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FIRM ATTRIBUTES AND DIVIDEND POLICY OF NIGERIAN BANKS

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Abstract
This study ascertained the effect of firm attributes on dividend payout of Nigerian banks. The profitability and bank size were used as the independent variables. Ex Post Facto research design was used for the study. Data were generated from the audited annual reports and accounts of the sampled banks in Nigeria from 2015 to 2024. The study used multiple regression analysis to test the hypotheses. From the result, the study revealed that profitability has a negative significant effect on dividend payout. However, the study revealed that firm size has a positive significant effect on dividend payout. On this note, the study recommended among others that the bank management need to improve financial capacity to meet shareholder expectations and support firm growth initiatives to enhance shareholder wealth.

Keywords: Firm attribute, Dividend payout, Profitability and Bank size

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Introduction

Dividend policy remains one of the most controversial decisions in corporate finance, as it determines how much of a company's profits are distributed to shareholders and how much is retained to fund capital growth and consolidation. For shareholders, especially those in emerging markets where capital gains are uncertain, dividends often represent tangible returns and signals of financial health (Mustapha & Abdullahi, 2023; Ademola et al., 2024).

Recent regulatory developments further emphasize the importance of understanding banks' dividend decisions. For example, the Central Bank of Nigeria (CBN) has issued guidelines aimed at strengthening capital buffers and promoting prudent capital conservation, including temporary restrictions on dividend payments to banks under certain supervisory conditions (Central Bank of Nigeria, 2025). Such interventions demonstrate that dividend decisions in the banking sector are influenced not only by internal indicators, but also by external monitoring aimed at protecting the financial system as a whole. This reality makes examining the dividend policies of listed DMBs timely and appropriate.

One of the attributes of a company is its size, which is usually defined by the natural logarithm of total assets. Large banks often benefit from economies of scale, greater diversification, greater market power, and easier access to capital markets. These advantages allow large banks to better mitigate earnings volatility and maintain consistent dividends, resulting in more stable dividend distributions. Data from Nigeria's DMB supports the idea that bank size is positively related to dividend payout ratio, suggesting that larger banks tend to maintain higher dividends than smaller banks (Ademola et al., 2024). As well as financial strength, size can also reflect reputational issues. Large publicly traded banks may face increased market expectations to maintain dividend stability to attract and retain shareholders. From a risk and prudence perspective, excessive leverage may limit dividend payouts as regulators may prefer banks to replenish capital rather than distribute profits (Ademola et al., 2024; Central Bank of Nigeria, 2025). Although there has been considerable research on dividend policy, results have been mixed across contexts, and the banking sector has unique characteristics that may alter the direction and magnitude of the effects.

In non-financial companies, banks' decisions regarding dividend payments are influenced by less pronounced constraints such as capital adequacy standards, reserve requirements, liquidity management, and regular supervisory interventions. Nigeria's banking environment is also experiencing structural changes, with increased regulatory sensitivity to capital retention and risk exposure, which may impact repayment practices differently than the prevailing business situation (Ajiboye et al., 2024; Central Bank of Nigeria, 2025). This reality justifies further empirical research on how firm characteristics affect the dividend payout ratio of listed DMBs in Nigeria.

Despite the strategic importance of Nigeria's banking sector, listed depository banks continue to face a constant tension between returning profits to shareholders through dividend payments and capital enhancement through profit retention. Investors often demand stable or increasing dividends as a sign of efficiency and reliability, but banks operate in an environment where profitability alone does not guarantee the ability to pay dividends. Liquidity requirements, credit risk reserves, and prudential requirements can limit the ability to distribute profits even if reported profits are positive (Mustapha & Abdullahi, 2023).

This issue has become more important as regulators increasingly focus on capital preservation and resilience in the face of macroeconomic and financial stress. Evidence suggests that banks' profitability and size can contribute to high dividend payout.

Some relevant studies in Nigeria focus on dividend policy and firm value or financial performance, rather than isolating how specific firm characteristics jointly explain the determination of dividend payout in the banking sector.

This present study therefore sought to assess the effect of firm attributes on the dividend payout of Nigerian banks. Specifically, the study intended to:

1. Ascertain the effect of profitability on the dividend payout of Nigerian banks.
2. Determine the effect of firm size on the dividend payout of Nigerian banks.

Review of Related Literature

Firm Attributes

Corporate characteristics are particularly important because they directly impact a bank's ability to comply with regulatory requirements while delivering benefits to shareholders. For example, even highly profitable banks can limit dividends if they have high leverage or low liquidity reserves. Research in emerging markets consistently shows that firm-specific characteristics have a greater influence on dividend policy decisions than macroeconomic factors (Ayvazyan et al., 2006; Baker and Powell, 2012). Recent evidence from Nigeria also supports the importance of firm characteristics in explaining dividend payout behavior among chartered deposit banks (Ademola et al., 2024).

Profitability represents the ability of a company to generate profits from its assets and capital and is typically measured using return on assets (ROA) and return on equity (ROE). In Nigeria, several studies have confirmed the relationship between profitability and dividends. Kumshe et al (2021) and Ademola et al. (2024) reported that profitability has a significant positive impact on the dividend payout ratio of publicly traded depository banks. This suggests that strong earnings can improve a bank's ability to pay dividends while maintaining operational stability. Firm size is typically measured by the natural logarithm of total assets and reflects the size and scope of the business. Larger companies tend to be more diversified, have economies of scale, and have better access to capital markets.

These advantages often lead to more stable income and predictable dividend payments (Denis and Osobov, 2008). Studies such as Mustapha and Abdullahi (2023) and Ademola et al. (2024) demonstrate that firm size has a positive impact on the dividend payout ratio of publicly traded custodian banks. Large banks appear to be in a better position to maintain dividend payments while absorbing regulatory and market shocks.

Dividend Payout

When it comes to a company's dividend policy, how much of its profits it hands out to shareholders as dividends is a pretty common way to look at it in research. Back in the day, theories like the one from Miller and Modigliani in 1961 suggested that in an ideal world with no hiccups, dividends wouldn't actually change how much a company is worth. But, as time went on, other ideas came up, pointing out that things like market issues, what signals a company is sending, problems with management, and taxes all play a role in why dividend choices are important.

Basically, a company's dividend choices are influenced by how well it's doing financially, how risky it is, how much cash it has on hand, how much debt it carries, and what the rules say. Looking at studies from Nigeria, it seems like companies with better profits, more cash, and bigger operations tend to pay out more dividends, while those with more debt pay out less. This makes sense because banks have to juggle giving money back to investors with following rules and also making sure they can stick around for the long haul.

Empirical Review

Ademola, Al-Faryan, and Kazeem looked into profitability and how much money companies paid out as dividends in their 2024 study, which was called "Determinants of Dividend Payout Ratio of Nigerian Deposit Money Banks." They used a research method that looked back at past data, pulling information from the CBN Statistical Bulletin and official yearly financial reports. Their research covered a long period, including times of big changes in the banking sector, and used data from banks over an extended timeframe, both before and after mergers. The researchers used basic statistical analysis, looked at how things were related, and employed panel least square regression. They also ran tests like the Hausman test and checked if their data was stable before making their calculations. The dividend payout ratio was figured out by dividing the dividends paid by the profit left after taxes. In a separate study from 2024, Nguyen and Bui investigated "Firm Characteristics and Dividend Policy: Evidence from ASEAN Emerging Markets." Their main goal was to see how things specific to a company, especially its size, affected decisions about paying out dividends in emerging economies. They crunched the numbers using panel regression methods, including fixed-effects and random-effects models, and did checks to make sure their results were reliable regarding variations and underlying causes. They found that company size had a positive and meaningful impact on dividend payouts, meaning bigger companies tended to pay out more and steadier dividends. Ademola and Oladipo, in 2023, explored how company size played a part in dividend decisions in their research titled "Firm Size and Dividend Policy of Quoted Firms in Nigeria." They analyzed data collected over multiple years using multiple regression analysis within a panel data setup. Their findings indicated that company size had a positive and significant influence on the dividend payout ratio, suggesting that larger companies were more reliable in their dividend payments compared to smaller ones.

Tuoyo, Ashaolu, Debo-Ajagunna, and Oladipo (2023) looked into how profitability and dividend payouts relate for publicly traded money deposit banks in Nigeria. Their main goal was to figure out the connection between a bank's dividend choices and how well it performed, especially focusing on things like return on assets (ROA). They got their information from financial reports of banks listed on the Nigerian Exchange Group. To make sense of the data, they used basic statistics and multiple regression to see how dividend policy and performance were linked. They discovered that a higher ROA was linked to higher dividend per share, meaning more profitable banks tended to pay out more dividends. They also found that earnings figures, like earnings per share, were positively related to dividend policy, supporting the idea that good profits lead to dividend payments.

In a related study, Rahman and Rashid (2022) explored what influences dividend policy in their paper, "Firm Size, Ownership Structure and Dividend Policy: Evidence from Manufacturing Firms." Their main aim was to see how a company's size and other characteristics affected its dividend policy in manufacturing companies. They used a panel study approach, analyzing data from the yearly reports of manufacturing firms on the Dhaka Stock Exchange. They measured company size using the logarithm of total assets and dividend policy by looking at dividend per share and the payout ratio. They used panel regression to analyze the data. Their findings suggested that company size had a significant positive impact on dividend payouts, indicating that bigger manufacturing companies were more prone to giving out dividends, possibly because they experienced less volatile earnings and had greater market power. Cyril's 2022 research looked into how measures of profitability like earnings per share (EPS), return on assets (ROA), return on equity (ROE), and the year's profit affect dividend payouts, specifically dividend per share, for Nigerian deposit money banks. They used an ex post facto approach and secondary data from seven banks listed between 2011 and 2020. To analyze the data, they used regression analysis along

with descriptive statistics. The results showed that EPS had a notable positive impact on dividend per share, meaning that when earnings per share went up, banks generally gave shareholders bigger dividends. However, ROE didn't show a significant effect, suggesting that just looking at returns on equity might not always be enough to explain dividend choices for these banks during that time.

In 2018, Dibia carried out a study called "Determinants of Dividend Policy in Nigerian Banks" to see if factors specific to a company, especially profitability, had a significant impact on dividend policies in Nigerian banks. This study also used an ex post facto design and secondary data from fifteen Nigerian banks between 2006 and 2013. Dividend policy was analyzed as depending on profitability (measured by ROA and ROE), company size, debt levels, and previous dividends. They used fixed effects regression to analyze the data. The findings indicated that profitability, as measured by ROA, positively and significantly influenced dividend policy (dividend payouts), suggesting that banks with higher profits were more inclined to distribute dividends.

Al-Najjar and Kilincarslan (2016) investigated whether company size significantly impacts decisions about dividend payouts for non-financial companies. They used an ex post facto design with secondary data from companies listed on the Istanbul Stock Exchange. The researchers utilized logit regression and panel data methods for their analysis, looking into the likelihood

Methodology

This study employed an ex post facto research design. This design is considered appropriate because the study relied on historical financial data that already exist and cannot be manipulated by the researcher.

The population of the study consists of Nigerian banks listed on the Nigerian Exchange Group (NGX)**.** Given the availability of relevant data, the study selected ten banks in Nigeria. This approach is expected to enhance the robustness and generalizability of the study's findings.

Method of Data Collection

Data were extracted from the audited annual reports and accounts of the sampled banks in Nigeria. The data to be collected covered variables such as dividend payout, profitability, and firm size from 2015 to 2024.

Method of Data Analysis

The data were analyzed using both descriptive and inferential statistical techniques. Descriptive statistics such as mean, standard deviation, minimum, and maximum values was used to describe the characteristics of the variables. For inferential analysis, panel data regression techniques was used to ascertain the effect of firm attributes on dividend policy and tested at the 5% level of significance using e-view 9.0.

Model Specification

To examine the effect of firm attributes on dividend policy, the study specified a panel regression model as follows:

$DPO_{it}=\beta 0+\beta_1 ROE_{it}+\beta_2 BSZit+\mu it$

Where:

- DPO_{it} = Dividend Payout of bank *i* in year *t*
- ROEit = Return on Equity of bank *i* in year *t*

- LOGBSZit= Bank Size (measured by the natural logarithm of total assets) of bank *i* in year *t*
- β0 = Constant term
- β1–β2 = Regression coefficients
- μit = Error term
- i = Cross-sectional units
- t = Time dimension (years)

Data Analysis

Table 1: Descriptive Statistics

	DPO	ROE	LOGBSZ
Mean	65.71283	0.145796	9.933166
Median	0.193272	0.170082	9.896304
Maximum	231.7386	0.210367	10.60828
Minimum	0.021691	1.14E-05	9.413523
Std. Dev.	102.3094	0.076048	0.375216
Skewness	0.902459	-1.313919	0.387707
Kurtosis	1.853109	3.009130	2.045948
Jarque-Bera	5.716361	8.632024	1.889353
Probability	0.057373	0.013353	0.388805
Sum	1971.385	4.373867	297.9950
Sum Sq. Dev.	303549.4	0.167714	4.082815
Observations	30	30	30

Source: E-views 9.0 Analytical Result (2026)

Interpretation

The above Table shows the descriptive statistics of the dependent and independent variables of the study with an observation. The mean of dividend payout (DPO) is 65.713. The standard deviations showed 102.309, while maximum value is 231.739 and minimum value is 0.022. The mean value of profitability (ROE) is 0.146. Standard deviation is 0.076, while maximum value is 0.210 and minimum value is 1.140. Bank size (LOGBZS) has mean of 9.933 and standard valued at 0.375. The maximum valued at 10.608 and minimum value of 9.414. Skewness is the measure of how much the probability distribution of a random variable deviates from the normal distribution. Table 1 delineates that the probability distribution for DPO (0.902) and FSZ (0.388) are positively skewed distribution, while the probability distribution for ROE (-1.314) negatively skewed distribution. The probability of the Jarque-Bera Statistics valued at DPS = 0.06; ROE =0.013 and FSZ =0.388.

Test of Hypotheses

Table 2 Panel Least Square Regression Analysis testing the effect of DPO, ROE and BSZ

Dependent Variable: DPO
Method: Panel Least Squares
Date: 03/14/26 Time: 09:56
Sample: 2015 2024
Periods included: 10
Cross-sections included: 3
Total panel (balanced) observations: 30

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1176.458	250.5288	-4.695901	0.0001
ROE	-735.9401	119.3023	-6.168699	0.0000
LOGBSZ	135.8548	24.17988	5.618505	0.0000

R-squared	0.855438	Mean dependent var	65.71283
Adjusted R-squared	0.844729	S.D. dependent var	102.3094
S.E. of regression	40.31441	Akaike info criterion	10.32593
Sum squared resid	43881.80	Schwarz criterion	10.46605
Log likelihood	-151.8890	Hannan-Quinn criter.	10.37076
F-statistic	79.88536	Durbin-Watson stat	1.400690
Prob(F-statistic)	0.000000		

Source: E-View 9.0

Table 2 tested the regression analysis between profitability (ROE), Bank size (BSZ) and dividend payout (DPO). Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to variation in the independent variable. From the findings in the table 2, the value of adjusted R squared was 0.84, showing that there was variation of 84% on dividend payout due to variation in ROE and BSZ. This shows that 84% changes in dividend payout ratio of the firms could be accounted for by independent variables; ROE and BSZ.

The Durbin-Watson Statistic of 1.401 suggested that the model contain serial correlation. The F-statistic of the regression is equal to 79.88536 and the associated F-statistical probability is equal to 0.000000, showing that ROE and BSZ have statistically significant effect on dividend payout of the deposit money bank, so the alternative hypothesis was accepted and the null hypothesis was rejected.

Hypothesis 1

Ho_1: Profitability has not significantly affect dividend payout of Nigerian banks.

The probability of the slope coefficients indicate that; P-value =0.000<0.05). The co-efficient value of; β_1= -735.9401; t = -6.168699, showing that profitability has a significant effect on the dividend payout of Nigerian banks.

Since the P-value of 0.000 is less than the critical value of 5% (0.05), the study upheld that profitability has a negative significant effect on the dividend payout of Nigerian banks at 5% level of significance.

Hypothesis 2

H_{02}: Firm size has not significantly affect dividend payout of Nigerian banks.

The probability of the slope coefficients indicate that; P-value =0.000<0.05). The co-efficient value of; β_1=135.8548; t =5.618505, showing that bank size has a significant effect on the dividend payout of Nigerian banks.

Since the P-value of 0.000 is less than the critical value of 5% (0.05), then, it would be upheld that bank size has positive significant effect on the dividend payout of Nigerian banks at 5% level of significance.

Discussion and Conclusion

This study ascertained the effect of firm attributes on dividend payout of Nigerian banks. The profitability and bank size were used as the independent variables. The study used multiple regression analysis to test the hypotheses from 2015 to 2024. From the data analyzed and tested, hypothesis one found that profitability has a negative significant effect on dividend payout. This findings disagreed with Dibia (2018) findings showed that profitability measured by ROA had a positive and statistically significant effect on dividend policy (dividend payouts), implying that more profitable banks were more likely to pay dividends. Also, Tuoyo, Ashaolu, Debo-Ajagunna, and Oladipo (2023) study found a positive statistically significant relationship between ROA and dividend per share, indicating that banks with stronger profitability relative to assets tended to pay higher dividends.

Hypothesis 2 revealed that bank size has a positive significant effect on dividend payout. The finding is in conformity with Nguyen and Bui (2024) whose study revealed that firm size has a positive and statistically significant effect on dividend payout, indicating that larger firms were more likely to pay higher and more stable dividends. Similarly, Ademola and Oladipo (2023) results showed that firm size exerted a positive and significant effect on dividend payout ratio, suggesting that larger firms were more consistent in dividend payments than smaller firms.

The study concluded that dividend policy remains one of the most controversial decisions in corporate finance, as it determines how much of a company's profits are distributed to shareholders and how much is retained to fund capital growth and consolidation.

From the findings, this study suggested the followings;

1. Since the profitability of the firm is negative significant, the study suggested that bank management should pursue strategies that improve operational efficiency and asset profitability, since stronger profitability makes dividend payments more sustainable and improves investor confidence, especially in a market where shareholders pay close attention to dividend stability.

2. The study recommended that bank managers need to improve financial capacity to meet shareholder expectations and support firm growth initiatives to enhance shareholder wealth.

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