DIVIDEND PAYOUT AND DIVIDEND YIELD ON MARKET VALUE OF LISTED INSURANCE FIRMS IN NIGERIA

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ABSTRACT

Despite considerable research on firm market value and dividend policies, there remains limited insight into how dividend payout and dividend yield specifically influence the market value of listed insurance firms in Nigeria. This study addresses this gap by investigating the impact of dividend payout ratio and dividend yield ratio on the market value of Nigerian listed insurance companies. Employing a longitudinal research design, the study analyzed data from ten insurance firms that consistently published audited annual reports between 2009 and 2023. Using panel multiple regression analysis via E-Views 12, the findings reveal that the dividend payout ratio has a negative but statistically insignificant effect on market value, whereas the dividend yield ratio shows a positive and significant influence. These results underscore the complex role dividend policies play in shaping investor perceptions and firm valuation. While higher dividend yields appear to bolster market confidence and valuation, the impact of payout ratios on Price to Book Value (PBV) is less straightforward and may be influenced by other contextual factors. Consequently, the study recommends that firms with high dividend payout ratios communicate their growth and reinvestment plans clearly to investors, mitigating concerns about limited growth prospects and potentially improving market valuation. Additionally, listed insurance firms should capitalize on the positive association between dividend yield and market value by maintaining stable and attractive dividend policies to signal financial strength and enhance investor confidence.

Keywords: *Dividend Payout Ratio, Dividend Yield, Market Value, Price to Book Value and Firm Size.*

1. INTRODUCTION

The market value of a company reflects the total worth attributed to it by investors, based on its current stock price and serves as a crucial measure of how the market perceives the firm (Alaeto, 2020). This valuation takes into account factors such as expected future earnings, financial stability and risk exposure. One of the widely accepted indicators of market value is the price-to-book (P/B) ratio, which evaluates the relationship between a company's market capitalization and its book value. This metric helps to assess how efficiently the firm is likely to use its assets to generate returns. A higher P/B ratio may indicate positive growth expectations from investors, whereas a lower ratio might reflect market skepticism or underlying financial issues (Duke et al., 2015). In the case of insurance firms, the P/B ratio is especially significant, as it incorporates both physical and intangible assets that are vital in the industry.

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The insurance sector plays a significant role in the financial services industry across both developed and developing nations, contributing to economic growth, efficient resource allocation, reduced transaction costs, enhanced liquidity, investment stimulation and the mitigation of financial losses (Verboncu & Zamfir, 2017). By engaging in risk transfer, financial intermediation, and premium mobilization, insurance companies serve as vital players in the economy. Therefore, evaluating the market value of firms within this sector in relation to their financial performance is essential. This study focuses on how dividend policies influence the market value of insurance companies, specifically through two primary indicators (dividend payout and dividend yield). It provides an in-depth analysis of these metrics, including their academic definitions, calculation methods, interpretations, and broader significance in investment decision-making.

This research is driven by the need to identify the key factors influencing market value within Nigeria's insurance industry, where elements such as regulatory shifts, economic instability and changing investor behavior significantly impact firm valuation. Through this investigation, the study aims to offer meaningful contributions to corporate finance and investment management literature, with a particular focus on the dynamics of emerging markets like Nigeria.

Although there is a wealth of research on how dividend policies affect firm value, there remains a notable gap in examining this relationship specifically among listed insurance companies in Nigeria. Most existing studies have concentrated on broader industries or different regions, leaving key questions unanswered about how Nigeria's distinct insurance sector and regulatory framework shape the connection between dividend policies and market value (Ogbuagu, 2020). Gaining insight into these dynamics is vital for investors, corporate managers, and policymakers aiming to improve firm valuation and overall market performance. This study seeks to address this gap by thoroughly analyzing the impact of dividend payout and dividend yield ratios on the market value of listed insurance firms in Nigeria. The core hypotheses guiding this research are outlined as follows:

H_{o1}: Dividend payout ratio has no significant effect on price to book value of listed insurance firms in Nigeria

H_{o2}: Dividend yield has no significant effect on price to book value of listed insurance firms in Nigeria

This study is divided into five main sections: Introduction, Literature Review, Methodology, Results and Discussion, and Conclusion. The Introduction provides the background, identifies the research problem, and states the hypothesis. The Literature Review critically analyzes previous studies related to the topic, offering a foundation for the current research. The Methodology section outlines the research design, data collection processes, and methods of analysis. The Results and Discussion section presents the study's findings and

interprets them in light of existing literature. Finally, the Conclusion summarizes the key outcomes, draws relevant conclusions, and proposes directions for future research.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Dividend Payout

Dividend payout refers to how companies distribute profits to shareholders in the form of dividends. Njoku (2021) highlight key factors that influence a firm's dividend policy, including profitability, cash flow, debt levels, and investment opportunities. Profitable firms with stable cash flows are more likely to maintain consistent payouts, while companies with high debt or growth prospects may retain earnings instead of paying dividends.

The Dividend Payout Ratio (DPR) calculated as dividends paid divided by net income is a crucial metric that reflects how much of a company's earnings are returned to shareholders. According to Mogambi (2018) and Husseini (2014), the DPR serves as an indicator of financial stability and strategic direction. A high DPR appeals to investors seeking regular income, while a low DPR signals reinvestment for growth, attracting long-term investors. Interpreting the ratio requires context, including industry benchmarks and a company's stage of development. Ultimately, the DPR is not just a figure but a reflection of a company's financial philosophy and priorities, offering valuable insight into its stability, performance and future outlook.

2.1.2 Dividend Yield

Dividend yield is a key financial indicator that shows the annual dividend income an investor earns as a percentage of the current stock price (Saadu et al., 2020). It is calculated by dividing the annual dividend per share by the share's market price (Joseph et al., 2021). This ratio is especially relevant to income-focused investors and is often used to assess the appeal of a stock. For companies like insurance firms, a high dividend yield may suggest financial strength and a strong commitment to shareholder returns, while a low yield could indicate either reinvestment for growth or financial challenges (Ifeanyichukwu & Yusuf, 2021).

While a higher dividend yield can be attractive for investors seeking regular income, it must be interpreted with caution, as it might result from a falling stock price rather than high dividend payments (Umar, 2023). Similarly, a low yield may stem from either a high share price or low dividend payouts. Because dividend yield fluctuates with changes in stock price and dividend payments, it requires careful monitoring. It is especially important for retirees or income-oriented investors who rely on stable cash flow. Beyond income, dividend yield contributes to the total return on an investment, which includes both dividend income and capital gains.

Moreover, comparing dividend yields across companies and industries helps investors assess relative investment opportunities. However, extremely high yields can be red flags, potentially indicating unsustainable payouts or

underlying company issues. Thus, while dividend yield is a valuable tool, it must be analyzed in context, considering a firm's overall financial health and market conditions.

2.1.3 Market Value

Market value refers to the current price at which an asset or security is traded in the open market, driven by the interaction of supply and demand (Ogbuagu, 2020). It is influenced by factors like economic conditions, market volatility, and company reputation. Historically, market valuation evolved from broad company-level assessments to more refined metrics like price per earnings, book value, and cash flow (Okoro et al., 2020). Modern valuations often use discounted cash flow models to determine intrinsic value rather than relying solely on observable market prices.

Market value also represents a company's market capitalization calculated by multiplying the share price by the total number of outstanding shares. While this figure is easily accessible for traded assets, a detailed valuation may require more complex methods (Alero, 2019). Investors often compare market value with intrinsic value to decide if an asset is underpriced or overpriced, guiding their investment strategies based on expected price movements.

A key ratio used in valuation is the Price-to-Book (P/B) ratio, which compares a stock's market price to its book value per share where book value equals total assets minus liabilities. A P/B ratio above 1 suggests overvaluation, below 1 indicates undervaluation, and exactly 1 shows parity between market and book values. This ratio is especially useful in asset-heavy industries like manufacturing but may be less effective in sectors driven by intangible assets (Adegbie et al., 2023).

While the P/B ratio is simple and based on historical data, it does not always reflect intangible assets or future earnings potential. Therefore, investors often use it alongside other metrics, such as the Price-to-Earnings (P/E) ratio, to form a fuller picture of a company's value. Comparing P/B ratios across similar industries also helps in assessing whether a stock is fairly priced relative to peers. For value investors, a low P/B ratio may signal an opportunity to invest in undervalued stocks with future growth potential

2.1.4 Firm Size

Firm size refers to the scale and extent of a company's operations, assets, and market influence (Oniyama et al., 2020; Falope et al., 2019). It represents the volume of business activities a firm engages in and is closely tied to its operational capacity and the value it can deliver. One of the primary advantages of a larger firm is the ability to benefit from economies of scale, which allows for cost reductions in production and greater market share, thereby enhancing competitiveness.

According to Akinyomi and Olagunju (2013), firm size significantly influences profitability, with larger firms often enjoying higher profits due to greater market reach and operational efficiency. These firms tend to face less competition and can take advantage of more opportunities in the market. Larger size also provides the ability to spread fixed costs over more output and leverage better pricing or supplier terms.

Jasch (2013) supports this view, highlighting that larger firms, due to their extensive resources and market dominance, are typically more profitable. As a result, many empirical studies in corporate finance use firm size as a key variable when analyzing profitability and other business outcomes.

Overall, firm size is a critical concept in both business strategy and economic analysis. It helps investors, researchers, and policymakers assess a company's capacity, efficiency, competitiveness, and position within the industry.

2.2 Empirical Review

Sogomi et al. (2024) investigated how different dividend policies affect shareholders' wealth in commercial banks listed on the Nairobi Securities Exchange. The study analyzed five dividend strategies fixed, fluctuating, hybrid, residual, and stock dividends using data from 86 top executives across 11 banks. Through regression, ANOVA, and correlation analysis, the study found that all five policies positively and significantly impacted shareholder wealth. The authors recommended adopting a flexible hybrid dividend policy and emphasized the importance of earnings, cash flow, and consistent dividend payments. They also highlighted the need to consider internal factors like profitability and ownership structure when designing dividend policies. However, the study's findings are limited by its exclusion of macroeconomic and regulatory factors, affecting broader applicability outside the Kenyan banking sector.

Abdulfatah et al. (2023) explored the mediating role of firm value in the relationship between dividend payout and growth opportunities among consumer goods firms in Nigeria. Out of 20 listed consumer goods firms on the Nigerian Exchange as of December 31, 2019, a sample of 16 firms was selected. The study employed the Baron and Kenny mediation analysis framework using Structural Equation Modeling (SEM), with SPSS as the analytical tool. The findings revealed that firm value fully mediates the relationship between dividend payout and growth opportunities, indicating that higher dividend payouts enhance firm value, which in turn fosters greater growth opportunities. Based on these results, the authors recommended that consumer goods firms increase their dividend payouts to boost firm value and support long-term growth. While this study focused on the consumer goods sector, the present research shifts attention to listed insurance firms. Investigating the influence of dividend policy on market value within the insurance industry offers insights into how sector-specific characteristics may shape the dynamics between dividend decisions and firm performance.

Adegbie et al. (2023) examined how dividend policy influences the market performance of Nigerian insurance firms from 2008 to 2020, using data from 10 companies and pooled OLS regression. They found that dividend payout had a negative but insignificant effect on market price per share, while dividend yield and dividend per share had positive and significant impacts. Return on assets showed a negative but insignificant effect. The study revealed that dividend policy explains about 82% of the variation in market performance and concluded that dividend policy significantly affects market outcomes regardless of ROA. The authors advised firms to focus on operational efficiency and recognize the strategic importance of dividend policy in maximizing profits. This research informs further studies by focusing on market value, the roles of dividend payout ratio and dividend yield, and the long-term effects, while also considering how ROA interacts with market value.

Okeke et al. (2021) investigated the impact of dividend policy on shareholders' wealth in Nigeria using secondary data from the Nigerian Stock Exchange. The study analyzed the effects of dividend per share (DPS), earnings per share (EPS), and net asset per share (NAPS) on market price per share (MPPS) through Ordinary Least Squares (OLS) regression. Findings showed that DPS and EPS positively and significantly influenced MPPS, indicating that higher dividends and earnings increase shareholder wealth. In contrast, NAPS had a negative but insignificant effect on MPPS. The regression model explained about 72% of the variation in market price, with diagnostic tests confirming the model's reliability and significance. The study concluded that dividend policy is vital for enhancing shareholder wealth in Nigeria and recommended that corporate boards periodically reassess dividend strategies to ensure operational efficiency and regulatory compliance. Unlike this broad corporate focus, the current study will narrow in on the insurance sector to explore how dividend policies impact firm value within its specific regulatory environment.

Ifeanyichukwu and Yusuf (2021) explored the impact of dividend policy on market share price among listed industrial goods companies in Nigeria. Focusing on 10 out of 18 firms listed on the Nigerian Exchange Group between 2014 and 2018, the study examined the effects of cash dividends, share dividends (bonus shares), and price-earnings ratio using Ordinary Least Squares (OLS) regression. The findings revealed that both cash dividends and price-earnings ratios had a significant positive relationship with market share price, indicating that these variables can enhance shareholder value and drive stock price appreciation. However, share dividends showed no significant influence on market price, suggesting that investors may not perceive bonus shares as impactful in valuation terms. The study recommended that industrial firms emphasize consistent cash dividends and maintain favorable price-earnings ratios as part of a strategic dividend policy to boost market performance. While this research centered on industrial firms, the present study expands the inquiry to the insurance sector, acknowledging its distinct regulatory and financial landscape to assess whether dividend yield has a differential effect on market value in that context.

Njoku (2021) examined the impact of dividend policy on the market value of listed insurance companies in Nigeria, focusing on dividend per share (DPS), dividend payout ratio (DPOR), and dividend yield (DY) and their effects on market value per share (MVPS), net asset per share (NAPS), and firm age. Using panel regression on data from 10 insurance firms between 2011 and 2018, the study found that DPS and DPOR had positive but statistically insignificant effects, while DY showed a negative and non-significant impact on the dependent variables. The results imply that dividend policy components might influence market value, but the effects are not statistically strong within this context. The study recommended that firms adopt optimal and stable dividend payout strategies to maximize shareholder wealth, as investors tend to prefer consistent cash dividends over earnings retention. The present research expands this scope by analyzing a longer period (2009–2023) to better capture evolving trends in dividend policy and market value in Nigeria's insurance sector.

Usman et al. (2021) investigated the link between dividend policy and stock prices in non-financial firms listed on Pakistan's KSE-100 index. Analyzing 45 dividend-paying firms over a 12-year period (2001–2012), the study employed panel data techniques, including pooled regression, fixed effects, and random effects models ultimately favoring the random effects approach based on the Hausman test. The results showed that Dividend Payout Ratio had a significant positive effect on stock prices, supporting the "Bird in Hand" theory, which suggests that investors value certain dividend income over uncertain capital gains. Conversely, Dividend per Share and Retention Ratio had no significant effect. Among the control variables, only Earnings per Share (EPS) positively influenced stock prices. Return on Equity (ROE) had a significant negative effect, while Profit after Tax was statistically insignificant. The study concluded that regular dividend payments enhance stock prices and investor confidence, whereas excessive retention of earnings could diminish market value. Although conducted in Pakistan's non-financial sector, the findings provide a foundation for comparative analysis in the Nigerian insurance industry, where different regulatory and economic conditions may lead to varied outcomes.

Udoka and Vincent (2020) studied the impact of dividend policy on stock price volatility among 60 firms listed on the Nigerian Exchange Group from 2006 to 2016, covering 19 financial and 41 non-financial companies. Using panel regression, they measured stock price volatility by the standard deviation of stock prices and dividend policy by dividend payout ratio and dividend yield, while accounting for moderating factors such as firm size, growth, leverage, earnings volatility, and financial crises. The findings revealed that the dividend payout ratio had a significant positive effect on stock price volatility for non-financial firms, indicating that higher dividends may increase share price uncertainty. For financial firms, the effect was positive but statistically insignificant. Dividend yield had a negative but insignificant relationship with volatility in both sectors. The study recommended that investors in the financial services sector should place less emphasis on dividend policy when assessing stock risk. Unlike this broad sectoral study, the present research focuses exclusively on insurance firms

in Nigeria, recognizing their unique regulatory environment and operational characteristics to better understand how dividend policy affects market value within the insurance industry.

Chukwuma et al. (2020) explored the impact of dividend policy on the financial performance of listed consumer goods firms in Nigeria from 2015 to 2019. Using dividend payout ratio, earnings per share, and dividend per share as measures of dividend policy, and return on equity as a performance indicator, the study employed multiple regression analysis. Results showed that while all dividend policy proxies were positively related to return on equity, only dividend per share had a statistically significant effect. The study recommended that firms enhance financial performance by focusing on dividend per share and aligning management decisions with shareholder interests to mitigate agency conflicts. Unlike this study, which focused on consumer goods firms and general financial indicators, the present research will adapt the framework for the insurance sector by incorporating industry-specific variables like price-to-book value and sector-relevant financial metrics to better understand dividend policy effects in that context.

Saadu et al. (2020) examined the impact of market performance on the dividend policy of listed manufacturing firms in Nigeria. Market performance was measured using Economic Value Added (EVA), Market Value Added (MVA), Total Shareholders Return (TSR), and Tobin's Q, while dividend policy was proxied by dividend payout ratio (DPO). Employing an ex-post facto research design, the study used multiple regression analysis to determine the nature and strength of relationships between these variables. The findings revealed a positive and significant relationship between total shareholders return (TSR) and dividend payout, indicating that higher shareholder returns are associated with increased dividend payouts. Tobin's Q showed a positive but insignificant effect on dividend payout. Conversely, both Economic Value Added (EVA) and Market Value Added (MVA) demonstrated a significant negative relationship with dividend payout. Based on these results, the study recommended that management in Nigerian manufacturing firms enhance market performance by investing in projects with positive returns, thereby attracting more investors and increasing firm value. While this study focused on manufacturing firms, the present research shifts the focus to the insurance sector, recognizing its unique characteristics and financial dynamics. This change enables a more precise exploration of how dividend payout ratio and dividend yield affect market value within the insurance industry.

Ogbuagu (2020) examined the impact of dividend policy on the performance of firms listed in the healthcare sector of the Nigerian Exchange Group. The study employed key proxy variables for dividend policy, including dividend per share (DPS), dividend cover (DC), dividend payout ratio (DPO), and dividend yield (DY), while return on equity (ROE) was used as the measure of firm performance. Data spanning from 2014 to 2018 were sourced from the Nigerian Exchange Group Factbook and analyzed using E-Views version 10. The regression

results indicated a significant positive relationship between ROE and all dividend policy proxies (DPS, DC, DPO, and DY) at the 5% significance level. The model's coefficient of determination (R^2) was 0.64, suggesting that these variables explain about 64% of the variation in ROE, with the remaining 36% attributed to factors outside the model. The study concluded that dividend policy significantly influences firm performance, supporting relevant dividend policy theories. It recommended that firms aiming to maximize value should consistently increase dividend payments as a signal of financial health. While this study focused on the relationship between dividend policy and financial performance in the healthcare sector, the present research will explore the relationship between dividend payout and dividend yield ratios and market value among listed insurance firms in Nigeria.

2.3 Theoretical Framework

2.3.1 Signaling Theory

Signaling theory, originally proposed by economist Michael Spence in 1970 within the job market context, was later extended to corporate finance, particularly by Ross (1977). In this framework, companies use financial decisions especially dividend policies, as tools to sign internal information to investors. The theory holds that dividend announcements convey management's expectations about future earnings and overall financial health (Connelly et al., 2011).

For example, an increase in dividends typically signals confidence in the firm's future profitability, potentially boosting investor confidence and stock prices. Conversely, reducing or omitting dividends can suggest financial instability or weak earnings, likely leading to a drop-in market value. These signals help reduce information asymmetry between company insiders and external investors. Furthermore, consistent or increasing dividends often imply sound internal cash flow and growth prospects. Unexpected changes in dividend payouts, particularly increases, are viewed as credible indicators of strong future performance, while failing to meet expected dividend levels can provoke negative investor reactions.

Overall, signaling theory emphasizes the strategic use of dividend policy as a communication mechanism. By managing investor expectations through dividend decisions, firms aim to reinforce their commitment to shareholder value and influence market valuation (Karasek & Bryant, 2012).

3. RESEARCH METHODOLOGY

This study adopted a longitudinal panel research design to examine the relationships between variables over time. The target population included all 22 insurance firms listed on the Nigerian Exchange Group as of December 31, 2023. Using purposive sampling and a two-point filter requiring firms to be listed throughout the study period

(2009–2023) and to have a stable board of directors 10 firms met the selection criteria, while 12 were excluded due to incomplete data or board inconsistencies. The study adopt panel regression analysis method. Data was analyzed using descriptive statistics and correlation conducted. The study also references Sogomi et al. (2024), who developed a model after reviewing relevant theoretical frameworks:

$Y_{it} = \beta_0 + \beta_1 X1_{it} + \beta_2 X2_{it} + \beta_3 X3_{it} + \beta_4 X4_{it} + \beta_5 X5_{it} + \epsilon_{it}$
Where: Y=the dependent variable (Shareholder's Wealth).
Independent variables were:
X1= Fixed Rate Dividend Policy
X2= Fluctuating Dividend Payout Rate
X3= Hybrid Dividend Policy
X4= Residual Dividend Payment
X5= Stock Dividend Policy
β0 =Regression constant (the value of Y whenX1=X2=X3=X4=X5=0)
βi is the coefficient for X1 (Where i=1,2,3,4,5)
β1, β2, β3, β4, β5= Change in Y with respect to a unit change in X1, X2, X3, X4, X5 respectively e = standard error term.

This study has however made modifications and adaptations to the model by Sogomi et al., (2024). The model adapted for this investigation is as follows:

$$\mathbf{PBV_{it} = \beta_0 + \beta_1 DPR_{it} + \beta_2 DY_{it} + \beta_3 FSZ_{it} + \epsilon_{it}} \quad \text{---------- (i)}$$

Where;

PBV = Price to Book Value
DPR = Dividend Payout Ratio
DY = Dividend Yield
FSZ = Firm Size (control variable)
β_0 = Constant or intercept
β_1- β_2 = Regression coefficients.
ε = Stochastic error term.

A Prior Expectation

Based on extant studies and theoretical foundations, the expected relationships in the model are as follows: DPR (β_1) = +ve; DY (β_2) = +ve and FSZ (β_2) = +ve while **ε** (Stochastic error term) = Variability in PBV not explained by DPR, DY & FSZ.

Table 1: Measurement of Variables

Variable	Type	Measurement	Source
Price to Book Value (PBV)	Dependent	Price-to-Book Value (P/B) = Market Price per Share / Book Value per Share	Udoka & Vincent (2020)
Dividend Payout Ratio (DPR)	Independent	Dividend Payout Ratio = Dividends Per Share / Earnings Per Share	Abu & Adebayo (2018).
Dividend Yield (DY)	Independent	Dividend Yield Ratio = Dividends Per Share	Jakada & Nyamugure, (2015).

		Stock Price	
Firm size (FSZ)	Control	Measure as natural log of total Asset	Omollo, et al., (2018)

Source: Researcher Computation (2024)

4 RESULT AND DISCUSSION

Descriptive Statistics

To gain an initial understanding of the data utilized in this study, descriptive statistics were computed. This preliminary analysis provides valuable insights into the patterns and characteristics of the dataset. The summary statistics are presented in table 2.

Table 2: Descriptive Analysis Result

	PBV	DPR	DY	FSZ
Mean	0.160755	30.67135	53.97582	6.789800
Median	0.130878	31.23590	54.00000	6.658081
Maximum	0.569197	97.94084	245.0000	8.193000
Minimum	-0.172223	7.000000	0.026796	4.028000
Std. Dev.	0.144573	13.15053	40.56170	0.778095
Skewness	0.494209	1.353061	1.448777	-0.382783
Kurtosis	3.174221	7.543481	7.088215	3.508436
Jarque-Bera	6.295768	174.7895	156.9333	5.278737
Probability	0.042943	0.000000	0.000000	0.071406
Sum	24.11318	4600.703	8096.373	1018.470
Sum Sq. Dev.	3.114283	25767.53	245142.5	90.20942
Observations	150	150	150	150

Source: E-View 12 Output (2024)

Table 2 provides descriptive statistics for four key variables: Price-to-Book Value (PBV), Dividend Payout Ratio (DPR), Dividend Yield (DY), and Firm Size (FSZ). The mean PBV is 0.160755, indicating that, on average, firms have a relatively low market valuation relative to their book value. The average DPR is 30.67%, suggesting that firms typically distribute about one-third of their earnings as dividends. The mean DY is 53.98%, while FSZ averages 6.79 units (unit unspecified), reflecting the typical dividend yield and firm size across the sample.

Variability in the data is measured by the standard deviation. PBV shows low variability (Std. Dev. = 0.144573), whereas DY exhibits high dispersion (Std. Dev. = 40.56170), indicating wide fluctuations in dividend yields across firms. Skewness values reveal the asymmetry of the distributions: DPR (1.353061) and DY (1.448777) are positively skewed, indicating long right tails, while FSZ (-0.382783) is negatively skewed. Kurtosis further illustrates distribution shapes DPR (7.543481) and DY (7.088215) are leptokurtic, suggesting heavy tails and outliers. In contrast, PBV and FSZ have kurtosis values closer to 3, implying distributions that approximate normality.

The Jarque-Bera test assesses normality by evaluating skewness and kurtosis. PBV (JB = 6.295768, p = 0.042943) shows a mild deviation from normality at the 5% significance level. DPR and DY strongly deviate from normality

(p = 0.000000), while FSZ (JB = 5.278737, p = 0.071406) does not significantly deviate from normality, though it is marginally close. Overall, the distributions for DPR and DY are non-normal, while PBV and FSZ are nearer to normal but still exhibit slight deviations.

Correlation Analysis

Table 3 below shows the results of the association between the independent and dependent variables of listed non-financial firms in Nigeria. It contains the Pearson pairwise correlation coefficients of the variables under study. The correlation matrix is presented in Table 4 below.

An acceptable correlation is typically considered significant if the absolute value of the correlation coefficient is at least 0.3, indicating a moderate relationship, while a high correlation would generally be above 0.7.

Table 3: Correlation Matrix

Covariance Analysis: Ordinary
Sample: 2009 2023
Included observations: 150

Correlation Probability	PBV	DPR	DY	FSZ
PBV	1.000000 -----			
DPR	-0.246544 0.0024	1.000000 -----		
DY	0.124766 0.1282	-0.228898 0.0048	1.000000 -----	
FSZ	-0.169508 0.0381	-0.111238 0.1754	0.351661 0.0000	1.000000 -----

Source: E-View 12 Output (2024)

The correlation matrix provides key insights into the relationships among four variables: Price-to-Book Value (PBV), Dividend Payout Ratio (DPR), Dividend Yield (DY), and Firm Size (FSZ). These correlations reflect the strength and direction of their linear associations. The Pearson correlation coefficient between PBV and DPR is -0.246544, with a p-value of 0.0024, indicating a statistically significant inverse relationship—meaning that as PBV increases, DPR tends to decrease, and vice versa. In contrast, PBV and DY show a positive correlation of 0.124766, but this relationship is not statistically significant (p-value = 0.1282). Additionally, there is a significant negative correlation between FSZ and PBV, with a coefficient of -0.169508 and a p-value of 0.0381, suggesting that larger firms generally exhibit lower PBV ratios.

The analysis reveals a statistically significant negative correlation between the Dividend Payout Ratio (DPR) and Dividend Yield (DY), with a coefficient of -0.228898 and a p-value of 0.0048. This suggests that firms with

higher payout ratios tend to have lower dividend yields. One possible explanation is that higher payouts reduce retained earnings available for reinvestment, potentially constraining future earnings and dividend growth.

The relationship between Firm Size (FSZ) and DPR is weakly negative, with a correlation coefficient of -0.111238 and a p-value of 0.1754, indicating that the association is not statistically significant. Conversely, FSZ and DY show a strong positive correlation of 0.351661, which is statistically significant (p-value = 0.0000). This implies that larger firms generally offer higher dividend yields, consistent with prior research suggesting that mature, financially stable companies tend to distribute more substantial dividends due to their steady earnings.

Discussion of Finding

Following extant studies and theoretical foundations already established in the earlier part of this study, the expected relationships in the model were as follows: The coefficient β_1 representing the Dividend Payout Ratio (DPR), is anticipated to be positive, as higher dividend payouts are often perceived by investors as indicators of a firm's financial stability and profitability, leading to higher market valuations relative to book value (Sogomi et al., (2024)). Similarly, β_2, associated with Dividend Yield (DY), is expected to be positive, since a higher dividend yield suggests more substantial returns on investment, which can enhance a firm's attractiveness to investors and thus its market value (Ogbuagu, 2020). For the control variable, Firm Size (FSZ), β_3 is expected to be positive, as larger firms typically benefit from greater market confidence, reduced risk perception, and enhanced valuation due to economies of scale and diversified operations (Umar, 2023). The intercept captures the baseline Price-to-Book Value ratio when the independent variables are zero, and the stochastic error term accounts for the variability in PBV not explained by DPR, DY, and FSZ.

The findings from the study indicates that negative but statistically insignificant relationship exists between Dividend Payout Ratio (DPR) and Price-to-Book Value (PBV) suggesting that firms with higher payout ratios might be perceived as having fewer growth opportunities and thus be potentially valued lower in terms of market valuation. This aligns with the pecking order theory and lifecycle theory of dividends, where companies at a mature stage with fewer reinvestment opportunities distribute a larger portion of their earnings as dividends. These mature firms may have less potential for growth, which investors might perceive as less attractive, resulting in a lower market value. This finding also corroborates with the study of Okeke et al.,, (2021) that found that dividend payout ratio exerts negative and insignificant effect on market value. The positive and statistically significant relationship between Dividend Yield (DY) and PBV supports the signaling theory of dividends, which posits that dividend announcements can signal a firm's confidence in its future earnings prospects. Higher dividend yields can indicate that a firm is generating strong, stable cash flows and is confident in its ability to sustain these payouts, thereby enhancing investor confidence and leading to a higher market valuation. This positive relationship suggests that investors view higher dividend yields as a sign of financial health and stability,

which justifies a higher market valuation. Financially, this implies that companies focusing on higher dividend payouts might boost their market valuation, as these signals are interpreted positively by investors seeking reliable returns. Thus, this present study agrees with the research outcome of Chukwuma et al., (2020) which recommended that firms should adopt a dividend policy strategy that will guarantee greater financial performance to improve the dividend per share. Njoku (2021) also agrees and corroborates that that administrators should establish and maintain an optimal dividend payout policy that can maximize shareholders wealth and suggests that firm managers embark on or switch to a steady dividend payout policy, as investors prefer cash to retention approach.

5. CONCLUSION AND RECOMMENDATIONS

In conclusion, this study agrees that dividend policies influence investor perceptions and firm valuation, as such, high dividend yields enhance market confidence and valuation. On the other hand, Payout Ratios has no effect on Price to Book Values and therefore a consideration should be made of other contextual factors that might affect PBV.

Based on the findings of this study, the following recommendations are made for efficient market valuation of listed insurance firms on the Nigeria Exchange Group.

i. Based on the significant positive relationship between Dividend Yield (DY) and market value, firms should strategically leverage their dividend yield to enhance market valuation. Listed insurance firms should consider implementing a stable and attractive dividend policy that consistently offers competitive yields. By doing so, they can signal financial stability and profitability to investors, thereby fostering greater investor confidence and potentially increasing their market valuation.

ii. Firms with high Dividend Payout Ratios (DPR) should evaluate their growth opportunities and reinvestment strategies. Given the negative but statistically insignificant relationship between dividend payout ratio and market value, these firms should communicate their growth strategies clearly to investors to counteract potential perceptions of limited growth prospects. They could provide detailed plans on how they intend to utilize retained earnings for future expansion, innovation, or market penetration, thereby potentially mitigating any adverse impact on their market valuation.

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