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Financial Attributes and Dividend Policy of Listed Insurance Companies in Nigeria

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Abstract
The study utilises a correlational research design to investigate the influence of financial characteristics on the dividend policies of listed insurance companies in Nigeria over ten years. The research population includes twenty (20) insurance firms listed on the Nigerian Stock Exchange as of December 31, 2023, covering the period from 2014 to 2023. A sample of fifteen (15) insurance companies was selected using a two-point filter and purposive sampling technique. Data analysis was conducted using the Generalized Least Squares (GLS) random effects regression method. The findings reveal that liquidity, profitability, and leverage significantly affect the dividend policies of Nigeria's listed insurance firms. Based on these results, the study recommends that Nigerian insurance companies reassess their dividend policies in light of the negative relationship between liquidity, profitability, and dividend payouts. Firms should prioritise sustainable, long-term profitability, balancing reinvestment needs and dividend distribution. A strategic profit allocation approach dedicating part of the profits to dividends while reinvesting the remainder in innovation and expansion can enhance shareholder value and the company's overall growth.

Keywords: Dividend; Liquidity; leverage; Profitability; Insurance Companies

1.1 INTRODUCTION

A dividend represents the portion of a company's profits distributed to its shareholders, serving as the return on their investment. Management is responsible for allocating profits to meet the needs of various stakeholders, with equity shareholders prioritised due to their exposure to the highest risk. When firms generate profits, these earnings are typically shared among shareholders in proportion to their ownership, with the distributed portion known as a dividend. Dividends can be cash or shares, rewarding investors for their contributions. Establishing a dividend policy is essential for guiding how dividends are allocated, and such policies can significantly influence a company's valuation.

For any enterprise, including insurance firms, dividend policies are pivotal financial decisions determining the frequency and size of dividend payouts. These policies reflect the company's financial health and are key in shaping investor perceptions and market value. Financial factors such as profitability, liquidity, and leverage are crucial in shaping dividend policy decisions in

the insurance sector. The Company, with a well-structured dividend policy, signals to investors the firm's stability and growth prospects. The insurance industry fosters economic stability and development by facilitating risk management and capital mobilisation, which is essential for long-term infrastructural growth (Chukwuma & Ekene, 2011). Therefore, adequate liquidity, profitability, and leverage management are vital for ensuring robust dividend policies and maintaining the sector's contribution to national economic objectives.

Dividend policies are critical to corporate financial strategy, reflecting a firm's ability to generate profit and efficiently allocate resources. In the case of listed insurance firms, dividend decisions are shaped by liquidity, profitability, and leverage. However, while extensive international research has examined the link between these variables and dividend policies, the specific context of Nigeria's insurance sector remains underexplored.

1.2 Statement of the Problems

Nigeria's insurance industry faces complex challenges, including economic instability, stringent regulatory requirements, and rapidly evolving market dynamics. These factors create an unpredictable environment influencing insurance firms' financial strategies, particularly regarding liquidity, profitability, and leverage. While dividend policies are critical for maintaining investor confidence and ensuring long-term growth, the interplay between these financial attributes and dividend decisions in the Nigerian context remains poorly understood.

Despite global studies linking profitability to higher dividend pay-outs and suggesting that liquidity and leverage influence dividend decisions, findings are often inconsistent and context-specific. Firms with strong liquidity and low leverage typically distribute higher dividends in developed economies. However, in Nigeria's volatile economic landscape, insurance companies may adopt different strategies, such as retaining earnings to navigate uncertainties or leveraging dividend payouts to project stability. This divergence highlights the need for localised research to clarify how financial attributes collectively shape dividend policies in Nigeria's insurance sector.

Existing literature primarily focuses on dividend policies in stable, developed markets, with limited emphasis on emerging economies like Nigeria. While profitability is widely acknowledged as a key driver of dividend distribution, the ambiguous role of liquidity and the counterintuitive impact of leverage in Nigeria's insurance sector present a significant research gap. Most available studies examine these factors in isolation, neglecting the holistic interaction between liquidity, profitability, and leverage within Nigeria's unique regulatory and economic context. This study aims to bridge this gap by providing empirical evidence on how these financial attributes jointly affect dividend policies among listed insurance firms in Nigeria. This research will contribute to the body of knowledge by offering insights into the nuanced relationship between financial attributes and dividend policies in Nigeria's insurance sector. It will advance contextual understanding, inform policy and practice, support strategic decisions, and stimulate further research.

1.3 Objectives of the Study

The study's main aim is to examine the effect of financial attributes on the dividend policy of listed insurance companies in Nigeria. The specific objectives are to:

i. Examine the effect of liquidity on the dividend policy of listed insurance companies in Nigeria.
ii. Assess the effect of profitability on the dividend policy of listed insurance companies in Nigeria.
iii. Examine the effect of leverage on the dividend policy of listed insurance companies in Nigeria.

In line with these specific objectives, the following hypotheses were formulated in null form for the study:

HO_1 Liquidity does not significantly affect the dividend policy of listed insurance companies in Nigeria.

HO_2 Profitability has no significant effect on the dividend policy of listed insurance companies in Nigeria.

$H0_3$ Leverage does not significantly affect the dividend policy of listed insurance companies in Nigeria.

2.0 Review of Related Literature

2.1 Conceptual Issues

2.1.1 Dividend Policy

Dividend policy refers to a company's strategic approach to determining the portion of its net income distributed to shareholders as dividends. Uwuigbe (2013) highlights that dividend policy dictates how much profit is shared, while Nabeel and Hussain (2017) emphasise that it represents a method of allocating post-tax earnings among shareholders. Ahmad and Khan (2022) argue that while dividends reward shareholders, they may limit a firm's ability to reinvest in growth opportunities. This creates a balancing act for financial managers seeking to optimise shareholder value while ensuring sustainable growth. Understanding firm-specific factors influencing dividend policies is essential for investors to align their portfolios with desired returns.

Financial Attributes

Financial attributes reflect a company's performance and are often evaluated through profitability, liquidity, and leverage. Okafor et al. (2019) note that turnover and revenue growth are progress indicators, while expenses, revenue, and financial metrics are also included in assessing a firm's success. Eze and Nwankwo (2020) argue that profitability and liquidity drive organisational goals, reinforcing that financial performance stems from sound policy implementation and returns on investment.

Liquidity

Liquidity denotes a company's capacity to fulfil short-term obligations by converting assets into cash. Otekunrin et al. (2019) assert that liquidity is crucial for maintaining operations and avoiding insolvency. Poor liquidity management can restrict investment in productive assets, negatively affecting profitability. Nabeel and Hussain (2017) outline liquidity ratios like the current ratio, quick ratio, and cash ratio as critical indicators of financial health. Panigrahi

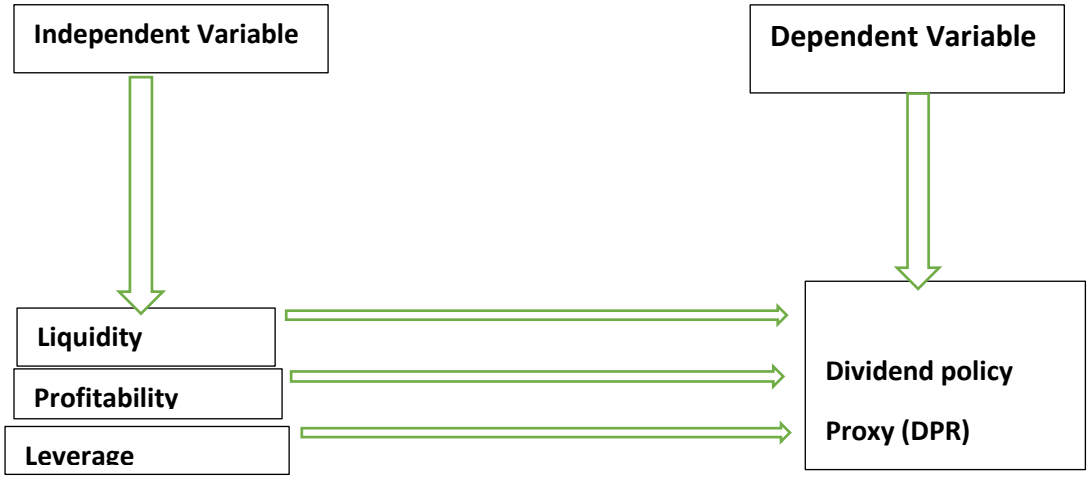
(2013) expands on liquidity management, describing it as a framework for ensuring sufficient cash to meet daily obligations, thereby safeguarding financial stability.

Profitability

Profitability measures the firm's ability to generate earnings over expenses, reflecting its financial success. Pandey (2018) stresses that profitability depends on leverage, interest margins, and income sources. Onyema and Johnson (2023) suggest that profitability extends beyond immediate financial returns to long-term sustainability. It is often expressed as net income relative to total assets, portraying resource utilisation efficiency (Baskerville, 2017; Kumar & Gupta, 2021).

Leverage

Leverage gauges how much a firm uses debt to finance its operations. Enekwe et al. (2014) describe financial leverage as the ratio of equity to debt, with implications for asset financing. Firms with higher leverage may experience constrained dividend payouts due to debt obligations; however, in some contexts, leverage may signal financial stability and attract investors. The diagram below shows the Independent variables and dependent variables. The independent variables are liquidity, profitability, and leverage ratios. In contrast, the dependent variable is the dividend policy proxy by the dividend payout ratio (DPR), with firm size as a control variable.



2.3 Empirical Review

Using fixed-effect regression analysis, Osagie and Akintoye (2024) explored the effects of liquidity, profitability, and leverage on dividend policies in Nigerian insurance firms from 2018 to 2023. The study found that profitability and liquidity positively influence dividends, while leverage negatively affects payouts. Focusing on a limited sample of 12 firms may restrict generalizability across the industry. Similarly, Smith and Johnson (2023) examined firm size, liquidity, and profitability on U.S. insurance firms' dividend policies from 2017 to 2022. Profitability and liquidity were significant predictors, while firm size had no effect. The

exclusion of leverage as a factor limits the study's ability to account for debt's influence on dividend policy.

Onyema and Johnson (2023) assessed liquidity, profitability, and leverage in Nigerian insurance firms between 2016 and 2022, finding similar results to Osagie and Akintoye (2024). The use of judgmental sampling could introduce bias and affect the robustness of the findings. Also, Abdullah and Rahman (2023) analysed profitability, growth opportunities, and firm age in Malaysian insurance firms (2015–2022). Profitable and older firms paid higher dividends. The study neglects liquidity and leverage, both crucial in dividend policy decisions. Adedeji et al. (2022) investigated Nigerian insurance firms' profitability metrics and dividend policies (2017–2021) and found that return on equity significantly influenced dividend payouts. The study overlooks liquidity and leverage, providing an incomplete view of financial factors influencing dividends. Chen et al. (2022) examined the impact of firm size, liquidity, and leverage on Chinese insurance firms (2016–2021). Liquidity and size promoted consistent dividends. Profitability, a key driver of dividend policy, was excluded from the analysis.

Chukwuma and Ekene (2022) analysed liquidity constraints and dividends in Nigerian firms (2016–2021). Liquidity strongly influenced payouts. The absence of profitability and leverage limits the comprehensive understanding of dividend determinants. Similarly, Ahmed and Khan (2022) studied firm characteristics in Pakistan's insurance sector (2014–2020), revealing that profitability boosts dividends while growth opportunities reduce them. Market dynamics and external factors were not considered, limiting the broader applicability of findings. In another study, Olowokere and Falade (2021) focused on leverage and dividends in Nigerian insurance firms (2015–2020) and found high leverage reducing payouts. Profitability and liquidity were not factored into the analysis, missing critical influences on dividend policy.

Dlamini and Ncube (2021) investigated liquidity, profitability, and leverage in South African insurance firms (2015–2020). Liquidity positively influenced dividends, while leverage had a negative effect. Firm size and growth opportunities were omitted, potentially skewing the comprehensive nature of dividend determinants. Similarly, Uchenna and Nweke (2021) examined Nigerian insurance firms' profitability, liquidity, and leverage (2015–2020). Liquidity and profitability positively affected dividends. The study did not explore external economic conditions that could influence dividend policy. Olatunji and Adeyemi (2021) focused on leverage and dividends in Nigerian insurance firms (2013–2019), finding that highly leveraged firms retained earnings. Profitability and liquidity were not examined, limiting the holistic understanding of dividend determinants.

Kusumanisita and Minanti (2021) analysed liquidity, leverage, and profitability in Indonesian firms (2007–2016), showing a positive link between liquidity and dividends. The outdated dataset may reduce relevance to current financial conditions. Also, Lee and Tan (2020) assessed Singaporean insurance firms' profitability, growth, and capital structure (2014–2019) and found higher profitability and lower debt increased dividends. Cash flow stability and liquidity were not analysed, omitting crucial dividend drivers. At the same time, Adebayo et al. (2020) explored leverage and dividend decisions in Nigerian firms (2014–2019) and found high leverage limited payouts. A short-term focus and lack of comparative analysis with non-financial firms restricts generalizability.

Eze and Nwankwo (2020) studied liquidity management and dividends in Nigerian insurance firms (2015–2020). Liquidity constraints led to conservative payouts. The mixed-method approach raises concerns about replicability and generalizability. Similarly, Okafor et al. (2019) investigated profitability and dividends in Nigerian insurance firms (2010–2018). They found Profitability was a key driver, though the study did not account for external shocks and firm-specific differences. Mendez and Ortiz (2019) analysed leverage, age, and profitability in Mexican insurance firms (2010–2018). Older, low-leverage firms paid higher dividends. Cultural factors affecting dividends were not explored, limiting contextual insights.

2.3 Theoretical Framework

This study draws from Agency Theory, Pecking Order Theory, and Signalling Theory to examine the relationship between financial attributes and dividend policy in insurance firms.

Agency Theory. The Agency theory, founded by Michael C. J. and William H. M. (1976), addresses conflicts of interest between managers (agents) and shareholders (principals). Dividends help mitigate agency problems by reducing excess cash flow, limiting managerial discretion, and ensuring resources are allocated in shareholders' interests. Firm profitability increases available cash flow, encouraging dividend payouts to reduce agency costs. Also, highly leveraged firms may prefer debt repayment over dividends, aligning with creditors' interests to minimise agency conflicts. This theory explains why insurance firms with higher profitability distribute dividends to manage agency relationships.

Pecking Order Theory. The Pecking order theory, founded by Stewart C. M. and Nicholas M. (1984), emphasises that **f**irms prioritise internal financing (retained earnings) over external financing to avoid information asymmetry. Profitable firms prefer to retain earnings for reinvestment, paying dividends only if surplus cash remains. Insurance firms facing market inefficiencies reinvest profits before distributing dividends. The theory explains profitable insurance firms' tendency to retain earnings, reflecting the sector’s need to finance growth and manage financial constraints.

Signalling Theory, Propounds by Michael Spence (1973) explains that dividend payouts signal a firm’s strong financial health and stability to investors. High dividends suggest profitability, while low dividends may indicate weaker prospects. Insurance firms use dividends to build investor trust and convey financial stability, while firm characteristics like liquidity and profitability influence dividend decisions, reinforcing positive market signals. This combined framework provides a comprehensive lens to analyse how profitability, liquidity, and leverage shape dividend policy within insurance firms.

3.0 Methodology

This study employed a quantitative research design, specifically an ex-post facto design, to analyse historical financial data from listed insurance companies. It examined the relationship between firm characteristics (size, profitability, liquidity, and leverage) and dividend policy. This design is suitable as it explored cause-and-effect relationships without altering the independent variables. The population comprises all 20 insurance companies listed on the

Nigerian Exchange Group (NGX). Using purposive sampling, 15 firms were selected based on two key criteria:

- Continuous listing on the NGX throughout the study period (2014–2023).
- Availability of complete financial data for the entire period.

This ensures reliability and consistency in the analysis. The study relies on secondary data obtained from the audited annual financial statements of the selected insurance companies. Panel data regression analysis was employed because it effectively manages multidimensional data across time.

The research model, adapted from previous studies, is clearly defined to guide the analysis.

DPR = f (LIQ, PROF, LEV, FSIZE) …… ……..(1)

Equation (1) above is specified as an econometric model below

$DPR_{it} = \beta 0 + \beta 1 LIQ_{it} + \beta 2 PROF_{it} + \beta 3 LEV_{it} + \beta 4 FSIZE + \mu_{it}$ .....(2)

Where:

DPR=Dividend payout ratio

LIQ = Liquidity

PROF = Profitability

LEV = Leverage

FSIZE = Firm size

μ = Error Term

t = the period of study

i = the insurance companies under study

β0 is the constant and β1-β4 coefficients of independent variables of the model stated above, which captures the impact of the changes in each independent variable on the dependent variable (DPR). μ is the error term which captures the unexplained variations in the model

Table 1: Variable Measurement

S/N	VARIABLE	MEASUREMENT	VARIABLE SPECIFICATION	SOURCE
1	Dividend Policy	Dividend per Share (Total Dividend Paid / Outstanding Ordinary Shares Issued)	Dependent variable	Osagie & Akintoye (2024) Nabeel & Hussain (2017)

2	Liquidity	Current Ratio (Current Assets / Current Liabilities)	Independent variable	Nabeel & Hussain (2017)
3	Profitability	Return on Assets (Net Profit after Tax / Total Assets)	Independent variable	Adebayo et al. (2020). Ahmed and Khan (2022)
4	Leverage	Debt to Equity Ratio (Total Debt / Total Equity)	Independent variable	Dlamini & Ncube (2021). Chen et al. (2022)
5	Firm Size	Natural Logarithm of Total Asset	Control variable	Uchema & Nweke (2021)

Source: Researcher's Computation, 2024

4.0 Results and Discussion

Table 2: Descriptive Statistics

Variables	observation	Mean	Standard Deviation	Minimum	Maximum
DPR	150	0.030	0.015	0.000	0.250
LIQ	150	4.884	1.282	-0.910	30.25
PROF	150	0.051	0.019	-0.170	0.140
LEV	150	0.470	0.116	0.000	0.800
FSIZE	150	10.020	2.006	9.710	11.390

Source: Generated by the Researcher (2024) from Stata 17.0 output

150 observations were recorded from Table 2. The result showed that the sampled insurance companies' dividend per share (DPS) has an average value of 0.030, with minimum and maximum values of 0.00 and 0.250, respectively. The standard deviation of 0.015 demonstrates little variation in the dividend per share of sampled companies. This means the sampled insurance firms are within the same range regarding dividends per share.

The current ratio, which is what is used in measuring our liquidity, has an average value of 4.884 with a standard deviation of 1.282, which implies that the liquidity deviates from the mean value of 3.602. The minimum value is -0.910, and the maximum value is 30.25. Profitability has a mean value of 0.051 with a standard deviation of 0.019, which indicates that profitability deviates from the mean value of 0.032. The minimum and the maximum values are -0.170 and 0.140, respectively.

The mean leverage value is 0.470, with a standard deviation of 0.116, which implies that leverage deviates from the mean value by 0.354. The minimum and maximum values are 0.00 and 0.800, respectively. The mean value of firm size is 10.020 with a standard deviation of 2.006, which implies that firm size deviates from the mean value by 8.014. The minimum and maximum values are 9.710 and 11.390, respectively.

4.1 Correlation Analysis

The summary of the correlation coefficients is presented in Table 3.

Table 3: Correlation Matrix

Variables	DPR	LIQ	PROF	LEV	FSIZE
DPR	1.0000				
LIQ	-0.3621	1.0000			
PROF	0.1195	-0.8264	1.0000		
LEV	0.4075	0.3237	-0.3603	1.0000	
FSIZE	0.3081	0.2989	-0.2812	0.4976	1.0000

Source: Generated by the Researcher (2024) from Stata 17.0 output

Table 3 shows that the association between the liquidity and dividend per share of the sampled insurance companies is weak and negative, while that of profitability is weak and positive, that of leverage is moderate and positive, and that of firm size is weak and positive, with correlation coefficient values of -0.3621, 0.1195, 0.4075, and 0.3081, respectively.

4.3 Test for Multicollinearity

The Variance Inflation Factor (VIF) test was conducted to check for multicollinearity among the study's explanatory variables. The result is shown in Table 4 below.

Table 4: Multicollinearity Test Using VIF and Tolerance Values

	VIF	1/VIF
DPR	1.09	0.919599
LIQ	1.30	0.766902
PROF	1.14	0.874990
LEV	1.07	0.930685
FSIZE	1.27	0.788243
Mean	1.17	

Source: Generated by the Researcher (2024) from Stata 17.0 output

Table 4.4 shows that DPR has a VIF of 1.09 and a tolerance level of 0.919599; the VIF of LIQ is 1.30 at a tolerance level of 0.766902; the VIF of PROF is 1.14 at a tolerance level of 0.874990; the VIF of LEV is 1.07 at a tolerance level of 0.930685; 1.27 is the VIF of FSIZE at a tolerance level of 0.788243. The Table also shows that the mean VIF is 1.17. For all the explanatory variables, the VIF is less than 5 and tolerance levels are more significant than 0.10. This result has shown the absence of perfect multicollinearity between and among the independent variables, indicating the fitness of the variables for the model of the study.

Table 5: Result of Hausman Test, LM test and Breusch–Pagan/Cook–Weisberg test for heteroscedasticity

	Chi-Square	P-Value
Hausman Test	0.77	0.0712
LM test	4.81	0.0000
Hettest	0.66	0.4151

Source: Generated by the Researcher (2024) from Stata 17.0 output

The Hausman Specification test of the model suggested that the random effects regression model was preferable over fixed effects (Hausman Chi2 value of 0.77 and p-value of 0.0712). The LM test was also conducted to choose between the pooled OLS regression and the random effect regression; the chi-square value of 4.81 with a corresponding p-value of 0.000 suggested that random effect regression is most appropriate. The Breusch and Pagan test for heteroscedasticity (Hettest Chi2 value of 0.66 and p-value of 0.4151) suggested no heteroscedasticity problem. The absence of heteroscedasticity among the data for the study, coupled with the fact that the data are abnormally distributed, as it is evident in the result of the Shapiro-wilk test for data normality, implies that data values for the study require a more generalised least squares (GLS) regression analysis.

4.4 Regression Analysis and Test of Hypothesis

Table 6 Random Effects (RE) Regression Results

Variables	Coefficients	Probability Value
LIQ	-0.1386	0.000
PROF	-0.0353	0.040
LEV	0.0586	0.001
FSIZE	0.3171	0.054
CONSTANT	-3.3047	0.333
Overall R^2	0.5362	
F-Statistic	42.78	0.0000
F-sig		0.0000

Source: Generated by the Researcher (2024) from Stata 17.0 output

Table 4.6 presents GLS random effect regression results. The results showed that the overall R2 coefficient of determination is 0.5362. This means that explanatory variables cause 54% of the variations in financial performance, while 46% of the variations are explained by other factors not covered by the study. Also, the probability of an F-value of 0.0000 implied that the model is fit and significant at the 1% significance level and that the variables are appropriately selected.

5.0 Discussion of findings

Ho_1: Liquidity has no significant impact on the dividend policy of listed insurance companies in Nigeria

Contrary to conventional expectations, the study found that higher liquidity levels in Nigerian insurance companies were associated with lower dividend payouts. This could be attributed to the firms' preference for retaining liquid assets for operational needs, risk mitigation, or expansion rather than distributing dividends to shareholders. In developing economies, where uncertainty and volatility are more pronounced, firms may prefer to keep liquid reserves for unforeseen events.

The results of GLS random effects indicated that liquidity has a significant and negative effect on the dividend per share of listed insurance companies in Nigeria, as indicated by the coefficient value of -0.1386, which is statistically significant at a 1% level of significance (P-value of 0.000). This implied that the dividend per share decreases as the liquidity increases. Therefore, the study rejects the null hypothesis, which states that liquidity does not significantly impact the dividend policy of listed insurance companies in Nigeria. This result is consistent with the findings of Dlamini and Ncube (2021) and Kumar and Gupta (2021). Chen et al. (2022) found that liquidity has a significant effect on dividend policy, suggesting that firms with higher liquidity ratios tend to pay higher dividends; the findings are in disagreement with those of Smith and Johnson (2023), who found that liquidity has no significant effect on dividend policy, suggesting that liquidity alone may not determine dividend decisions.

Ho_2: Profitability has no significant impact on the dividend policy of listed insurance companies in Nigeria

Despite profitability being a key determinant in dividend decisions, the study revealed a significant negative relationship between profitability and dividend payouts. This suggests that more profitable firms in the Nigerian insurance industry are more likely to reinvest their earnings rather than distribute them. This could be driven by growth opportunities, capital needs, or the desire to maintain a competitive edge in the market.

The result also revealed that profitability has a significant and negative effect on the dividend policy of listed insurance companies in Nigeria, as indicated by the coefficient value of -0.0353, suggesting that a unit increase in profitability will lead to a 0.0353 unit decrease in dividend per share, which is a statistically significant at 5% level of significance (P-value of 0.040). Therefore, the study rejects the null hypothesis, which states that profitability does not significantly affect the dividend policy of listed insurance companies in Nigeria. This outcome is in support of the findings of Li and Zhao (2020), Kumar and Gupta (2021), Ahmed and Khan (2022), Smith and Johnson (2023), and Abdullah and Rahman (2023), who found that profitability has a significant effect on dividend payouts suggesting that Profitable firms were more likely to distribute dividends, the findings are not in agreement with those of Martinez and Silva (2019) found no significant effect of profitability on dividend policy.

H_3: Leverage has no significant impact on the dividend policy of listed insurance companies in Nigeria

In contrast to standard theoretical predictions, the study found a positive relationship between leverage and dividend payouts in Nigerian insurance firms. This suggests that firms with higher

debt levels may increase dividends to signal financial stability and mitigate agency costs. Leverage might also satisfy debt covenants or investor expectations of returns, leading to higher dividend payouts despite substantial debt.

Furthermore, the result indicated that leverage has a significant and positive effect on the dividend policy of listed insurance firms in Nigeria, as indicated by the coefficient value of 0.0586, which is statistically significant at a 1% level of significance (P-value of 0.001). This implies that a unit increase in leverage will lead to a 0.0586 dividend increase per share. Therefore, the study rejects the null hypothesis, which states that leverage does not significantly affect the dividend policy of listed insurance companies in Nigeria. This finding contradicts the claim of the market timing theory, which proposes that firms with low leverage raise funds when their market values are high, while firms with high leverage raise funds when their market values are low. The result of this study is in disagreement with the findings of Ahmed and Khan (2022), Mendez and Ortiz (2019), and Dlamini and Ncube (2021), who found that leverage has a significant negative effect on dividend payouts, as firms with high debt obligations are less likely to distribute dividends.

6.0 Conclusions and Recommendations

The study provides new insights into the determinants of dividend policy in Nigerian insurance firms. It challenges some conventional beliefs, particularly the negative effect of liquidity and profitability on dividend payouts and the positive effect of leverage. The findings suggest that, in the Nigerian context, insurance companies may prioritise reinvestment and risk management over dividend distribution, even if they are profitable, and they might be incentivised to pay dividends despite high debt levels. These results underline the unique financial dynamics in Nigeria's developing economy, where factors like liquidity and profitability do not always follow the patterns suggested by traditional dividend theories (such as the pecking order or signalling theories). This study's positive effect of leverage on dividends also points to the complexity of dividend decisions in sectors where the relationship between debt, equity, and shareholder expectations is intricate.

In line with the findings and conclusion above, the following recommendations were made:

i. Given the negative impact of liquidity and profitability on dividend payouts, Nigerian insurance companies should reevaluate their dividend policies, particularly in light of their risk management strategies. Firms with high liquidity might consider paying dividends in line with shareholders' expectations rather than hoarding cash for operational reasons. More transparent communication about the need for liquidity retention could also help align shareholder interests with the company's strategic goals.

ii. Insurance firms should focus on creating sustainable and long-term profitability while balancing reinvestment needs with the potential to distribute dividends. A strategic approach to profit allocation where a portion of profits is directed towards dividends while the rest is used for reinvestment in innovation or expansion could benefit both the firm and its shareholders.

iii. Although leverage is found to have a positive impact on dividends, firms must carefully manage their debt levels to ensure they maintain financial flexibility. Over-leveraging could lead to higher financial risk. Insurance companies should maintain an optimal capital structure

to meet debt obligations while still fulfilling shareholder expectations regarding dividend payouts.

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