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Dividend Policy and Share Price of Deposit Money Banks in Nigeria: The Moderating Role of Ownership Structure.

By

Ekok, J. N.¹, Akor, C.A.², Negedu, C.B.^{3,1}, Odobi, D.O.,³ Okpanachi, G.E³ and Opaluwa, F⁴

¹Department of Accounting, Federal College of Education, Potiskum, Yobe State, Nigeria

²Department of Accounting, University of Abuja, Gwagwalada, Nigeria

³Department of Accounting Prince Abubakar Audu University, Anyigba, Kogi State, Nigeria

⁴Department of Business Administration, Prince Abubakar Audu University, Anyigba, Kogi State, Nigeria



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Abstract

This study examines the effect of dividend policy on the share price of deposit money banks (DMBs) in Nigeria, and investigates whether managerial ownership moderates this relationship. Dividend policy is proxy by four indicators retention ratio, price-earnings ratio, cash dividend, and dividend declared – while share price is proxy by market share price. The study employs an ex-post facto correlational research design using a balanced panel of 110 bank-year observations drawn from eleven deposit money banks listed on the Nigerian Exchange (NGX) over the period 2015–2024, estimated using pooled OLS, fixed-effects, and random-effects panel regression, with moderated (interaction) regression used to test the moderating role of managerial ownership. Findings show that retention ratio and cash dividend have a significant positive effect on market share price, while price-earnings ratio has a significant negative effect; dividend declared has no significant effect. Managerial ownership has a significant direct negative effect on market share price and significantly and positively moderates the relationship between retention ratio and market share price, but does not significantly moderate the price-earnings ratio, cash dividend, or dividend declared relationships. The study concludes that dividend decisions convey information that shapes investors' valuation of bank shares, and that managerial ownership conditions this relationship selectively rather than uniformly across dividend policy proxies. The study contributes to the corporate finance and governance literature by integrating ownership structure as a boundary condition in the dividend–valuation nexus within an emerging market banking context, and offers policy-relevant recommendations for bank management, regulators, and investors in Nigeria.

Keywords: Dividend Policy, Retention Ratio, Price-Earnings Ratio, Cash Dividend, Dividend Declared, Market Share Price, Managerial Ownership, Deposit Money Banks, Nigeria

1.1 INTRODUCTION

The relationship between dividend policy and share price remains one of the most enduring debates in corporate finance. Since Modigliani and Miller (1961) argued that dividend policy is irrelevant to firm value under perfect market assumptions, subsequent scholars have contested this position, contending that dividend decisions carry informational and behavioral weight that investors price into shares (Gordon, 1963; Lintner, 1962). For deposit money banks (DMBs), whose operations are capital-intensive, tightly regulated, and highly sensitive to public confidence, dividend

policy is not merely a residual financing decision but a strategic signal of financial health, regulatory compliance, and future earnings capacity.

In Nigeria, DMBs operate under stringent capital adequacy and prudential guidelines issued by the Central Bank of Nigeria (CBN), which directly constrain the proportion of profit that can be distributed as dividends versus retained to shore up regulatory capital. Consequently, the way banks' balance retention against distribution captured through the retention ratio, price-earnings ratio, cash dividend, and dividend declared has direct implications for how the market



prices their shares. Yet, empirical findings on this relationship in the Nigerian banking sector remain mixed and inconclusive, with some studies reporting a significant positive relationship between dividend payout and share price, others finding an insignificant or even inverse relationship, and yet others emphasizing retained earnings as the more important determinant of value.

One plausible explanation for these inconsistent findings is the omission of governance factors that condition how the market interprets dividend signals. Agency theory (Jensen & Meckling, 1976) suggests that when managers own a meaningful stake in the firms they run, the interest-alignment effect reduces the tendency to use dividends opportunistically, thereby strengthening the credibility of dividend signals to the market. Where managerial ownership is negligible, dividend announcements may be viewed with greater skepticism, weakening their effect on share price. Also, While the dividend share price nexus has been extensively studied, three gaps are evident: (i) most Nigerian studies use a single or narrow set of dividend proxies (typically dividend per share or payout ratio) rather than a composite set covering retention ratio, price-earnings ratio, cash dividend, and dividend declared simultaneously; (ii) few studies isolate deposit money banks, whose dividend behavior is uniquely shaped by CBN prudential guidelines; and (iii) managerial ownership is rarely modeled as a moderating (rather than merely control) variable in this relationship. This study addresses these gaps by proposing an integrated model that tests four dividend policy proxies against market share price, with managerial ownership as an explicit moderator, within the Nigerian DMB sector.

Despite this theoretical plausibility, few studies on Nigerian DMBs have explicitly modeled managerial ownership as a moderating variable in the dividend–share price relationship, leaving a conceptual and empirical gap that this study seeks to address.

Accordingly, this study is designed to examine the effect of dividend policy is proxy by retention ratio, price-earnings ratio, cash dividend, and dividend declared – on the market share price of listed deposit money banks in Nigeria, and to determine whether managerial ownership moderates this relationship.

1.2 Objectives of the Study

1. Examine the effect of retention ratio on the market share price of listed DMBs in Nigeria.
2. Determine the effect of price-earnings ratio on the market share price of listed DMBs in Nigeria.
3. Assess the effect of cash dividend on the market share price of listed DMBs in Nigeria.
4. Evaluate the effect of dividend declared on the market share price of listed DMBs in Nigeria.
5. Investigate the moderating role of managerial ownership on the relationship between dividend policy and the market share price of listed DMBs in Nigeria.

1.3 Research Hypotheses

- H0₁ Retention ratio has no significant effect on the market share price of listed DMBs in Nigeria.
- H0₂ Price-earnings ratio has no significant effect on the market share price of listed DMBs in Nigeria.
- H0₃ Cash dividend has no significant effect on the market share price of listed DMBs in Nigeria.
- H0₄ Dividend declared has no significant effect on the market share price of listed DMBs in Nigeria.
- H0₅ Managerial ownership does not significantly moderate the relationship between dividend policy and the market share price of listed DMBs in Nigeria.

2. Literature Review

2.1 Conceptual Review

Dividend policy refers to the framework and decisions guiding the proportion of a firm's earnings that is distributed to shareholders as dividends versus the proportion retained for reinvestment (Pandey, 2010). According to Zatiok et al (2023), the dividend policy of a company pertains to the strategy it adopts for distributing dividends “over time”. A company can choose to distribute a substantial portion of its earnings as dividends or opt for a smaller proportion of net income and reinvest the remainder. It is typically expressed through several operational proxies:

Retention Ratio (RR): the proportion of net income retained by the bank rather than distributed as dividends. According to Sean (2023) retention ratio measures the percentage of a company's profits reinvested into the business rather than distributed as dividend. Kumari, (2025) added that retention ratio is an important financial ratio that shows how much of a company's earnings are retained to reinvest. Computed as $(\text{Net Income} - \text{Dividends Paid}) / \text{Net Income}$. A high retention ratio signals a growth-oriented policy, while a low ratio signals a distribution-oriented policy.

Price-Earnings Ratio (PER): the ratio of the market share price to earnings per share (EPS), reflecting investors' willingness to pay for a naira of current earnings and, indirectly, their expectation of future dividend growth. Price earnings ratio show how much investor must spend in order to receive a return on earnings per share of the business (Putra, 2023). Amure (2025) described price earnings ratio as a financial short hand for how much investor are willing to pay for each value a company earns. Also, price earnings ratio is described as the price tag of a company's profit. This tools helps you determined whether a stock's current price is reasonable relative to its earning power. Therefore, price earnings ratio is a financial instrument that evaluates the company's present stocks with its earnings per share.

Cash Dividend (CD): Cash dividend are paid out in cash which means shareholders receive payments that are deposited directly into their bank account and these payments are usually made on a regular schedule often quarterly (Tim 2025). Similarly, Rob (2023) opined that cash dividend is profits that are distributed in cash to the shareholders. It is also the actual cash amount per share paid out to shareholders

during a financial period, representing the direct, tangible return to equity investors.

Dividend Declared (DD): Dividend declared signals to the investors that a company is financially strong and has a positive outlook for the future which can lead to the increased demand for the company share and consequently drive up share price (Tazeen & Trupti 2024). It is the total dividend (or dividend per share) formally approved by the board and declared at the Annual General Meeting, representing the firm's stated distribution commitment for the period, whether or not fully paid within the same period.

Share price, the dependent construct, is proxy in this study by market share price (MSP) – the price at which a bank's ordinary shares trade on the floor of the Nigerian Exchange, typically measured as the closing price at financial year-end. According to Market share price is widely used in finance research as a proxy for shareholder wealth and market perception of firm value (Ross, Westerfield & Jaffe, 2016).

Ownership structure refers to the distribution of equity ownership among different classes of shareholders – managerial, institutional, foreign, and block ownership. This study focuses on managerial ownership (MO), typically measured as the proportion (or percentage) of a bank's outstanding ordinary shares held by executive directors and top management. Managerial shareholding comprises of stock held by the executive officer, board of directors, and other decision-makers and supporters that take part in the company's management, either by their presence or by way of representation in the board of directors or combination of the two (Nuhu, 2020). . According to Gimba et al (2020) managerial ownership refers to the shares owned by insider and board members actively engaged in a company's operation, such as directors and managers. Also Nasiru (2022) agreed that managerial ownership is the share ownership of directors and the company's managers. Agency theory positions managerial ownership as a governance mechanism that aligns the interests of managers (agents) with those of shareholders (principals), thereby moderating how corporate financial decisions, including dividend policy, translate into market value (Jensen & Meckling, 1976).

2.2 Theoretical Review

Several theories underpin the study:

2.1 Signaling Theory

(Bhattacharya, 1979; Miller & Rock, 1985): suggests that, under information asymmetry, dividend changes signal management's private information about future earnings prospects, so dividend increases (or higher declared/cash dividends) are interpreted positively by the market and priced into shares.

2.2.2 Agency Theory

(Jensen & Meckling, 1976): explains that separation of ownership from control creates conflicts of interest between managers and shareholders; dividends serve as a mechanism to reduce free cash flow available for managerial discretion, while managerial ownership independently aligns managerial

incentives with shareholder wealth maximization providing the theoretical basis for the moderating role of managerial ownership in this study.

Clientele Effect Theory (Modigliani & Miller, 1961; Elton & Gruber, 1970): proposes that firms attract particular groups of investors based on their dividend policy (e.g., income-seeking versus growth-seeking investors), and consistency in policy sustains share price stability.

This study adopts the signaling and agency theories as its primary anchors: signaling theory explains the direct relationship between dividend policy proxies and market share price, while agency theory explains why managerial ownership is expected to moderate the strength of that relationship.

2.2.3 Empirical Review

Ujjwal (2024) evaluated impact of dividend policy on stock price of life insurance companies in Nepal. The independent variable was measured by dividend per share, dividend pay-out ratio, earnings per share and price earnings ratio. The study employed descriptive and casual- comparative research design, judgmental sampling method was used to sample 10 life insurance companies. The results showed that there is a negative significant impact of dividend per share on stock price while there is a positive significant impact of dividend pay-out ratio, earnings per share and price earnings ratio on stock price.

Nwufu, & Yusuf, (2021) analysed the Effect of dividend policy on market share price of listed industrial goods companies in Nigeria. The dependent variable was proxy by Share price and the independent variable by Share dividend, Price earnings ratio and Cash dividend. The study applied Correlational research design. Judgmental sampling technique was used to sample 10 listed industrial goods company and panel data from 2014- 2018. Ordinary least square and descriptive statistics was used for analysis. The study discovered that Cash dividend and price earnings ratio has a significant positive relationship with share price and Share dividend has no relationship with share price.

Simon, et al (2024) the study seek to determined effect of ownership structure on dividend policy of listed agricultural companies in Nigeria. The study measured the dependent variable using dividend per share and the independent variable by managerial ownership and institutional ownership. This study utilized ex-post facto design. 5 agriculture companies were samples using census sampling method and descriptive statistics was used to analyses data. The results revealed that institutional ownership has a negative significant effect on dividend per share and managerial ownership has a positive significant effect on dividend per share.

3. Methodology

3.1 Research Design

The study adopts an ex-post correlational research design, which is appropriate because the variables of interest (dividend policy proxies, share price, and managerial

ownership) are historical and already exist in published annual reports and cannot be manipulated by the researcher.

3.2 Population and Sample

The population comprises all deposit money banks listed on the Nigerian Exchange (NGX) as at the end of the study period. A purposive (judgmental) sampling technique is proposed to select banks that: (i) have been consistently listed throughout the study period; (ii) have consistently declared and/or paid dividends during the period (to allow computation of retention ratio and dividend variables); and (iii) have complete, accessible audited annual reports for the entire study period. A study window of ten years (e.g., 2015–2024) is recommended to capture sufficient variation across dividend and ownership behavior, including periods of regulatory and macroeconomic shocks.

3.3 Sources and Method of Data Collection

Secondary data are to be sourced from the audited annual reports and financial statements of sampled banks, the Nigerian Exchange (NGX) Fact Book and daily equities report, and the Central Bank of Nigeria (CBN) statistical bulletin where applicable. Market share price is to be obtained as the closing price at each bank's financial year-end.

3.4 Model Specification

To capture both the direct and moderated relationships, two models are specified. Model 1 tests the direct effect of dividend policy proxies on market share price; Model 2 introduces managerial ownership and its interaction terms with each dividend policy proxy to test the moderating effect.

Model 1 (Direct Effect):

$$MSP_{it} = \beta_0 + \beta_1 RR_{it} + \beta_2 PER_{it} + \beta_3 CD_{it} + \beta_4 DD_{it} + \beta_5 SIZE_{it} + \varepsilon_{it}$$

Model 2 (Moderated Effect):

$$MSP_{it} = \beta_0 + \beta_1 RR_{it} + \beta_2 PER_{it} + \beta_3 CD_{it} + \beta_4 DD_{it} + \beta_5 MO_{it} + \beta_6 (RR \times MO)_{it} + \beta_7 (PER \times MO)_{it} + \beta_8 (CD \times MO)_{it} + \beta_9 (DD \times MO)_{it} + \beta_{10} SIZE_{it} + \varepsilon_{it}$$

Where: MSP = Market Share Price; RR = Retention Ratio; PER = Price-Earnings Ratio; CD = Cash Dividend per share; DD = Dividend Declared per share; MO = Managerial Ownership (proportion of shares held by executive directors/management); SIZE = bank size (log of total assets), included as a control variable; i = bank; t = year; ε = error term. A significant and improved model fit (higher adjusted R^2 and significant interaction coefficients β_6 – β_9) in Model 2 relative to Model 1 would provide evidence of a moderating effect of managerial ownership.

3.5 Variable Measurement

Variable	Type	Measurement	Proxy Code
Market Price	Share Dependent	Closing market price per share at financial year-end	MSP
Retention Ratio	Independent	(Net Income – Dividends Paid) / Net Income	RR
Price-Earnings Ratio	Independent	Market Price per Share / Earnings per Share	PER
Cash Dividend	Independent	Cash dividend paid per share during the period	CD
Dividend Declared	Independent	Total dividend per share declared/approved at AGM	DD
Managerial Ownership	Moderator	Percentage of outstanding shares held by executive directors/management	MO
Bank Size	Control	Natural logarithm of total assets	SIZE

Estimation Technique

Given the panel structure of the data (11 banks over 10 years), the study applies pooled OLS, fixed-effects, and random-effects panel regression, with the choice between fixed-effects and random-effects guided by the Hausman specification test. All continuous variables were winsorized at the 1st and 99th percentiles to limit the influence of extreme outliers, and the variables entering interaction terms (retention ratio, price-earnings ratio, logged cash dividend, logged dividend declared, and managerial ownership) were mean-centered prior to constructing the interaction terms, consistent with standard practice in moderated regression (Aiken & West, 1991), to mitigate non-essential multicollinearity. Diagnostic tests – Variance Inflation Factor (VIF) for multicollinearity,

the Breusch-Pagan test for heteroskedasticity, and the Hausman test for model specification – were conducted, and all regressions were estimated with standard errors clustered at the bank level to correct for panel heteroskedasticity and within-entity serial correlation. The moderating effect of managerial ownership is tested by comparing the explanatory power and interaction coefficients of Model 2 against Model 1.

4. Data Analysis and Results

4.1 Descriptive Statistics

Table 2 presents the descriptive statistics for the study variables based on 110 bank-year observations covering 11 deposit money banks over 2015–2024.

Variable	N	Mean	Std. Dev.	Min	Max	Skew.	Kurt.

Market Share Price (₦)	110	14.672	15.104	0.530	69.650	1.343	4.442
Retention Ratio	110	0.805	0.222	0.004	1.000	-1.098	3.582
Price-Earnings Ratio	110	0.160	1.100	0.000	11.571	10.283	107.151
Cash Dividend (Log)	110	13.478	7.137	0.000	23.016	-1.242	2.872
Dividend Declared (Log)	110	14.688	8.005	0.000	24.132	-1.051	2.663
Managerial Ownership	110	0.085	0.167	0.000	0.867	3.152	13.042
Bank Size (Log Assets)	110	10.194	1.187	8.441	13.159	0.917	2.735
Leverage	110	0.723	0.380	0.001	1.692	-0.702	3.461

STATA output

On average, sampled banks traded at ₦14.67 per share, with wide dispersion (SD = ₦15.10) reflecting the heterogeneity between large, well-capitalized banks (e.g., Zenith Bank, GTCO) and smaller or previously distressed banks (e.g., Unity Bank, Wema Bank) in the sample. The average retention ratio of 0.805 indicates that sampled DMBs retained about 80.5% of earnings on average consistent with CBN capital adequacy pressures that incentivize retention over full distribution. Price-earnings ratio shows extreme skewness

(10.283) and kurtosis (107.151), driven by a small number of bank-years with near-zero earnings per share; this is addressed through winsorization prior to regression. Managerial ownership averages 8.5% of outstanding shares but is also highly skewed (skewness = 3.152), reflecting a few banks with unusually concentrated insider ownership relative to the rest of the sample.

4.2 Correlation Analysis

Table 3 presents the Pearson correlation matrix among the study variables.

Variable	MSP	RR	PER	CD	DD	MO	SIZE	LEV
MSP	1.000							
Retention Ratio (RR)	-0.167	1.000						
PE Ratio (PER)	0.058	-0.105	1.000					
Cash Dividend (CD)	0.389	-0.519	0.088	1.000				
Dividend Declared (DD)	0.289	-0.370	0.064	0.775	1.000			
Managerial Own. (MO)	-0.224	0.201	0.069	-0.177	-0.190	1.000		
Bank Size (SIZE)	-0.212	0.019	-0.006	0.234	0.192	0.029	1.000	
Leverage (LEV)	0.132	0.325	0.009	-0.288	-0.253	0.205	-0.472	1.000

Market share price is positively correlated with cash dividend ($r = 0.389$) and dividend declared ($r = 0.289$), and negatively correlated with retention ratio ($r = -0.167$) and managerial ownership ($r = -0.224$) at the bivariate level. Cash dividend and dividend declared are strongly correlated with each other ($r = 0.775$), which is expected given both derive from the same underlying payout event; this correlation is addressed in the multivariate models through mean-centering of interaction terms and is flagged as a source of elevated variance inflation for the corresponding interaction terms in Model 2. No other pairwise correlation exceeds the conventional 0.80 threshold associated with severe multicollinearity.

4.3 Diagnostic Tests

Variance Inflation Factor (VIF) values for Model 1 range from 1.14 to 4.20, well below the conventional threshold of 10, indicating no serious multicollinearity among the direct-effect regressors. In Model 2, most VIFs remain acceptable (1.93–6.04), except for the logged cash dividend and logged dividend declared interaction terms (CD × MO: VIF = 58.12; DD × MO: VIF = 57.30), which are elevated due to the strong

correlation between cash dividend and dividend declared noted above; coefficients on these two interaction terms are therefore interpreted with caution. The Breusch-Pagan test rejects the null of homoskedasticity for both Model 1 (LM = 16.878, $p = 0.0097$) and Model 2 (LM = 19.824, $p = 0.0478$), confirming the presence of heteroskedasticity; all reported regressions therefore use standard errors clustered at the bank level. The Hausman test is inconclusive for Model 1 ($\chi^2(7) = 12.965$, $p = 0.0730$) but strongly favors the fixed-effects specification for Model 2 ($\chi^2(12) = 32.626$, $p = 0.0011$); the fixed-effects estimator is therefore adopted as the primary model for both specifications for consistency, and is additionally supported by a highly significant pool ability F-test ($p < 0.0001$ in both models) rejecting pooled OLS in favor of a model with bank-specific effects

4.4 Regression Results

Table 4 reports the fixed-effects panel regression results for Model 1 (direct effect) and Model 2 (moderated effect), with bank-clustered standard errors in parentheses.

Variable	Model 1 Coef.	Model 1 p-value	Model 2 Coef.	Model 2 p-value
Constant	-6.336	0.573	-20.518	0.077*
Retention Ratio (RR)	16.264	0.003***	26.709	0.000***

PE Ratio (PER)	-12.243	0.004***	-7.334	0.532
Cash Dividend (CD)	0.607	0.029**	0.289	0.644
Dividend Declared (DD)	0.070	0.597	0.292	0.165
Managerial Ownership (MO)	—	—	-36.165	0.004***
RR × MO	—	—	204.900	0.017**
PER × MO	—	—	1.173	0.958
CD × MO	—	—	-3.160	0.544
DD × MO	—	—	3.878	0.412
Bank Size (SIZE)	1.635	0.111	2.857	0.009***
Leverage (LEV)	5.937	0.099*	6.725	0.141
Within R ²	0.289		0.331	
F-statistic	6.306	0.000***	3.953	0.000***
N (bank-years)	110		110	

STATA output

4.5 Test of Hypotheses

H0₁ (Retention ratio has no significant effect on MSP): REJECTED. Retention ratio has a significant positive effect on market share price in both Model 1 ($\beta = 16.264$, $p = 0.003$) and Model 2 ($\beta = 26.709$, $p < 0.001$).

H0₂ (Price-earnings ratio has no significant effect on MSP): REJECTED in Model 1. Price-earnings ratio has a significant negative effect on market share price ($\beta = -12.243$, $p = 0.004$); the effect becomes statistically insignificant once managerial ownership and interaction terms are introduced in Model 2 ($p = 0.532$).

H0₃ (Cash dividend has no significant effect on MSP): REJECTED in Model 1. Cash dividend has a significant positive effect on market share price ($\beta = 0.607$, $p = 0.029$); this effect is not significant in Model 2 ($p = 0.644$).

H0₄ (Dividend declared has no significant effect on MSP): NOT REJECTED. Dividend declared has no statistically significant effect on market share price in either Model 1 ($p = 0.597$) or Model 2 ($p = 0.165$).

H0₅ (Managerial ownership does not significantly moderate the dividend policy–MSP relationship): PARTIALLY REJECTED. Managerial ownership significantly and positively moderates the relationship between retention ratio and market share price ($\beta = 204.900$, $p = 0.017$), and has a significant negative direct effect on market share price ($\beta = -36.165$, $p = 0.004$). However, it does not significantly moderate the price-earnings ratio, cash dividend, or dividend declared relationships with market share price (all $p > 0.10$).

4.6 Discussion of Findings

The significant positive effect of retention ratio on market share price, which strengthens further in the moderated model, suggests that Nigerian equity investors interpret higher earnings retention by DMBs as a credible growth signal rather than a reduction in current shareholder return an outcome consistent with signaling theory and plausibly reinforced by the market's awareness that retained earnings support the

regulatory capital buffers that CBN prudential guidelines require of banks. This finding contrasts with a strict bird-in-hand reading in which investors would penalize retention in favor of current cash payout, and instead aligns with growth-signaling and residual-dividend perspectives found in some prior Nigerian banking studies.

The negative and significant coefficient on price-earnings ratio in Model 1 is counter to the study's a priori expectation of a positive relationship and warrants cautious interpretation. Because price-earnings ratio is highly sensitive to near-zero or negative earnings per shares reflected in the variable's extreme skewness and kurtosis in the descriptive statistics a small number of bank-years with depressed or loss-making earnings (e.g., Unity Bank in the later years of the panel) can generate unusually large PER values that do not represent genuine 'growth premium' pricing. The negative relationship therefore may partly reflect the market discounting banks with earnings-quality concerns rather than a general rejection of high-multiple banks, and the effect loses significance once managerial ownership is controlled for in Model 2, suggesting it is not robust across specifications.

Cash dividend shows a significant positive relationship with market share price in the direct-effect model, consistent with the bird-in-hand and signaling theories actual cash payments to shareholders are priced positively by the market, reinforcing the informational value of realized (as opposed to merely declared) distributions. Dividend declared, by contrast, is insignificant throughout, implying that the market responds more to cash dividends actually paid than to the board's declared distribution commitment, possibly because declared dividends can diverge from amounts ultimately paid or because declaration alone conveys less verifiable information than a completed cash payment.

On the moderating role of managerial ownership, the significant negative direct effect of managerial ownership on market share price ($\beta = -36.165$, $p = 0.004$) is consistent with an entrenchment-type interpretation: at the higher levels of managerial ownership observed in a subset of sampled banks, the market appears to discount shares, possibly reflecting

governance or minority-expropriation concerns associated with concentrated insider control. However, the significant positive interaction between retention ratio and managerial ownership ($\beta = 204.900$, $p = 0.017$) supports the agency-theoretic convergence-of-interest argument specifically for the retention decision: where managers hold more equity, the market appears to place greater confidence in management's retention (reinvestment) decisions, reinforcing rather than weakening the positive retention–share price relationship. This selective pattern significant moderation for retention ratio but not for price-earnings ratio, cash dividend, or dividend declared indicates that managerial ownership does not act as a uniform, blanket moderator of dividend policy but operates specifically through the retention channel in this sample, a nuance not evident from the pairwise correlations alone and one that adds precision to the theoretical claim that ownership structure conditions the dividend valuation relationship.

The moderated model's improved within- R^2 (0.331 versus 0.289 in the direct-effect model) and the strongly significant Hausman test in Model 2 both indicate that incorporating managerial ownership adds explanatory value beyond the direct dividend-policy effects, even though that value is concentrated in the retention-ratio channel rather than spread evenly across all four dividend policy proxies. The elevated VIFs on the cash-dividend and dividend-declared interaction terms, driven by the high correlation between the two underlying variables, mean the null findings on those two interactions should be treated as tentative rather than conclusive, and are flagged as a limitation addressed in the recommendations for future research below.

5. Conclusion and Recommendations

This study examined the effect of dividend policy proxy by retention ratio, price-earnings ratio, cash dividend, and dividend declared on the market share price of eleven deposit money banks listed in Nigeria over 2015–2024, with managerial ownership modeled as a moderating variable. Using fixed-effects panel regression on 110 bank-year observations, the study finds that retention ratio and cash dividend significantly and positively affect market share price, price-earnings ratio has a significant but fragile negative effect that does not survive the introduction of moderating variables, and dividend declared has no significant effect. Managerial ownership has a significant negative direct effect on market share price and significantly strengthens the positive relationship between retention ratio and market share price, but does not significantly moderate the other three dividend policy proxies. The study concludes that dividend policy is a relevant determinant of bank share price in Nigeria, that the market appears to place more weight on retained earnings and actual cash payments than on merely declared dividends, and that managerial ownership conditions the dividend–share price relationship selectively rather than as a blanket governance moderator, providing partial support for agency theory alongside evidence consistent with managerial entrenchment at higher ownership concentrations.

Based on the foregoing, the study recommends that:

1. Bank management should sustain a retention oriented dividend policy where consistent with regulatory capital needs, since retained earnings are positively priced by the market, while continuing to pay meaningful cash dividends, which also significantly and positively influence share price.
2. Boards of DMBs should calibrate managerial share ownership at moderate levels, since ownership reinforces the credibility of retention decisions but is associated with lower share price on average at the higher concentrations observed in the sample, consistent with a risk of managerial entrenchment; ownership schemes should therefore be designed with safeguards (e.g., vesting conditions, independent board oversight) against excessive insider control.
3. Bank management and analysts should treat the declared-dividend figure with caution as a valuation signal and instead priorities disclosure and analysis of actual cash dividends paid, which the market rewards more consistently than declarations.
4. Regulators (CBN, SEC, NGX) should strengthen disclosure of both earnings quality (given the sensitivity of the price-earnings ratio to near-zero or negative earnings) and managerial/insider ownership levels, to help the market distinguish genuine growth signaling from earnings distress.
5. Future researchers should extend this study with a larger panel (more banks and/or a longer window) and alternative estimators such as system-GMM to address potential endogeneity and the elevated multicollinearity observed between cash dividend and dividend declared interaction terms, and should test for non-linear or threshold effects of managerial ownership consistent with the entrenchment pattern suggested by this study's direct-effect results.

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