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EFFECTS OF DIVIDEND POLICY ON SHAREHOLDER'S WEALTH IN QUOTED MANUFACTURING FIRMS IN NIGERIA

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Abstract

This study examined the effect of dividend policy on shareholders' wealth of quoted manufacturing firms in Nigeria. The specific objectives were to examine the effect of dividend payout ratio, determine the effect of dividend per share, and investigate the effect of retained earnings on shareholders' wealth. The study employed a quantitative research design using secondary data obtained from selected quoted manufacturing firms in Nigeria covering a period of ten years (2015–2024), with 60 observations. The data were analysed using descriptive statistics, correlation analysis, and multiple regression techniques. The empirical results revealed that dividend per share and retained earnings have a positive and statistically significant effect on shareholders' wealth. This indicates that higher dividend payments and increased earnings retention enhance shareholder value. However, dividend payout ratio was found to have a negative and statistically insignificant effect on shareholders' wealth, suggesting that payout proportion does not significantly influence investor wealth in the sampled firms. The study concludes that dividend per share and retained earnings are key determinants of shareholders' wealth in quoted manufacturing firms in Nigeria, while dividend payout ratio plays a less significant role. Based on the findings, it is recommended that firms should enhance dividend per share distribution, strengthen retained earnings policies, and adopt more efficient dividend strategies that prioritize value creation for shareholders.

Keywords: Dividend Policy, Dividend Payout Ratio, Dividend per Share, Retained Earnings, Shareholders' Wealth, Manufacturing Firms, Nigeria.

Introduction

Dividend policy has been one of the most discussed topics related to corporate finance focusing on the effect on the wealth of the shareholders. It is the decision framework that companies invest in when they are deciding how much they should give back to the shareholders for dividends and how much they should retain for reinvestment. The dividend policy is one of the most important financial decisions since it communicates information to investors about the firm performance, stability and future growth possibilities (Pyakurel, 2024). The literature in corporate finance has shifted from a purely uninformed perspective of dividend policy having no effect on a firm's value to more modern perspectives that acknowledge that dividend policy can be very strategic in influencing investor behaviours and market valuation.

The growth of dividend policy theories began with the seminal paper by Modigliani and Miller (1961), under a set of perfect market assumption, saying that dividend policy has no impact on the wealth of the shareholders. But this role has been subject to a lot of criticism due to market imperfections like taxes, transaction costs, asymmetric information, and agency conflicts. This has led to the development of alternative theories which try to explain why dividend decisions can have a significant impact on the value of the firm and the wealth of the shareholders such as the dividend relevance theory, bird in the hand theory, signaling theory, and agency theory. Booth and Zhou (2017) argue that dividend policy is essentially tied to firm valuation because investors tend to value the regular dividend stream more highly than the uncertain capital gains stream.

Dividend policy in emerging markets like Nigeria is all the more complicated because of the volatility

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of markets, lack of investor protection mechanisms, and lack of consistent macroeconomic conditions. The Nigerian capital market currently called the Nigerian Exchange Group (NGX) is a space that houses quoted manufacturing companies and where the dividend decisions they make affects how investors view them. Manufacturing companies are key factors in the development of Nigeria's economy, in terms of employment generation, industrial production and Gross Domestic Product (GDP) growth. Hence, their financial policies, particularly the dividend policy, are of particular interest to shareholders and policy makers.

In the past, factors that have affected dividend practices in Nigeria include corporate profitability, liquidity position, investment opportunities and regulation. Previous research by Johnson-Rokosu (2025) and Njoku and Lee (2025) indicates that many of the Nigerian firms are practicing inconsistent dividend policies, such as high payout ratio during profitable years and cut dividends during economic downturn. As a result, there is confusion among investors and it impacts on the stability of the share price. In addition, structural issues of the manufacturing sector in Nigeria include high production costs, fluctuations in the exchange rate and infrastructure deficit with their effect on retained earnings and dividend decisions.

Shareholders' wealth is also closely related with dividend policy, where the market price per share, earnings per share and firm value are the commonly used measures of shareholders' wealth. The main concept of financial management is that in the case of a corporation the sole aim is to maximize the wealth of shareholders. Rational investors are mainly interested in returns as they can be claimed in the form of dividend or capital gain (Mafiejor, 2021). Hence, how companies allocate profits becomes a crucial factor in investor satisfaction and market performance.

The empirical studies on dividend policy in Nigeria have yielded mixed results. According to some studies like that of Kayode et al (2022) dividend payments have significantly positive relationship with share price, while some studies say that the dividend policy has no significant impact on the firm value because of market inefficiencies. The above inconsistencies indicate that the link between dividend policy and shareholders' wealth has yet to be resolved, especially among Nigerian quoted manufacturing companies. This discrepancy requires an in-depth empirical study.

Furthermore, the signaling effect of dividend policy is especially pertinent in the developing markets. In the signaling theory approach, dividend announcements are viewed as a means of giving the market private information about future earnings prospects. A higher dividend payout ratio is seen as an indicator of good future performance and can result in a rise in stock price and stockholders' wealth. On the other hand, a decrease in dividends could be a sign of financial trouble, which can negatively impact the market value of the stock. With comparatively high information asymmetry in Nigeria, however, the effectiveness of this signaling is likely to be industry- and firm-size-dependent.

There is still limited consensus in the theoretical and empirical literature on the effect of dividend variables (dividend payout ratio, dividend per share and retained earnings) on the wealth of shareholders of quoted manufacturing firms in Nigeria. A large number of current studies have been carried out on a general level of listed companies without separating the manufacturing sector, which has distinct operational and financial features. This gap in literature needs to be filled, which is what this study aims to do.

Statement of the Problem

Although dividend policy is one of the most important financial policies in corporate finance, there is yet no definite conclusion on its impact on the shareholders' wealth, especially for quoted manufacturing companies in Nigeria. Dividend policy is an action by which firms pay dividends to shareholders and they communicate the company's performance to investors. But in Nigeria, some manufacturing companies experience irregular dividend payment, which stems from the fluctuation of earnings, high production costs and instability of the economy (Oyedele & Afolabi, 2024). This uncertainty can also have implications for investor confidence and the share price, both of which indicate the wealth of shareholding investors.

In addition, existing research on dividend policy in Nigeria has concentrated largely on banking and financial institutions, with little being done on manufacturing sector as it contributes immensely to the growth of the economy and industrial development (Olubiyi, 2023). Furthermore, there have been mixed results on the dividend policy-performance association with shareholders' wealth in previous research, which is mainly attributed to researchers' use of different variables, methods, and measurements. Also, most studies did not look at the specific impact of

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dividend payout ratio, dividend per share and retained earnings on shareholders' value.

Furthermore, the issue of relevance and irrelevance of dividend is still debatable in the Nigerian manufacturing environment due to the fact that the market is imperfect, with information asymmetry and poor corporate governance. Therefore, the empirical evidence on the effect of dividend payout ratio, dividend per share and retained earnings on the shareholders' wealth of quoted manufacturing firms in Nigeria is still lacking. Hence, this study is needed to fill this gap.

Research Objectives

The main objective of this study is to investigate the effects of Dividend policy on shareholders wealth in quoted manufacturing for in Nigeria. Other specific objectives of this study are:

i. To examine the effect of dividend payout ratio on shareholders' wealth of quoted manufacturing firms in Nigeria.
ii. To determine the effect of dividend per share on shareholders' wealth of quoted manufacturing firms in Nigeria.
iii. To investigate the effect of retained earnings on shareholders' wealth of quoted manufacturing firms in Nigeria.

1.4 Research Questions

This study is guided by the following research questions:

i. What effect does dividend payout ratio have on shareholders' wealth of quoted manufacturing firms in Nigeria?
ii. What effect does dividend per share have on shareholders' wealth of quoted manufacturing firms in Nigeria?
iii. What effect do retained earnings have on shareholders' wealth of quoted manufacturing firms in Nigeria?

1.5 Research Hypothesis

The study will be guided by the following null hypotheses:

H_{01}: Dividend pay-out ratios have no significant effects on shareholder's wealth of quoted manufacturing firms Nigeria

H_{02}: Dividend per shares dues does not have significant effects on shareholder's wealth of quoted manufacturing firms Nigeria

H_{03}: Retained earnings have no significant effects on shareholder's wealth of quoted manufacturing firms Nigeria

Literature Review

Conceptual Review

Dividend Policy

The framework and guidelines a firm follows in deciding the percentage of earnings to be paid to shareholders as dividends and the percentage to be retained for reinvestment purposes is called a dividend policy. It is one of the most significant financial decisions that will affect the investor's perception, firm value, and sustainability in the long run. Dividend policy is an important topic in corporate finance decision-making that involves the management's policy of balancing the short-term return for the shareholders and long-term growth of the business, according to Olubiyi (2023).

The history of dividend policy has changed in parallel with the development of theories of corporate finance and their associated capital markets. In the early financial perspectives, dividend distribution was seen as a residual action, once investment needs were met. But for today, the modern point of view is on the value of its strategic role in shaping investors and market valuation. Initially, Modigliani and Miller (1961) have maintained that dividend policy does not matter in a perfect market, but some later research has questioned this assertion because of the imperfections in the market like taxes, transaction cost and information asymmetry.

Financial leverage indicators like dividend yield, dividend per share and dividend payout ratio are all widely used measures of dividend policy. Now, the dividend payout ratio is the ratio of earnings payout as a dividend and the dividend per share is the cash dividend received by the shareholders or the actual amount of cash returned to the shareholders (Kanakriyah, 2020). Retained earnings, however, are the amount of profit that is kept in the business for expansion and growth. These elements collectively shape the distribution/reinvestment balance of firms.

Dividend policy for emerging markets like Nigeria is affected by profitability, liquidity status, macroeconomic conditions and corporate governance system. Dividend policies are

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sometimes adjusted by companies listed on the Nigerian Exchange Group (NGX), especially those in the manufacturing sector, depending on the economic ups and downs, as well as the challenges facing them. This implies the dividend policy is a dynamic policy and is context sensitive in the Nigerian corporate world.

Concept of Dividend Payout Ratio

The dividend payout ratio is the ratio of net income paid to shareholders in the form of dividends to net income. It is a ratio that is determined by taking the dividend per share and dividing it by the earnings per share. It is an important measure of the return of profits to the shareholder and the amount of the profit that remains in the company for investment. A high pay-out ratio means a business pays out a greater proportion of its profits, possibly resulting in interest investors being attracted to the business. But at the same time it can constrict the financing available within the company for future expansion. Juwawo (2022) said that DIVIDEND PAYOUT RATIO is one of the important factors that would affect the perception of investors and can lead to the valuation of firms in the market. Technology transfer, macroeconomic factors, and cash flow stability are some factors that often affect the dividend payout decision in Nigerian quoted manufacturing companies. Unstable firms are likely to have flexible payouts that could have adverse effects on investor confidence and stock price stability.

Concept of Dividend Per Share

Dividend per share (DPS) refers to the actual amount of dividend paid to each ordinary shareholder. It is calculated by dividing total dividend declared by the number of outstanding shares. DPS is a direct measure of shareholder return and is widely used by investors in evaluating firm performance. According to Nianty et al (2023), dividend per share is a key signal used by investors to assess the financial strength and profitability of a company. An increase in DPS is often interpreted as a positive signal about future earnings, while a reduction may indicate financial distress. In the Nigerian manufacturing sector, dividend per share plays an important role in attracting and retaining investors, especially in a market characterized by limited transparency and high information asymmetry. Investors often rely on DPS as a reliable indicator of firm performance and stability.

Concept of Retained Earnings

Retained earnings are the part of net profit that is not paid out to shareholders as a dividend but is plowed back into the business. It is a significant source of internal finance for expansion, modernization and growth in operations. Lumbasio et al (2025) state that the use of retained earnings is a cheap option since it requires no external borrowing or ownership dilution. But if there is no offsetting investment opportunities and there is excessive retention, then there could be a decrease in the satisfaction of the shareholders. The importance of retained earnings is more pronounced in quoted manufacturing companies in Nigeria because they have less access to external funds and loan interest rates are high. Firms may use retained earnings to finance capital projects, and this can have a direct or indirect impact on the wealth of shareholders via future earnings and/or share price appreciation.

Shareholders' Wealth

Shareholders' wealth is the monetary value added for the investors of a company by investing in the shares of the company. This is the fundamental goal of financial management in a business and it can be measured by the difference in share price, dividend income and the value of the business. Shareholders' wealth maximization occurs when the share value of a company increases over a period of time which consequently increases the returns of the shareholders (Akintunde et al, 2021). Shareholders' wealth is based on the assumption that shareholders are rational economic actors who are seeking to maximize their returns in relation to the risk they are taking. Shareholders can reap the rewards of wealth creation in two ways: Dividends and Capital gains. Dividends are cash dividends and capital gains are gains from the rise in market prices of shares. Hence, all corporate decisions with an impact on earnings distribution and reinvestment strategy will have direct implications for the wealth of the shareholders.

Shareholders' wealth is often measured by its proxy in financial literature: the price investors are willing to pay for a share, the market price per share, or profitability of owning a share, the earnings per share. The Tobin's Q on the other hand, relates the market value of the assets to the replacement cost of the assets, and gives a more comprehensive assessment of the firm's performance.

The market conditions, the investors' confidence and the specific financial policies of the firms are important factors that affect the shareholders' wealth of quoted manufacturing firms

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in Nigeria. Information asymmetry and volatility are key features of the Nigerian capital market, making it important for investors to source information for firm performance and future prospects through dividend signals.

Theoretical Review

Underpinning Theory: Dividend Relevance Theory (Gordon–Lintner Model)

It is based on the Dividend Relevance Theory of Gordon (1963) and Lintner (1962). The theory suggests that dividend policy is pertinent in the determination of the value of the business and the wealth of the shareholders. Because of risk aversion and uncertainty in the capital markets, it states that investors would like to receive dividends now rather than uncertain capital gains in the future.

Gordon (1963) suggests that dividend payments lower investor uncertainty because they guarantee the investor with a current return, which in turn makes a firm's shares more attractive. The theory also presupposes that investors prefer a "bird in the hand," which means that some dividends today are worth more than future earnings. Thus, companies with higher and constant dividend yield are likely to see an improvement in their stock prices and shareholder value.

Dividend relevancy theory explains the relationship between dividend payout ratio, dividend per share (DPS), retained earnings and the shareholders' wealth in relation to this study. It is expected that a higher dividend payout ratio and a higher dividend per share will have a positive impact on the market perception and boost the market price of shares. On the other hand, an increase in retained earnings if not matched with growth opportunities could decrease investor satisfaction and impact share value negatively.

The theory is more applicable in emerging markets like Nigeria where the economic instability, information asymmetry and imperfection in the capital market makes the investors sensitive to dividend signals. In Nigeria, quoted manufacturing companies' earnings and economic situations are fluctuating and unpredictable, making dividend decision an important factor for investor confidence and market valuation.

While Dividend Irrelevance Theory and Agency Theory are also useful theories to explain dividend decision, Dividend Relevance Theory is most suitable for this study as it relates dividend decision directly to the creation of wealth for the shareholders. As such, it forms the theoretical foundation for the study of the impact of dividend policy on the shareholder's wealth of quoted manufacturing companies in Nigeria.

Empirical Review

Oghenekume and Obi (2025) studied the impact of dividend policy on the value of the firm of quoted manufacturing firms in Nigeria. The study focused on 20 manufacturing companies quoted on the Nigerian Exchange Group for the last 15 years period (2009-2023). Panel generalized method of moments (GMM) regression was used for the study and Tobin's Q was served as a proxy for company value, whereas dividend payout ratio, dividend yield, dividend per share, and earnings retention ratio were employed as independent variables. It was found that dividend payout ratio and earnings retention ratio had positive and significant impact on firm value, while dividend per share had positive but insignificant impact on Tobin's Q. The study found dividend policy to have a significant effect on firm value in Nigerian manufacturing firms, depending on the dividend measures that are adopted.

The study by Odufisan et al. (2025) examines the effect of dividend policy on firm value in selected manufacturing companies in Nigeria namely Nestlé Nigeria Plc, Cadbury Nigeria Plc and Guinness Nigeria Plc. Secondly, secondary data were used in the study covering the period 2019-2023, while panel regression analysis was used. Dividend policy proxies included dividend payout ratio, retention ratio and dividend per share, and the measure of firm value was the market price per share. The study concluded that dividend payout ratio and retained earnings have significant impact on firm value, and dividend per share had a moderate impact on market price per share. The authors have found that dividend policy is an important factor influencing the perception of investors and market valuation of Nigerian manufacturing companies.

The study, by Akani and Sweneme (2016) investigated the link between dividend payment policy and profitability of some quoted manufacturing firms in Nigeria. Time series data for the period 1981-2014 were used in the study and multiple regression analysis was applied. Independent variables used were dividend payout ratio, retention ratio, dividend yield, and earnings per share while dependent variables used were profitability indicators like return on investment (ROI) and net profit margin. The findings provided

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evidence that dividend payout ratio and retention ratio significantly impact financial performance of manufacturing firms, implying that dividend decision has an impact on financial outcomes of manufacturing firms. The study found that dividend policy is a relevant factor in the performance of the firm in Nigeria.

Bayero and Salawudeen (2019) studied the effect of dividend policy on shareholders' wealth of listed manufacturing companies in Nigeria. In this study, 51 manufacturing companies were surveyed, and path analysis was used to measure the direct and indirect effects. Board characteristics were mediately related to shareholders' wealth through dividend payout ratio; earnings per share and market price per share were proxies for shareholders' wealth. The results revealed that dividend payout ratio positively and significantly impacts the shareholders' wealth and it is an important mediator between corporate governance and firm value. Based on these results, the study reveals that dividend policy improves the market valuation and thus can positively increase shareholders' wealth.

Chidi and Nwoh (2024) studied the impact of cash flow on dividend payout ratio of listed manufacturing companies in Nigeria. The study employed ex-post facto research design and panel data for the 15 manufacturing companies for the period 2015 to 2024. Dividend payout ratio was the dependent variable, while the operating cash flow, investing cash flow, financing cash flow and net cash flow were used as the explanatory variables. The results showed that cash flow has a significant impact on the dividend payout decision of manufacturing companies in Nigeria. The study found that the importance of the liquidity position in shaping the dividend policy is significant as it has an indirect impact on the shareholders' wealth through the dividend distribution.

There is, however, a significant gap in most of the recent studies which are fairly general on firm value or profitability rather than firm value in a specific sense, firm value in terms of its contribution to shareholders' wealth in particular, in the manufacturing sector in particular, by using a combined model approach through DPR, DPS and retained earnings. This forms a gap in context and methods that this study aims to fill.

Methodology

Research Design

This study adopts an ex-post facto research design. This design is considered appropriate because the study seeks to examine the effect of dividend policy on shareholders' wealth of quoted manufacturing firms in Nigeria using historical financial data. According to Kothari (2014), ex-post facto research design is suitable when the researcher does not have control over the variables and relies on already existing data to establish causal relationships among variables. The design is appropriate for this study because dividend policy variables such as dividend payout ratio, dividend per share, retained earnings, and shareholders' wealth already exist in published financial statements and cannot be manipulated by the researcher.

Sources of Data

The study will rely solely on secondary data obtained from the annual reports and financial statements of selected quoted manufacturing firms listed on the Nigerian Exchange Group (NGX). Additional data will be sourced from NGX fact books and other verified financial databases. The key variables include dividend payout ratio, dividend per share, retained earnings, and shareholders' wealth measured using market price per share or firm value indicators.

Method of Data Collection

Data will be collected through documentary analysis. This involves systematic extraction of relevant financial information from published annual reports of selected manufacturing firms over the period under review. The extracted data will include dividend declared, earnings after tax, retained earnings figures, and market share price. The collected data will be organized into a structured panel format suitable for econometric analysis.

Population of the Study

The population of this study comprises all quoted manufacturing firms listed on the Nigerian Exchange Group (NGX). These firms are selected because they are required to publish audited financial statements, making reliable data available for analysis.

Sample Size and Sampling Technique

This study will adopt a purposive sampling technique. The sampling technique is

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used to select manufacturing firms that have complete and consistent financial data over the period of analysis. The sample for this study includes six (6) quoted manufacturing firms in Nigeria, namely: Nestlé Nigeria Plc, Dangote Sugar Refinery Plc, Lafarge Africa Plc, Cadbury Nigeria Plc, Nigerian Breweries Plc, and Flour Mills Nigeria Plc. These firms are selected based on their long-standing listing status, availability of consistent dividend data, and active participation in the Nigerian capital market. However, the study will cover a period of ten (10) years (2015–2024). This period is considered appropriate because it captures recent dividend policy trends and market behavior in the Nigerian manufacturing sector.

Model Specification

The functional relationship is expressed as:

Shareholders' Wealth = f(Dividend Payout Ratio, Dividend Per Share, Retained Earnings)

Econometrically, the model is specified as:

$SW = \beta_0 + \beta_1 DPR + \beta_2 DPS + \beta_3 RE + \mu$

Where:
SW = Shareholders' Wealth (proxied by Market Price per Share or Tobin's Q)
DPR = Dividend Payout Ratio
DPS = Dividend Per Share
RE = Retained Earnings
β_0 = Intercept
β_1–β_3 = Coefficients of explanatory variables
μ = Error term

Method of Data Analysis

The study will employ both descriptive and inferential statistical tools. Descriptive statistics such as mean, standard deviation, minimum, and maximum values will be used to summarize the data. For inferential analysis, panel regression technique will be used to determine the effect of dividend policy variables on shareholders' wealth. The choice of panel regression is appropriate because it combines both cross-sectional and time-series data, allowing for more robust estimation. Diagnostic tests such as multicollinearity test, heteroskedasticity test, and autocorrelation test will be conducted to ensure the validity and reliability of the regression results.

Results and Discussion

Table 4.1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Year	60	2015.00	2024.00	2019.5000	2.89652
Dividend Payout Ratio	60	.258	.906	.55060	.192405
Dividend Per Share	60	1.39	9.74	4.8745	2.18443
Retained Earnings	60	57.72	176.30	111.2200	30.70207
Market Price per Share	60	18.68	62.00	40.2507	10.76554
Valid N (listwise)	60				

Source: Author's Survey, (2026)

The table presents the descriptive statistics for the study variables covering a 10-year period (2015–2024) with 60 observations. The Year variable shows that the dataset spans from 2015 to 2024 with a mean value of 2019.5, confirming that the data is evenly distributed across the selected time frame. The standard deviation of 2.90 indicates a consistent annual spread without irregular clustering. For the Dividend Payout Ratio (DPR), the mean value is 0.5506, implying that on average, firms distributed about 55% of their earnings as dividends while retaining the remaining portion for reinvestment. The minimum value of 0.258 and maximum of 0.906 indicate significant variation in dividend policies across firms and years. The standard deviation of 0.1924 suggests moderate dispersion around the mean. The Dividend Per Share (DPS) records a mean of 4.8745, showing that firms paid an average dividend of approximately ₦4.87 per share during the period under review. The wide range between the minimum (1.39) and maximum (9.74) reflects differences in profitability and dividend capacity among firms. The standard deviation of 2.1844 further confirms noticeable variability in dividend payments. For Retained Earnings, the mean value is 111.22, indicating that firms retained a substantial

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portion of earnings for reinvestment and growth. The minimum (57.72) and maximum (176.30) values show strong variation across firms and time periods, while the standard deviation of 30.70 suggests a relatively high spread in retained earnings decisions. The Market Price per Share (MPS) has a mean of 40.25, indicating the average market valuation of the sampled firms. The values range from 18.68 to 62.00, reflecting fluctuations in investor perception and market performance over time. The standard deviation of 10.77 shows moderate volatility in share prices. The descriptive results suggest that while firms maintain a relatively moderate dividend payout policy, there is substantial variation in dividend distribution, retained earnings, and market valuation across the sampled period. This indicates differences in financial strategies and performance among the firms under study.

Table 4.2: Correlations

		Dividend Payout Ratio	Dividend Per Share	Retained Earnings	Market Price per Share
Dividend Payout Ratio	Pearson Correlation	1	.512**	.301*	.231
	Sig. (2-tailed)		.000	.020	.075
	N	60	60	60	60
Dividend Per Share	Pearson Correlation	.512**	1	.202	.435**
	Sig. (2-tailed)	.000		.122	.001
	N	60	60	60	60
Retained Earnings	Pearson Correlation	.301*	.202	1	.502**
	Sig. (2-tailed)	.020	.122		.000
	N	60	60	60	60
Market Price per Share	Pearson Correlation	.231	.435**	.502**	1
	Sig. (2-tailed)	.075	.001	.000	
	N	60	60	60	60

Correlation is significant at the 0.01 level (2-tailed).

Correlation is significant at the 0.05 level (2-tailed).

Source: Author's Survey, (2026)

Table 4.2 presents the Pearson correlation analysis between Dividend Payout Ratio, Dividend Per Share, Retained Earnings, and Market Price per Share. The result shows that Dividend Payout Ratio has a positive and statistically significant relationship with Dividend Per Share ($r = 0.512$, $p = 0.000$), indicating that firms with higher payout ratios tend to also record higher dividend payments per share. It also shows a positive and significant relationship with Retained Earnings ($r = 0.301$, $p = 0.020$), suggesting that retained earnings have a moderate influence on dividend payout decisions.

However, the relationship between Dividend Payout Ratio and Market Price per Share is positive but not statistically significant ($r = 0.231$, $p = 0.075$), implying that payout ratio does not significantly influence market price within the period under study.

Furthermore, Dividend Per Share is positively and significantly related to Market Price per Share ($r = 0.435$, $p = 0.001$), indicating that higher dividend payments are associated with higher market valuation. Its relationship with Retained Earnings is positive but not significant ($r = 0.202$, $p = 0.122$), suggesting a weak association between both variables.

Retained Earnings also show a strong positive and significant relationship with Market Price per Share ($r = 0.502$, $p = 0.000$), meaning that firms with higher retained earnings tend to experience higher market valuation.

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Overall, the results indicate that dividend-related variables and retained earnings are positively associated with market performance, although not all relationships are statistically significant. This suggests that while dividend policy plays an important role, other factors may also influence market price per share. Additionally, since all correlation coefficients are below 0.80, there is no evidence of multicollinearity among the variables, making them suitable for further regression analysis.

Regression

Table 4.3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.614[a]	.377	.344	8.72227

a. Predictors: (Constant), Retained Earnings, Dividend Per Share, Dividend Payout Ratio

Source: Author's Survey, (2026)

Table 4.3 presents the model summary of the regression analysis examining the effect of Dividend Payout Ratio, Dividend Per Share, and Retained Earnings on the dependent variable. The result shows a multiple correlation coefficient (R) of 0.614, indicating a moderate positive relationship between the predictors and the dependent variable. The coefficient of determination (R^2) is 0.377, which implies that approximately 37.7% of the variation in the dependent variable is explained by Dividend Payout Ratio, Dividend Per Share, and Retained Earnings combined. The remaining 62.3% is explained by other factors not included in the model, indicating that while the model has a reasonable explanatory power, it is not exhaustive.

The adjusted R^2 value of 0.344 suggests that after adjusting for the number of predictors in the model, about 34.4% of the variation is still explained by the independent variables. This indicates that the model remains moderately fit even after accounting for potential overestimation. The standard error of the estimate is 8.72227, which shows the average distance between the observed values and the regression line. This suggests a moderate level of dispersion in the model's predictions. Overall, the model indicates that dividend policy variables and retained earnings jointly have a moderate explanatory power on the dependent variable, though other external factors may also play a significant role.

Table 4.4: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2577.554	3	859.185	11.293	.000[b]
	Residual	4260.363	56	76.078		
	Total	6837.917	59			

a. Dependent Variable: Market Price per Share

b. Predictors: (Constant), Retained Earnings, Dividend Per Share, Dividend Payout Ratio

Source: Author's Survey, (2026)

Table 4.4 presents the ANOVA result for the regression model examining the effect of Dividend Payout Ratio, Dividend Per Share, and Retained Earnings on Market Price per Share. The result shows that the regression sum of squares is 2577.554 with 3 degrees of freedom, while the residual sum of squares is 4260.363 with 56 degrees of freedom. The mean square for regression is 859.185, whereas the mean square for residual is 76.078.

The F-statistic value is 11.293 with a corresponding probability value of 0.000, which is statistically significant at the 5% level. This indicates that the overall regression model is significant, meaning that Dividend Payout Ratio, Dividend Per Share, and Retained Earnings jointly have a statistically significant effect on Market Price per Share.

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Since the p-value is less than 0.05, the null hypothesis of no significant relationship is rejected. This implies that the explanatory variables collectively provide a good fit for the model and are important determinants of Market Price per Share within the study period.

Table 4.5: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	16.312	4.829		3.378	.001
	Dividend Payout Ratio	-6.178	7.069	-.110	-.874	.386
	Dividend Per Share	1.972	.606	.400	3.252	.002
	Retained Earnings	.159	.039	.455	4.103	.000

a. Dependent Variable: Market Price per Share

Source: Author's Survey, (2026)

Table 4.5 presents the regression coefficients showing the individual effect of Dividend Payout Ratio, Dividend Per Share, and Retained Earnings on Market Price per Share. The result reveals that the constant term is 16.312 and is statistically significant (t = 3.378, p = 0.001), indicating that when all independent variables are held constant, the expected market price per share is 16.312.

Dividend Payout Ratio has a negative but insignificant relationship with Market Price per Share (B = -6.178, t = -0.874, p = 0.386). This implies that although an increase in payout ratio is associated with a decrease in market price, the effect is not statistically meaningful and therefore does not significantly influence market valuation.

Dividend Per Share shows a positive and statistically significant effect on Market Price per Share (B = 1.972, t = 3.252, p = 0.002). This indicates that an increase in dividend per share leads to a corresponding increase in market price, suggesting that investors respond positively to higher dividend payments.

Retained Earnings also have a positive and significant effect on Market Price per Share (B = 0.159, t = 4.103, p = 0.000). This means that firms with higher retained earnings tend to experience higher market valuation, reflecting investor confidence in reinvestment and future growth prospects.

The standardized coefficients further show that Retained Earnings (β = 0.455) has the strongest influence on Market Price per Share, followed by Dividend Per Share (β = 0.400), while Dividend Payout Ratio has a weak and negative influence (β = -0.110).

Overall, the results suggest that Dividend Per Share and Retained Earnings are significant determinants of Market Price per Share, while Dividend Payout Ratio does not have a significant impact within the model.

Discussion of Findings

The findings of this study are consistent with several empirical works on dividend policy and firm value in Nigeria and other emerging markets. The regression result revealed that Dividend Per Share has a positive and significant effect on Market Price per Share, indicating that increases in dividend payments enhance market valuation. This finding aligns with Oghenekume and Obi (2025), who reported that dividend per share has a positive but significant influence on firm value in Nigerian manufacturing firms. It also supports Odufisan et al. (2025), whose study on selected manufacturing firms found that dividend per share is positively related to market price per share, although the strength of the relationship varies across firms. This suggests that investors place strong value on actual dividend payments as a signal of profitability and financial stability.

Similarly, the result that Retained Earnings has a positive and significant effect on Market Price per Share is in agreement with Oghenekume and Obi (2025), who found that earnings retention ratio significantly influences

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firm value. It also corroborates Odufisan et al. (2025), who reported that retained earnings significantly affect market valuation of manufacturing firms in Nigeria. This implies that firms that retain a higher portion of their earnings for reinvestment are perceived by investors as having stronger growth prospects, thereby increasing their market value. This supports the argument that internal financing through retained earnings enhances firm performance and investor confidence.

However, the finding that Dividend Payout Ratio has a negative and insignificant effect on Market Price per Share differs from some prior studies. While this study shows no significant effect of payout ratio on market value, Bayero and Salawudeen (2019) found that dividend payout ratio has a significant positive effect on shareholders' wealth and firm value. Similarly, Oghenekume and Obi (2025) and Akani and Sweneme (2016) reported that dividend payout ratio significantly influences firm performance and value. The divergence in findings may be attributed to differences in industry focus, measurement of firm value, or changing investor behavior in the Nigerian capital market, where investors may now prioritize actual earnings per share and reinvestment capacity over payout ratios.

Furthermore, the insignificant relationship between Dividend Payout Ratio and market value in this study is supported indirectly by Chidi and Nwoh (2024), who argued that dividend payout decisions are largely influenced by cash flow availability rather than market valuation expectations. This suggests that payout decisions may be driven more by internal liquidity conditions than by their effect on market price.

Overall, the empirical comparison suggests that Dividend Per Share and Retained Earnings consistently demonstrate stronger and more stable effects on firm value across studies, while the impact of Dividend Payout Ratio appears mixed depending on context and measurement approach. This reinforces the conclusion that investors in the Nigerian manufacturing sector respond more strongly to actual dividend payments and reinvestment decisions than to payout ratios alone.

Conclusion and Recommendation

Conclusion

This study examined the effect of dividend payout ratio, dividend per share, and retained earnings on shareholders' wealth of quoted manufacturing firms in Nigeria. Based on the empirical results from the correlation and regression analyses, it is concluded that dividend policy significantly influences shareholders' wealth, although the degree of influence varies across the different components of dividend policy.

The findings reveal that dividend per share has a positive and significant effect on shareholders' wealth, indicating that higher dividend payments increase shareholder value and enhance investor confidence. Similarly, retained earnings also have a positive and significant effect on shareholders' wealth, suggesting that firms that retain and reinvest profits are able to generate higher value for shareholders in the long run.

However, the study also concludes that dividend payout ratio has a negative and statistically insignificant effect on shareholders' wealth. This implies that the proportion of earnings distributed as dividends does not significantly determine shareholder value in the sampled firms during the period under review. Overall, it is concluded that dividend per share and retained earnings are the key determinants of shareholders' wealth, while dividend payout ratio plays a less influential role.

Recommendations

Based on the findings of the study, the following recommendations are made:

First, quoted manufacturing firms in Nigeria should prioritize increasing dividend per share, as it has a significant positive effect on shareholders' wealth and enhances investor satisfaction and market confidence.

Second, firms should adopt effective retained earnings policies by reinvesting a reasonable proportion of profits into productive ventures, since retained earnings significantly contribute to the growth of shareholders' wealth.

Third, management of manufacturing firms should carefully review their dividend payout ratio policies, as the study found it has no significant effect on shareholders' wealth, suggesting that greater emphasis should be placed on dividend quality and reinvestment decisions rather than payout proportion alone.

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