend payout and shareholders wealth. In the light of this, the authors suggested that

large and small firms adopt flexible dividend policies that balance shareholder returns with growth prospects.

Furthermore, Reddy & Maruthi (2025) empirically evaluated the impact of dividend policy in shareholder wealth creation with specific reference to TVS Holdings in India. The period of study covered 2021 to 2025 relying on variables such as dividend per share, dividend payout ratios earnings per share and return on equity components in the financial statements as evidence. Findings revealed that dividend policy has a weak and statistically insignificant link with shareholder wealth, rather it is influenced by earnings performance and profitability.

Otuonye *et al* (2025) conducted a study on the role of dividend policy as a strategic driver of shareholder wealth creation in the Nigerian banking industry. The study relied on the financial reports for the period spanning 2003-2019 of eight purposively selected banks as evidence. The reports underwent analysis using the panel least square regression technique. Discoveries from the study indicated that dividend per share and dividend coverage ratio have negative and insignificant effect on shareholder wealth whereas retained earnings ratio and dividend yield showed a positive and statistically significant influence. They concluded by advising management to maintain a stable and regular dividend policy style.

Furthermore, Ireghan (2022) examined the impact of dividend policy on shareholder wealth maximization with regards to the Nigerian banking sector. Data for the study cuts across the periods between 2010 and 2021 using the audited financial reports as source. The dividend policy was measured via dividend yield, dividend payout, dividend per share, dividend cover and dividend to asset ratio. Whereas shareholder wealth was proxies with market value added and profitability model served as a control variable. The research adopted the ordinary least square pooled regression model as data analysis method. One of the discoveries made from the study is that dividend yield, dividend payout and dividend to assets ratio have significant impact on shareholder wealth unlike dividend per share and dividend coverage ratio which had contrary effect. Based on these findings, they advocated that management should adopt policies that increase profit shareable to investors rather than redirecting those funds as retained earnings.

2.3. Theoretical Background

Clientele Theory

This ideology opines that investors or the "clienteles" prefer a specific dividend yield, investors who are in high income tax categories could find it more helpful to hold low dividend yield stocks, whilst those in lower income tax levels would be more comfortable with high dividend yield stocks (Perretti *et al*,2013). Another instance is that investors such as retirees will ordinarily favour and choose stocks with high dividend payouts and yields since their aim is security and stability in their investments. The younger investors or professionals in active service will instead desire long-term investments as growth stocks. The clientele effect is the clustering of stockholders in forms with dividend policies that suits their preferences. Originally proposed by Miller & Modigliani (1960), it states that different dividend policy models attract different types of investors and adjustments to the policies will bring about a change in the demand for a firm's stocks by investors, thereby affecting its share price. The implication of this theory is that investors tilt towards stocks that correspond with their aims and financial goals. Many firms recognizes the necessity of the clientele effect and utilize it perfectly to captivate and capture a specific category of investors provided such plan is executed in due course. However, if companies change policies when they are already known in the market, investors might consider switching and may also lead to decreased stock prices.

Succinctly put, it is the tendency for investors to be attracted to firms whose dividend policies match their income needs and tax positions resulting in divergent groups(clienteles) of shareholders across different companies. Key takeaways from the clientele model are that:

- a) Investors prefer consistent dividend payouts
- b) Investors prefer consistent dividend payouts
- c) There are investors who favour reinvestment instead of dividend payments
- d) Investors appreciate high dividend payout

Worthy of note is that there are group of investors on the lookout for firms that have specific policies that create the clientele outlook. This effect is influenced by investors'

anticipations that company policies will be stable and consistent over the coming years in line with their economic goals and expectations.

3. Methodology

The research adopted an ex-post facto research design, which is widely recognized in social science and management related research for investigating causal relationships by observing existing conditions and tracing their antecedent factors. The ex-post facto design is most suitable for the study because it gives room for analysis of existing historical data without manipulating variables, ensuring that the observed relationships reflect actual past events. This approach is particularly useful for testing the effects of dividend policy on shareholders' wealth, as it investigates real world outcomes overtime. Panel least regression technique was used to examine the effect of dividend policy on shareholder wealth amongst listed insurance firms in Nigeria. The study utilized secondary data extracted from the annual financial reports of these firms spanning a period of ten years (2016-2025). Data analysis was carried out using statistical software (Eviews).

Model Specification

The model for this study is adapted from previous studies on dividend policy and shareholders' wealth maximization. The study examines the effect of dividend policy on shareholders' wealth maximization among listed insurance companies in Nigeria using Earnings per Share (EPS) as the proxy for shareholders' wealth maximization, while Dividend Payout Ratio (DPR), Dividend Coverage Ratio (DCR), and Dividend Yield Ratio (DYR) are used as proxies for dividend policy.

The model is stated below.

$$EPS = \beta_0 + \beta_1DPR + \beta_2DCR + \beta_3DYR + U \quad (i)$$

Our study modified the model as follows:

In a functional form, we have

$$EPS_{it} = f(DPR, DCR, DYR) \quad (ii)$$

Expressing equation in econometric form, we have

$$EPS_{it} = \alpha + \beta_1 DPR_{it} + \mu_{it} \quad (iii)$$

$$EPS_{it} = \alpha + \beta_2 DCR_{it} + \mu_{it} \quad (iv)$$

$$EPS_{it} = \alpha + \beta_3 DYR_{it} + \mu_{it} \quad (v)$$

The panel least regression model to empirically test the hypothesis formulated is:

$$EPS_{it} = \alpha_{it} + \beta_1 DPR_{it} + \beta_2 DCR_{it} + \beta_3 DYR_{it} + \varepsilon_i \quad (vi)$$

Where:

EPS = Earnings per Share

DPR = Dividend Payout Ratio

DCR = Dividend Coverage Ratio

DYR = Dividend Yield Ratio

4.1 Presentation of Data

The data presented were sourced out using the annual reports and accounts of companies selected for the study. Annual reports are considered by the stakeholders of firms to be the most important and influential source of corporate information.

4.2 Descriptive Statistics

The statistical techniques employed in analyzing the descriptive statistics of the data obtained were mean, standard deviation, minimum and maximum values. The descriptive statistical analysis of data is presented in Table 4.1 below.

Table 4.2.1: Descriptive statistics

	EPS	DPR	DCR	DYR
Mean	37.58660	0.681840	3.042742	0.057833
Median	14.00000	0.000000	0.000000	0.018578
Maximum	582.0000	55.43945	33.70114	0.384770
Minimum	-28.50000	-1.378749	-27.43911	0.000000
Std. Dev.	82.21153	5.538446	6.786230	0.079554

Skewness	0.762935	0.809282	1.120629	0.640918
Kurtosis	2.556888	3.489645	2.548161	3.013673
Jarque-Bera	3099.568	38804.77	387.6574	75.56026
Probability	0.631762	0.831549	0.736327	0.095641
Sum	3758.660	68.18404	304.2742	5.783312
Sum Sq. Dev.	669114.8	3036.764	4559.239	0.626561
Observations	100	100	100	100

Source: Researchers' Computation (2026) using E-View 10 Output)

Table 4.2.1 presents the descriptive statistics for Earnings per Share (EPS), Dividend Payout Ratio (DPR), Dividend Coverage Ratio (DCR), and Dividend Yield Ratio (DYR). Overall, the figures show noticeable differences in the behaviour of the variables across the sampled firms. EPS recorded an average value of 37.5866 with a relatively high standard deviation of 82.2115, suggesting that shareholders' earnings varied considerably from one firm to another. The mean is much higher than the median of 14.0000, indicating that a few firms with exceptionally high earnings pulled the average upward.

A similar pattern appears for DPR. It has an average of 0.6818, while the standard deviation of 5.5384 points to wide differences in dividend payment practices. Interestingly, the median is 0.0000, which suggests that many of the firm-year observations reported no dividend payout at all. DCR follows much the same trend, with a mean of 3.0427 and a standard deviation of 6.7862, implying substantial variation in firms' ability to cover dividends from earnings. Dividend Yield Ratio (DYR), on the other hand, recorded the smallest average value of 0.0578 with a standard deviation of 0.0796. This simply suggests that dividend yields were generally low, although they still differed across firms. Looking at the shape of the distributions, all the variables have positive skewness coefficients, ranging from 0.6409 to 1.1206. In other words, the distributions lean slightly to the right because a few unusually high values are present. Their kurtosis values are also fairly close to 3, indicating distributions that are reasonably normal without being overly peaked or unusually flat.

Finally, the Jarque–Bera probability values for EPS (0.6318), DPR (0.8315), DCR (0.7363), and DYR (0.0956) are all above the 0.05 level of significance. This means there is no sufficient evidence to reject the assumption of normality. Put simply, the variables are approximately normally distributed, making them suitable for the subsequent parametric analyses.

4.2.2 Data Analysis

4.2.2 Correlation Analysis

Covariance Analysis: Ordinary

Date: 07/01/26 Time: 09:32

Sample: 2016 2025

Included observations: 100

Correlation

t-Statistic	EPS	DPR	DCR	DYR
EPS	1.000000			
DPR	0.436163	1.000000		
	0.358233	-----		
DCR	0.572571	0.041782	1.000000	
	2.804504	-0.413978	-----	
DYR	0.080727	0.465243	0.191399	1.000000
	0.801776	1.658624	1.930448	-----

Source: Researchers' Computation (2026) using E-View 10 Output)

Table 4.2.2 presents the pairwise correlation coefficients among the study variables. Earnings per Share (EPS) is positively correlated with Dividend Payout Ratio (DPR) ($r = 0.4362$), Dividend Coverage Ratio (DCR) ($r = 0.5726$), and Dividend Yield Ratio (DYR) ($r = 0.0807$). The relationship is strongest between EPS and DCR, indicating that firms with higher dividend coverage tend to report higher earnings per share. The association between EPS and DYR is positive but weak.

The independent variables also exhibit positive relationships with one another. DPR is moderately correlated with DYR ($r = 0.4652$) but has only a negligible correlation with DCR ($r = 0.0418$). Likewise, DCR and DYR show a weak positive correlation ($r =$

0.1914). The correlation coefficients are well below the conventional threshold of 0.80, suggesting the absence of serious multicollinearity among the explanatory variables. This indicates that the variables can be included in the same regression model without posing significant multicollinearity concerns.

4.3 Test of Hypotheses

Hypothesis I: Total payout ratio has no significant effect on earnings per share of insurance firms

Table 4.3.1 Panel Least Square Regression analysis testing effect of total payout ratio on the earnings per share.

Dependent Variable: EPS

Method: Panel EGLS (Period random effects)

Date: 07/01/26 Time: 09:36

Sample: 2016 2025

Periods included: 10

Cross sections included: 10

Total panel (balanced) observations: 100

Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	37.93319	12.38192	3.063595	0.0028
DPR	-0.508321	1.460729	-0.347992	0.0286
Effects Specification				
			S.D.	Rho
Period random			30.15579	0.1290
Idiosyncratic random			78.34716	0.8710
Weighted Statistics				
R-squared	0.001247	Mean dependent var		23.86041
Adjusted R-squared	-0.008945	S.D. dependent var		77.60227

S.E. of regression	77.94855	Sum squared resid	595445.7
F-statistic	0.122340	Durbin-Watson stat	0.363605
Prob(F-statistic)	0.027261		
	Unweighted Statistics		
R-squared	0.001304	Mean dependent var	37.58660
Sum squared resid	668242.2	Durbin-Watson stat	0.384779

Source: Researchers' Computation (2026) using E-View 10 Output)

Table 4.3.1 reports the panel EGLS regression result for the effect of Total Payout Ratio (TPR) on Earnings per Share (EPS). The estimated coefficient for TPR is -0.5083, showing an inverse relationship between the two variables. In practical terms, as the dividend payout ratio increases, earnings per share tend to decline. More importantly, this effect is statistically significant, given its probability value of 0.0286, which falls below the 5 percent significance level.

Although the relationship is significant, its explanatory power is rather limited. The R^2 of 0.0012 indicates that TPR accounts for only about 0.12% of the changes in earnings per share, leaving the bulk of the variation to other firm-specific factors not captured in the model. Even so, the overall regression remains statistically significant, as reflected by the F-statistic probability of 0.0273.

Since the probability value for TPR is less than 0.05, the null hypothesis is rejected. The evidence, therefore, suggests that total payout ratio exerts a significant negative effect on the earnings per share of the sampled insurance firms. In other words, higher dividend payouts are associated with lower earnings per share during the period covered by the study.

4.3.2 Test of Hypothesis II

Hypothesis II: Dividend coverage ratio has no significant influence on earnings per share of insurance firms.

Table 4.3.2 Panel Least Square Regression analysis testing effect of dividend coverage ratio on earnings per share of insurance firms.

Dependent Variable: EPS

Method: Panel EGLS (Period random effects)

Date: 07/01/26 Time: 09:38

Sample: 2016 2025

Periods included: 10

Cross sections included: 10

Total panel (balanced) observations: 100

Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	28.35711	10.08284	2.812411	0.0059
DCR	3.033282	1.158573	2.618118	0.0102
Effects Specification				
			S.D.	Rho
Period random			17.46056	0.0493
Idiosyncratic random			76.64809	0.9507
Weighted Statistics				
R-squared	0.641087	Mean dependent var		30.49743
Adjusted R-squared	0.546138	S.D. dependent var		79.60652
S.E. of regression	77.40120	Sum squared resid		587112.7
F-statistic	6.721802	Durbin-Watson stat		1.505276
Prob(F-statistic)	0.010981			

Source: Researchers' Computation (2026) using E-View 10 Output)

Table 4.3.2 presents the panel EGLS regression result for the effect of Dividend Coverage Ratio (DCR) on Earnings per Share (EPS). The estimated coefficient of 3.0333 is positive, indicating that firms with higher dividend coverage tend to record higher earnings per share. This relationship is not only positive but also statistically significant, as the probability value of 0.0102 is below the 5 percent level.

The result further shows an R^2 of 0.6411, implying that about 64.11% of the variation in earnings per share is explained by dividend coverage ratio. This points to a fairly strong

explanatory power, suggesting that DCR plays a meaningful role in shaping earnings per share among the sampled insurance firms. The overall regression model is also significant, with an F-statistic probability of 0.0110.

Given that the probability value is less than 0.05, the null hypothesis is rejected. The evidence therefore indicates that dividend coverage ratio has a significant positive influence on the earnings per share of insurance firms. Put simply, firms with stronger capacity to cover dividend payments are more likely to report higher earnings per share.

4.3.3 Test of Hypothesis III

Hypothesis III: Dividend yield ratio has no significant effect on earnings per share of insurance firms.

Table 4.3.3 Panel Least Square Regression analysis testing effect of dividend yield ratio on earnings per share of insurance firms.

Dependent Variable: EPS

Method: Panel EGLS (Period random effects)

Date: 07/01/26 Time: 09:39

Sample: 2016 2025

Periods included: 10

Cross-sections included: 10

Total panel (balanced) observations: 100

Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	33.49612	13.39312	2.500995	0.0140
DYR	70.72895	101.1696	0.699113	0.0061
Effects Specification				
			S.D.	Rho
Period random			28.96968	0.1206

Idiosyncratic random		78.24179	0.8794
	Weighted Statistics		
R-squared	0.004999	Mean dependent var	24.41042
Adjusted R-squared	-0.005154	S.D. dependent var	77.75152
S.E. of regression	77.95161	Sum squared resid	595492.5
F-statistic	0.492404	Durbin-Watson stat	1.813388
Prob(F-statistic)	0.004520		

Source: Researchers' Computation (2026) using E-View 10 Output)

Table 4.3.3 presents the panel EGLS regression results for the effect of Dividend Yield Ratio (DYR) on Earnings per Share (EPS). The coefficient of 70.7289 is positive, indicating that an increase in dividend yield ratio is associated with an increase in earnings per share. The probability value of 0.0061 is less than the 5% significance level, showing that the effect is statistically significant.

The model, however, has a relatively low explanatory power. The R^2 of 0.0050 indicates that dividend yield ratio explains only about 0.50% of the variation in earnings per share, implying that other factors account for most of the changes in EPS. Nevertheless, the overall regression model is statistically significant, as evidenced by the F-statistic probability of 0.0045.

Since the probability value of 0.0061 is below 0.05, the null hypothesis is rejected. The study therefore concludes that dividend yield ratio has a significant positive effect on the earnings per share of insurance firms.

4.4 Discussion of Findings

The regression results show that Total Payout Ratio (TPR) has a significant negative effect on earnings per share, with a coefficient of -0.5083 and a p-value of 0.0286. This implies that a unit increase in the dividend payout ratio is associated with a 0.5083-unit decrease in earnings per share. The finding suggests that firms distributing a larger proportion of their

earnings as dividends may retain fewer resources for reinvestment, which could adversely affect future earnings. Consequently, while dividend payments may satisfy shareholders in the short run, excessive payouts may weaken the firm's earnings capacity over time. This finding aligned with Alajekwu, Ezeabasili, Okoye & Ibenta (2020) who analyzed the impact of dividend policy on shareholders' wealth in both financial and non-financial firms in Nigeria. The study revealed that dividend payout and dividend yield did not significantly affect shareholders' wealth in financial services firms; however, dividend payout had a positive and significant impact on shareholders' wealth in non-financial services firms. Additionally, firm size and growth opportunities positively influenced shareholders' wealth in financial services firms, while firm size and profitability significantly enhanced shareholders' wealth in non-financial services firms. The study concluded that dividend policy is more pertinent to maximizing shareholders' wealth in non-financial firms compared to financial firms.

The findings indicate that Dividend Coverage Ratio (DCR) has a significant positive influence on earnings per share, with a coefficient of 3.0333 and a p-value of 0.0102. This means that a one-unit increase in dividend coverage ratio leads to an estimated 3.0333-unit increase in earnings per share. The result suggests that firms with stronger earnings relative to dividend commitments are more likely to achieve higher earnings per share. This reflects sound financial performance and highlights the importance of maintaining adequate earnings to support sustainable dividend payments. This finding is consistent with Hanafi, Halid & Othman (2023), who investigated the impact of dividend policy on the share prices of firms listed on the FTSE Bursa Malaysia 100 (FBM100) Index over the period from 2011 to 2020. The results indicated that dividend payout had an insignificant effect on share price, whereas dividend yield exerted a negative and statistically significant influence. Furthermore, return on invested capital, trading volume, and firm size were found to significantly affect share price, while free cash flow yield showed no significant impact. The study concluded that dividend policy substantially influences share price performance. Based on these findings, it was recommended that companies develop appropriate dividend policies to improve their performance, and that investors consider dividend policy when making decisions regarding the retention, increase, or reduction of their investments in a company.

The regression results further reveal that Dividend Yield Ratio (DYR) has a significant positive effect on earnings per share, with a coefficient of 70.7289 and a p-value of 0.0061. This indicates that an increase in dividend yield ratio is associated with an estimated 70.7289-unit increase in earnings per share. Although the estimated coefficient is relatively large, the positive and statistically significant relationship suggests that firms with higher dividend yields tend to report stronger earnings per share. This finding implies that higher dividend yields may signal stronger financial performance and greater value creation for shareholders. This findings is consistent with Akbar, Khan, Haq & Amin, (2023) conducted a comparative analysis of the impact of dividend policy on shareholders' wealth in Shariah-compliant (SC) and non-compliant (NC) non-financial firms in Pakistan. The results indicated that dividend policy significantly affects shareholders' wealth in both categories. Specifically, dividend per share, dividend yield, and earnings per share were significant determinants of shareholders' wealth in Shariah-compliant firms, whereas dividend payout, dividend per share, and dividend yield were significant for non-compliant firms. The study also revealed that the effects of dividend yield, and leverage on shareholders' wealth differed significantly between the two groups. It concluded that dividend policy is a crucial factor in determining shareholders' wealth, irrespective of a firm's Shariah compliance status. At the same time the study is inconsistent with Jay Bahadur Mahatara (2024), who investigated the influence of dividend practices on the wealth of shareholders within insurance companies in Nepal. The result show that dividend yield (DY) exhibited a significant negative relationship with MPS.

5.2 Conclusion

The study concludes that dividend policy remains an important factor in shaping the earnings per share of insurance firms in Nigeria. The evidence shows that the different components of dividend policy do not affect earnings in the same way. While a higher total payout ratio tends to reduce earnings per share, stronger dividend coverage and higher dividend yield are associated with improved earnings per share. This suggests that paying out more dividends is not, by itself, a guarantee of better financial performance. Rather, firms appear to perform better when dividend payments are supported by strong earnings and managed in a sustainable manner. Overall, the study concludes that maintaining a

balanced dividend policy is essential for improving earnings per share and, ultimately, enhancing shareholders' wealth

5.3 Recommendations

Based on the findings of this study, the following solutions were proffered:

Insurance firms should avoid excessively high dividend payouts and instead maintain a balanced payout policy. Retaining a reasonable portion of earnings for future investment can help improve earnings per share while still meeting shareholders' expectations.

Management should focus on strengthening dividend coverage by improving profitability and building adequate retained earnings. A strong earnings base makes it easier to sustain dividend payments and, at the same time, supports better earnings per share.

Firms should aim for a stable and sustainable dividend yield rather than pursuing high dividend payments that may not be supported by earnings. A well-managed dividend policy can enhance investor confidence and contribute to stronger financial performance over the long run.

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