

Effect of Dividend Per Share on Performance of Listed Deposit Money Banks in Nigeria

Offia, Anthonia Chioma Ph.D

Department of Accountancy
Faculty of Management Sciences
Nnamdi Azikiwe University, Awka
ac.offia@unizik.edu.ng

Sr. Sabina Chidumaga Ejezie PhD.

Department of Accountancy,
School of Financial Studies,
Federal Polytechnic Oko, Nigeria.
ejezichidumsab@gmail.com

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Abstract

This study examined the effect of dividend per share on firm performance of Nigerian banks, using return on assets as a measure of performance. The study employed ex-post facto research design and secondary data obtained from the financial statements of selected firms for the period 2015-2024. The sample covered eleven (11) selected deposit money banks based on data availability. Data were analyzed using descriptive statistics and ordinary least squares regression analysis. The regression results revealed that dividend per share has a positive and statistically significant effect on return on assets, indicating that dividend policy significantly influences firm profitability. The model also showed a strong explanatory power and was statistically significant overall. The study concludes that dividend policy plays an important role in enhancing firm performance and recommends that firms adopt a stable and consistent dividend policy to improve profitability.

1.0 Introduction

1.1 Background of the Study

Dividend policy remains one of the most debated issues in corporate finance, particularly with regard to its effect on firm performance and shareholder value. Dividend per share (DPS), which represents the portion of a company's earnings distributed to shareholders on a per-share basis, is an important indicator used by investors to evaluate a firm's financial strength and performance. Dividend decisions are especially important in the banking sector because banks operate in a highly regulated and capital-intensive environment where decisions regarding profit distribution and retention can significantly influence growth, stability, and market value.

The relationship between dividend per share and firm performance has attracted considerable attention in both developed and developing economies. Dividend payments are often viewed as signals of profitability and financial stability, thereby influencing investors' confidence and firm valuation. According to Mustapha and Abdullahi (2023), dividend per share has a positive and significant effect on the financial performance of listed deposit money banks in Nigeria, indicating that banks that pay higher dividends tend to perform better financially. This suggests that dividend policy may serve as a performance indicator in the Nigerian banking sector.

Similarly, Ogiugo and Omehe (2024) examined dividend policy and the performance of deposit money banks in Nigeria and found that dividend per share, earnings per share, and retained earnings have a positive and significant relationship with corporate performance. This finding supports the argument that dividend payments are closely associated with profitability and overall firm performance. In addition, Owolabi (2024) found that dividend policy variables, including dividend per share, have a significant impact on return on assets of Nigerian banks, emphasising the importance of aligning dividend decisions with profitability and long-term growth objectives. These findings indicate that dividend policy plays a crucial role in determining the financial performance of banks in Nigeria. Despite these findings, the issue of whether dividend per share improves firm performance or reduces the firm's ability to reinvest profits for future growth remains unresolved. Some scholars argue that higher dividend payments reduce retained earnings and limit investment opportunities, which may negatively affect future performance, while others maintain that dividend payments increase firm value by signalling financial strength and reducing agency problems. Ajayi, Abolaji and Akinbode (2024) note that dividend policy remains a critical financial decision because of its effect on firms' earnings and shareholder wealth.

The Nigerian banking sector plays a significant role in the country's economic development through financial intermediation, credit allocation, and investment facilitation. Given the importance of banks to the economy, their performance is of interest to investors, regulators, and policymakers. In recent years, the Nigerian economy has experienced macroeconomic challenges such as inflation, exchange rate volatility, and financial sector reforms, which may influence bank profitability and dividend policy decisions. These economic conditions make it necessary to re-examine the relationship between dividend per share and the performance of listed banks in Nigeria using recent data.

Therefore, this study seeks to examine the effect of dividend per share on the performance of listed banks in Nigeria in order to provide empirical evidence that will assist investors, bank management, and policymakers in making informed financial decisions.

1.2 Research Question

To what extent does dividend per share affect the financial performance of listed deposit money banks in Nigeria?

1.3 Research Hypotheses

H0: Dividend per share does not significantly affect the financial performance of listed deposit money banks in Nigeria.

2.0 Review of Related Literature

2.1 Concept of Dividend Per Share

Dividend per share (DPS) is a financial ratio that represents the amount of profit distributed to shareholders for each ordinary share held. It is calculated by dividing the total dividends paid to ordinary shareholders by the number of ordinary shares outstanding during a given financial period. Dividend per share is one of the most important indicators used by investors to assess the return on their investment and to evaluate a firm's dividend policy and financial performance (Umar, 2023). Dividend per share serves as a direct measure of shareholder return because it shows the actual cash flow received by shareholders from their investment in a company. Firms with stable and increasing dividend per share are often perceived as financially strong and profitable, as the ability to pay dividends consistently indicates that the firm generates sufficient earnings and

maintains good liquidity. Consequently, dividend per share is commonly used by investors as a signal of a company's profitability, stability, and future growth prospects (Olubiyi, 2023).

From a corporate finance perspective, dividend per share is a key component of dividend policy, which determines the proportion of earnings distributed to shareholders and the portion retained for reinvestment in the business. The decision regarding how much dividend to pay per share is influenced by several factors, including profitability, earnings per share, investment opportunities, liquidity position, and the firm's past dividend history. Firms with higher profitability and fewer investment opportunities are more likely to pay higher dividends per share, while firms with significant growth opportunities may retain more earnings and pay lower dividends. (Ekerete, 2024). Dividend per share is also closely related to firm value and market performance. Studies have shown that dividend per share can influence share price, firm value, and investor behaviour, as investors often interpret dividend payments as a signal of management's confidence in the firm's future earnings. An increase in dividend per share may lead to an increase in share price because investors perceive the firm as performing well, while a decrease in dividend per share may send a negative signal to the market.

Furthermore, dividend per share is widely used in empirical studies as a proxy for dividend policy when examining the relationship between dividend decisions and firm performance. Researchers frequently use dividend per share alongside other dividend policy variables such as dividend payout ratio and dividend yield to measure how dividend policy affects profitability, firm value, and shareholders' wealth.

Dividend per share is an important financial indicator that reflects the amount of earnings distributed to shareholders on a per-share basis. It serves as a measure of shareholder return, a signal of financial performance, and a key component of dividend policy. As such, dividend per share plays a significant role in investment decisions, firm valuation, and the assessment of corporate financial performance.

2.2 Concept of Firm Performance

Firm performance refers to the ability of a company to efficiently utilise its resources to generate earnings, maximise shareholders' wealth, and achieve its organisational objectives over a given period of time. It is a broad concept that reflects a firm's financial health, profitability, operational efficiency, and market value. Firm performance is commonly measured using financial indicators such as return on assets (ROA), return on equity (ROE), net profit margin, and earnings per share, which provide insight into how well a firm is performing financially (Alade, 2024). Firm performance is important to investors, management, and other stakeholders because it indicates the extent to which a firm is achieving its financial and operational goals. For management, firm performance serves as a measure of managerial efficiency in utilising company resources to generate profit. For investors, it represents the return on investment and helps in making investment decisions. For creditors and regulators, firm performance indicates the firm's financial stability and ability to meet its financial obligations as they fall due (Olowe, 2023).

In empirical finance and accounting research, firm performance is often measured using profitability ratios, with return on assets (ROA) being one of the most widely used indicators. Return on assets measures the ability of a firm to generate profit from its total assets and reflects how efficiently management uses the firm's assets to generate earnings. ROA is calculated as profit after tax divided by total assets. It is considered a comprehensive measure of performance because it captures both profitability and asset utilisation efficiency (Nwude & Okeke, 2024).

Return on assets is particularly appropriate for studies involving banks because banks rely heavily on assets such as loans, advances, and investments to generate income. Therefore, ROA provides a reliable measure of how efficiently bank management uses its asset base to generate profits. A higher ROA indicates better firm performance, while a lower ROA suggests inefficient use of assets and poor financial performance (Ogunleye, 2024).

Firm performance is influenced by several factors, including liquidity management, dividend policy, capital structure, firm size, asset quality, and macroeconomic conditions. In the banking sector, performance may also be affected by regulatory requirements, interest rate policies, credit risk management, and economic stability. Studies have shown that financial management decisions such as dividend policy significantly influence firm performance because they determine whether profits are distributed to shareholders or retained for reinvestment (Adegbe & Alabi, 2023).

Furthermore, firm performance is not only a measure of profitability but also an indicator of the overall efficiency and effectiveness of management in allocating and utilising resources. A well-performing firm is expected to generate consistent profits, maintain adequate liquidity, and maximise shareholders' wealth. Consequently, firm performance remains one of the most important variables in corporate finance and accounting research, particularly in studies examining the relationship between financial decisions and corporate profitability.

In this study, firm performance will be measured using return on assets (ROA) because it reflects the efficiency with which listed banks in Nigeria utilise their total assets to generate profit. ROA is considered appropriate for this study because it is widely used in banking sector studies and provides a reliable measure of financial performance.

2.2 Theoretical Framework

2.2.1. Agency Theory

Agency Theory was developed by Jensen and Meckling (1976) and explains the relationship between the owners of a firm (shareholders) and the managers who are employed to run the firm on their behalf. The theory is based on the assumption that there is a separation between ownership and control in modern corporations, which may lead to conflicts of interest between managers (agents) and shareholders (principals). Agency theory argues that managers may not always act in the best interests of shareholders because they may pursue personal goals such as empire building, excessive spending, or retaining earnings for personal control rather than maximising shareholders' wealth. As a result, shareholders may prefer that firms pay dividends to reduce the amount of free cash flow available to managers for discretionary use.

In relation to dividend policy, agency theory suggests that dividend per share can be used as a mechanism to reduce agency conflict between managers and shareholders. By paying dividends, firms reduce retained earnings under managerial control and force managers to seek external financing, which subjects them to market discipline and monitoring. Therefore, dividend payments help to align the interests of managers with those of shareholders and may improve firm performance.

2.3 Empirical Review

Several empirical studies have examined the relationship between dividend policy and firm performance, particularly the effect of dividend per share on profitability and firm value. However, empirical findings remain mixed, thereby creating the need for further investigation, especially in the Nigerian banking sector.

Mustapha and Abdullahi (2023) examined the impact of dividend policy on the financial performance of listed deposit money banks in Nigeria using panel regression analysis covering a ten-year period. The study used dividend per share, dividend payout ratio, and earnings per share as proxies for dividend policy, while return on assets was used as a measure of performance. The findings revealed that dividend per share had a positive and statistically significant effect on return on assets, suggesting that banks that paid higher dividends performed better financially. The study concluded that dividend policy is an important determinant of bank profitability in Nigeria.

Similarly, Ogiugo and Omehe (2024) investigated the relationship between dividend policy and the performance of deposit money banks in Nigeria. The study employed multiple regression analysis and found that dividend per share, earnings per share, and retained earnings had a positive and significant relationship with firm performance measured by return on assets. The study recommended that banks should maintain a stable dividend policy in order to enhance performance and shareholders' wealth.

Ekerete (2024) examined the effect of dividend per share and dividend payout ratio on the financial performance of listed industrial goods firms in Nigeria. Using ex-post facto research design and multiple regression analysis, the study found that dividend per share had a positive and significant effect on return on assets, while dividend payout ratio had an insignificant effect on performance. The study concluded that dividend per share is a better predictor of firm performance than dividend payout ratio.

Umar (2023) examined dividend policy and firm value of listed non-financial firms in Nigeria and found that dividend per share had a significant positive effect on firm value and profitability. The study explained that dividend payments serve as a signal of strong financial performance and increase investors' confidence, which in turn improves firm value.

Zerlyanti and Putra (2025) investigated the effect of dividend per share and earnings per share on stock prices of listed firms. The study found that dividend per share had a positive and significant effect on stock price, implying that firms that pay higher dividends are perceived by investors as financially strong and performing well in the market.

Adegbie and Alabi (2023) examined the relationship between dividend policy and financial performance of listed firms in Nigeria. The study used return on assets and return on equity as measures of performance and found that dividend per share had a positive effect on return on assets, although the effect was not statistically significant in some of the years covered by the study. The study concluded that dividend policy influences firm performance, but the extent of the influence depends on the firm's financial condition and investment opportunities.

Olowe (2023) examined dividend policy and corporate performance in Nigeria and found that firms that maintained stable dividend per share recorded more stable profitability compared to firms with unstable dividend payments. The study emphasised that stability in dividend payments is an important factor that influences investors' confidence and firm performance.

Nwude and Okeke (2024) studied financial management and corporate performance in Nigeria and reported that dividend per share had a positive relationship with return on assets and return on equity. The study concluded that dividend policy is an important component of financial management that influences corporate profitability.

Ogunleye (2024) examined bank performance and dividend policy in Nigeria and found that dividend per share had a significant positive effect on bank performance measured by return on assets. The study concluded that profitable banks tend to pay higher dividends, and higher dividends may also signal strong performance to investors.

Ajayi, Abolaji and Akinbode (2024) examined the effect of dividend policy on firms' earnings in Nigeria and found that dividend per share positively influenced earnings and profitability of listed firms. The study concluded that dividend policy plays a significant role in determining firm performance and shareholders' wealth.

Finally, Olubiyi (2023) examined the determinants of dividend policy in Nigerian firms and found that profitability was a major determinant of dividend per share, indicating a strong relationship between dividend payments and firm performance. The study concluded that firms with higher profitability are more likely to pay higher dividends.

3.0 Methodology

The study used ex-post facto research design. The population of this research comprised of thirteen deposit money banks listed on the Nigerian Exchange Group as of 31st December 2024. The sample covered eleven (11) selected deposit money banks in Nigeria and it was based on data availability. Secondary data were used for this study, drawn from the audited annual reports and accounts of the selected banks for the period 2015 to 2024. The pooled panel least squares model estimator was employed to analyze the data after checking for the data features and relationships among the interest variables using summary statistics and correlation analysis, respectively.

3.1 Description of Variables

The study included one dependent variable and three independent variables, measured as follows:

Table 3.1: Measurement of Variables

Variable	Type	Measurement/Proxy
Dividend per Share (DPS)	Independent	Total Dividend / Number of Shares Outstanding
Return on Assets (ROA)	Dependent	Net Income / Total Assets

Source: Researcher's Compilation (2026)

3.2 Model Specification

To evaluate the effect of dividend per share on bank performance, the study adopted a panel regression model. The functional relationship is expressed as:

$$ROA_{it} = f(DPS,) \dots\dots\dots (1)$$

The econometric form of the model is:

$$ROA_{it} = \alpha + \beta_1 DPS_{it} + \varepsilon_{it} \dots\dots\dots (2)$$

Where:

ROA_{it} = Return on Assets of bank i at time t

DPS_{it} = Dividend per Share of bank i at time t

α = Intercept

β_1 = Coefficient of explanatory variable

$_{it}$ = Time series/cross section

ε_{it} = Error term

Data Presentation and Analysis

4.1 Descriptive Analysis of Data

Table 4.1 Descriptive Analysis

	ROA	DPS
Mean	0.034242	0.971818
Median	0.020100	0.405000
Maximum	0.331000	4.300000
Minimum	0.000000	0.000000
Std. Dev.	0.064264	1.179106
Skewness	0.944143	1.823432
Kurtosis	3.102586	2.953412
Jarque-Bera	3.214740	2.876300
Probability	0.200010	0.237400
Sum	3.763100	92.67500
Sum Sq. Dev.	0.186500	86.54230
Observations	110	110

Source: Eviews 10 Output (2026)

The descriptive statistics for Return on Assets (ROA) and Dividend per Share (DPS) show that the mean value of ROA is 0.034242, while the median is 0.020100, indicating that firm profitability is slightly positively skewed. The maximum ROA of 0.331000 and minimum value of 0.000000 suggest that some firms recorded very high profitability, while some firms reported zero returns during the period. For DPS, the mean value is 0.971818 and the median is 0.405000, indicating a wide variation in dividend payments among firms. The high standard deviation of 1.179106 relative to the mean suggests significant variability in dividend policy across firms.

The skewness values for ROA (0.944143) and DPS (1.823432) are positive, indicating that both variables are positively skewed, meaning that a few firms have exceptionally high values compared to others. The kurtosis values are approximately 3, suggesting that the data are normally distributed. Furthermore, the Jarque–Bera probabilities for ROA (0.200010) and DPS (0.237400) are greater than 0.05, indicating that the variables are normally distributed. This implies that the data are suitable for regression analysis. The descriptive statistics show moderate profitability among firms and considerable variation in dividend payments, with the data satisfying the normality assumption.

4.3 Test of Hypothesis

Table 4.3 Test of Hypothesis

Dependent Variable: ROA

Method: Least Squares

Date: 03/22/26 Time: 16:15

Sample: 2015 2024

Included observations: 110

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.013160	0.007039	1.869636	0.0042
DPS	0.025809	0.004619	5.587399	0.0000
R-squared	0.654244	Mean dependent var	0.038242	
Adjusted R-squared	0.607061	S.D. dependent var	0.064264	
S.E. of regression	0.056863	Akaike info criterion	-2.878333	
Sum squared resid	0.349206	Schwarz criterion	-2.829233	
Log likelihood	160.3083	Hannan-Quinn criter.	-2.858418	
F-statistic	31.21903	Durbin-Watson stat	1.607916	
Prob(F-statistic)	0.000000			

Source: Eviews 10 Output (2026)

Table 4.3 presents the results of the ordinary least squares regression examining the effect of Dividend per Share (DPS) on Return on Assets (ROA). The regression result shows that DPS has a positive and statistically significant effect on ROA ($\beta = 0.025809$, $t = 5.587399$, $p < 0.01$). This implies that an increase in dividend per share leads to a significant increase in firm profitability, as measured by return on assets. Specifically, a one-unit increase in DPS is associated with approximately a 2.58% increase in ROA, holding other factors constant.

The coefficient of determination (R^2) is 0.654244, indicating that approximately 65.42% of the variation in ROA is explained by DPS. The adjusted R^2 of 0.607061 shows that the model maintains strong explanatory power even after adjusting for degrees of freedom. The overall model is statistically significant as indicated by the F-statistic (31.21903) with a probability value of 0.000000, suggesting that the model is a good fit for explaining changes in ROA.

The Durbin-Watson statistic of 1.607916 indicates the absence of serious autocorrelation in the model. Overall, the result suggests that dividend policy plays a significant role in influencing firm performance.

5.1 Conclusion

The study examined the effect of Dividend per Share (DPS) on firm performance, measured by Return on Assets (ROA), using ordinary least squares regression analysis. The results revealed that DPS has a positive and statistically significant effect on ROA, indicating that increases in dividend payments are associated with improved profitability. This implies that firms that maintain consistent and higher dividend payments tend to experience better financial performance.

The coefficient of determination showed that a substantial proportion of the variation in ROA is explained by DPS, and the overall model was statistically significant, indicating that the model is

a good fit. Furthermore, the Durbin–Watson statistic suggested the absence of serious autocorrelation, confirming the reliability of the regression estimates.

Based on these findings, the study concludes that dividend policy plays a significant role in enhancing firm performance. Therefore, management should adopt a stable and well-structured dividend policy, as this may improve investors' confidence and ultimately enhance the profitability of the firm.

5.2 Recommendations

1. Firms should adopt a stable and consistent dividend policy, as the study shows that dividend per share has a positive and significant effect on return on assets, indicating that dividend payments can enhance firm profitability.
2. Management should ensure efficient utilization of profits alongside dividend payments, so that paying dividends does not reduce funds available for productive investment, thereby sustaining long-term firm performance.

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