Dividend Policy and Firm Value of Deposit Money Banks in Nigeria: The Moderating Role of Profitability

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Abstract

Firm value reflects investors' perception of the worth of a company for informed business decisions Evidence from literature showed that factors like financial leverage, capital structure and economic uncertainties have led to the fluctuating and declining firm value which have negative effect on business decisions in listed deposit money banks . Research has shown that not many listed deposit money banks have integrated dividend policy into their operations. This paper examined the effect of dividend policy on firm value of Deposit Money Banks in Nigeria, an emerging country. Furthermore, it assessed the moderating effect of profitability considering the dividend irrelevance theory. Data were collected from 8 listed banks over 2013 – 2022. The dependent variable, firm value was proxied using Tobin q, independent variable measured as dividend per share and dividend payout while moderating variable profitability was estimated using Return on equity. Using a fixed effect panel regression techniques to investigate the proposed relationships, the baseline model demonstrated that both dividend per share had an and dividend payout had a significant and positive effect on firm value. More so, the outcome of the moderating evaluation indicated that profitability exerted a moderating effect on the relationship between dividend policy and firm value. Specifically, profitability weakened the association between dividend policy and firm value for DMBs in Nigeria. Therefore the study recommended that management should prioritize shareholder dividend payments without compromising effective exploitation of all available investment opportunities to sustain profitability.

Keywords: Dividend policy, Dividend per share, Dividend payout, Firm value, Profitability

1. Introduction

Empirical researches have predominately examined the issue of performance with a predilection towards profitability, this is hinged according to Januarsi and Sanusi (2024), on the premise that profitability is one of the most important variable visualizing company performance and the acknowledged pivotal role of profitability in the survival of most companies. However, even though profitability remains a crucial objective of every profit-oriented organization and is seen as the metric for assessing the effectiveness of management (Hada & Mihalcea, 2020), it has been argued that other cognate metrics must be given commensurate attention to ensure overall wholeness of any organisation. Such metrics are expected to capture the perceptive of all stakeholders and this includes the concept of firm value.

According to Sukesti, et al. (2019), firm value is the investor's perception of the success of a company. It describes the performance of management in carrying out the work entrusted to them by shareholders regarding the management of the company (Park & Byun cited in Suteja, et al., 2023). Firm value, which is often connected with the market performance of the firm or the price of the firm's shares, is a measure of the performance of the company which combines investment returns and risks of the company; hence it is more comprehensive than other performance measures. Moreover, the welfare of shareholders is directly related to the firm's value as high firm value indicates prosperity for shareholders (Kurniawati & Anggraini, 2023), consequently, management decisions is expected to prioritize increasing the firm's value. Additionally, as observed by Melda et al. (2022), volatility in the firm value of a bank would diminish customers and investors' trust adversely affecting its competitiveness. Thus the pursuance to achieve shareholders wealth maximization and remain competitive has obligated an intuitive inquest on the relationship between various management decisions and firm value.

Management decisions typically involve financing, investment and dividend decisions (Owusu-Ansah, et al., 2023). F*inancing decisions, according to* Murniati et al. (2019) refer to *the decisions that companies need to take regarding what proportion of equity and debt capital to have in their* capital structure, while investment decision involves choosing where to allocate financial resources in order to achieve future growth and returns. Dividend decisions, explained by Januarsi and Sanusi (2024), refer to the determination of amount of dividends paid out by the company to its shareholders and the frequency with which the dividends are paid out. Dividend payment decisions are guided by the dividend policy of the management of a company.

In the current era of globalization and increasingly competitive stock market vis a vis knowledgeable market participants, management must ensure that optimal policy decisions are taken to consistently stabilize and even improve firm value hence the recognised need for the requisite understanding of proximate and immediate linkage between management decisions and firm value.

Responsively, to provide important insights and policy implications to decision-makers, several researches have examined the effect of capital structure (See Almahadin & Oroud, 2019; Febrianti, et al., 2024; Doorasamy, 2021; Nabilatuttaqiyya & Anwar, 2024) and the effect of investment decisions (see Al-Omari et al 2024; Melina & Endri, 2024; Sherine, et al. 2022;

Suteja, et al 2023) and have provided valuable empirical evidences of the interaction between these forms of management decisions and firm value. Some studies have also been carried out on the effect of dividend policy on firm value. However, a review of these studies exposed obvious inconsistency in the results revealed even within similar ecosystems. This suggests the possible existence of a moderating variable, moreover, according to Almahadin and Oroud (2019) using moderator variable(s) in case of inconsistent results will lead to superior empirical outcomes. Therefore, with the increased relevance of profitability in the determination of firm value as identified by Nabilatuttaqiyya and Anwar (2024), Kurniawati and Anggraini (2023), Saputra and Setiawan (2023) and Al-Omari et al. (2024), this study examined the significance of profitability on the effect of dividend policy on firm value of DMBs in Nigeria.

This article is structured as follows: the introduction above provides a broad overview of the study. The second part delves into the literature review. Specifically, it provides the empirical analysis of extant literature and relevant theoretical background on dividend policy and firm value. The third section provides the data source, the research methodology, model specification, and the definition of variables. The fourth section shows the analysis, hypothesis testing and the interpretation/discussion of results while the last section focuses on the conclusion and recommendations

2. Literature Review

2.1. Conceptual Review

Firm Value

Firm value is defined by Khan and Hidayat (2022) as the fair value of the company which describes the investor's perception of a particular issuer so that the company's value is the investor's perception of the company. According to Apriliyani et al. (cited in Putri & Mulyandini, 2023), firm value is the share price on the stock market that investors are willing to pay to own a company. It is an investor's assessment of the success of a company through stock prices in the form of supply and demand (Basri & Multama, cited in Putri & Mulyandini, 2023). Typical measures of firm value include Price Earning Ratio, Earning Per Share, Price to Book Value and Tobin's Q.

Dividend Policy

According to Said (2024), dividend policy refers to the practices followed by management in making dividend decisions or the size and pattern of cash distributions to stockholders over time.

It is considered as the regulation of a firm, regarding its pattern of distributing wealth to stockholders and also as a policy used to determine the distribution steps of wealth, such as dividends to investors or preserved in the form of retained earnings (Januarsi & Sanusi, 2024). In other words, dividend policy refers to decisions about how and how much company profits are distributed as dividends to ensure the welfare of shareholders (Suharyono, cited in Putri & Mulyandini, 2023). Dividend policy is adjudged as one of the most crucial decisions becuase dividend policy serves as a signal for investors regarding the prospects of an organization and the existence of an effective and efficient management (Wahjudi, 2020). Dividend policy is typically estimated as Dividend per share and dividend payout ratio. Dividend per share is the portion of net profit distributed for each shareholding while the dividend payout ratio determines the amount of profit that can be retained in the company as a source of funding (Khan & Hidayat, 2022).

Profitability

Profitability indicates the effectiveness and efficiency in the utilisation of factors such as organisational assets and costs to generate income (Januarsi & Sanusi, 2024). The profitability ratio is a ratio that measures the overall effectiveness indicated by the size of the level of profit obtained from sales and investment (Sianturi, cited in Khan & Hidayat, 2022). It is an important measure of company's performance over a specific period (Hadian, 2019). Various measures of profitability in return on assets, return on capital employed, net interest margin and return on equity.

2.2 Theoretical Review

Dividend Irrelevant Theory

This theory, proposed by economists Franco Modigliani and Merton Miller in the 1960s, suggests that, under certain assumptions, a company's dividend policy does not affect its stock price or the overall wealth of its shareholders. The dividend irrelevance theory further argued that shareholders are indifferent between receiving dividends and capital gains (price appreciation). In other words, if a company retains earnings to reinvest in profitable projects, shareholders can sell a portion of their shares to create their own dividend income. Conversely, if a company pays dividends, shareholders can reinvest those dividends in additional shares if they

wish. In both cases, shareholders can achieve their desired cash flows, making the company's dividend policy irrelevant to their wealth.

The key assumptions of this theory include:

i. Investors can buy or sell shares without transaction costs.
ii. There are no taxes on dividends or capital gains.
iii. There is no asymmetry of information between company management and shareholders.
iv. The company's investment decisions do not depend on its dividend policy.

The theory, according to Hooi et al. (2015), also assumed the existence of perfect capital market exists where the market price cannot be influenced by a single buyer or seller and that Information about the market is available to all investors with no cost.

Although many researchers have found applicability of this postulation in certain economies, Shah and Noreen (2016) observed the non-existence of a perfect and efficient market as fundamental limitation of dividend irrelevance theory. The authors also insisted that certain transaction costs and tax costs were unavoidable. Furthermore, investors sometimes take irrational investment decisions.

Summarily, according to Miller and Modigliani (cited in Nguyen, et al., 2019), there is no relationship between dividend policy and firm value but rather the value of a company depends only on the earnings that it derives from reinvesting into new opportunities.

2.3 Empirical Review

Several empirical studies have argued about the role of dividend policy in the determination of firm value. An unanswered question in this discussion is there exists an optimal dividend policy that can affect market value. In other words, the purpose of these studies was to examine whether firm value is affected positively or negatively by the dividend policy employed by management.

Sulistiono and Yusna (2019) analyzed the linkage between dividend policy and firm value on 72 firms listed in the Indonesia Stock Exchange covering 2014 to 2017 period. The multiple regression analysis revealed that the effect of dividend policy on firm value is significant. The Sobel Test utilized also affirmed the influence of dividend policy as it mediated the association between investment decisions and firm value. Focusing on Nigeria, Ejem and Ogbonna (2019) investigated the effect of dividend policy on firms' value of 24 quoted companies were selected

from 10 sectors covering the period from 2012 to 2017. The study applied correlation test and panel regression to reveal an insignificant impact of dividend per share on firm value.

Employing a sample of 15 companies listed on Indonesia stock exchange during the 2011-2018 period, Fujianti et al. (2020) also examined the impact of dividend policy on firm value. Similar to the study by Sulistiono and Yusna (2019), dividend policy was found to have a positive effect on firm value proxied as Price to book value ratio. Dividend policy was measured as Dividend payout ratio. In a related study, Hansda et al. (2020) studied the interaction between dividend policy and firm value using a dataset of 500 companies listed on the BSE for the period 2001 to 2017. The dynamic panel regression with two-step system Generalised Method of Moments (GMM) revealed the insignificance of dividend policy as a determinant of firm value. Firm value was proxied as Tobin Q and market capitalization to sales ratio while dividend policy is measured as dividend payout ratio and dividend yield. The study however observed that financial crisis impacted the relationship between dividend policy and firm value as dividend yield exerted a significant positive effect in post crisis period.

Lending credence to the position of dividend relevance theory, Dewiningrat and Baskara (2020) found that dividend policy strengthened the effect of profitability on firm value. The study had examined the firm value of property, real estate, and construction companies in the Indonesia Stock Exchange over the period from 2015 to 2017 using moderated regression analysis. Firm value was estimated as price earning ratio while dividend ratio is dividend payout ratio. Surwanti and Pamungkas (2020) examined the influence of dividend policy on the value of Southeast Asian non-financial corporate sectors using multiple regression. Consistent with the position of Modigliani Miller theory, the study found that dividend policy had insignificant effect on the firms' value in Indonesia, Singapore and Thailand. However, in the case of Malaysia and Philipina, the dividend payment showed a positive impact on the firm value. The study period covered between 2000 to 2015. Dividend policy was measured as dividend payout ratio while firm value was estimated as the log of market capitalization.

Studying the period from 2010 to 2019, Chinnaiah (2020) investigated the linkage between dividend payout and the value of a sample consisting of 39 non-financial Nifty-100 index firms. The panel data regression result showed that dividend payout had no significant influence on the

value of the firm. Dewi and Abundanti (2020) examined the effect of profitability on firm value with dividend policy as a mediating variable in manufacturing companies listed on the Indonesia Stock Exchange (IDX) in the 2016-2018 period. The results from the path analysis indicated that profitability has a significant positive effect on firm value and dividend policy. More importantly, the results revealed that dividend policy had a significant positive effect on firm value. More so, dividend policy significantly mediated the effect of profitability on firm value in manufacturing companies.

Aroh et al. (2021) investigated the determining ability of dividend policy as it relates to firm value of listed 106 non-financial companies in Nigeria using 10 years (2010 to 2019) panel data set. Dividend policy measured as dividend yield and dividend per share were significant determinants of firm value estimated as market to book ratio. Contrariwise, dividend pay-out ratio did not exert a significant effect. Deploying multiple linear regression analysis, Mujino (2021) examined the influence of selected firm specific factors on firm value of 9 manufacturing companies listed on the Indonesia stock exchange (2013-2019). While the other variables understudied (debt policy, profitability, asset structure, and company size) had significant effect, the study revealed that dividend policy measured as dividend payout ratio exerted no effect on firm value. Firm value was measured as Price to book value.

Azende and Apebo (2021) explored the linkage between dividend policy and firm value of 15 listed consumer goods companies in Nigeria for the period of 2012 to 2019. The panel data regression deployed revealed an inconsistent result across measures of dividend policy. While dividend per share had a significant positive relationship with market price per share, dividend payout ratio effect was insignificant. In a related study, Eryomin et al. (2021) examined of the influence of dividends on the market value of the company using data collected on 20 firms listed on the Moscow exchange over 2013-2019. The regression analysis revealed a positive effect of dividends when residual dividend principle is applicable. Kumshe et al. (2021) also investigated the relationship between dividend policy and firm value of DMBs in Nigeria over the period from 1997 to 2021. The regression model estimated indicated that dividend payout ratio has a negative effect on firm value as it lowered the equity value of banks' stocks.

In an attempt to explain the inconsistencies in the relationship between profitability and firm value, Akhmadi and Januarsi (2021) examined the intervening role of dividend policy utilizing a unique data set of sustainable and responsible investment (SRI)-KEHATI-listed firms on the Indonesian capital market. The result of the SLS analysis on data covering 2010 to 2019 revealed the moderating effect of dividend policy within the profitability-firm value nexus. The authors used the market stock price to estimate firm value and measured the dividend policy using the dividend payout ratio. Furthermore, Bon and Hartoko (2022) explored the effect of dividend pay-out ratio, investment decisions, leverage, profitability, and firm size on the price to book value of firms within the context of 30 manufacturing companies listed on the Indonesian stock exchange (2015-2019). Similar to firm size and investment decisions, the results from the panel data regression showed that dividend policy did not influence firm value.

Bataha et al. (2023) examined the effect of dividend payout ratio on the Price to book value of energy sector companies listed on Indonesia stock exchange for the 2017– 2021 period. The sample of 30 companies were analysed using multiple linear regression and found a considerable positive impact of dividend policy on firm value. Putri and Mulyandini (2023) explored the interaction between dividend policy, profitability and firm value in manufacturing companies in the consumer goods industry sector listed on the Indonesia stock exchange in 2017-2021. The multiple linear regression analysis indicated that dividend policy measured as dividend payout ratio had a significant negative effect on firm value estimated as price to book value.

Arumona et al. (2024) studied the effect of capital structure and dividend policy on firm value of 70 listed non-financial firms in Nigeria (2011 to 2022) using panel multiple regression technique and found that dividend per share had a significant effect on firm value. Contrariwise, in a similar study, Nurhidayah et al. (2024) found no evidence of an impact of dividend policy on firm value. The study had investigated the impact of capital structure, profitability, company size, and dividend policy on firm value covering the financial data of 85 Indonesian property and real estate companies listed on the Indonesia stock exchange from 2019 to 2023 using MRA analysis, and conventional assumption tests.

Demonstrating a positive and significant association between dividend policy and firm value of 111 firms listed in the financial sector in Turkey, an emerging country, Abdullah et al. (2025) examined the moderating effect of IFRS adoption and the abolishment of mandatory dividend

payment policy while considering the Lintner model of dividend smoothing. The work covered 1995 to 2017 using various multivariate regression techniques. In a related study, Njoku and Lee (2025) also examined the association between debt capital and dividend policy and their effect on firm value focusing on companies listed on the Korea composite stock price index. The OLS, 2-SLS, and GMM showed that while debt and dividend policies independently reduced firm value estimated as Tobin Q, their interaction produced a synergistic effect that increased firm value.

3. Methodology

The study adopted the ex-post facto research design using balanced panel data. The secondary balanced panel data employed was sourced from the publications of the annual reports of the selected banks for the study period and from NGX reports for the period 2013 to 2022. The population of the study covers nineteen Deposit Money Banks quoted on the NGX as at 31st December 2022. Eight DMBs banks were selected as sample size. Convenience sampling technique was adopted to select the most capitalized DMBs whose financial statements were consistently available throughout the study period. This includes Zenith Bank PLC, First Bank of Nigeria PLC, Access Bank PLC, Guaranty Trust Bank PLC, United Bank of Africa PLC, First City Monument Bank PLC, Stanbic IBTC Bank PLC and Sterling Bank PLC.

The panel regression estimation method was utilized to examine the effect of dividend policy on firm value of DMBs in Nigeria and the moderating model.

Table 1. Description of Variables

Type	Variables	Proxies
Dependent	Firm Value	Tobin Q
Explanatory	Dividend Policy	Dividend per share & Dividend Payout
Moderating	Profitability	Return on Equity
Control	Firm Size	Log of Total Assets

Model Specification

Using Tobin q as the measure of firm value, the baseline model is specified thus

$$TQ_{it} = \alpha + \beta_1 DPS_{it} + \beta_2 DPR_{it} + \beta_3 FS_{it} + \varepsilon_{it} \quad \ldots\ldots (1)$$

Building on the baseline model, the moderating effects of profitability in the linkage between dividend policy and firm value was investigated by introducing interaction terms in the model. Thus, our empirical model takes the following adjusted form:

$$TQ_{it} = \alpha + \beta_1 DPS_{it} + \beta_2 DPR_{it} + \beta_3 FS_{it} + \beta_4 DPS_ROE_{it} + \beta_5 DPR_ROE_{it} + \varepsilon_{it} \ldots\ldots(2)$$

Where:

TQ = Tobin Q

DPS = Dividend Per Share

DPR = Dividend Pay-out Ratio

FS = Firm Size measured as Natural Log of Total Assets

ROE = Firm Profitability measured as ROE

α = *Constant term*

$\beta_1, \beta_2, \beta_3, \beta_4$ *and* β_5 = *Coefficients of variables to be estimated*

ε = *Error Term*

t = represents the time periods of the panel data

i = represents the individual-specific variables of companies of the panel data

Hypothesis 1: Dividend policy has no significant effect on firm value of DMBs in Nigeria

Hypothesis 2: Profitability does not significantly moderate the effect of dividend policy on firm value of DMBs in Nigeria.

4. Data Analysis and Results

Table 2. Descriptive statistics of the variables

Variable	Mean	Maximum	Minimum	Std. Dev.	Skewness	Kurtosis	Observations
TQ	0.823750	1.330000	0.630000	0.123025	1.941682	8.352930	80
DPS	1.062750	4.090000	0.000000	1.085698	0.990425	2.730366	80
DPR	33.31175	80.48000	0.000000	17.69251	0.283952	2.833232	80
TOTAL ASSETS	3.25E+09	1.25E+10	12285629	2.92E+09	1.138760	3.848345	80
ROE	16.55250	32.08000	0.530000	6.781789	-0.00871	2.637053	80

Source: E-views output

Table 2 reports the descriptive statistics of the variables. The minimum value of DPS and DPR revealed that non-payment of dividend occurred within study period. Based on their individual standard deviation, it can be noted that all variables excluding DPR, indicated low volatility in values.

Table 3 -The correlation matrix of the variables.

	TQ	DPS	DPR	FS	ROE
TQ	0.014946				
	1.000000				

DPS	0.043442	1.164005			
	0.329361	1.000000			
	0.0029	-----			
DPR	1.006130	8.272314	309.1121		
	0.468095	0.436106	1.000000		
	0.0000	0.0001	-----		
FS	-0.034681	0.523823	3.161295	2.383382	
	-0.183750	0.314492	0.116469	1.000000	
	0.1028	0.0045	0.3036	-----	
ROE	0.276757	4.478191	24.54415	2.422984	45.41775
	0.335911	0.615903	0.207146	0.232885	1.000000
	0.0023	0.0000	0.0652	0.0376	-----

Source: Eviews Output

The correlation coefficients of the empirical variables are reported in Table 3. The correlation coefficients between Tobin's Q and DPS, Tobin's Q and DPR, and Tobin's Q and ROE are 0.329361, 0.468095, and 0.335911, respectively. The positive values of the coefficients indicate a positive relationship between dividend policy and firm value suggesting that higher values of dividend per share and dividend payout can bring a positive effect on firm value. The range of the correlation coefficients also reveals the absence of multicollinearity within the model.

There are a number of estimation methods with panel data (pooled, fixed effects or random effects). However, the hausman test indicated that the fixed-effects estimation was the most efficient method for this study.

Table 4. Correlated Random Effects - Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	15.265181	3	0.0504

Source: Eviews Output

Hypothesis 1: Dividend policy has no significant effect on firm value of DMBs in Nigeria

Table 5. Baseline Model Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.005788	0.220313	4.565269	0.0000
DPS	-0.037607	0.020975	-1.792903	0.0780
DPR	0.003207	0.000680	4.718711	0.0000
FS				

Effects Specification			
Root MSE	0.065252	R-squared	0.715118
Mean dependent var	0.823750	Adjusted R-squared	0.624906
S.D. dependent var	0.123025	S.E. of regression	0.075347
Akaike info criterion	-2.121120	Sum squared resid	0.340626
Schwarz criterion	-1.525613	Log likelihood	104.8448
Hannan-Quinn criter.	-1.882364	F-statistic	7.927039
Durbin-Watson stat	1.731384	Prob(F-statistic)	0.000000

Source: Eviews Output

TQ = 1.005788 - -0.037607DPS + 0.003207DPR - 0.011742FS

Table 5 displays the regression results of the effect of measures of dividend policy on corporate firm value. The coefficients of DPS and DPR on Tobin's Q, are -0.037607 and 0.003207, respectively, but only DPR is significant at 5%. DPS is however significant at 10%.

The explanatory power of the model as indicated by the value of R-square is 72% revealing a strong relationship between dividend policy and firm value indicating that the firms dividend policy are useful in determining firms' value. The adjusted R^2 of 62.49% represents the composition of dividend policy in firm value while the balance of 37.51%represents factors not considered in this study.

Decision: At a level of significance of 0.05, the F-statistics is 7.927 while the p-value of the F-statistics is 0.000 which is less than 0.05 adopted level of siginificance. Therefore the null hypothesis was rejected which implied that dividend policy had significant effect on firm value.

Hypothesis 2: Profitability does not significantly moderate the effect of dividend policy on firm value of DMBs in Nigeria.

Table 6. The Moderation Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.981236	0.213924	4.586835	0.0000
DPS	0.044771	0.048781	0.917801	0.3625
DPR	-9.23E-05	0.001277	-0.072279	0.9426

FS	-0.011458	0.010384	-1.103439	0.2744
DPS_ROE	-0.004431	0.002355	-1.881551	0.0649
DPR_ROE	0.000241	8.12E-05	2.964882	0.0044

Effects Specification

Root MSE	0.060738	R-squared	0.753169
Mean dependent var	0.823750	Adjusted R-squared	0.663800
S.D. dependent var	0.123025	S.E. of regression	0.071333
Akaike info criterion	-2.214491	Sum squared resid	0.295129
Schwarz criterion	-1.559434	Log likelihood	110.5796
Hannan-Quinn criter.	-1.951860	F-statistic	8.427564
Durbin-Watson stat	1.821025	Prob(F-statistic)	0.000000

Soure: Eviews Output

TQ = 0.981236 + 0.044771DPS - 9.23E-05DPR - 0.011458FS - 0.004431DPS_ROE + 0.000241DPR_ROE

Table 6 shows that after the introduction of the interaction term, the effect of DPS and DPR on firm value became insignificant while the the coefficients of the interaction variables were both significant at 10%. The results revealed that firm profitability measured as ROE is significant in determining the relationship between dividend policy and firm value of deposit money banks in Nigeria. This indicates that firm performance moderates the positive effect of DPR and the adverse impact of DPS. Specifically, firm's profitability weakens the interaction between dividend policy and firm value.

The f-statistics p-value is significant showing the robustness of specified model while the Durbin-Watson stat of 1.821025 clearly indicates the absence of auto correlation in the model.

The adjusted R^2 is 66.38% which shows the variation of dividend policy moderated by firm profitability is 66.38% while the balance of 33.62% represents factors not considered in this study.

Decision: At a level of significance 0.05,the F-statistics is 8.4275 while the p-value of the F-statistics is 0.000 which is less than 0.05 adopted level of significance.Therefore the study

rejected the null hypotheses which implied that firm profitability significantly moderate the effect of dividend policy on firm value of listed deposit money banks in Nigeria.

Even though, the baseline model regression result revealed that dividend policy exerted a significant effect on firm value of DMBs in Nigeria, a slight variation in the magnitude of influence of dividend policy measures is noticeable. Similar to the studies by Ejem and Ogbonna (2019) and Njoku and Lee (2025), DPS had an insignificant effect @ a significance level of 0.05. This finding is contrary to the significant influence found by Aroh et al. (2021), Arumona et al (2024) and Azende and Apebo (2021).

With regards to DPR, the result is consistent with the results obtained by Fujianti et al. (2020), Dewiningrat and Baskara (2020), Kumshe et al. (2021), Akhmadi and Januarsi (2021), Bataha et al. (2023) and Putri and Mulyandini (2023). These studies had revealed a significant and positive relationship between DPR and firm value. It however differs from the findings by Hansda et al. (2020), Chinnaiah (2020), Mujino (2021) and Bon and Hartoko (2022) of an insignificant impact. The interaction variable, DPR_ROE has a significance of less than 0.05 which can be interpreted that profitability moderates the relationship between the predictor variable and the dependent variable. So it can be concluded that profitability influences the effect of dividend payout ratio on firm value of DMBs in Nigeria. Conversely, the interaction variable of dividend per share (DPR_ROE) has a significance greater than 0.05 indicating that profitability does not moderate the effect of DPS on firm value.

5. Conclusion and Recommendations

5.1 Conclusion:

Firm value is an estimation of shareholders expectation of the current performance and the future prospects of the firm. It is the value of the company as investors' perceptions of the level of success of a company and is typically expected to be reflected in the company's share price. Consequently, companies have needed to prioritize the creation of value for the shareholders in an attempt to sustain share prices. This focus raises concerns about the determinants of firm values in various business sectors. Therefore, this study examined the ability of dividend policy to determine firm value of listed DMBs in Nigeria and the moderating effect of profitability.

Based on the findings, the study concluded that dividend policy has a significant effect on firm value of listed DMBs in Nigeria. This alludes to the existence of the relevance of dividend policy

decisions in the perception of shareholders of the banks understudied. Specifically, the value of the firm is hinged on the perceived insights into dividend sustainability and financial health provided by dividend payout ratio. However, this acknowledged perception is significantly affected by the profitability of the firms as the study revealed the existence of a moderating effect of profitability in the interaction.

Furthermore, the result of the study invalidated the claims of the irrelevance theory of Miller and Modigliani (1961) with regards to the examined context.

5.2 Recommendations:

Based on the empirical evidence of the relevance of dividend payout ratio and profitability, the study recommends that management prioritize effective exploitation of available investment opportunities unto sustained profitability. This will boost and sustain investors confidence. Furthermore, management dividend decisions must focus on optimal apportionment between amount paid out as dividend payment and the portion of earnings retained.

6. **Contribution to Future Research:**

In recognition of its strategic position within the financial sector, the research focused on deposit money banks, however with the increased focus on industrialisation, future studies can consider the firm value of various categories of listed manufacturing firms in Nigeria.

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