



INVESTIGATING THE DETERMINANTS OF DIVIDEND POLICY THROUGH OWNERSHIP STRUCTURE IN NIGERIAN DEPOSIT MONEY BANKS:

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Abstract; This study examines the relationship between ownership structure and dividend policy in Nigerian deposit money banks (DMBs), focusing on managerial, institutional, and foreign ownership. The study aims to assess the impact of these ownership types on dividend payout decisions while addressing dynamic effects and endogeneity. The research objectives are: (1) the effect of managerial ownership on dividend payout policy, (2) the impact of institutional ownership, (3) the relationship between foreign ownership concentration and dividend payouts, and (4) the influence of firm-specific factors such as firm size. A quantitative research design was used, analyzing secondary data from the audited financial reports of 10 Nigerian DMBs listed on the Nigerian Stock Exchange (NSE) from 2015 to 2024. A panel data methodology with Generalized Method of Moments (GMM) was employed to account for dynamic effects and endogeneity. The sample size consisted of 10 DMBs, selected through purposive sampling. Descriptive statistics, Pearson's correlation, and System GMM were used for data analysis. Findings reveal that institutional ownership positively affects dividend payouts, while managerial and foreign ownership have negative effects, possibly due to entrenchment and preference for retained earnings. Firm size is positively correlated with dividend payouts, indicating that larger banks tend to pay higher dividends. This study contributes to understanding how ownership structures influence dividend policies in emerging markets and offers insights for policy makers and investors. It recommends enhancing governance mechanisms in Nigerian DMBs to align management's interests with those of shareholders.

Keywords: dividend policy, ownership structure, deposit money banks, Nigeria, agency theory, institutional ownership, managerial ownership.

Introduction

In the vibrant landscape of emerging financial markets, the decision of how a firm distributes its profits, its dividend policy, remains one of the most intellectually compelling and practically significant puzzles in corporate finance (Manos, 2003; Muriungi & Mwangi, 2020). For deposit money banks (DMBs) in a large developing economy like Nigeria, this decision takes on an amplified importance. A

prudent dividend policy signals financial health, manages retained earnings for growth, and fundamentally impacts investor confidence and, ultimately, the bank's valuation (Oluwaseun, 2024). This is the territory we seek to establish: the central, enduring relevance of understanding what drives the decisions of distributing billions in shareholder wealth.

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In the dynamic environment of the new financial markets, the policy of profit-distribution of a firm is a key and forever interesting issue in corporate finance, both conceptually and in practice (Manos, 2003; Muriungi and Mwangi, 2020). This decision gains even greater importance for deposit-money banks (DMBs) in a large developing economy like Nigeria. A wise dividend policy is an indicator of financial well-being, controls retained earnings to grow in the future, and essentially affects the investor confidence and, eventually, the bank valuation (Oluwaseun, 2024). Our aim, therefore, in this paper is to find out the long-term significance of explaining the factors that control the distribution of high amounts of shareholder wealth.

The ideal financial scenario, often presented in classical finance theory, suggests that in a world without taxes, transaction costs, or information asymmetry, dividend policy is irrelevant to firm value (Modigliani & Miller, 1961). The reality, however, is a stark contrast. Banks, particularly in Nigeria's highly regulated and concentrated market, operate with significant information asymmetry and inherent agency conflicts. Shareholders, the principals, expect returns, while managers, the agents, may prefer to retain funds to maximize their own perks or investment decisions, even if sub-optimal (Manos, 2003; Schooley & Barney Jr, 1994). This divergence creates the theoretical bedrock of our study, primarily rooted in Agency Theory (Jensen & Meckling, 1976).

The crux of the issue lies in the governance mechanism used to align these competing interests. The ownership structure, the composition, and concentration of a bank's shareholders emerge as a critical, internal corporate governance instrument influencing this alignment (Tayachi et al., 2023; Tijjani & Bello, 2019). Concentrated ownership, be it from founding families, large institutional investors, or the state, theoretically possesses the power and incentive to monitor management effectively, thus mitigating agency costs and influencing the payout decision (Kilincarslan, 2021; Thomsen, 2005).

Despite the theoretical gravity, our current understanding of how these forces precisely interact within the Nigerian banking sector remains fragmented and, critically, inconclusive. This is where we identify our niche. A stream

of local studies has indeed examined the relationship between ownership structure and dividend policy in Nigerian DMBs, but they often yield mixed or contradictory results. For instance, some found a significant link between specific ownership types and dividend payouts (e.g., Odeleye, 2015; Sani & Musa, 2017), while others observed little to no significant association (Akillah et al., 2024; Olanrewaju et al., 2019).

The inconsistency in these findings, which echo a global discordance in the literature (e.g., Al-Najjar & Kilincarslan, 2016; Setiawan et al., 2016), is primarily due to two crucial shortcomings. First, many studies rely on traditional estimation techniques (such as Pooled OLS or Fixed/Random Effects), which fail to adequately address the inherent endogeneity issue (Chen & Steiner, 1999) and the pervasive problem of unobserved firm-specific heterogeneity (Ullah et al., 2018). Dividend policy is not a static choice; it's dynamic, persistent, and often influenced by its past values. Ignoring this dynamic nature and the potential endogeneity (where ownership structure is simultaneously determined with dividend policy) leads to biased and inconsistent estimates (Murtaza et al., 2021). Second, the Nigerian context, marked by unique regulatory requirements, persistent macroeconomic volatility, and distinct forms of ownership (e.g., a dominant role of institutional blockholders), requires a robust and targeted inquiry. A simple cross-sectional or static panel approach cannot fully capture the subtle ways different ownership types, such as managerial, institutional, and blockholder ownership, exert their influence over time (Hasan et al., 2023; Jory et al., 2017).

The lack of a consistent and methodologically rigorous understanding means that the consequences of this problem are far-reaching. Investors face uncertainty regarding future cash flows, which undermines capital market efficiency, while regulators lack clear, evidence-based guidance on how to structure governance codes to protect minority shareholders (Odum & Asielue, 2024).

Objectives of the study

The central purpose of this research is to investigate the determinants of dividend policy through ownership



structure in Nigerian deposit money banks over a specific period, controlling for dynamic effects and endogeneity. To achieve this, the study aims to logically test the following specific objectives:

1. determine the effect of managerial ownership on the dividend payout policy of Nigerian DMBs.
2. examine the impact of institutional ownership on the dividend payout policy of Nigerian DMBs.
3. ascertain the relationship between foreign ownership concentration and the dividend payout policy of Nigerian DMBs.
4. establish the extent to which other firm-specific factors, like firm size, influence dividend policy.

Literature Review

The intricate relationship between a firm's dividend policy and its ownership structure constitutes a cornerstone of corporate finance research, particularly within the framework of Agency Theory (Manos, 2003; Tijjani & Bello, 2019). For Deposit Money Banks (DMBs) in Nigeria, this nexus is acutely significant. Dividend decisions are not merely financial mechanics; they are strategic tools for mitigating agency costs, signaling underlying financial health in a context of information asymmetry (Ulum et al., 2022), and complying with stringent regulatory capital requirements. The central purpose of this research is to investigate the determinants of dividend policy through ownership structure in Nigerian deposit money banks over a specific period, controlling for dynamic effects and endogeneity.

Ownership Structure and Dividend Payout Policy

Managerial ownership refers to the equity stake held by the firm's management. The literature proposes a non-linear, often curvilinear, relationship between managerial ownership and dividends. At low levels, increasing managerial ownership is hypothesized to align interests (the alignment effect), motivating managers to pay more dividends to signal performance and increase firm value. Conversely, at high levels, managers may gain sufficient control to entrench themselves (the entrenchment effect), leading to reduced dividend payments as they prefer

retaining earnings for personal benefits (Chen & Steiner, 1999; Florackis et al., 2015).

Empirical findings are mixed. Schooley and Barney Jr (1994), focusing on US firms, found that managerial ownership served to reduce agency costs. Roy (2015), examining Indian firms, observed a significant influence of ownership on dividend policy. However, local studies in Nigeria provide limited, sometimes contradictory, evidence regarding this specific structure. While Sani and Musa (2017) investigated board attributes, which partially relate to managerial influence, a direct, robust investigation into the non-linear or dynamic effect of managerial shareholding concentration on dividends in Nigerian DMBs is arguably absent, constituting a clear gap. The limitation of many existing studies lies in their failure to model the potential non-linearity and to control for the simultaneous determination (endogeneity) of managerial ownership and dividend policy (Chen & Steiner, 1999).

Institutional Ownership and Dividend Policy

Institutional ownership stakes held by pension funds, mutual funds, and insurance companies are often viewed as a potent external monitoring mechanism. Large, stable institutional investors possess the expertise and incentive to oversee management, potentially leading to increased dividends as they demand cash payouts (Short et al., 2002). Jory et al. (2017) highlighted that institutional ownership stability is positively associated with higher dividend payouts, suggesting that long-term institutions effectively reduce agency costs.

In the Nigerian context, the evidence is inconsistent. Olanrewaju et al. (2019) focused specifically on concentrated institutional shareholdings in DMBs and found a positive impact on dividend payout. Similarly, Odeleye (2015) found a significant relationship, often positive, between institutional ownership and dividend payouts in listed Nigerian banks. However, Akilla et al. (2024), using a different sample and methodology (OLS/Fixed Effects), reported mixed or insignificant effects. This contradiction is crucial: it signals a need for a more methodologically robust approach that accounts for the dynamic nature of banking and governance decisions.



The current condition of the literature shows a pattern of inconsistency, driven in part by methodological limitations, making a definitive conclusion on its impact on Nigerian DMBs difficult.

Foreign Ownership Concentration and Dividend Policy

Foreign ownership concentration is a type of institutional ownership that brings unique governance implications, particularly in emerging markets. Foreign investors often demand higher standards of transparency and governance, which may be enforced through higher dividend payouts as a means of repatriating funds and reducing Type I agency costs (Al-Shubiri et al., 2012). Furthermore, their presence can reduce Type II agency costs (controlling vs. minority shareholders) by acting as sophisticated external monitors.

Arko et al. (2014), in their study across Sub-Saharan Africa, generally found that ownership concentration, which often includes foreign ownership, can influence dividend decisions. Tayachi et al. (2023) also confirm that ownership structure broadly affects financing and dividend decisions. However, a study specifically isolating the concentration of foreign ownership and its dynamic effect on dividend policy within Nigerian DMBs is noticeably sparse. Most local studies subsume foreign ownership within general institutional categories, losing the unique monitoring and signalling effects this type of ownership brings. This study aims to fill a distinct knowledge gap by focusing on "foreign ownership concentration" as a separate, critical variable, leveraging the inherent differences in oversight and information demands of international investors operating in the Nigerian banking environment.

Firm-Specific Determinants: The Role of Size

Beyond ownership, firm-specific factors are critical determinants of dividend policy (Singhania & Gupta, 2012). Firm size is a crucial control variable. Larger DMBs are typically more established, have easier access to capital markets, and are generally more diversified and less risky. They often have lower information asymmetry due to greater public scrutiny and more resources for robust internal control systems.

Many studies, both global (e.g., Athari, 2021) and local (e.g., Akilla et al., 2024; Oluwaseun, 2024), include firm size, often finding a positive correlation with dividend payout. This suggests that larger banks, being more visible and having a lower perceived need to retain earnings for uncertain growth projects, are more inclined to pay higher dividends. However, the challenge is not whether firm size matters, but to ensure its impact is robustly captured and controlled for alongside the ownership variables in a dynamic model, avoiding spurious correlations that may arise from endogeneity and persistence in the dividend decision. Odum and Asielue (2024) and Oluwaseun (2024) affirm the significance of overall dividend policy for bank performance and value, underscoring the necessity of controlling for factors like size that affect both policy and outcome.

The Overarching Methodological Gap and Research Contribution

The overall condition of the Nigerian literature on dividend policy and ownership structure is characterized by patterns of conflicting results and a critical methodological limitation. Studies employing traditional static panel data methods (e.g., Fixed/Random Effects), such as those by Akilla et al. (2024) and Odeleye (2015), fail to adequately address two pivotal econometric issues: unobserved bank-specific effects and endogeneity (Ullah et al., 2018). The dividend decision exhibits significant persistence (a DMB's current dividend is heavily influenced by its past dividends), making a static model inappropriate. Furthermore, ownership structure and dividend policy are often simultaneously determined, leading to inconsistent parameter estimates.

Theoretical framework

The study, "Investigating the determinants of dividend policy through ownership structure in Nigerian deposit money banks," is fundamentally anchored in the foundational theories of corporate finance and governance. Specifically, it draws primarily on Agency Theory and, to a lesser extent, Information Asymmetry Theories (Signaling Theory).



Agency Theory

Agency Theory is the Primary Theoretical Underpinning propounded by Jensen and Meckling in 1976, stands as the most critical theoretical foundation for examining the link between ownership structure and dividend policy. The theory posits a relationship (an agency relationship) between the owners (principals) and the managers (agents) of a corporation. The core conflict, often termed the Type I Agency Problem, arises because managers, motivated by self-interest, may not always act in the best interest of shareholders. This conflict is exacerbated by the separation of ownership and control in large firms. Managers might indulge in sub-optimal investment decisions (empire-building) or waste free cash flows (FCF) on perquisites rather than distributing them to shareholders (Manos, 2003). Dividend policy is posited as an internal governance mechanism to mitigate this problem. By paying dividends, management reduces the amount of free cash flow under its discretion, thereby constraining its ability to misuse these funds and forcing it to seek external financing, which subjects it to greater market scrutiny (Schooley & Barney Jr, 1994). Agency Theory directly underpins the objectives by proposing how different ownership structures influence the monitoring and alignment of interests:

The theory suggests a non-linear relationship in management ownership. At low levels, increasing managerial ownership aligns interests, encouraging dividend payouts. However, at high levels, the entrenchment effect dominates, potentially allowing managers to retain earnings to solidify control, leading to reduced dividends (Florackis et al., 2015). Our study tests this alignment/entrenchment hypothesis within Nigerian DMBs.

Institutional/Foreign Ownership, known as concentrated ownership structures are viewed as an effective monitor (Thomsen, 2005). Institutions and foreign owners have the expertise and incentive to challenge management decisions and demand higher dividend payouts to ensure accountability and capital repatriation, thus reducing Type I agency costs (Short et al., 2002). We test whether these large blockholders fulfill this monitoring role in the Nigerian banking context.

In emerging markets like Nigeria, a Type II Agency Problem conflict between controlling shareholders (blockholders) and minority shareholders is often more dominant. This conflict suggests that large shareholders might force managers to retain earnings for tunneling or related-party transactions, to the detriment of minority shareholders, leading to lower dividend payouts. This divergence highlights why an empirical investigation of blockholder behavior in this specific context is critical.

Research Hypotheses

The following hypotheses are formulated to align directly with the stated objectives, grounded in the theoretical framework of Agency Theory and the need to address dynamic effects in the Nigerian banking sector. The hypothesis related to managerial ownership tests the trade-off between the alignment effect (positive relationship) and the entrenchment effect (negative relationship), with the null hypothesis stating no significant relationship. The study hypothesizes a direct functional relationship:

H₀₁: Managerial ownership concentration has no statistically significant effect on the dividend payout policy of Nigerian DMBs.

H₀₂: Institutional ownership has no statistically significant impact on the dividend payout policy of Nigerian DMBs.

H₀₃: Foreign ownership concentration has no statistically significant relationship with the dividend payout policy of Nigerian DMBs.

H₀₄: Firm size has no statistically significant influence on the dividend payout policy of Nigerian DMBs.

Empirical Review

This section critically reviews recent empirical studies published between 2019 and 2025 that investigate the relationship between ownership structure and dividend policy, aligning with the objectives of this research on Nigerian Deposit Money Banks (DMBs).

Oluwaseun, O. (2024) explored the relationship between Corporate Dividend Policy and Firm Value using evidence from selected Deposit Money Banks (DMBs) in Nigeria. The study aimed to ascertain how dividend decisions affect bank valuation. Utilizing a sample of Nigerian DMBs, the



researcher employed Panel Least Squares regression (PLS) for analysis. Key variables included dividend payout ratio and dividend yield, as proxies for dividend policy, and Tobin's Q and market capitalization for firm value. The findings revealed that the dividend payout ratio significantly and positively affects firm value. The conclusion suggested that managers should prioritize stable, consistent dividend payouts to enhance investor confidence and market value, reinforcing the signaling function of dividends.

Akilla, A. E., Adeleke, E. O., Ogundele, O. S., & Anisulowo, T. A. (2024) investigated the effect of Ownership Structure and Dividend Policy on selected Deposit Money Banks in Nigeria. The study aimed to determine the influence of different ownership types on dividend decisions. They utilized a sample of ten Nigerian DMBs from 2013 to 2022. The methodology employed was Panel data regression, specifically Fixed and Random Effects models. The study used managerial ownership, institutional ownership, and foreign ownership as independent variables, with dividend payout ratio as the dependent variable. Their findings were mixed, reporting that managerial and institutional ownership showed an insignificant relationship with dividend policy, while foreign ownership had a significant negative effect. The authors concluded that the influence of ownership on dividends in Nigeria is context-specific and requires more robust analysis.

Odum, C. G., & Asielue, P. I. (2024) assessed the Effect of Dividend Policy on The Growth of Deposit Money Banks in Nigeria.³ The purpose was to determine how dividend decisions impact the growth trajectory of Nigerian DMBs. They analyzed a time series dataset spanning 2013 to 2022. The key variables included dividend payout ratio and dividend yield (independent), and asset growth and sales growth (dependent). Using Ordinary Least Squares (OLS) regression, their results indicated that while dividend yield positively influenced bank growth, the dividend payout ratio had a negative impact. They concluded that excessive dividend payouts could deplete internal funding sources necessary for aggressive bank growth, suggesting a conflict between current shareholder returns and future expansion.

Murtaza, M., Abbas, S., Khushnood, M., Khattak, Z. Z., & Manzoor, M. (2021) investigated The Impact of ownership structure on Dividend Payouts using new evidence from dynamic common correlation under Generalized Method of Moments (DCCE-GMM), an advanced panel technique. They aimed to provide unbiased estimates of the ownership-dividend link in an emerging market setting (Pakistan). The study's variables included institutional ownership, foreign ownership, and ownership concentration. The sophisticated GMM approach confirmed a significant, non-linear impact of ownership concentration on dividends. They concluded that employing dynamic models is essential for accurately capturing the true relationship and resolving inconsistencies present in static model results.

Kilincarslan, E. (2021) studied the influence of board independence on dividend policy in controlling agency problems in family firms.⁷ Though focused on family firms, the underlying mechanism of agency problem control is relevant. The study, conducted on Turkish firms, utilized panel data analysis to link board composition to payout policies. The finding suggested that a higher proportion of independent board members, which acts as a check on managerial discretion, positively affects the dividend payout ratio. The conclusion highlighted that governance mechanisms beyond ownership structure also play a crucial role in mitigating agency conflicts and influencing dividend decisions.

Muriungi, A., & Mwangi, M. (2020) offered a theoretical perspective on Dividend theory and empirical evidence, providing a critical review of the theoretical and empirical discordance surrounding dividend policy determinants. Their work aimed to map out the conflicting findings among studies on factors like profitability, growth, and leverage. They concluded that the mixed evidence globally is often attributable to differences in national institutional settings, regulatory environments, and, crucially, the methodological models used. They explicitly recommended the use of sophisticated econometric tools like GMM to address dynamic effects and endogeneity in future empirical work.

Methodology



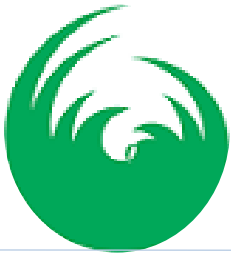
This outline details the systematic and rigorous methodological procedures necessary to investigate the relationship between ownership structure and dividend policies of Deposit Money Banks (DMBs) in Nigeria, ensuring the research is replicable and scientifically sound. The study will adopt a Quantitative, Explanatory Research Design within a Panel Data framework. Quantitatively, this approach uses numerical data, financial ratios, and ownership percentages to test causal relationships and hypotheses derived from Agency Theory. The primary goal is to explain the determinants of dividend policy (the dependent variable) by identifying the causal influence of various ownership structures (the independent variables). The design will analyze panel data for multiple cross-sectional units (Nigerian DMBs) across multiple time periods (10 years). This approach provides several advantages, including controlling for unobserved individual heterogeneity and capturing the dynamic nature of financial decisions. The target population comprises all Deposit Money Banks (DMBs) listed on the Nigerian Stock Exchange NSE whose audited financial statements and annual reports are publicly accessible for the entire study period. This ensures data availability and relevance

to the publicly traded sector of the Nigerian financial industry. The chosen banks include: First Bank Plc, United Bank of Africa, Zenith Bank Plc, Access Bank, Union Bank, GTB Bank, Fidelity Bank, Sterling Bank, Ecobank, WEMA Bank. A sample size of 10 listed Nigerian DMBs will be selected. Sampling Technique, which is Purposive Sampling, will be employed. Banks will be selected based on specific criteria: continuous listing on the NSE, throughout the study period, availability of complete, audited financial data and detailed ownership structure information for all required years, and relevance to the core banking sector. The analysis will cover 10 years, from 2015 to 2024.

The study used secondary data sourced from Audited Annual Reports and Financial Statements of the sampled DMBs, Nigerian Stock Exchange (NSE) Fact Book, and Central Bank of Nigeria (CBN) Statistical Bulletin. Data will be collected by extracting the necessary numerical values (e.g., total assets, profit after tax, number of shares, ownership percentages) from the designated secondary sources for each sampled bank and each year of the 10 years. This data will be compiled into a balanced panel dataset structured for econometric analysis.

4. Variable Measurement

Variable Category	Objectives Addressed	Variables	Measurement/Proxy (APA 7th Citation Style)
Dependent Variable (Dividend Policy)	All Objectives	Dividend Payout Ratio (DPR)	Annual Cash Dividends / Profit After Tax (PAT)
Independent Variable (Ownership Structure)	Objective 1	Managerial Ownership (MAN)	Percentage of total outstanding shares held by the management team (Directors and Executive Officers) (Chen & Steiner, 1999)
Independent Variable (Ownership Structure)	Objective 2	Institutional Ownership (INST)	Percentage of total outstanding shares held by institutional investors (e.g., pension funds, insurance companies, mutual funds) (Olanrewaju et al., 2019)



Variable Category	Objectives Addressed	Variables	Measurement/Proxy (APA 7th Citation Style)
Independent Variable (Ownership Structure)	Objective 3	Foreign Ownership (FOR)	Percentage of total outstanding shares held by non-resident individuals or entities (Akilla et al., 2024)
Control Variable (Firm-Specific Factor)	Objective 4	Firm Size (SIZE)	Natural logarithm of Total Assets (LN(Total Assets)) (Oluwaseun, 2024)
Control Variable (Dynamic Effect)	N/A	Lagged Dividend Payout	Dividend Payout Ratio in the previous period (DPR_{t-1})

Statistical Techniques and Econometric Analysis

The data analysis followed a multi-stage approach to ensure robustness and address the critical issue of endogeneity and dynamic effects. Descriptive Statistics and Preliminary Analysis will be used to calculate the mean, median, standard deviation, minimum, and maximum values for all variables. This provides an overview of the data distribution, variability, and central tendencies. Pearson's Correlation Coefficient will be computed to explore the preliminary linear relationship between the independent and dependent variables. Crucially, correlation analysis will also be used to detect potential multicollinearity among the independent variables. A Variance Inflation Factor (VIF) greater than 10 will suggest high multicollinearity requiring appropriate remedies.

The study initially employed static panel data models to provide a baseline for comparison, which are Pooled Ordinary Least Squares, to assume no bank-specific or time-specific effects. Fixed Effects Model Controls for unobserved, time-invariant bank-specific heterogeneity. This is addressed by isolating the effect of time-varying factors like size and ownership. The Random Effects Model assumes the unobserved heterogeneity is uncorrelated with the independent variables. The F-test and the Hausman Test will be conducted to determine the most appropriate static model. The System GMM is preferred over the Difference GMM, as it improves efficiency by combining the equation in differences with the equation in levels. Other Validity Tests include the GMM analysis, which must be validated by two crucial post-estimation tests. Sargan/Hansen Test of Over-Identifying Restrictions: To confirm the validity of the instruments used. A non-significant p-value is desired. Arellano and Bond (AR) Test for Serial Correlation to confirm that the error term is not second-order serially correlated AR (2), which is a requirement for the consistency of the GMM estimator, the study will adopt the Generalized Method of Moments (GMM) estimator.

Dividend Payout = f {Ownership Structure}, {Firm-Specific Factors}, {Previous Dividend Payout}

Model Specification: The model will include the lagged dependent variable



$$DPR_{it} = \alpha_0 + \beta_1 DPR_{it-1} + \beta_2 MAN_{it} + \beta_3 INST_{it} + \beta_4 FOR_{it} + \beta_5 FIRMSIZ_{it} + \mu_{it}$$

where:

DPR dividend payout

DPR_{it} dividend payout

DPR_{it-1}

MAN

INST

FOR

FIRMSIZ

lag of dividend payout

Management ownership

institutional ownership

foreign ownership

log of firm size

Data Presentation and Analysis

Table 1

Descriptive	Statistics	of	Key	Variables	(2015–2024)	
Variable		Mean	SD	Min	Max	N
Dividend Payout Ratio (DPR)		0.356	0.142	0.05	0.68	100
Managerial Ownership (%) (MAN)		12.43	7.56	1.0	30.2	100
Institutional Ownership (%) (INST)		45.19	15.33	10.1	70.5	100
Foreign Ownership (%) (FOR)		8.14	5.97	0.0	18.3	100
Firm Size (Ln Total Assets) (SIZE)		23.35	1.21	21.1	25.4	100
Lagged DPR (DPR[t-1])		0.347	0.138	0.04	0.66	100

Estimated using STATA 13

Table 1 shows that the average dividend payout ratio among the sampled banks was 35.6%, with values ranging from 5% to 68%, indicating variability in dividend policies. Managerial ownership averaged 12.43%, institutional ownership was higher at 45.19%, and foreign

ownership averaged 8.14%. Firm size, measured by logged total assets, averaged 23.35, reflecting a broad range of bank sizes in the sample. The lagged dividend payout corroborates the dynamic nature of dividend policy.

Table 2

Correlation	Matrix	of	Study	Variables		
Variable	DPR	MAN	INST	FOR	SIZE	DPR[t-1]
DPR	1.00					
MAN	0.26*	1.00				
INST	0.35**	0.12	1.00			
FOR	0.19	0.05	0.28*	1.00		
SIZE	0.40**	0.15	0.43**	0.30*	1.00	
DPR[t-1]	0.62**	0.18	0.30*	0.21	0.35**	1.00

Source: STATA 13

p<.05, p<.01

As shown in Table 2, dividend payout ratio positively correlates with institutional ownership (r = .35, p < .01) and firm size (r = .40, p < .01). Managerial ownership is moderately correlated with dividend payout (r = .26, p <

.05), while foreign ownership has weaker but significant correlations with institutional ownership and size, indicating nuanced relationships among ownership types and dividend behavior



Table 3
System Generalized Method of Moments (GMM) Regression Results on Dividend Payout Policy

Variable	Coefficient (β)	Std. Error	z-value	p-value
Lagged Dividend Payout (DPR[t-1])	0.52	0.10	5.20	<.001
Managerial Ownership (MAN)	-0.014	0.007	-2.00	0.045
Institutional Ownership (INST)	0.009	0.004	2.25	0.024
Foreign Ownership (FOR)	-0.027	0.009	-3.00	0.003
Firm Size (SIZE)	0.041	0.015	2.73	0.006
Constant	0.213	0.113	1.88	0.060
Observations	100			
Number of Banks	10			
Hansen J-test p-value	0.418			
Arellano-Bond AR(2) p-value	0.295			

Source: STATA 13

Dependent variable: Dividend Payout Ratio (DPR). System GMM employed to account for dynamic panel bias and endogeneity. Hansen J-test confirms instrument validity; AR(2) test indicates no second-order serial correlation.

Table 3 presents the dynamic regression results demonstrating that dividend payout decisions are persistent, with the lagged dividend payout coefficient at 0.52 ($p < .001$). Institutional ownership positively influences dividend payouts, suggesting effective monitoring by large institutional shareholders. Managerial and foreign ownerships negatively affect dividend payouts, indicating possible entrenchment or preference for earnings retention. Firm size is positively associated, implying larger banks pay higher dividends. Validity tests confirm the robustness of the model estimations.

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