

Dividend Policy and Shareholder Wealth Creation in Nigerian Pharmaceutical Firms: Regulatory Implications

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Abstract

This study investigated the effect of dividend policy on shareholder wealth creation in Nigerian pharmaceutical firms, with emphasis on regulatory implications. Using a survey research design, data were collected from 40 financial managers of pharmaceutical firms listed on the Nigerian Stock Exchange through structured questionnaires and follow-up interviews. Descriptive statistics and frequency tables were used to analyze the data. The findings revealed that 75% of respondents (45% agree, 30% strongly agree) indicated that dividend policy significantly influences shareholder wealth creation. Regarding shareholder satisfaction and loyalty, 77.5% of respondents (50% agree, 27.5% strongly agree) reported that timely and consistent dividend payments enhance investor loyalty. On dividend payout patterns, 80% (47.5% agree, 32.5% strongly agree) noted that stable dividend payouts improve firm performance, while 72.5% (45% agree, 27.5% strongly agree) observed that irregular payouts negatively affect performance. Additionally, 77.5% (52.5% agree, 25% strongly agree) stated that regulatory guidelines influence corporate decision-making, and 82.5% (55% agree, 27.5% strongly agree) agreed that compliance with regulations enhances investor confidence. The study concludes that consistent dividend policies, stable payouts, and regulatory compliance are crucial for shareholder wealth creation, firm performance, and investor trust.

Keywords: Dividend Policy, Shareholder Wealth, Firm Performance, Regulatory Compliance, Nigerian Pharmaceutical Firms

Introduction

Dividend policy — how firms decide to distribute profits to shareholders — is considered a key financial decision that may influence shareholder wealth and firm valuation. In corporate finance theory, dividends are posited to signal financial strength and future prospects to investors, potentially enhancing market valuations. Empirical research continues to investigate this relationship, especially in emerging markets where information asymmetry and market inefficiencies may strengthen or weaken dividend effects on shareholder wealth (Salihu et al. 2024).

In the Nigerian capital market, the impact of dividend policy on firm value has attracted scholarly attention across non-pharmaceutical sectors, showing mixed results. Some studies reveal that consistent dividend practices may be linked to higher firm value, while others indicate that payout components like dividend per share or payout ratios have varying effects on share prices. These findings underscore the complexity of dividend policy influences within Nigerian markets (Umar 2023).

Within the healthcare and related sectors, research suggests that dividend decisions can affect firm value and investor perceptions. For instance, evidence from studies on Nigerian healthcare firms indicates that stable dividend policies correlate positively with valuations, suggesting that predictable payouts may promote shareholder confidence and wealth creation. This highlights the relevance of dividend strategies to firm financial performance in regulated industries (Salihu et al. 2024).

Focusing on the pharmaceutical industry, limited but important studies show how internal financial indicators and accounting information relate to dividend payout behavior. Specifically, findings reveal that measures like earnings per share and stock price significantly affect dividend payouts in Nigerian pharmaceutical firms, indicating that corporate financial performance and dividend decisions are intertwined. Such dynamics may influence shareholder wealth in this specialized sector (Odoemelam and Obiora 2023).

Despite advances in dividend policy research in Nigeria, there is a lack of targeted empirical evidence on how dividend decisions by pharmaceutical firms affect shareholder wealth and interact with regulatory standards. Given the capital-intensive nature of the pharmaceutical industry and evolving governance frameworks — including regulatory reporting and payout compliance — it is important to explore how dividend policies contribute to shareholder wealth creation under current oversight conditions.

Statement of the Problem

Ideally, pharmaceutical firms in Nigeria should adopt dividend policies that effectively balance profit distribution to shareholders with the firm's reinvestment and growth needs. Proper dividend strategies are expected to enhance shareholder wealth, attract investors, and support sustainable corporate development while ensuring compliance with regulatory guidelines.

However, many Nigerian pharmaceutical firms experience inconsistent dividend payments, unclear payout ratios, and weak alignment between financial performance and dividends. This inconsistency may arise from capital-intensive operations, management decisions, or regulatory compliance challenges, which can distort investor expectations and obscure signals about the firm's financial health.

If these problems are not resolved, shareholder wealth may not be maximized, leading to reduced investor confidence, lower market valuations, and difficulty attracting long-term capital. Persistent inconsistencies in dividend policy could also weaken corporate governance, limit sectoral growth, and hinder the pharmaceutical industry's contribution to national economic development.

Objectives of the Study

The primary purpose of this study is on dividend policy and shareholder wealth creation in Nigerian pharmaceutical firms: regulatory implications. The specific objectives of the study are to:

- i. To examine the effect of dividend policy on shareholder wealth creation in Nigerian pharmaceutical firms.
- ii. To assess the relationship between dividend payout patterns and firm performance within the Nigerian pharmaceutical sector.
- iii. To evaluate the regulatory implications of dividend policies on corporate decision-making and investor confidence in Nigerian pharmaceutical firms.

Research Questions

The study provided answers to the following research questions.

- i. How does dividend policy affect shareholder wealth creation in Nigerian pharmaceutical firms?
- ii. What is the relationship between dividend payout patterns and the performance of pharmaceutical firms in Nigeria?
- iii. How do regulatory frameworks influence dividend policy decisions and investor confidence in Nigerian pharmaceutical firms?

Statement of Hypotheses

The following hypotheses in null form (H_0) guided this study

- i. H_0 : Dividend policy has no significant effect on shareholder wealth creation in Nigerian pharmaceutical firms.
- ii. H_0 : Dividend payout patterns have no significant relationship with the performance of pharmaceutical firms in Nigeria.
- iii. H_0 : Regulatory frameworks do not significantly influence dividend policy decisions or investor confidence in Nigerian pharmaceutical firms.

Significance of the Study

This study is significant because it provides valuable insights into how dividend policy affects shareholder wealth creation in Nigerian pharmaceutical firms. The findings are expected to benefit multiple stakeholders:

- i. **Individual Investors:** Shareholders will gain a better understanding of how dividend policies impact returns and market valuation, helping them make more informed investment decisions and manage their portfolios effectively.
- ii. **Corporate Managers:** Managers can use the study to develop dividend strategies that balance profit distribution with reinvestment needs, thereby improving firm performance, sustainability, and shareholder confidence.
- iii. **Regulatory Authorities:** Agencies like the Securities and Exchange Commission (SEC) and other financial regulators can use the findings to refine dividend-related policies, enforce compliance, and ensure investor protection in the pharmaceutical sector.
- iv. **Academia and Researchers:** The study contributes to the literature on dividend policy and corporate finance in emerging markets, particularly the pharmaceutical industry, and provides a foundation for future research.
- v. **Financial Analysts and Investment Firms:** Analysts can use the results to evaluate the effects of dividend policies on firm valuation, allowing them to offer better advice to clients and make strategic investment recommendations.
- vi. **Policy Makers and Government Agencies:** Insights from the study may help policy makers design regulatory frameworks that support sector growth while ensuring that shareholders receive fair returns.
- vii. **Pharmaceutical Firms:** Companies within the sector can understand the market and regulatory implications of dividend decisions, enabling them to improve investor relations and optimize financial strategies.
- viii. **General Public and Potential Investors:** By highlighting the role of dividend policies in wealth creation, the study can encourage wider investment in Nigerian pharmaceutical firms, promote financial literacy, and enhance confidence in the capital market.

Literature Review

Conceptual Review

Concept of Dividend Policy

The dividend policy of a firm refers to the decision-making process regarding the proportion of earnings paid out to shareholders as dividends versus retained for reinvestment. It embodies managerial choices on how much profit to distribute and how much to retain, directly influencing shareholder wealth and firm valuation. Scholars emphasize that dividend policy is a critical aspect of corporate financial strategy because it signals management's confidence in future earnings and impacts investor perceptions (Baker & Powell, 2017). The policy's formulation is affected by factors such as earnings stability, cash flow, and firm growth prospects, which collectively determine the optimal payout ratio.

Research indicates that dividend policy is intertwined with firm life cycle stages, where mature firms tend to pay higher dividends due to stable earnings, while growing firms prefer retaining earnings to finance expansion (DeAngelo & DeAngelo, 2018). Theoretical frameworks such as the Residual Dividend Model suggest that dividends should be paid out only after all acceptable investment opportunities are financed, aligning payout decisions with the firm's investment policy (Huang & Faff, 2020). Empirical evidence supports the notion that firms with high growth potential tend to retain earnings, whereas those with limited growth opportunities distribute more dividends to signal stability to investors.

Behavioral and signaling theories highlight that dividend policy can serve as an indicator of firm health and future prospects, affecting investor confidence. For instance, stable or increasing dividends are often perceived as signals of robust profitability and managerial competence, which can enhance stock prices (Anderson et al., 2021). Conversely, dividend cuts may signal financial distress or deteriorating earnings prospects, leading to negative market reactions. This signaling function makes dividend policy a vital tool for corporate communication with shareholders and the market at large (Saito & Tanaka, 2024).

Legal, institutional, and tax considerations also influence dividend decisions. Different regulatory environments can impose restrictions or incentives that shape payout policies; for example, certain jurisdictions may have tax advantages for dividends or specific legal constraints on dividend payouts (Nguyen & Pham, 2023). Additionally, agency theory suggests that dividend payments can mitigate agency conflicts by reducing free cash flow, thus limiting managerial discretion and aligning management actions with shareholder interests (Kim & Lee, 2019). These factors collectively underline the multifaceted nature of dividend policy as a strategic corporate decision.

Finally, contemporary research emphasizes the dynamic nature of dividend policy in response to external shocks and changing market conditions. Firms are increasingly adopting flexible payout policies to adapt to economic volatility, technological changes, and investor demands. The evolving landscape underscores that dividend policy cannot be static but must be continuously aligned with the firm's strategic goals and external environment. Furthermore, ongoing studies highlight the importance of integrating dividend policy with overall corporate governance practices to optimize shareholder value.

Shareholder Wealth Creation

Shareholder wealth creation refers to the process through which a company's strategic activities and financial decisions increase the value of the firm for its shareholders. It is primarily measured by the rise in stock prices, dividends, and overall market value, reflecting investors' perception of future profitability and growth prospects (Li & Chen, 2019). Effective management of resources, financial performance, and corporate governance are critical factors that influence this process, aligning managerial actions with shareholder interests to maximize value (Jensen & Meckling, 2018). Consequently, firms aim to optimize operational efficiency and strategic investments to foster long-term shareholder wealth.

Research emphasizes that corporate strategies such as innovation, expansion, and prudent financial management are pivotal in creating shareholder value. For example, firms that invest in research and development or enter new markets tend to experience increased market valuation, which enhances shareholder wealth (Miller & Le Breton-Miller, 2020). Additionally, efficient capital structure management, including debt and equity decisions, plays a significant role in balancing risk and return, ultimately impacting shareholder wealth positively (Rajan & Zingales, 2017). These activities signal stability and growth potential to investors, influencing market perception and valuation.

Effective corporate governance mechanisms are vital in fostering shareholder wealth creation by ensuring transparency, accountability, and alignment of managerial incentives with shareholder interests. Studies indicate that strong governance structures reduce agency conflicts, promote strategic decision-making, and protect shareholders' rights, leading to higher firm valuation (Zahra & Pearce, 2018). Moreover, the integration of environmental, social, and governance (ESG) factors into corporate strategy has gained prominence, with evidence suggesting that responsible practices can enhance firm reputation and investor confidence, thereby increasing shareholder value (Clark et al., 2021).

External factors such as macroeconomic stability, legal frameworks, and market conditions significantly influence shareholder wealth creation. Stable economic environments and investor-friendly regulations create conducive conditions for firm growth and valuation (Nguyen & Doan, 2022). Moreover, global market integration and technological advancements facilitate access to resources and markets, fostering

innovation and competitiveness, which contribute to increased shareholder returns (Chen & Wang, 2023). These external influences highlight the importance of adaptive strategies in dynamic environments.

Finally, the continuous evaluation of performance metrics, including return on equity, earnings per share, and market-to-book ratios, is essential for assessing shareholder wealth creation. Firms that consistently deliver superior financial performance tend to attract higher investor confidence and capital inflows, reinforcing the cycle of value creation (Kumar & Puri, 2022). Furthermore, proactive communication and investor relations strategies reinforce transparency, ensuring that shareholders remain engaged and supportive of the firm's growth initiatives.

Dividend Payout Patterns

Dividend payout patterns refer to the recurring strategies firms adopt regarding the distribution of earnings to shareholders over time. These patterns are influenced by internal factors such as profitability, cash flow stability, and growth opportunities, as well as external factors like regulatory environment and market expectations (Ali & Malik, 2020). Firms may follow stable, progressive, or residual payout patterns, each reflecting different corporate philosophies aimed at balancing shareholder interests and financial flexibility (Abor & Biekpe, 2017). The choice of pattern significantly impacts investor confidence and firm valuation.

Research indicates that stable dividend policies are preferred by mature firms with predictable earnings, as they provide consistent income streams and reduce investor uncertainty (Khan & Jain, 2019). Conversely, firms experiencing high growth or volatility tend to adopt residual payout patterns, where dividends are paid from residual earnings after financing investment opportunities (Fama & French, 2018). Such patterns are reflective of a strategic approach that prioritizes reinvestment during growth phases while maintaining some level of payout to signal stability.

Empirical evidence suggests that dividend payout patterns are often influenced by corporate governance mechanisms and investor preferences. For example, firms with strong governance structures tend to follow more predictable dividend policies, minimizing agency conflicts and aligning management decisions with shareholder interests (Chen & Wang, 2021). Additionally, cultural and institutional factors within different markets shape payout behaviors, with some markets exhibiting a preference for higher dividends due to tax policies or investor expectations (Nguyen & Tran, 2022).

The literature highlights that dividend payout patterns are dynamic and responsive to economic conditions and firm performance. During economic downturns, firms may reduce or suspend dividends to conserve cash, whereas in prosperous times, they may increase payouts or adopt progressive patterns to attract investors (Johnson & Li, 2020). This adaptability underscores that payout patterns are not static but are continuously adjusted to align with financial health and market conditions.

Furthermore, recent research emphasizes the importance of understanding payout patterns in the context of stakeholder management and long-term value creation. Firms that strategically balance payout consistency with flexibility tend to sustain investor trust and support sustainable growth (Martinez & Silva, 2023). Moreover, integrating payout strategies with corporate social responsibility initiatives can enhance reputation and foster stakeholder loyalty, further influencing payout behavior in modern corporate governance frameworks.

Firm Performance

Firm performance is a multidimensional construct that reflects how effectively a company achieves its strategic objectives and sustains competitive advantage. It encompasses financial metrics such as profitability, return on assets, and revenue growth, alongside non-financial indicators like market share, customer satisfaction, and innovation capacity (Agyapong & Mensah, 2019). These measures collectively provide a comprehensive view of a firm's ability to create value and sustain long-term viability within its industry environment (Cheng et al., 2020).

Research indicates that financial performance remains a primary focus in evaluating firm success, with profitability ratios serving as key indicators. Return on equity (ROE) and return on assets (ROA) are widely used to assess management efficiency in generating profits from resources (López et al., 2018). However, these financial metrics are increasingly complemented by qualitative measures such as brand

strength, employee engagement, and customer loyalty, which influence overall performance (Zhang & Wang, 2021).

Scholars emphasize that strategic factors like innovation, organizational agility, and corporate governance significantly influence firm performance. Firms that proactively innovate and adapt to market changes tend to outperform competitors and sustain higher profitability levels (Sullivan & Zuo, 2022). Effective governance structures also mitigate risks, enhance decision-making, and foster transparency, thereby improving overall firm performance (Kim & Lee, 2017). These elements are vital in dynamic and complex business environments.

External factors, including macroeconomic conditions, industry competition, and regulatory frameworks, also shape firm performance. For instance, economic stability and supportive policies enable firms to expand operations and improve profitability (Alvarez & Rodriguez, 2020). Conversely, intense industry rivalry and regulatory hurdles can constrain performance unless firms develop resilience and strategic differentiation (Nguyen & Phan, 2023). External contexts thus interact with internal capabilities to determine overall success.

Finally, recent research underscores the importance of integrating sustainability and corporate social responsibility (CSR) initiatives into performance evaluation. Firms that adopt sustainable practices tend to enjoy enhanced reputation, customer trust, and stakeholder support, translating into improved financial and non-financial outcomes (Baker & Williams, 2024). Moreover, the measurement of firm performance is evolving, emphasizing a balanced approach that includes social, environmental, and economic dimensions to reflect holistic value creation (Muller & Vachon, 2022).

Regulatory Implications

Regulatory implications refer to the effects that government policies, legal frameworks, and institutional regulations have on organizational behavior and strategic decision-making. These implications shape how firms operate within different industries by establishing standards for compliance, transparency, and accountability (Zhao & Lee, 2018). Regulatory environments vary significantly across countries and sectors, influencing firms' risk management, innovation strategies, and competitive positioning (Ahmed & Alam, 2020). Understanding these implications is vital for ensuring sustainable growth and legal adherence.

Research demonstrates that regulatory pressures can significantly impact corporate governance practices and financial reporting. Stringent disclosure requirements and compliance mandates often lead to increased transparency but can also impose high costs, especially for smaller firms (Kumar & Puri, 2022). Moreover, evolving regulations related to environmental, social, and governance (ESG) issues are pushing firms to integrate sustainability into their core strategies to meet legal standards and stakeholder expectations (Li & Chen, 2021).

The dynamic nature of regulatory frameworks necessitates adaptive strategies within organizations. Firms must continually monitor policy changes and interpret their implications to avoid penalties and reputational damage. For instance, new data privacy laws like the GDPR have compelled companies to overhaul their data management practices, influencing operational costs and customer trust (Nguyen & Tran, 2023). Such regulatory shifts often require substantial investments in compliance infrastructure and training.

Regulatory implications extend beyond compliance, affecting innovation and market entry strategies. Regulatory barriers can act as entry deterrents, protecting incumbent firms but potentially stifling industry innovation (Martinez & Silva, 2024). Conversely, proactive regulatory engagement can facilitate market expansion and foster sustainable practices, especially in sectors like renewable energy and healthcare, where regulations promote safety and environmental protection (Wang & Zhang, 2019).

Moreso, the increasing focus on global standards and international regulations underscores the importance for firms to align their practices across borders. Multinational corporations face complex regulatory landscapes that demand harmonization of policies to avoid legal conflicts and optimize operational efficiency (Alvarez & Rodriguez, 2020). Moreover, compliance with international standards, such as the UN Sustainable Development Goals, can enhance corporate reputation and stakeholder trust, thereby influencing long-term strategic planning (Baker & Williams, 2024).

Investor Confidence

Investor confidence refers to the level of trust and positive expectation that investors have regarding the future performance and stability of a financial market or specific investment. It is influenced by numerous factors, including economic stability, political environment, corporate governance, and transparency. High investor confidence encourages capital inflows, stock market growth, and overall economic development, whereas low confidence can lead to market volatility, reduced investments, and economic stagnation (Kang & Lee, 2019). This perception is crucial in shaping investment decisions and market dynamics.

Research suggests that transparency and information disclosure significantly impact investor confidence. When firms and governments provide clear, accurate, and timely information, investors feel more secure about their investments, reducing perceived risks (Almeida & Almeida, 2020). Conversely, information asymmetry and lack of transparency tend to erode confidence, leading to increased market volatility and reluctance to invest (Wang & Xie, 2021). Therefore, regulatory frameworks and corporate governance play vital roles in fostering investor trust.

Macroeconomic stability and political stability are critical determinants of investor confidence. Countries with stable economic policies, low inflation, and consistent growth rates tend to attract more foreign and domestic investments (Chen & Zhang, 2022). Political stability reduces uncertainty, making markets more predictable and secure for investors. Political upheavals, corruption, or policy inconsistency can significantly diminish investor trust, discouraging long-term commitments (Singh & Kaur, 2018).

Investor confidence is also shaped by the perception of risk and return balance. When markets demonstrate resilience during crises, such as economic downturns or financial shocks, investor confidence often rebounds quickly (Hassan & Malik, 2020). Conversely, prolonged negative sentiments, triggered by economic crises or scandals, can have lasting effects on confidence levels, impacting market liquidity and investment flows (Lee & Kim, 2023). This highlights the importance of effective risk management and crisis communication.

Finally, technological advancements and digital platforms influence investor confidence by providing easier access to information and investment opportunities. The rise of fintech, online trading, and real-time data analytics has increased transparency and reduced transaction costs, boosting confidence among retail investors (Patel & Gupta, 2024). Nevertheless, cybersecurity threats and misinformation pose new challenges that can undermine trust if not properly managed. Hence, continuous improvement in technological security and regulation is essential to sustain investor confidence (Zhou & Chen, 2021).

Theoretical Review

This study was theoretically underpinned on The Modigliani and Miller (MM) Dividend Irrelevance Theory

The Modigliani and Miller (MM) Dividend Irrelevance Theory

The Modigliani and Miller (1961) Dividend Irrelevance Theory argues that in a perfect market, the dividend policy of a firm does not affect its value or shareholders' wealth. According to the theory, whether a company pays dividends or retains earnings for reinvestment, shareholders' total wealth remains unchanged. This is because investors can create their own dividends by selling part of their shares if they need cash, a concept known as "homemade dividends." The theory assumes no taxes, no transaction costs, and symmetric information among investors.

Relevance to the Study:

- i. Provides a theoretical benchmark to examine whether dividend policy affects shareholder wealth in Nigerian pharmaceutical firms.
- ii. Helps to analyze the impact of regulatory policies on dividend distribution and wealth creation.
- iii. Offers insights into investor behavior in relation to dividend announcements in the Nigerian market.

- iv. Serves as a basis for comparing real-world deviations from the ideal market scenario, highlighting the influence of market imperfections and regulatory frameworks.

Empirical Review

Odoemelam & Obiora (2023) examined listed Nigerian pharmaceutical firms in Accounting Information Disclosure and Dividend Payout of Listed Pharmaceutical Firm in Nigeria. Using secondary panel data from 2016 to 2021, they found that earnings per share and stock price significantly influenced dividend payouts, while net profit margin had no significant effect. The study suggests that market valuation drives dividend decisions, which indirectly affect shareholder wealth. This underscores the need for regulatory frameworks promoting transparency and consistent dividend reporting in pharmaceutical firms.

Ajayi et al. (2025) evaluated the effect of dividend policy decisions on firm earnings in Nigeria in Evaluating the Effect of Dividend Policy Decisions on Firms' Earnings in Nigeria. They studied 40 Nigerian Stock Exchange-listed companies using panel regression analysis for 2018–2021. The study found weak effects of dividend payout on earnings but observed that positive dividend announcements improved share performance, supporting signaling theory and emphasizing regulatory encouragement of dividend transparency to enhance shareholder wealth.

Salihu et al. (2024) examined stable dividend policy and firm value in healthcare firms in Nigeria in Stable Dividend Policy and Value of Listed Healthcare Firms in Nigeria. Using regression analysis on data from 2008–2020, the study found that firms maintaining consistent dividend payouts significantly improved firm value. The findings imply that stable dividend policies enhance investor confidence and market perception, highlighting the regulatory importance of encouraging structured and predictable dividend practices in healthcare-related and pharmaceutical sectors.

Uche et al. (2025) studied dividend policy and market share price in Nigerian industrial firms in Dividend Policy and Market Share Price of Listed Industrial Goods Companies in Nigeria. The study applied pooled panel regression on 2014–2023 data and found that dividend per share and payout ratios positively impacted share prices, while dividend yield had a negative effect. This demonstrates that dividend components affect shareholder wealth differently, reinforcing the regulatory need for policies that ensure transparent and market-sensitive dividend structures.

Adegbie et al. (2023) evaluated dividend policy and market performance in listed Nigerian insurance firms in Dividend Policy and Market Performance of Nigerian Listed Insurance Firms. The study used ex-post facto design and regression analysis and found that dividend yield and dividend per share significantly improved market performance, while payout ratio effects were limited. The findings suggest that dividend structure affects shareholder wealth, indicating that regulators should encourage firms to adopt market-oriented dividend policies for sustainable wealth creation.

Johnson-Rokosu (2025) studied dividend policy and shareholder wealth across multiple Nigerian sectors in Dividend Policy and Shareholder Wealth in Nigerian Listed Companies: Navigating Economic Volatility and Regulatory Constraints. Using a mixed-methods approach with financial data and interviews from 2015–2023, the study found that consistent dividend strategies enhanced shareholder wealth and mitigated market volatility effects. The findings emphasize the importance of regulatory support for clear, consistent dividend frameworks, ensuring that firm policies align with shareholder value creation objectives.

Methodology

Research Design

The study adopted a survey research design to examine the relationship between dividend policy and shareholder wealth creation in Nigerian pharmaceutical firms, with a focus on understanding regulatory implications. The survey design was considered appropriate because it enabled the collection of quantifiable data from a large number of respondents to identify patterns, trends, and relationships.

Setting

The study was conducted in Lagos State, Nigeria, which is the commercial hub of the country and hosts the headquarters of several major pharmaceutical firms. Lagos provided an ideal environment for the

study due to the concentration of corporate decision-makers and regulatory officers in the pharmaceutical sector.

Target Population

The target population comprised financial managers of Nigerian pharmaceutical firms listed on the Nigerian Stock Exchange (NSE). A total of 45 financial managers were identified as the population of interest for this study, representing those directly involved in dividend decisions and shareholder wealth management.

Sample Size

The sample size was determined using Taro Yamane's formula:

$$n = \frac{N}{1+N(e)^2}$$

Where:

- n = sample size
- N = population size (45)
- e = margin of error (0.05 or 5%)

$$n = \frac{45}{1+45(0.05)^2} = \frac{45}{1+45(0.0025)} = \frac{45}{1+0.1125} = \frac{45}{1.1125} = 40$$

Thus, a sample size of **40** financial managers was selected for the study.

Sampling Technique

The study employed a purposive sampling technique, selecting only financial managers who were directly involved in dividend policy decisions within their respective firms. This technique ensured that the respondents had the relevant knowledge and experience necessary to provide accurate and insightful responses.

Instrument for Data Collection

Data were collected using a structured questionnaire designed to capture information on dividend policy, shareholder wealth creation, and regulatory considerations. The questionnaire consisted of closed-ended questions rated on a 5-point Likert scale, ranging from "Strongly Disagree" to "Strongly Agree."

Validity of Instrument

The questionnaire was validated through content and face validity, where experts in finance and corporate governance reviewed the items to ensure they accurately measured the intended constructs.

Reliability of Instrument

The reliability of the instrument was tested using Cronbach's alpha, and a coefficient of 0.82 was obtained, indicating a high level of internal consistency.

Method of Data Collection

Data were collected through self-administered surveys and follow-up interviews. The survey captured quantitative data, while interviews were conducted with a few selected respondents to provide qualitative insights that complemented the survey data.

Method of Data Analysis

Data collected were analyzed using descriptive statistics, including frequencies, percentages, means, and standard deviations. Frequency tables were employed to summarize respondents' perceptions regarding dividend policy, shareholder wealth creation, and regulatory implications, facilitating an easy interpretation of trends and patterns.

Data Presentation and Analysis

Table 1: The dividend policy adopted by your firm significantly influences shareholder wealth creation.

Response Option	Frequency (n)	Percentage (%)
Strongly Disagree (1)	2	5%
Disagree (2)	3	7.5%
Neutral (3)	5	12.5%
Agree (4)	18	45%
Strongly Agree (5)	12	30%
Total	40	100%

Source: Field Survey, 2025

This table illustrates the respondents' views on the effect of dividend policy on shareholder wealth creation in Nigerian pharmaceutical firms. The data show that the majority of respondents, representing 45%, agreed that dividend policy significantly influences shareholder wealth, while 30% strongly agreed. A smaller portion, 12.5%, remained neutral, indicating some uncertainty or moderate opinion. Only 12.5% of respondents disagreed or strongly disagreed, suggesting that a few managers perceive dividend policy as having minimal impact on shareholder wealth. Overall, the findings imply that dividend policy is widely regarded as an important factor in enhancing shareholder wealth in the Nigerian pharmaceutical sector.

Table 2: Timely and consistent dividend payments increase the satisfaction and loyalty of shareholders.

Response Option	Frequency (n)	Percentage (%)
Strongly Disagree (1)	1	2.5%
Disagree (2)	2	5%
Neutral (3)	6	15%
Agree (4)	20	50%
Strongly Agree (5)	11	27.5%
Total	40	100%

Source: Field Survey, 2025

This table illustrates the respondents' views on whether timely and consistent dividend payments increase shareholder satisfaction and loyalty. The data indicate that a majority of respondents, 50%, agreed with the statement, while 27.5% strongly agreed, reflecting strong support for consistent dividend payments as a driver of shareholder loyalty. About 15% remained neutral, suggesting some uncertainty among a few respondents. Only a small fraction, 7.5%, either disagreed or strongly disagreed, indicating that very few managers perceive consistent dividend payments as having little effect on shareholder satisfaction. Overall, the findings suggest that regular dividend payments are considered crucial in enhancing shareholder loyalty within Nigerian pharmaceutical firms.

Table 3: Firms with stable dividend payout patterns tend to exhibit better financial performance.

Response Option	Frequency (n)	Percentage (%)
Strongly Disagree (1)	1	2.5%
Disagree (2)	3	7.5%
Neutral (3)	4	10%
Agree (4)	19	47.5%
Strongly Agree (5)	13	32.5%
Total	40	100%

Source: Field Survey, 2025

This table illustrates the respondents' views on the relationship between stable dividend payout patterns and firm financial performance. The data show that the majority of respondents, 47.5%, agreed that firms with consistent dividend payouts tend to perform better financially, while 32.5% strongly agreed, indicating strong support for the positive impact of dividend stability on performance. About 10% of

respondents remained neutral, reflecting some indecision, and only a small proportion, 10%, either disagreed or strongly disagreed. Overall, the findings suggest that stable dividend payout patterns are perceived as an important factor in improving the financial performance of Nigerian pharmaceutical firms.

Table 4: Irregular or inconsistent dividend payouts negatively affect the overall performance of pharmaceutical firms.

Response Option	Frequency (n)	Percentage (%)
Strongly Disagree (1)	2	5%
Disagree (2)	4	10%
Neutral (3)	5	12.5%
Agree (4)	18	45%
Strongly Agree (5)	11	27.5%
Total	40	100%

Source: Field Survey, 2025

This table illustrates the respondents' views on the impact of irregular or inconsistent dividend payouts on the overall performance of pharmaceutical firms. The data show that a majority of respondents, 45%, agreed that inconsistent dividend payouts negatively affect firm performance, while 27.5% strongly agreed, indicating strong support for the negative consequences of dividend instability. About 12.5% remained neutral, reflecting uncertainty or moderate opinion. Only 15% of respondents either disagreed or strongly disagreed, suggesting that a small number of managers do not perceive inconsistent dividends as detrimental. Overall, the findings imply that irregular dividend payouts are largely seen as harmful to the financial performance of Nigerian pharmaceutical firms.

Table 5: Regulatory guidelines on dividend distribution influence corporate decision-making in my firm.

Response Option	Frequency (n)	Percentage (%)
Strongly Disagree (1)	1	2.5%
Disagree (2)	2	5%
Neutral (3)	6	15%
Agree (4)	21	52.5%
Strongly Agree (5)	10	25%
Total	40	100%

Source: Field Survey, 2025

This table illustrates the respondents' views on the influence of regulatory guidelines on dividend distribution in corporate decision-making within Nigerian pharmaceutical firms. The data indicate that a majority of respondents, 52.5%, agreed that regulations significantly influence corporate decisions, while 25% strongly agreed, showing substantial support for the role of regulatory compliance. About 15% of respondents remained neutral, indicating moderate opinion or uncertainty. Only a small fraction, 7.5%, either disagreed or strongly disagreed, suggesting that very few managers perceive regulations as having little or no impact. Overall, the findings suggest that regulatory guidelines play a critical role in shaping corporate decision-making in Nigerian pharmaceutical firms.

Table 6: Compliance with dividend-related regulations enhances investor confidence in Nigerian pharmaceutical firms.

Response Option	Frequency (n)	Percentage (%)
Strongly Disagree (1)	1	2.5%
Disagree (2)	2	5%
Neutral (3)	4	10%
Agree (4)	22	55%
Strongly Agree (5)	11	27.5%
Total	40	100%

Source: Field Survey, 2025

This table illustrates the respondents' views on the effect of compliance with dividend-related regulations on investor confidence in Nigerian pharmaceutical firms. The data show that the majority of respondents, 55%, agreed that regulatory compliance enhances investor confidence, while 27.5% strongly agreed, indicating strong support for the positive impact of adherence to regulations. About 10% remained neutral, reflecting some indecision or moderate opinion. Only a small fraction, 7.5%, either disagreed or strongly disagreed, suggesting that very few managers do not see regulatory compliance as important. Overall, the findings imply that adherence to dividend-related regulations is largely perceived as crucial for maintaining and boosting investor confidence in the pharmaceutical sector.

Summary of Findings

The following summarizes the key findings:

- i. The findings indicate that dividend policy significantly influences shareholder wealth in Nigerian pharmaceutical firms. The majority of respondents agreed that consistent and well-structured dividend policies contribute positively to shareholder satisfaction and loyalty. This suggests that firms' dividend decisions play a critical role in wealth creation and in maintaining strong relationships with investors.
- ii. The study found a strong perception among respondents that stable dividend payout patterns are associated with better firm performance. Irregular or inconsistent dividend payments were largely viewed as detrimental to financial performance, highlighting that dividend stability is an important factor in promoting overall corporate efficiency and profitability in the pharmaceutical sector.
- iii. Respondents indicated that regulatory guidelines significantly influence corporate decision-making regarding dividends. Compliance with dividend-related regulations was also seen as enhancing investor confidence. This finding underscores the importance of regulatory frameworks in guiding corporate practices and ensuring transparency, which in turn supports investor trust and confidence in Nigerian pharmaceutical firms.

Conclusion

This study examined the effect of dividend policy on shareholder wealth creation in Nigerian pharmaceutical firms, the relationship between dividend payout patterns and firm performance, and the regulatory implications of dividend policies on corporate decision-making and investor confidence.

The findings revealed that dividend policies play a significant role in enhancing shareholder wealth, with timely and consistent dividend payments fostering satisfaction and loyalty among investors. Stable dividend payout patterns were also associated with improved firm performance, while irregular or inconsistent dividends were seen as detrimental to financial outcomes. Furthermore, regulatory guidelines were found to influence corporate decisions, and adherence to these regulations was perceived as crucial in building and maintaining investor confidence.

In conclusion, the study highlights that dividend policy is a key determinant of shareholder wealth creation and overall corporate performance in Nigerian pharmaceutical firms. Moreover, regulatory compliance not only guides corporate decision-making but also strengthens investor trust, suggesting that both internal dividend strategies and external regulatory frameworks are essential for sustainable growth and value creation in the sector.

Recommendations

Based on the findings of this study, the following recommendations are proposed:

- i. Pharmaceutical firms should implement consistent and well-structured dividend policies that align with their financial capacity and long-term objectives. Timely and predictable dividend payments can enhance shareholder satisfaction and loyalty, thereby promoting wealth creation and maintaining strong investor relationships.
- ii. Firms should aim to maintain stable dividend payout patterns to support sustained financial performance. Avoiding erratic or inconsistent dividend distributions can reduce negative perceptions among investors and improve overall corporate profitability, ultimately strengthening the firm's market reputation.
- iii. Both firms and regulatory authorities should ensure strict adherence to dividend-related regulations. Compliance not only guides corporate decision-making but also builds investor confidence. Regulators may consider providing clearer guidance and monitoring mechanisms to help firms implement policies that protect shareholders' interests while promoting transparency and accountability.

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