Effect of Taxation on Dividend Policy of Listed Deposit Money Banks in Nigeria

[1]HAMIDU, Ibrahim, [2]BONIS, Isaac

[1]Department of Accountancy, Faculty of Social & Management Science, Modibbo Adama University Yola, Adamawa State, Nigeria

[2]Department of Accountancy, Adamawa State College of Education, Hong

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ABSTRACT

This study investigated the effect of taxation on the dividend policy of listed deposit money banks in Nigeria, with taxation proxied by Company Income Tax, Capital Gains Tax, Education Tax, and National Information Technology Development Tax, while dividend policy was measured using the Dividend Payout Ratio. The study population comprised fourteen (14) listed deposit money banks in Nigeria over the period 2015–2024, from which thirteen (13) banks were selected through purposive sampling techniques. Secondary data were obtained from the Nigerian Exchange Group, as well as the annual reports and accounts of the sampled banks. The data were analyzed using Pearson's correlation coefficient and multiple regression analysis with the aid of STATA 14 statistical software. The findings revealed that Company Income Tax has a significant negative relationship with the dividend payout ratio of listed deposit money banks in Nigeria. Similarly, Education Tax and Capital Gains Tax were found to exert significant negative effects on the dividend payout ratio. In contrast, National Information Technology Development Tax exhibited a significant positive effect on the dividend payout ratio of the sampled banks. Based on these findings, the study recommends that the government should strengthen transparency in corporate tax administration and eliminate multiple taxation practices in order to enhance investor confidence and promote tax compliance among firms.

Keywords: Taxation, Dividend Policy, Dividend-Pay-Out Ratio

INTRODUCTION

Dividend policy represents one of the most complex and strategic financial decisions confronting listed deposit money banks (DMBs) in Nigeria, as bank managers are required to balance shareholders' wealth expectations, regulatory compliance, capital adequacy requirements, and profitability objectives (Ahmed & Ibrahim, 2022). Taxation, particularly company income tax, has a direct impact on profit after tax and may consequently constrain the capacity of firms to distribute dividends to shareholders (Okafor & Eze, 2021). Despite the extensive body of literature on the determinants of dividend policy across different economies, including perspectives from signaling and agency theories, the specific influence of Nigeria's evolving tax regime on the dividend policy decisions of listed deposit money banks remains inadequately explored and empirically inconclusive in recent literature (Akinleye & Ogunmakin, 2021; Yusuf & Salawu, 2023).

Recent tax reforms in Nigeria, especially through the Finance Acts of 2019, 2020, and 2021, introduced significant adjustments to company income tax administration, education tax obligations, capital gains tax provisions, and deductible expenses, all of which have implications for banks' profit after tax. However, empirical evidence on how these tax reforms influence dividend payout decisions, dividend stability, and the trade-off between retained earnings and dividend distribution among listed deposit money banks in Nigeria remains limited (Ezeani, Udeh, & Chukwu, 2022). This gap is particularly important because shareholders rely heavily on dividend payments as a source of return in an uncertain financial market, while regulatory authorities such as the Central Bank of Nigeria emphasize banking sector stability, which may conflict with pressures for

high dividend payouts. Furthermore, policymakers require empirical evidence on the extent to which tax policies affect capital formation and investor confidence within the Nigerian banking industry.

Several studies have attempted to address the relationship between taxation and dividend policy, as the influence of taxes on corporate dividend decisions has remained a subject of sustained academic debate (Adebayo & Olawale, 2021). Nevertheless, the issue remains unresolved, with varying theoretical and empirical positions regarding whether corporate taxation significantly influences firms' dividend payout patterns. Recent scholars have argued that corporate taxation may serve as a mechanism for minimizing distortions in organizational structure, financing decisions, and dividend distribution policies (Olowookere & Adegbite, 2022). Similarly, contemporary studies maintain that taxation exerts substantial influence on firms' dividend policy decisions and overall corporate financial behavior (Usman & Ibrahim, 2023).

Empirical evidence on the relationship between corporate taxation and dividend policy in Nigeria remains relatively scarce, as most prior studies on dividend policy have focused primarily on the determinants of dividend policy (Adekunle & Oyinlola, 2021; Bello & Musa, 2022; Enekwe & Agu, 2023) or on the effect of dividend policy on firms' stock market performance in Nigeria (Afolabi & James, 2021; Suleiman & Kabir, 2022; Chinedu & Okoye, 2023). Moreover, the limited studies that specifically examined the effect of corporate taxation on dividend policy in Nigerian listed deposit money banks concentrated largely on company income tax and tax rates (Obasi & Nwankwo, 2021; Nnamani & Eze, 2022; Onwuka & Ibe, 2023). These studies paid limited attention to other critical tax components such as education tax, capital gains tax, and National Information Technology Development Tax, despite the possibility that these taxes may provide deeper insights into dividend policy decisions within Nigeria's increasingly dynamic tax environment.

The paucity of studies that simultaneously examined Company Income tax, Education Tax, Capital gain Tax, and National Information Technology Development Tax as proxies of taxation and relate them to the dividend payout ratio. Numerous existing studies done in Nigeria used a single tax measure, usually the effective tax rate or Company income tax, which masks the heterogeneous effects of individual tax instruments with different bases, rates, and legal architectures, the National Information Technology Development Tax has not received adequate attention as a component of tax, especially when relating it to dividend payout ratio.

The main objective of the study is to examine the effect of taxation (Company Income tax, Education Tax, Capital gain Tax, and National Information Technology Development Tax) on dividend pay out ratio of listed deposit money banks in Nigeria over the period 2015-2024.

In order to give direction to the study, the following hypotheses were stated.

i. $H0_1$: Education tax has no significant effect on dividend payout ratio of listed deposit money banks in Nigeria.
ii. $H0_2$: company income tax has no significant effect on dividend payout ratio of listed deposit money banks in Nigeria.
iii. $H0_3$: capital gain tax has no significant effect on dividend payout ratio of listed deposit money banks in Nigeria.
iv. $H0_4$: National information technology development tax has no significant effect on dividend payout ratio of listed deposit money banks in Nigeria.

This article is classified in to five (5) sections, section one covers the introduction of the study where the interplay between the dependent and independent variables are discussed. Section two covers the literature review concepts and frameworks of the study are discussed. Section three deals with the methodology, section four presents the data and analysis with discussion of results and findings. Section five conclude and make recommendations.

LITERATURE REVIEW

Concept of Dividend

Dividend is the sum of money paid by company to shareholders as return on their investment. Dividends are

normally paid to stockholders or shareholders out of profit after tax at specific periods (Nnadi and Akpomi 2018). This is apparently in line with the declared earning of the company and the recommendations made by the directors. Thus, if there are no profits, dividends will not be declared. Dividends are essential to shareholders and potential investors. Taxes reduces profits available at the disposal of the organizations, either to be retained or distributed as a dividend to the company's shareholders. Dividend policy is a decision regarding whether the profits made by the firm will be shared to stockholders as dividends or will be reserved in the form of retained earnings to finance future investments (Agustinawati & Subardjo, 2018).

Dividend pay-out ratio

The dividend payout ratio, sets the percentage of net earnings that is shared to investors in the form of dividends each year. This ratio, then, shows the portion of a company's profits that are distributed to shareholders as opposed to the portion that is used to finance operations. The dividend payout formula is calculated by dividing total dividend by the net income of the company (Ajiboye et al., 2024).

Dividend Payout Ratio = (Total dividend/net income)

Concept of Taxation

Taxation is a compulsory levy imposed by government on the incomes of individuals and companies in an attempt to cause optimum feeling of the government to social welfare and economic development of the nation (Abiahu & Amahalu, 2017).

Company income tax is directly charged on profit made, regardless of whether or not the company pays dividends to its shareholders Keightley and Sherlock (2014). In Nigeria, company income tax is at the rate of 30% on taxable profits for large companies having gross turnover greater than 100 million naira.

Tertiary education tax is imposed on every Nigerian company at the rate of 2% of the assessable profit for each year of assessment (Price wafer coopers (2023). The tax is payable within two months of an assessment notice from the FIRS. In practice, many companies pay the tax on a self-assessment basis along with their CIT.

Kiabel (2016) argued that capital gains tax is imposed on the profit realized from the disposal of all forms of properties (assets) at the rate of 10%. Chargeable assets include: Options, debts and incorporeal property generally, any currency other than Nigerian cogency, any form of property created by a person disposing of it or otherwise coming to be owned without being acquired goodwill, stocks and shares of every description.

National information technology development levy was formed by NITDA Act, 2007. It a constitutional contribution to national information technology development Agency [NITDA]. The levy is compulsory to companies with an annual income of one hundred million naira or more and is calculated at 1% of profit before tax (PBT). All listed deposit money banks in Nigeria, whose income massively surpass this threshold, will pay the NITDF levy. any bank with a PBT of, say, one hundred billion naira, the annual NITDF levy amounts to one billion naira a material charge that is assessed in addition to CIT and EDT and is likewise non-deductible in computing the CIT base.

Firm Size

Firm Size: A proxy for the scale and maturity of a firm, Firm size is measured in this study as the natural logarithm of total assets, (L_n) (Harvey Pamburai *et al.*, 2015 the most common proxy used in the literature. The log transformation addresses the highly skewed and scale difference of total assets across listed deposit money banks of massively different sizes ranging from lesser regional banks to systemically essential financial institutions (SIFIs) with multi-trillion naira asset bases.

Firm Leverage

Firm leverage refers to the proportion or fraction of the company's assets that are financed by debt rather than equity. Nigeria deposit money banks are highly leverage because banks fund their lending and investment activities mostly through deposits and borrowings effectively handling investors as creditors. leverage ratios of

listed deposit money banks in Nigeria is measured as total debt to total assets (Afrifa & Tauringana, 2015; Bala *et al.*, 2018, naturally range from 0.75 to 0.94, showing the important financial architecture of banking intermediation.

Empirical Review

Recent empirical studies have increasingly examined the relationship between taxation and dividend payout decisions, particularly in emerging economies where changing tax regimes significantly influence corporate financial policies. The reviewed literature provides evidence on the effects of Company Income Tax (CIT), Education Tax, Capital Gains Tax (CGT), and National Information Technology Development Tax (NITDT) on dividend payout ratio across Nigeria and other emerging economies.

Ahmed and Ibrahim (2022) investigated the relationship between corporate taxation and dividend payout policy among listed deposit money banks in Nigeria using panel data covering the period 2012–2021. The study employed fixed effect regression analysis and found that Company Income Tax exerts a significant negative effect on dividend payout ratio. According to the authors, increased corporate tax obligations reduce retained earnings available for dividend distribution, thereby constraining banks' payout capacity. The study further noted that highly taxed banks tend to adopt conservative dividend policies in order to maintain capital adequacy requirements.

Similarly, Corporate Finance researchers Akinleye and Ogunmakin (2021) examined the influence of tax reforms introduced through Nigeria's Finance Acts on corporate payout decisions of quoted firms. Using panel regression techniques on data obtained from 45 listed companies between 2015 and 2020, the study revealed that changes in company income tax and education tax significantly reduced dividend payout ratios. The findings suggest that increased tax burdens negatively affect shareholders' returns because firms prefer earnings retention to maintain operational liquidity and meet regulatory obligations.

In another Nigerian study, Onwuka and Ibe (2023) focused specifically on listed deposit money banks and investigated how different forms of corporate taxation affect dividend policy. Using generalized least squares estimation, the study found that Company Income Tax and Education Tax both exerted significant negative effects on dividend payout ratio, while National Information Technology Development Tax showed a positive relationship with dividend payout. The authors argued that banks with stronger technological infrastructure and digital banking capabilities tend to generate higher revenues that offset the burden of NITDT, thereby supporting stable dividend payments.

A more recent study by Ighosewe et al. (2024) examined the determinants of dividend policy among listed oil and gas firms in Nigeria using the System Generalized Method of Moments (GMM). The study incorporated tax policy as one of the explanatory variables influencing dividend payout. The findings indicated that higher tax obligations significantly reduce dividend payout ratios because firms prioritize internal financing and debt servicing over shareholder distributions. The study concluded that taxation remains a major determinant of dividend decisions among Nigerian firms operating in highly regulated sectors.

Studies from other emerging economies also supports the argument that taxation influences dividend policy. findings from such studies revealed that higher effective corporate tax rates significantly reduce dividend payout ratios in emerging markets due to increased pressure on firms' post-tax earnings. Furthermore, some studies observed that firms operating in countries with unstable tax regimes tend to adopt lower payout ratios as a precautionary strategy against future tax uncertainties.

Collectively, the reviewed empirical literature demonstrates that Company Income Tax, Education Tax, and Capital Gains Tax generally exert negative effects on dividend payout ratios across Nigeria and other emerging economies. However, evidence regarding National Information Technology Development Tax remains relatively limited and inconclusive, thereby creating a significant gap in the literature. Most recent studies suggest that tax-related financial pressures compel firms to adopt conservative dividend policies in order to preserve liquidity, sustain operational efficiency, and comply with regulatory requirements. This indicates the

need for further empirical investigation into the combined effects of multiple taxation components on dividend policy decisions, particularly within Nigeria's banking sector.

Theoretical Review

Clientele Effect

Clientele effect theory advocates that different groups (clienteles) of financiers are attracted to companies with particular dividend policies. For example, tax-free organizations may desire high-dividend stocks, whereas financiers in high tax brackets may desire low-payout shares that offer capital gains. A company's policy therefore entices a specific financier base, and unexpected change in policy might force an unintended clientele shift (Damodaran, 2020).

Tax Clientele Theory is the major theoretical announcer of this study. It links all the four independent tax variables to DPR directly. As company income tax increases, net profit available for sharing decreases, forcing companies to keep earnings rather than paying dividends in line with the clientele preference of high-tax-rate financiers for capital appreciation over earnings. Education tax and national information technology development levy, as extra charges that shrink distributable incomes without an equivalent tax advantage, equally depress payout capacity.

Signaling Theory

Signaling theory argues that dividend pronouncements carry important information from managers to investors. If dividend payment increases is frequently read as a positive signal that management is self-confident about the company's future profitability and cash flows. On the other hand, a dividend cut indicate financial grief or poor future forecasts (Al-Malkawi et al., 2014).

This Theory is critical to understand the dividend manners of listed deposit money banks in Nigeria under tax pressure. When company income tax, education tax, or national information technology development tax rise greatly, Nigerian deposit money banks face a problem: reducing dividends payment to safeguard cash signals likely financial weakness, whereas sustaining or increasing dividend payment even though a substantial tax burden indicates management's confidence in the bank's incomes resilience.

Pecking Order Theory

Myers and Majluf (1984) formed pecking order theory and formalized by Myers (1984), suggests that businesses stick to a financing hierarchy motivated by the costs of information lopsidedness. Companies desire to finance investment first with retained incomes, then with debt, and lastly with new equity the most expensive alternative due to adverse selection problems.

This Theory offers a robust theoretical justification for the anticipated negative relationships between company income tax, education tax, national information technology development tax, and dividend pay-out ratio. Each one of these tax-related in depended variables shrinks post-tax incomes the company's prime internal financing resource thus making pressure to reduce dividend payments to preserve retained earnings for future operational and investment funding.

METHODOLOGY

To achieve the objectives of this study, an ex-post facto research design was adopted, given its suitability for examining relationships among variables using historical data without manipulation of the study environment. The population of the study comprised all fourteen (14) deposit money banks listed on the Nigerian Exchange Group as of 31 December 2024. A purposive sampling technique was employed to select thirteen (13) listed deposit money banks that consistently published complete annual reports and maintained adequate disclosures on dividend payments and tax-related information over the period 2015–2024.

Data were analyzed using descriptive statistics and panel regression techniques to examine the effect of taxation on dividend payout ratio. In addition, the study incorporated several preliminary diagnostic tests to ensure the robustness and reliability of the estimated model. Multicollinearity among the explanatory variables was assessed using the skewness test, correlation matrix, and variance inflation factor (VIF). The Ramsey RESET test was conducted to detect possible functional form misspecification and omitted variable bias, while the Durbin–Watson d-statistic was employed to test for serial correlation within the panel data model. Furthermore, stationarity of the panel time-series data was examined using the Augmented Dickey–Fuller (ADF) unit root test to address potential non-stationarity issues. Inferential conclusions were drawn using regression analysis based on a 5% level of significance ($p < 0.05$). All statistical analyses were conducted using STATA 14 statistical software.

The Model Specification

To formulate equations based on the study's objectives, we define a regression model where dividend policy (proxied) by dividend pay-out ratio is the dependent variable, and taxation indicators (such as company income tax, education tax, capital gain tax and national information technology development tax,) are the independent variables. This model was used in the work of Hutagaol-Martowidjojo et al [2019], the panel data regression model for the study can be expressed as:

$$DPRit=\beta_0+\beta_1 CIT_{it}+\beta_2 EDT_{it}+\beta_3 CGT_{it}+\beta_4 NITDT_{it}+\beta_5 FSIZE_{it}+\beta_6 FLEV_{it}+Ui+\epsilon_{it}$$

Where:

- DPR_{it} = dividend payout ratio
- CIT_{it} = Company income tax
- EDT_{it} = Education tax
- CGT_{it} = Capital gain tax
- NITDT= National information technology development Tax
- FSIZE = Firm Size
- FLEV = firm leverage
- β_0 = Intercept
- $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5 \ \beta_6$ = Coefficients of the independent variables
- i = individual banks
- t = year [time]
- ui = bank individual differences
- ϵ_{it} = Error term

DATA ANALYSIS AND RESULTS

Table 4.1 Descriptive statistics result

Variables	Obs.	Mean	Std. Dev.	Min.	Max.		
DPR	130	57.22877	12.86564	32.5	96		

LCIT	130	14.34923	1.713508	9.3927	18.8508		
LEDT	130	6.756115	1.183995	4.55	9.66		
LCGT	130	11.55241	2.393326	6.2364	16.988		
LNITDT	130	6.655077	.8870282	4.34	8.66		
FLEV	130	.7165462	.1481687	.03	.98		
LFSIZE	130	7.246462	1.427792	4.44	11.56		

Source: descriptive statistics result generated by the researcher from annual reports and accounts of sampled listed Banks using STATA output.

Note: DPR= dividend payout ratio; CIT=company income tax; EDT= education tax; CGT = capital gain tax; NITDT= national information technology development tax; FLEV = firm leverage; FSIZE=firm size

Based on the descriptive statistics analysis as presented in Table 4.1, it can be seen that the mean value for Dividend payout ratio (DPR) is 57.22877 within the listed Deposit Money Banks (DMBs) in Nigeria. The DPR has a minimum value of 32.5, maximum value of 96 and a standard deviation of 12.86564 indicating that there is a dispersion of data between listed DMBs in regards to DPR.

Moreover, the mean value for company income tax (CIT) is 14.34923, minimum of 9.3927, maximum of 18.8508, and a standard deviation of 1.713508, The mean figure implies that on the average, the [CIT] of the banks during the period under review is 14.34923 while the standard deviation is 1.713508 indicates that the data deviate from the mean value from both sides by 1.71 which implies that there is no wide dispersion of the data from the mean because the standard deviation is less than the mean value.

Considering education tax (EDT), the mean value is 6.756115, minimum is 4.55, maximum is 9.66, and standard deviation stood at 1.183995. The mean figure implies that on the average, the EDT of the banks during the period under review is 6.756115 while the standard deviation of 1.183995 indicates that the data deviate from the mean value from both sides by 1.18 which implies that there is no wide dispersion of the data from the mean because the standard deviation is less than the mean value.

The average value for capital gain tax (CGT) is 11.55241, minimum and maximum values are 6.2364 and 16.988 respectively, while standard deviation is 2.393326. The mean figure implies that on the average, the CGT of the banks during the period under review is 11.55241 while the standard deviation of 2.393326 indicates that the data deviate from the mean value from both sides by 2.39 which implies that there is no wide dispersion of the data from the mean because the standard deviation is less than the mean value.

The next independent variable is national information technology development tax (NITDT), the mean value is 6.655077, minimum is 4.34, maximum is 8.66, and standard deviation stood at 0.8870282. The mean figure implies that on the average, the NITDT of the banks during the period under review is 6.655077 while the standard deviation of 0.8870282 indicates that the data deviate from the mean value from both sides by 0.89 which implies that there is no wide dispersion of the data from the mean because the standard deviation is less than the mean value.

Considering the control variables, the descriptive statistics shows that firm leverage (FLEV) has a mean value of 0.7165462, a minimum value of 0.03, a maximum value of 0.98, and a standard deviation of 0.1481687. Meaning there was no uniformity in the leverage level among listed deposit money banks in Nigeria from 2015-2024. For Firm size (FSIZE), the mean value is 7.246462, minimum value is 4.44, maximum value is 11.56, while standard deviation is 1.427792. Meaning the size of the deposit money banks in Nigeria are not the same from 2015-2024.

Correlation Analysis

Table 4.2 Results of Pearson Correlation (N = 130)

	Variables	DPR	LCIT	LEDT	LCGT	LNITDT	FLEV	LFSIZE	
1	DPR	1.0000							
2	LCIT	-0.2489* 0.0043	1.0000						
3	LEDT	-0.1567 0.0749	0.2692* 0.0020	1.0000					
4	LCGT	-0.2118* 0.0156	0.0763 0.3885	-0.0379 0.6687	1.0000				
5	LNITDT	0.1750* 0.0464	-0.0319 0.7190	0.1816* 0.0386	0.0547 0.5366	1.0000			
6	FLEV	0.1284 0.1455	-0.0828 0.3492	-0.0408 0.6451	- 0.0827 0.3496	0.1706 0.0523	1.0000		
7	LFSIZE	-0.2779* 0.0014	-0.1198 0.1747	-0.1714 0.0512	0.0160 0.8565	-0.1416 0.1080	0.0956 0.2793	1.0000	

Source: Correlation matrix result generated by the researcher from annual reports and accounts of sampled listed Banks using STATA output.

Notes: *** Correlation is significant at the 0.01 level, ** Correlation is significant at the 0.05 level, * Correlation is significant at the 0.1 level.

Pearson correlation analysis was carried out to determine the extent and the direction of the relationship between the study variables as provided in Table 4..2 The strength of the relationship among variables is usually ascertained by the correlation co-efficient donated by (r) of the variables.

In regards to dividend payout ratio (DPR), the correlation result from Table 4.2 shows that company income tax (CIT), capital gain tax (CGT), and firm size [FSIZE] are significant and negatively correlated with [DPR] at the 0.1 level of significant. Meaning they move in opposite direction, if [CIT], [CGT], and [FSIZE] increase DPR will decrease and via visa. While national information technology development tax (NITDT) is significantly positive at the 0.1 level of significance. Meaning they move in the same direction, an increase in national information technology development tax will lead to an increase in DPR of listed deposit money banks in Nigeria. Firm leverage (FLEV) is insignificantly positive at the 0.1 level of significant. Meaning they are not correlated with each other. However, education tax (EDT) has insignificant negative correlation with [DPR], but has a positive correlation with CIT. meaning an increase in CIT will automatically lead to an increase in EDT. The strength of the linear relationship between the variables is weak, because all the values of the variables fall within the range of 0.10-0.29 threshold. Moreover, none of the correlation coefficient of the independent variables is above 0.80, as such that data is free from multicollinearity. The result of Pearson correlation is presented in Table 4

Diagnostic Test Results

Prior to the interpretation of the regression results, a battery of diagnostic tests was conducted to verify the statistical adequacy and reliability of the estimated model. The results of these tests are presented and discussed below.

VIF Test for Multicollinearity

Table 4.3 Multicollinearity Test Based on VIF and Tolerance Values

Variables	VIF	1/VIF
LEDT	1.15	0.872092
LCIT	1.11	0.903356
LCGT	1.02	0.975861
LNITDT	1.11	0.904823
LFSIZE	1.07	0.938117
FLEV.	1.06	0.941996
Mean VIF	1.09	

Source: Multicollinearity Test Based on VIF and Tolerance Values generated by the researcher from annual reports and accounts of sampled listed Banks using Stata output.

The Variance Inflation Factor (VIF) was adopted to assess the presence of multicollinearity among the independent variables. The mean VIF value of 1.09 is substantially below the conventional threshold of 10 (Hair et al., 2019), indicating the absence of harmful multicollinearity among the explanatory variables namely, Corporate Income Tax (CIT), Education Tax (EDT), Capital Gains Tax (CGT), Non-Interest Tax-Deductible Fees (NITDF), Leverage (LEV), and Firm Size (FSIZE). Consequently, the estimated coefficients are not distorted by linear dependencies among the regresses.

Heteroskedasticity Test

Table 4.4 Breusch-Pagan/Cook-Weisberg Test for heteroskedasticity

DV	Chi2 (1)	Prob > Chi2	Null (Ho)
DPR	0.03	0.8633	Rejected

Note: Ho (null): Homoscedasticity

Ho: Constant variance

The test for heteroskedasticity yielded a probability value of 0.8633, which far exceeds the 5% significance level. The null hypothesis of homoskedasticity that is, constant variance of the error terms is therefore accepted. This result confirms that the residuals exhibit uniform variance across observations, satisfying a key assumption of the classical linear regression model and validating the reliability of the standard errors reported in the regression output (Greene, 2018).

Model Specification test

Ramsey RESET test using powers of the fitted values of dpr

Ho: model has no omitted variables

F(3, 120) = 2.58

Prob > F = 0.0566

The Ramsey Regression Equation Specification Error Test (RESET) was applied to detect functional form misspecification. The test returned a probability value of 0.0566, which exceeds the 5% significance threshold, thereby failing to reject the null hypothesis of correct model specification. Although the value is in proximity to the 0.05 boundary, the model is deemed correctly specified at the conventional level of significance. This indicates that no relevant variables have been erroneously omitted and that the functional form of the model is appropriate.

Skewness/Kurtosis tests for Normality

Table 4.5

Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	adj chi2(2)	Prob>chi2
					Joint
DPR	130	0.0426	0.2809	5.22	0.0737
LCIT	130	0.0424	0.4377	4.77	0.0921
LEDT	130	0.8041	0.0827	3.13	0.2087
LCGT	130	0.0197	0.4411	5.82	0.0546
LNITDT	130	0.8608	0.0055	7.16	0.0279
FLEV	130	0.0000	0.0000	35.84	0.0000
LFSIZE	130	0.4499	0.7544	0.68	0.7124

Source: Generated by the researcher from annual reports and accounts of sampled listed Banks using STATA output.

The test results disclose that most of the study variables approximate a normal distribution at the 5% significance level. Precisely, the Dividend Payout Ratio (DPR), the natural log of Company Income Tax (LCIT), the natural log of Education Tax (LEDT), the natural log of Capital gains Tax (LCGT), and Firm Size (FSIZE) have their joint p-values exceeding The 0.05 threshold, at 0.0737, 0.0921, 0.2087, 0.0546, and 0.7124 respectively, and the null hypothesis of normality is therefore accepted for these variables. Particularly, FSIZE has the highest p-value (0.7124), signifying robust conformity with the normal spreading, consistent with the stabilizing effect of the natural logarithm transformation already inserted in this variable (measured as the natural log of total assets).

National information technology development levy [NITDL] (p = 0.0279) and firm leverage [FLEV] (p = 0.0000), departed significantly from normal distribution, leading to acceptance of the null hypothesis at the 5% level. The abnormality of FLEV is not surprising given the highest leverage values recorded for distressed banks in the sample, precisely Unity Bank, whose negative equity position during portions of the study period produced leverage ratios significantly outside the normal range. These notes were reserved as valid representations of financial distress in the Nigerian banking sector, consistent with the study's adoption of an unbalanced panel structure. The slight non-normality of NITDF may reflect the concentration of the NITDA Development Levy liability among larger, more constantly profitable banks, generating distributional lopsidedness across the panel.

Significantly, non-normality in the raw variables does not nullify or invalidated the regression analysis. As confirmed by Wooldridge (2019) and Hair et al. (2019), the conventional normality assumption in panel data econometrics refer to the distribution of the regression residuals, not the individual raw variables. Additionally,

with a panel dataset of 13 banks observed over ten years, the Central Limit Theorem offers asymptotic explanation for inference even in the present of modest departures from normality in individual variables (Greene, 2018).

Autocorrelation

estat dwatson: Durbin-Watson d-statistic (7, 130) = 1.56938

The Durbin-Watson statistic of 1.5694 was obtained to test for the presence of serial autocorrelation in the residuals. The statistic falls below the benchmark value of 2.0 suggesting the presence of mild positive autocorrelation in the error terms. This finding is acknowledged as a limitation of the model. However, given that the deviation from 2.0 is moderate and that panel data estimation inherently accounts for cross-sectional variation across the sampled Deposit Money Banks, the overall integrity of the regression results is not materially compromised. Where necessary, the findings are interpreted with this caveat in mind.

Augmented Dickey Fuller (ADF) Test for Stationarity

This test tries to examine the property of the variables. It is used to check for the presence of a unit root i.e. whether the variables are stationary. It is also used to ascertain the regression technique to adopt for analysis and testing of hypotheses. This test is carried out using the Augmented Dickey Fuller (ADF) test. The ADF is carried out using stata 14 software package and the results from the test are tabulated below

Table 4.6 ADF Test result

Variables	ADF test statistic	cv@5%	Probability	Inference
DPR	-8.673	-2.888	0.0000	I(0)
LCIT	-7.455	-2.888	0.0000	I(0)
LEDT	-9.819	-2.888	0.0000	I(0)
LCGT	-7.925	-2.888	0.0000	1(0)
NITDT	-11.634	-2.888	0.0000	1[0]
FLEV	-8.335	-2.888	0.0000	1[0]
FSIZE	-8.513	-2.888	0.0000	1[0]

Source: Extract from Panel Unit Root Test Result in STATA 14

The a priori expectation when using the ADF test is that a variable is stationary when the value of the ADF test statistic is more negative than the critical value at 5%. Dividend payout ratio, company income tax, education tax, capital gain tax, national information technology development tax, firm leverage and firm size are stationary at level 1(0).

Panel Data Regression Results

Source	***SS***	***df***	***MS*** number of observation =130
Model	5346.61063	*6*	891.101772 F[6,123] = 6.85

			Prob > F= 0.0000 R-squared = 0.2504 Adj R-squared = 0.2138 Root MSE = 11.407
Residual	16006.0754	*123*	130.130694
Total	21352.6861	*129*	165.524698

Table 4.7 Regression Model Result

Variables	Coef.	Std. Err.	t	P>t
cons	106.2328	15.03883	7.06	0.000
LCIT	-1.572026	.6167075	-2.55	0.012
LEDT	-2.026246	.9083725	-2.23	0.028
LCGT	-1.06705	.4248143	-2.51	0.013
LNITDT	2.208505	1.190353	1.86	0.066
FLEV	7.949136 .	6.984159	1.14	0.257
LFSIZE	-2.873649	.7262757	-3.96	0.000

Source: Output from STATA 2026

Table 4.7 show an overall R^2 which measures the level of variation of the dependent variable caused by the independent variables stood at 0.2504. The R^2 otherwise known as the coefficient of determination shows the percentage of the total variation of the dependent variable (DPR) that can be explained by the independent or explanatory variables (CIT, EDT, CGT, & NITDT) and controlled by [FLEV & [FSIZE]. While this may appear modest, it is consistent with the explanatory power commonly reported in panel data studies examining dividend policy in emerging and frontier market contexts (see, e.g., Uwuigbe, 2013), where a substantial proportion of dividend decisions is influenced by unobservable institutional, regulatory, and behavioural factors, including Central Bank of Nigeria (CBN) prudential directives and macroeconomic conditions, that lie beyond the scope of the specified model. Thus, the R^2 value of approximately 0.250 indicates that 25.04% of the variation in the dividend payout ratio of listed deposit money banks can be explained by a variation in company income tax education tax, capital gain tax, and national information technology development tax of the banks, as controlled by their firm leverage (FLEV), and firm size [FSIZE] while the remaining 74.96% (i.e. 100-R^2) could be accounted by other variables not included in this model.

DISCUSSION OF FINDINGS

The result shows that company income tax has a significant negative effect at 5% level of significance on dividend payout ratio of deposit money banks in Nigeria. This conforms to the finding of Anaeto etal, (2020); who found a significant negative effect on dividend payout ratio of DMBs in Nigeria. The result showed that 1% increase in company income tax lead to approximately 1.57 decrease in dividend payout ratio. This means that the company income tax determines the dividend payout ratio of the deposit money banks in Nigeria.

From the result, it shows that education tax has a significant negative effect at 5% level of significance on the dividend payout ratio of Nigeria deposit money banks. This consistent with the finding of Onwuka (2019); and Abiahu & Amahalu [2017] who discover a significant negative effect on dividend payout ratio of deposit money banks in Nigeria. This implies that 1% increase in education tax leads to approximately 2.03 decrease in the dividend payout ratio of money deposit banks in Nigeria.

The study revealed that capital gain tax has a significant negative effect at 5% level of significance on the dividend policy of Nigerian deposit money banks. This implies that 1% increase in capital gain tax leads to approximately 1.07 decrease in dividend payout ratio of deposit money banks in Nigeria. This does not conform to the finding of Ugwu & Agada (2024) as he claim that capital gain tax has a negative but insignificant effect on dividend payout ratio.

The study found a significant positive effect at 10% level of significant between the national information technology development tax and the dividend payout ratio of deposit money banks in Nigeria. It is consistent with signaling theory who argue that banks use dividend payment to signal financial strength to investors. Even after paying the tax, they still pay higher dividend to show that they are doing well. This was in contrary to the findings of Ugwu and Agada (2024) who affirmed negative but insignificant relationship between national information technology development tax and dividend payout ratio.

The study found positive insignificant effect of firm leverage on dividend payout ratio of listed deposit money banks in Nigeria. The insignificant effect is due to CBN regulatory oversight that ensure financial stability regardless of borrowing level. In conventional firms, high leverage signal financial problem, resulting to dividend cut. This result is inconsistent with the findings of Ademola, Al-faryan and Kazeem [2024] who found a significant negative effect of firm leverage on dividend payout ratio of Nigerian deposit money banks.

From the result, it shows that firm size has a significant negative effect at 1% level of significance on the dividend payout ratio of Nigerian deposit money banks. This means the larger the firm the smaller the dividend pay to the shareholders. This was in contrary to the findings Ademola, et al,. [2024] who discover a significant positive effect on dividend payout ratio of deposit money banks in Nigeria. According to pecking order theory, firms prefer retained earnings over external financing. Larger Nigerian DMBs may retain more earnings to fund growth, recapitalization, or regulatory capital buffers [e.g CBN's Basel III aligned requirements], resulting in lower dividend payout ratio despite their size.

RESULTS OF RESEARCH HYPOTHESES

This section of the chapter presents results of the research hypotheses earlier formulated in chapter one of the study. Results in tables 4.7 was used to test these hypotheses.

The p-values were used to test the null formulated hypotheses and to determine whether to accept or fail to accept the null hypotheses.

H_{O1}: Company income tax has no significance effect on dividend payout ratio of listed deposit money banks in Nigeria..

Result presented in Table 4.7 reveals that company income tax (CIT) has a p-value of 0.012 which is less than the 5% accepted level of significance in social science; this leads to fail to accept the null hypothesis (H_{01}). The study therefore concludes that company income tax has a negative significant effect on *dividend payout ratio of listed deposit money banks in Nigeria..*

H_{O2}: education tax has no significance effect on dividend payout ratio of listed deposit money banks in Nigeria.

The result of this study as presented in Table 4.7 reflects a p-value of 0.028. This value is less than 5% level of significance. This provides evidence for failing to accept the null hypothesis. The researcher therefore

concludes that education tax has negative significant effect on dividend payout ratio of listed deposit money banks in Nigeria.

H_{O3}: Capital gain tax has no significance effect on dividend payout ratio of listed deposit money banks in Nigeria.

The result of this study as presented in Table 4.7 reflects a p-value of 0.013. This value is less than 5% level of significance. This provides evidence for failing to accept the null hypothesis. The researcher therefore concludes that capital gain tax has a negative significant effect on dividend payout ratio of listed deposit money banks in Nigeria.

H_{O4}: National information technology development tax has no significance effect on dividend payout ratio of listed deposit money banks in Nigeria.

Result presented in Table 4.7 reveals that national information technology development tax (NITDT) has a p-value of 0.066 which is less than the 10% accepted level of significance in social science; this provide evidence for failing to accept the null hypothesis (H_{04}). The study therefore concludes that national information technology development tax has a positive significant effect on dividend payout ratio of listed deposit money banks in Nigeria.

CONCLUSION AND RECOMMENDATIONS

Based on the above summary of findings, the study reached out the following conclusions. The study concludes that company income tax had significant negative effect on dividend policy as represented by dividend pay-out ratio of listed deposit money banks in Nigeria. Education tax had a negative significant effect on dividend pay-out ratio of listed deposit money bank in Nigeria. Capital gains tax had negative significant effect on dividend policy as represented by dividend pay-out ratio of listed deposit money banks in Nigeria. National information technology development tax had positive and significant effect on dividend pay-out ratio of listed deposit money banks in Nigeria. The study also found that firm leverage has insignificant positive effect on dividend policy represented by dividend pay-out ratio. This means that there is no relationship between firm leverage and dividend policy [as represented by dividend pay-out ratio] of listed deposit money banks in Nigeria. Lastly, the study found out that firm size has s significant negative effect on dividend policy as represented by dividend pay-out ratio of listed deposit money banks in Nigeria. This means that the larger the firm the smaller the dividend pay to the shareholders of sample banks. This was in contrary to the findings of Ademola Al-faryan and Kzeem [2024] who discover a significant positive effect on dividend payout ratio of deposit money banks in Nigeria. Based on the above findings and conclusions, the study reached out the following recommendations:

The government should introduce new tax incentives, tax exemptions, tax allowances, tax relief, tax rebates, and tax shelters for company income tax to help reduce the negative impact of company income tax on financial transactions.

Capital gains tax should be scrapped to enable companies to plough back the profit on the sale of assets into their business operations to ensure capital for investment and improve financial performance.

The government must ensure the eradication of multiple taxation practices and ensure transparency incorporate tax administration in order to attract investors and ensure tax compliance. New regulations to curtail excess company income tax should be formulated in order to reduce the tax burden and liability on corporate organizations to ensure high liquidity and avoid profit shifting to lower tax jurisdictions, which will enhance financial performance.

Management of the listed deposit money banks in Nigeria are advised to work out investment and financing framework that will give room for adequate and consistent dividend distribution, and also strive towards expanding their capacity and operational efficiency so as to restore investors' confidence in the sustainability of the bank. Also, the listed Nigerian deposit money banks should seek for avenues through which they can reduce their tax liabilities, such as tax amnesty, tax holiday, and tax relief.

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