

Effect of Dividend Policy on Shareholders' Funds of Quoted Insurance Companies in Nigeria

AINA, Hannah Egbetooki¹, JACOB, Zaccheaus²

^{1,2}Department of Banking and Finance Faculty of Administration Nasarawa State University Keffi

Abstract: *This study aims to examine the effect of dividend policy on the shareholders' funds of quoted insurance companies in Nigeria. Data were collected from the annual financial reports of each of the insurance companies and the Nigerian Exchange Group Factbook. The study utilized panel regression to analyse the data from a sample of six (6) quoted insurance companies on the Nigerian Exchange Group from 2016- 2021. The results of the panel regression revealed that the dividend payout and debt-to-equity ratios significantly affect the shareholders' funds of the selected quoted insurance companies in Nigeria. The study recommends that insurance companies should increase their dividend payout, especially in the wake of a 200% increase in the third-party vehicle insurance policy by the National Insurance Commission as this will increase shareholders' funds and boost the investor's confidence in the sector. On the other hand, insurance company management should consider diversifying their revenue streams by offering new products or services, expanding into new markets, or exploring new business models. This can help them generate more revenue and reduce their dependence on dividend payouts.*

Keywords: Shareholders' Funds, Dividend Payout Ratio, Dividend Yield Ratio

I. Introduction

The insurance industry in Nigeria is an important sector that plays a crucial role in the country's economic development. It protects against risks to individuals and businesses and also mobilizes funds for investment in the economy. The industry has seen significant growth in recent years, with the number of insurance companies increasing and more people purchasing insurance products (Okparaka, 2018). However, there are concerns about the performance of the industry, particularly in terms of shareholders' funds. Shareholders' funds are a crucial factor in the long-term success and sustainability of insurance companies. Shareholders invest in insurance companies with the expectation of receiving returns on their investment, which is reflected in the company's share price and dividends paid out.

One of the key factors that can influence shareholder funds is the dividend policy adopted by insurance companies. A dividend policy is crucial to the performance and success of insurance companies. A company's dividend policy dictates the amount of dividends paid out by the company to its shareholders and the frequency with which the dividends are paid out. When a company makes a profit, they need to decide what to do with it. They can either retain the profits in the company (retained earnings on the balance sheet), or they can distribute the money to shareholders in the form of dividends. (Pradip, 2020). This policy can have a significant impact on the company's financial performance and ultimately on the shareholders' funds (Abdulla, 2017).

The insurance industry in Nigeria has faced various challenges, including low penetration rates, a poor regulatory environment, and inadequate capitalization. However, one of the industry's key challenges is the lack of shareholder funds. Investors in insurance companies expect to see a return on their investment, however, many insurance companies have not performed up to these expectations. There is a need to identify the factors contributing to the industry's lack of shareholder funds.

Despite the importance of dividend policy, there is limited research on the effect of dividend policy on shareholders' funds of quoted insurance companies in Nigeria. Especially in the wake of the 200% price increment in the compulsory third-party vehicle insurance policy by the Nigerian government through the National Insurance Commission (NAICOM). The existing studies have focused mainly on the banking sector (Fabian et al., 2014), the information and communication technology industry (Bravo et al., 2022), service companies (Mohammed et al., 2021) and Non-Governmental Organizations (Njiru & Githinji-Muriithi, 2018) with limited research on the insurance industry. Also, most of these studies were carried out on financial performance rather than shareholders' funds as considered by this study. Therefore, there is a need for research that specifically examines the effect of dividend policy on shareholders' funds of quoted insurance companies in Nigeria. This study focused on the impact of two key dividend policies: dividend payout and dividend yield. This study examined the relationship between these dividend policies and shareholders' funds, and identify the factors that contribute to their effectiveness.

The study was guided by the following research questions:

- i. What is the effect of the dividend payout ratio on shareholders' funds of quoted insurance companies in Nigeria?
- ii. How has the dividend yield ratio affected shareholders' funds of quoted insurance companies in Nigeria?

The study hypothesized that:

H₀₁: Dividend payout ratio has no significant effect on shareholders' funds of quoted insurance companies in Nigeria.

H₀₂: Dividend yield ratio has no significant effect on shareholders' funds of quoted insurance companies in Nigeria.

II. Literature Review

Dividend Policy

A dividend is the share of profits that are distributed to shareholders in the company and the return that shareholders receive for their investment in the company. The company's management must use the profits to satisfy its various stakeholders, but equity shareholders are given first preference as they face the highest amount of risk in the company (Olaleye & Ola, 2022). The dividend policy is an annual compensation for a company's assets taken from after-tax earnings and given to shareholders. These payments are dictated by the type of dividend policy adopted by a company (William, Gabriel & Egu, 2020). A dividend policy is a major financing decision that involves the payment to shareholders in return for their investments. Every firm operating in a given industry follows some sort of dividend payment pattern or dividend policy and obviously, it is a financial indicator of the firm. Thus, the demand of the firm's share should to some extent, be dependent on the firm's dividend policy.

The dividend policy used by a company can affect the value of the enterprise. The policy chosen must align with the company's goals and maximize its value for its shareholders. While the shareholders are the owners of the company, it is the board of directors who make the call on whether profits will be distributed or retained. The directors need to take a lot of factors into consideration when making this decision, such as the growth prospects of the company and future projects (Abdullah, 2014). This study focused on two main dividend policies, which are the dividend payout ratio and the dividend yield ratio.

Dividend Payout Ratio

The dividend payout ratio is a financial metric that measures the percentage of a company's net income that is paid out to shareholders as dividends (Akit et al., 2015). It is calculated by dividing the total amount of dividends paid by the company by its net income for a specific period, such as a quarter or a year (Brigham & Ehrhardt, 2013). The dividend payout ratio is a critical measure of a company's dividend policy and can provide insights into its financial health and stability (Samuel et al., 2022). A high dividend payout ratio indicates that a company is distributing a significant portion of its profits to shareholders as dividends (Alfred et al., 2019). This may be attractive to income-seeking investors who are looking for a dependable source of income. However, a high dividend payout ratio may also indicate that a company is not reinvesting its profits back into the business to support growth and development initiatives (Ogunseye & Eniola, 2020).

Equally, a low dividend payout ratio suggests that a company is retaining more of its earnings to reinvest in the business to support growth and expansion (Alfred et al., 2019). This may be attractive to investors who are looking for capital gains rather than income. However, a low dividend payout ratio may also signal that a company is not generating enough profits to support its dividend payments (Farrukh et al., 2017). The optimal dividend payout ratio varies by industry and company, and there is no one-size-fits-all approach. The decision to pay dividends and the dividend payout ratio should be based on a range of factors, such as the company's financial performance, cash flow, growth opportunities, and investor preferences (Samuel et al., 2022).

Dividend Yield Ratio

A financial ratio (dividend/price) called the dividend yield, which is stated as a percentage, demonstrates how much a firm pays in dividends annually about the price of its stock (Pradip, 2020). The link between the dividend per share and market price per share, which is frequently represented in percentage form, is described by a financial ratio known as the dividend yield. It illustrates how much a company pays out in dividends to common shareholders when the market price of common shares fluctuates (Muhammad & Rashid, 2014). The dividend yield is a financial ratio measuring the cash dividends paid to shareholders relative to the market value per share. In other words, it is a financial ratio that shows how much a company pays out as dividends to its shareholders each year relative to its share price (Ebire et al, 2018). According to Idewere and Murad (2017), the dividend yield is significant because it provides a measure of that component of the total return that comes from dividends, with the balance coming from price appreciation.

The dividend yield ratio aids in evaluating a company's stock price for dividend payments. It gives a sense of how effectively the company shares its profits with its shareholders. A higher share of the company's profits is being distributed to shareholders, according to a high dividend yield ratio. However, low profitability, a high debt load, and other factors could contribute to a low dividend yield ratio. The dividend yield ratio is significant because it enables forecasting of the stock's long-term value potential. A lower dividend yield shows that there is some room for future growth in dividend payments, while a higher dividend yield indicates that the company pays out more than 100% of its earnings in dividends.

Shareholders Funds

Shareholders' funds are the present value of the expected return that shareholders will get from the companies that they have invested in. Shareholders can benefit from their investments when the stock price appreciates or an increase in dividend payments (Akit et al., 2015). Shareholder's fund is defined as the present value of the expected future returns to the owners (Shareholders) of the firm. These periodic returns can take the form of periodic dividend payments and/or proceeds from the sale of Stock. Shareholders' funds are measured by the market value of the firm's common stock. Shareholders' funds are represented in the market price of the company's common stock, which, in turn, is the function of the company's investment, financing and dividend decision (Azhagaiah & Priya, 2008). Managers' primary goal is shareholders' funds' maximization, which translates into maximizing the value of the company as measured by the price of the company's common stock. Shareholders' funds are mainly influenced by growth in sales, improvement in profit margin, capital investment decisions and capital structure decisions (Azhagaiah & Priya, 2008). Hence, in making decisions that maximize shareholder funds, management should consider the long-run impact on the firm and not just focus on short-run (i.e., current period) effects. For example, a firm could increase short-run earnings and dividends by eliminating all research and development expenditures. However, this decision would reduce long-run earnings and dividends, and hence shareholder funds, because the firm would be unable to develop new products to produce and sell. Shareholders' fund creation has become the new corporate paradigm in recent years (Burlacu, 2018). Shareholders expect management to generate value over and above the costs of resources consumed, including the cost of using capital.

III. Empirical Review

Dividend Payout Ratio and Shareholders' Fund

Samuel et al. (2022) investigated the influence of the dividend payout ratio on the share prices of quoted companies on the Nigeria Stock Exchange (NSE) between 2014 and 2020 across fifteen (15) companies. panel least square estimation, through the use of Hausman's test, was used to analyze the data. In the econometric model, the dependent variable (proxy by the market share price) was regressed on the following explanatory variables earning per share, dividend yield, return on investment, dividend payout ratio, and retention rate. This research discovered a joint significant relationship between earnings per share, dividend yield, return on investment, dividend payout ratio, retention rate and market share prices. The research recommends that firms may be well aware that dividend payment may not necessarily be a factor that affects the market share price.

Ogunseye and Eniola (2020) examined the relationship between dividend policy and shareholders' funds of selected listed firms in Nigeria. In this regard three specific objectives were developed, which are; to determine the impact of retained earnings on the wealth of the shareholders; to determine the effect of dividend per share on market price per share and; to examine the effect of return on equity on shareholders' fund. For this, a longitudinal research design was adopted where time series data from 2015 to 2019 were collated from the report of quoted companies from the Nigeria Stock Exchange. A sample of 20 companies from the Nigeria stock exchange was purposively selected. The study carried out descriptive and inferential analysis including the Hausman test, and fixed effect regression model to access the effect of dividend policy on the shareholder's wealth of listed firms in Nigeria. The regression results showed that dividend share per share (DPS) and retained earnings (RE), independently have a negative but insignificant relationship with market price per share which is used as a proxy to measure the shareholders' fund while return on equity (ROE) has a positive but insignificant relationship with market price per share which is used as a proxy to measure the shareholders' funds. Therefore, the study concludes that there is a negative but insignificant relationship between dividend policy and the shareholders' funds of Nigerian firms listed on the Nigeria Stock Exchange.

William et al. (2020) examined how the dividend payout ratio and earnings per share are related to the retained earnings of Nigeria Breweries Plc. Ex-post-facto design is the research design used. The study used the ordinary least square regression to analyze the secondary data collected from the company's financial reports between 2011 and 2019. The result shows that the dividend payout ratio and earnings per share did not have significant relationships with retained earnings, but the result is good. The relationship between earnings per share and retained earnings indicates that the degree of retention often rises as revenues grow. The study

recommended that businesses should strike an acceptable balance between payout and retention ratios to ensure that expansion or diversification funds are available while at the same time maintaining a fair amount of earnings per share. The implication for practice is that corporate managers in the brewing and other related industries will make dividend policies that will encourage both expansion and shareholders' wealth maximization.

Alfred et al. (2019) examined the effect of dividend policy on stock prices with empirical evidence from Nigeria. Panel data covering a period of five years from 2011 to 2015 was used. The results showed that DY has an insignificant negative effect on MPS, DPO has a significant positive effect on MPS, EPS has a significant positive effect on MPS and NAPS has an insignificant positive effect on MPS. The study thus concludes that dividend policy can influence the stock prices in the consumer goods sector of the Nigerian stock market indicating that the theory of irrelevancy of dividends does not hold in the case of Nigeria.

Farrukh et al. (2017) investigated the influence of dividend policy on shareholder wealth and business performance in Pakistan. Dividend policy, as measured by dividend per share and dividend yield, has a positive substantial influence on shareholders' fund and business performance, according to the regression results. The dividend relevance theory, the signaling impact theory, the bird-in-hand theory, and the clientele-effect hypothesis were all validated by the research.

Dividend Yield Ratio and Shareholders' Funds

Pradip (2020) evaluated the impact of dividend policy on the financial performance of selected companies registered in the Bombay Stock Exchange. The study based on a correlation matrix and panel regression model shows that the selected companies do not follow a consistent pattern of dividend payments and the association between the price-earnings ratio and the dividend payout ratio is low positive. However, there is a strong association between return on assets and return on equity. Hausman Test reveals that the random effect model is appropriate thereby indicating that the performance of selected companies has a momentous impact on dividend policy. Dividend policy is still contemplated as one of the complicated areas in corporate finance. The findings from this study are worthwhile to be welcomed into account by the board of managers of companies to demonstrate dividend policy for the companies.

Emuze (2020) determined the effect of dividend policy on the performance of Nigerian Quoted companies. One Hundred and Sixty-Nine (169) firms trading on the Nigerian Stock Exchange as of 31st December, 2020 formed the study population while a sample of 56 companies was used. In arriving at the sample size, the Krejcie and Moryan (1970) formula was adopted. The financial statements of the companies from 1999 to 2018 were used. Panel regression analyses were conducted using the econometric analysis software E-views 9. The result revealed that the Form of Dividend Payments and Timing of Dividend Payments showed an insignificant relationship with Return on Assets; while Earnings per Share, Price Earnings Ratio and Dividend Yield showed a positive and significant relationship with ROA. With Return on Equity, all the independent variables except Dividend Yield showed a significant relationship with ROE. With Tobin's Q, Earnings per Share and Price Earnings Ratio showed a positive and significant relationship with Tobin's Q, Timing of Dividend Payments and Dividend Yield showed a negative and insignificant relationship with Tobin's Q, while Form of Dividend Payments showed a positive but insignificant relationship with Tobin's Q. The study recommended that Earnings per Share should be increased steadily to sustain growth and investment in the organization because an increase in earnings per share is directly proportional to the robust performance of firms in Nigeria. The outcome of the study contributes to the existing knowledge on dividend policy and firm performance since it is evident that the form of the dividend payment is directly proportional to the growth of firms in Nigeria.

Abdullah (2014) estimated excess stock market returns for all the thirty banks listed in the Dhaka Stock Exchange from 2007 to 2011. Attempts are made to examine, what kind of relationship exists between dividend policy and stock market returns of private commercial banks in Bangladesh, and to what degree the returns on stocks can be explained by their respective dividend policy for the same period. Various theories related to dividend policy are tested in various parts of the world with different results and findings. Various other articles are reviewed, written in Bangladesh and abroad to see the significance of dividend policy on the stock prices and to compare the results of this research with those conducted earlier. The sample size is large i.e. all the listed commercial banks of the Dhaka Stock Exchange so the results are reliable and valid. The panel data approach is used to explain the relationship between dividends and stock prices after controlling the variables like Earnings per Share, Return on Equity, and Retention Ratio have a positive relationship with Stock Prices and significantly explain the variations in the market prices of shares, while the Dividend Yield and Profit after Tax has negative, insignificant relation with stock prices. The overall results of this study indicate that Dividend Policy has a significant positive effect on Stock Prices.

Muhammad and Rashid (2014) analyzed the impact of dividend yield and price-earnings ratio on stock returns. The relationship between size and stock price was also determined. In the present study, the data of 111

non-financial KSE-listed firms for the period of 1998 to 2009 have been used. Advanced econometrics techniques were employed for analysis and determining the relationship between these variables. The impact of dividend yield and price-earnings ratio on stock returns was determined by using the fixed effect model. The findings of the study reveal that the price-earnings ratio and size of the firm have a significant positive impact on stock prices. There was found a significant negative relationship between dividend yield and stock prices. The findings also suggest that investors can apply investment criteria that employ the size of the firm and price-earnings ratio anomalies to earn abnormal returns.

IV. Theoretical Framework

Bird-in-the-Hand Theory

The bird-in-hand theory which means that a potential investor always prefers a cash dividend to a capital gain was introduced by Gordon (1963). The theory which was proposed and developed by Gordon (1953) and Lintner (1954) (as cited in Smirnov, 2018) states that dividends are relevant in determining the value of a firm. Since investors are known to be rational, a bird in the hand theory, that is, 'current cash dividend', is preferred by the investors to 'two birds in the bush', in this case, 'future capital gains'. According to Smirnov (2018), the bird-in-hand theory by Gordon and Lintner is based on the following assumptions: (1) the company is financed by equity only, i.e., debt finance is not used; (2) the only source of finance is retained earnings, any other sources of financing is not available; (3) the retention ratio is constant, i.e., there is a constant growth rate of earnings; (4) the company's cost of capital is constant and greater than growth rate; and (5) there are no corporate taxes.

This theory was, however, criticized, majorly by Modigliani and Miller (Smirnov, 2018) who argued that the dividend policy did not have any impact on the company's cost of capital because investors reinvested cash dividends by purchasing stocks of the same or different companies. Hence, the company received back the biggest portion of dividend payouts. This in effect concludes that the value of the company is irrelevant to dividend policy but it depends on its ability to generate earnings and business risk (Smirnov, 2018).

This study adopts the bird in hand theory because the study found that dividend policy is an important index considered by the investors of quoted insurance companies in Nigeria.

V. Methodology

This study adopts an ex-post facto research design. This is because the phenomenon observed in the study has already taken place. Ex post facto research is ideal for conducting social research when is not possible or acceptable to manipulate the characteristics of human participants (Kerlinger, 1986). The population of this study comprises all twenty-three (23) insurance companies quoted on the Nigerian Exchange floor. Non-probability sampling method was adopted to determine the sample size. This research adopted a judgmental sampling technique to pick 6 quoted insurance companies based on the availability of data for the period under review, they are A.R.M Insurance Plc, Custodian Assurance Plc, Mutual Benefits Assurance Plc, Spring Assurance Plc, Wapic Life Assurance Plc and Royal Exchange Prudential Life Plc. The six (6) quoted insurance companies represent the sample size for this study, for a six (6) year period spanning from 2016-2021. The six (6) year period is chosen to have fairly, reasonable and reliable up-to-date financial data. This study made use of panel secondary data precisely. The data were sourced from the publication of the Nigeria Exchange Group (NGX) and the annual report and accounts of the selected quoted insurance companies.

To establish the relationship between dividend payout ratio, dividend yield ratio and shareholders' fund for selected quoted insurance companies, the study employed panel regression analysis. The panel regression model is formulated below:

$$SHF_{it} = \beta_0 + \beta_1 DPR_{it} + \beta_2 DYR_{it} + \epsilon_{it}$$

Where:

SHF_{it} = Shareholders' Funds in i year t

β_0 = Coefficient of the constant variable

DPR_{it} = Dividend Payout Ratio in i year t

DYR_{it} = Dividend Yield Ratio in i year t

β_1, β_2 = Regression coefficients of independent variables

ϵ_i = error term.

The study employed descriptive statistics to know the characteristics of the variables, Pearson product moment correlation; to know the relationship among the variables and panel regression technique to test relationships among theoretically related variables and estimate the effects of one variable on the other with the aid of statistical package (EVIEW 10). To ensure the reliability of results, the study carried out some diagnostic tests like Normality, Autocorrelation and Heteroskedasticity. The essence is to guard against spuriousness as

observed by Granger and Newbold (1974) and Gujarati and Porter (2009) that, the presence of these factors usually introduces bias in the OLS estimators and thus, any conclusion drawn from the results will be spurious. The model is considered appropriate because the major purpose of regression is: first, the possibility of determining the independent variables that can best explain the variation of the dependent variable. Second, recognizing whether the independent variables are still significant while the other independent variables are controlled or held constant (Omar, 2007).

VI. Data Analysis and Discussion

Table 1: Descriptive Statistics

	SHF	DPR	DYR
Mean	1.403333	0.129369	0.194241
Maximum	6.250000	1.190000	0.800791
Minimum	0.200000	0.190000	0.002145
Std. Dev.	2.144585	0.296052	0.179546
Observations	36	36	36

Source: Eview Version 10 Output

The table above revealed the data used in the study with the shareholders' fund having a mean value of 1.403333, while the deviation from the mean (standard deviation) was 2.144585. This means that shareholders' fund was not normally distributed because the standard deviation value was greater than the mean value. The maximum value for shareholders' fund as of the period of this study was 6.250000 which means that the returns added to shareholders were not more than 6.25% while the minimum return to shareholders was 0.2%.

Also, the dividend payout ratio had a mean value of 0.129369 while the deviation from the mean (standard deviation) was 0.296052. This means that the dividend payout ratio was not normally distributed because the standard deviation value was greater than the mean value. The maximum dividend payout ratio as of the period of this study was 1.190000 which means that the dividend payout ratio was not more than 1.19% while the minimum dividend payout ratio was 0.19%.

In a similar vein, the dividend yield ratio showed a mean value of 0.194241 and a standard deviation of 0.179546. This means that the dividend yield ratio was normally distributed because the standard deviation value was lower than the mean value. The maximum dividend yield ratio as of the period of this study was 0.800791 which means that the dividend yield ratio was not more than 0.44% while the minimum dividend yield ratio was 0.002%.

Table 2: Correlation Matrix

	SHF	DPR	DYR
SHF	1	0.831469	-0.333371
DPR	0.831469	1	-0.310726
DYR	-0.333371	-0.310726	1

Source: Eview Version 10 Output

The table above explained the relationship between dividend policy and shareholders' funds of quoted insurance companies in Nigeria where the dividend payout ratio was correlated with shareholders' funds to the extent of 0.831469 (83%), While the dividend yield ratio was correlated with shareholders' funds to the extent of 0.333371 (33%).

Table 3: Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	66.343331	2	0.0000

Source: Eview Version 10 Output

To choose between fixed and random effect models, the Hausman specification model was run. In a situation where the chi-square value was less than 5%, the fixed effect model would be more appropriate but where the chi-square value was greater than 5%, the random effect model would be more appropriate. In this case, the chi-square value was 0.0000 which was less than 5%. This means that the fixed effect model was appropriate for the study.

Table 4: Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.840939	0.343802	2.445998	0.0199
DPR	5.836234	0.729593	7.999300	0.0000
DYR	-0.991733	1.203020	-0.824369	0.4156
R-squared	0.697568	Mean dependent var		1.403333
Adjusted R-squared	0.679239	S.D. dependent var		2.144585
S.E. of regression	1.214602	Akaike info criterion		3.306366
Sum squared resid	48.68355	Schwarz criterion		3.438326
Log likelihood	-56.51459	Hannan-Quinn criter.		3.352424
F-statistic	38.05774	Durbin-Watson stat		0.749379
Prob(F-statistic)	0.000000			

Source: Eview Version 10 Output

The dividend payout ratio had a significant effect on shareholders' funds because the p-value was 0.0000 which was less than 5% signifying that an increase in the dividend payout ratio will automatically increase shareholders' funds to the extent of 5.836234.

However, the dividend yield ratio had an insignificant effect on shareholders' funds because the p-value was 0.4156 which was greater than 5%, this signified that an increase in the dividend yield ratio will not decrease shareholders' funds to the extent of 0.991733.

The coefficient of determination (R^2) is 0.697568 which means that dividend policy variables used in this study explained variation in shareholders' funds to the extent of 70% while the remaining variation was explained by other variables not captured in the model. The model is a good fit with an F-statistics p-value of 0.0000.

Table 5: Post-Estimation Test

Description	Probability values
Normality Test:	
Jarque-Bera	3.030221
P-value:	0.219784
Serial Correlation	
F-statistics	0.994433
P-value	0.3826
Heteroskedasticity Test	
F-statistics	1.334694
P-value	0.2799

Source: Researcher's computation, 2023

Table 5 above indicates that the data is skewed, denoting that the data are normal. This is corroborated by the Jarque-Berra Statistic of 3.030221 and its corresponding P-value of 0.219784 which is greater than the p-value of 0.05.

The Breusch-Godfrey Serial Correlation LM Test indicates that there is no autocorrelation. This is given by the F-statistic of 0.994433 and its corresponding P-value of 0.3826. The Breusch Pagan Test of Heteroskedasticity with F-statistics 1.334694 and its corresponding P-value of 0.2799 indicates that there is no problem with heteroskedasticity.

VII. Conclusion and Recommendations

Based on the findings of this research, the study concludes that dividend policies have a significant effect on shareholders' funds of quoted insurance companies in Nigeria. This means that the dividend decisions made within each of the insurance companies affect their shareholder's funds.

The study also concludes that dividend payout ratios have a significant effect on the shareholders' fund. This is in tandem with the findings of Farrukh et al. (2017) and Alfred et al. (2019). This implies that insurance companies with higher dividend payout will have a commensurate increase in share price which will increase the shareholders' fund. Finally, the study concludes that the dividend yield ratio had an insignificant effect on shareholders' funds. This indicates that the investors who intend to make income from dividends might not be encouraged to invest in the insurance sector as the dividend yield does not determine the shareholders' funds. This finding aligns with the finding of Abdullah (2014) who concluded that the dividend yield ratio had an

insignificant effect on shareholders' funds. While the finding did not resonate with the conclusion of Muhammad and Rashid (2014) that the relationship between dividend yield and stock prices is a significant one. It was recommended that insurance companies should increase their dividend payout, especially in the wake of a 200% increase in the third-party vehicle insurance policy by the National Insurance Commission as this will increase shareholders' funds and boost the investor's confidence in the sector. On the other hand, insurance company management should consider diversifying their revenue streams by offering new products or services, expanding into new markets, or exploring new business models. This can help them generate more revenue and reduce their dependence on dividend payouts. Meanwhile, insurance companies should communicate regularly and transparently with their shareholders. This can help build trust and confidence among shareholders, which can lead to a higher stock price and greater long-term shareholder funds.

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Appendix

Data on Shareholders' funds, Dividend payout ratio and Dividend yield ratio from 2016 to 2021

YEAR	COMPANY	COUNTRY	SHF	DPR	DYR
2016	ARM Assurance Plc	Ng	0.89	0.1	0.353838
2017	ARM Assurance Plc	Ng	0.86	-0.16	0.366181
2018	ARM Assurance Plc	Ng	1.04	-0.18	0.302804
2019	ARM Assurance Plc	Ng	0.92	-0.09	0.3423
2020	ARM Assurance Plc	Ng	0.98	0.01	0.241007
2021	ARM Assurance Plc	Ng	0.92	0.06	0.256725
2016	Custodian Assurance Plc	Ng	6.05	0.54	0.040141
2017	Custodian Assurance Plc	Ng	6.1	0.61	0.067227
2018	Custodian Assurance Plc	Ng	6.05	0.38	0.073064
2019	Custodian Assurance Plc	Ng	6.1	0.49	0.055747
2020	Custodian Assurance Plc	Ng	6.05	0.87	0.058333
2021	Custodian Assurance Plc	Ng	6.25	1.19	0.052701
2016	Mutual Benefit Assurance Plc	Ng	0.2	-0.0594	0.169315
2017	Mutual Benefit Assurance Plc	Ng	0.21	0.0719	0.002145
2018	Mutual Benefit Assurance Plc	Ng	0.2	0.28	0.003235
2019	Mutual Benefit Assurance Plc	Ng	0.21	0.08	0.106119
2020	Mutual Benefit Assurance Plc	Ng	0.24	-0.17	0.166667
2021	Mutual Benefit Assurance Plc	Ng	0.21	0.13	0.190476
2016	Spring Assurance Plc	Ng	0.5	0.2444	0.342856
2017	Spring Assurance Plc	Ng	0.5	-0.0362	0.205714
2018	Spring Assurance Plc	Ng	0.55	0.0057	0.072727
2019	Spring Assurance Plc	Ng	0.59	-0.0294	0.076139
2020	Spring Assurance Plc	Ng	0.5	0.0413	0.036476
2021	Spring Assurance Plc	Ng	0.5	0.099	0.073382
2016	Wapic Assurance Plc	Ng	0.41	0.05	0.086205
2017	Wapic Assurance Plc	Ng	0.41	0	0.070441
2018	Wapic Assurance Plc	Ng	0.45	0	0.191189
2019	Wapic Assurance Plc	Ng	0.43	0.05	0.215951
2020	Wapic Assurance Plc	Ng	0.43	0.01	0.139534
2021	Wapic Assurance Plc	Ng	0.43	0.02	0.163533
2016	Royal Exchange Prudential Life Plc	Ng	0.22	0.12	0.142273
2017	Royal Exchange Prudential Life Plc	Ng	0.24	0.03	0.130417
2018	Royal Exchange Prudential Life Plc	Ngse	0.22	0.03	0.596818
2019	Royal Exchange Prudential Life Plc	Ng	0.22	0.25	0.800791
2020	Royal Exchange Prudential Life Plc	Ng	0.22	-0.19	0.181817
2021	Royal Exchange Prudential Life Plc	Ng	0.22	-0.19	0.618405

Source: Annual reports of insurance companies and NGX Factbook.