

## **Does Independent Directors Influence Dividend Pay-out?**

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### **Abstract**

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*Dividend is one of the major factors considered by investors /shareholders in their investment decision, however, dividend decision being a sole responsibility of the board would be influenced by the nature of independence of the board. This study aims to evaluate how the independence of bank boards affects dividend payout decisions with reference to listed deposit money banks in Nigeria. The study extracted secondary data from annual reports and accounts of listed DMBs for a period of 10 years (2012 – 2021) relating to the dependent (Dividend payout ratio) and explanatory variable (outside directors). We analysed the data using descriptive statistics, correlation and GLS regression analyses. The result indicates that independent directors adversely influence dividend pay-out out to shareholders by -81%. This means that outside directors on banks board are strongly oppose to paying dividend supporting the substitution hypothesis, which posits that dividends substitute for independent directors on the board. This evidence implies that shareholders of DMBs that are more interested in dividend income can influence the chances of dividend payment by lowering the number of independent directors in the board. Hence, these findings underscore the need for policy revisions regarding board composition to balance director independence with shareholder dividend preferences.*

**Keywords:** Dividend Policy, Independent Directors, Board Independence.

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### **1. Introduction**

Poor governance persuaded by deficiency of independence of board recently perceived in the Nigerian banking Industry expedite managers' opportunistic behaviour at the expense of owners and depositors, hence, shareholders and potential investors look into a firms' capability to pay dividend, while taking their investment decision. Therefore, dividend pay-out becomes essential factor in the investment decision of investors who value more dividend than capital appreciation/accumulation. A high and regular corporate dividend pay-out indicates that the company is doing well. However, accounting theories provide various explanations on the reasons for stable dividend pay-out of firms. Lintner (1962) and Gordon (1962)'s Bird-in-the hand theory suggests that investors prefer to have one bird in the hand (dividend), rather than two in the bush (capital gains), implying that investors prefer dividend paying stock since dividend payment from a stock is less uncertain than the promise of a capital gain in the future.

In addition, Jensen and Meckling (1976) advanced Agency theory highlighting the conflict of interest between principals (the shareholders) and agents (management) due to the fact that management is entrusted with the power and authority to act on behalf of the shareholders. Agency cost arises when managers increase their own benefits at the expense of the principals. They further stated that the principal can limit the agency problem by monitoring and establishing appropriate incentives for the agent. Later on, Jensen (1986) came up with free cash flow hypothesis which suggests that dividend could work as a proxy for monitoring as it would limit the firm's resources and thereby limit the manager's power, as managers have incentives to grow their firms beyond their optimal size by overinvesting. Therefore, paying dividends can be a way for firms to mitigate the manager's power as well as reduce the risk of making unprofitable investments with the excess cash. Managers of a poor independent board might engage in rent extraction. Thus, dividend reduces this free cash flow. Board Independence is the disposition of the boards to monitor management, a greater percentage of non-executives or outside directors on a board ensures better monitoring of the agent thereby safeguarding the common interest of the principals particularly on financial decision like dividend payment.

Baker and Wurgler (2004) articulated a dividend catering theory based on three postulates. Firstly, it posits a source of uninformed investor demand for firms that pay cash dividends. Secondly, limits on arbitrage allow this demand to affect current share prices. Thirdly, managers rationally weigh the short run benefits of catering to the current mispricing against the long run costs and then make the dividend payment decision. They argue that investor demand for dividend-paying stocks is time-varying, thereby causing the relative prices of dividend-paying and non-dividend-paying stocks to fluctuate (assuming arbitrage limits). As a result, managers and the board cater to investor demand for dividends by paying dividends when investors place a premium on dividend-paying stocks, and vice versa. Dividend pay-out policy is simply about the decision on whether to retain part of a company's earnings for further investment or distribute among shareholders as dividend.

Nevertheless, prior literature reports various factors within the management and the board that actually play a pivotal role in paying dividend to shareholders. The findings of various prior studies like Yarram and Dollery (2015), Sakr, Gawad, and Soliman (2016) (Dissanayake and Dissabandara (2021) Saliya (2022) show a strong link between corporate governance mechanisms and dividend pay-out

policy. However, those studies did not isolate independence of board as a singular pointer of overall boards' strength mechanism, hence, this study attempts to specifically evaluate the impact of board independence on the dividend pay-out with reference to the Nigerian deposit money banks. Nigerian deposit money banks are selected for the fact that there were various reports pointing at misconduct in the board of the Nigerian deposit money banks.

According to Sanusi (2010), governance malpractice within the boards of Nigerian became a way of life in a large part of the sector, enriching a few at the expense of many depositors and investors. He further reiterates that governance in many banks failed largely due to the fact that boards ignore good governance practices because they are "misled by executive management" and involve themselves in opportunistic behaviour at the expense of owners and depositors. In addition, Obi and Uwandu (2015) identify poor corporate governance as a dominant negative force against the performance and profitability of banks operating in Nigeria. More so, Oji (2018) reports that the main challenge facing the Nigerian banking industry is the conduct of directors and managers of the financial Industry. Therefore, understanding the role of board independence in the Nigerian banking industry can lead to more effective governance and financial strategies. Hence, the choice Nigerian banking industry as a good setting for investigating the influence of board in dividend pay-out policy.

Specifically, this study aimed to evaluate the relationship between board Independence and dividend pay-out with reference to listed deposit money banks in Nigeria. In line with the specific objective of the study the following hypothesis have been formulated in null form:

H<sub>0</sub>: Board independence has no significant influence on dividend pay-out of listed deposit money banks in Nigeria.

The study contributes to the existing body of literature particularly by exploring and describing the effect of board Independence on dividend pay-out of the Listed DMBs in Nigeria. The result of the study provides additional explanation about the will of independence to meet the desire of investors on increased dividend pay-out in the Nigerian banking industry. In addition, the study will be useful to authorities like Corporate Affairs Commission (CAC) is formulating policies that will better align the interest of the principals (shareholders) with that of the agents (Board and the managers). The study will particularly assist CBN in formulating policies that

will address the corporate governance challenges in Nigerian banks and prevent the failure of banks thereby enhancing investors' confidence as well as ensuring banking stability.

## **2.0 Literature Review**

### **2.1 Concept of dividend and dividend pay-out policy**

Dividend is simply the money that a company pays out to its shareholders from the profits it has made (Kinfu, 2011). Such payments can be made in cash or by issuing of additional shares as in script dividend. Davies and Pain (2002) define dividend as the amount payable to shareholders from profit or distributable reserves. Companies usually pay out dividends on a quarterly, semi-annual or annual bases. The semi-annual or quarterly payment is referred to as the interim dividend. Dividends are normally paid after the corporate tax has been deducted. Dividend pay-out policy refers to a decision on whether to retain part of a company's earnings to reinvest or distribute among shareholders. In other words, dividend pay-out policy involves decisions on how much and when earnings should be paid as dividends. In a nutshell, dividend policy pay-out refers to the allocation of earnings between payments to shareholders and retained earnings.

### **2.2 Concept of board independence**

Independence reflects the willingness of the boards to monitor management (Adams, Hermalin, & Weisbach, 2010). This feature of the board is largely unobservable but has been most commonly proxied by looking at the appropriate mix of executive and non-executive directors sitting on a board (Dalton, Daily, Johnson, & Ellstrand, 1999). The emphasis on having a board with more non-executive directors (NEDs) stems from a theoretical argument which states that a board dominated by executive directors (insiders) is likely to facilitate actions by management that are most favourable for management as opposed to shareholders. Therefore, theoretically, a greater percentage of non-executives or outside directors on a board ensures better monitoring of the agent thereby safeguarding the common interest of the principals particularly on financial decision like dividend payment. Given this perspective, board independence requirements linked to the number of NEDs on a board feature prominently in the various codes of corporate governance. For instance, Section 4.3 of the Securities and Exchange Commission (SEC) code of corporate governance (2009) for all public listed entities in Nigeria states that "the Board should comprise a mix of executive and non-executive directors. The majority of members should be non-executive directors, at least one of whom should be independent director". Furthermore, Section 5.4 (a) states that NEDs

should bring independent judgement as well as necessary scrutiny to the proposals and actions of management and executives especially on issues of strategy, performance evaluation and key appointments.

Likewise, Section 2.2.3 of the CBN Code of Corporate Governance for Banks and Discount Houses in Nigeria (2014) categorically states that “the board shall consist of Executive and Non-Executive Directors. The number of Non-Executive Directors shall be more than that of Executive Directors”. All these are to ensure that the board performed its monitoring function efficiently.

## **2.3 Review Related Empirical Literature**

### **2.3.1 Board Independence and Dividend Pay-out Policy:**

Non-executive directors are believed to be more independent and, therefore, better able to protect the interests of the shareholders. More so, as indicated by Belden, Fister, and Knapp (2005), it is assumed that agency cost in a firm tends to reduce with the non-executive directors on the company board and so dividends increase. However, some prior empirical literatures suggest that strongly independent board limit the amount of dividend pay-out to shareholders.

On one hand, some studies reported a negative effect of board independence on dividend payout policy, for instance, Al-Najjar and Hussainey (2009) examined whether the number of independent directors on the board and dividend pay-out are substitutes or complements mechanisms applied by UK firms to control agency conflicts of interest within the firm. The study used tobit and logit regression models to examine the extent to which firms with a majority of outside directors on their boards experience significantly lower or higher dividend pay-out. The study revealed that dividend pay-out is negatively associated with the number of outside directors on the boards. This result suggests that firms pay lower dividends when higher number of outside directors is employed on the board. Similarly, Sharma (2011) reported that companies pay a lower dividend when the rate of independent directors is higher in the boardroom. Hence, independent directors can effectively limit dividend policies that only meet the interests of management and other stakeholders at the expense of shareholders. This indicates an inverse association between the rate of dividend pay-out and board independence. More so, Elmagrhi et al., (2017) opined that strengthening the independence position of the board reduces the demand for dividends. Likewise, Thompson and Manu (2020) examines the importance of board characteristics in determining dividend policy. The results of the study show

that board independent chair have a negative significant effect on the likelihood of dividend declaration.

In addition, Tahir, Rahman, and Masri (2020) investigate factors that determine dividend pay-out policy in Malaysia. Study reported a negative relationship between board independence and dividend pay-out policy. Lastly, Dissanayake and Dissabandara (2021) investigated the nature and a level of the relationship between board characteristics and dividend policy their results indicate that there is no significant relationship between board characteristics and the level of dividend payment for the selected sample.

On the other hand, Setia-Atmaja, Tanewski, and Skully's (2009) investigated whether corporate governance affect the firm's pay-out ratio The findings show that board independence is positively associated with dividend pay-out. This implies that, independent directors seem to influence boards to pay higher dividends to shareholders. In the same vein, Abor and Fiador (2013) examined the effect of corporate governance on firms' dividend pay-out policy in sub-Saharan Africa. The findings show that board composition among other board structure variables exhibit significantly positive relationship with dividend pay-out in South Africa, Kenya and Ghana respectively. More so Nuhu (2014) examined the factors that determine dividend pay-out in Ghana and reports that board independence is positively associated to dividend pay-out in Ghana. The implication of these results is that independent boards are more like to pay dividend. Likewise, Yarram and Dollery (2015), Alias, Yaacob, Rahim and Nor (2016), Shafana and Mgh (2019) and Tahir, Masri and Rahman (2020) examined the effects of board Independence on dividend payout. Generally, the results indicate that independent directors positively impact on dividend payment. Overall, these results suggest that large number of independent directors in the board of directors benefits the firms in the use of free cash flow, leading to an increase in distributable income to shareholders.

Therefore, from the foregoing, it can be deduced that prior empirical studies on board independence and dividend pay-out reported inconsistent results, some studies reported a direct relationship between board independence and dividend pay-out which is consistent with agency cost theory, while others reported an inverse relationship, hence, this study aimed to examine the relationship between board independence and dividend pay-out in the context of Nigerian deposit money banks.

In addition, this also indicates that some corporate board traits disrupt the dividend decision of firms. But specifically, how does board Independence or outside influences dividend payout decision within the Nigerian banking industry? Our study attempts to provide explanations in the context of Nigerian Banking Industry.

### **3.0 Research Method**

#### **3.1 Sample Description**

This study adopts quantitative approach with the population comprising of fifteen (15) listed Deposit Money Banks (DMBs) that operated over the period of 2012-2021. The study employs two-point filter to arrive at the sample of the study. Thus, for a bank to be included in the sample it must be listed on the Nigerian Stock Exchange throughout the period under study (2011-2021) without being delisted. This is to ensure that the banks' annual reports and accounts cover the period under study in order to avoid missing variables. Ja'iz bank was established in 2011 and registered for regional banking until 2016 when it transformed to national banking, hence, Ja'iz bank did not meet the criteria as a result, it is filtered out. Polaris bank was established in 2018, thus the bank does not have the available data to fit into the sample. After adherence to these criteria, 13 banks emerged as the sample.

Secondary source of data were used for the study. The data was extracted from the annual report and accounts of the sampled banks over the study period. The study has three types of variables, namely: Dependent variable, the independent variable as well as the control variables.

#### **3.2 Variables of the study and their measurements**

**Dependent Variable:** Dividend pay-out is the dependent variable. Several measures were used by previous studies to proxy dividend pay-out. This study used two different proxies, dividend pay-out ratio and dividend per share.

**i. Dividend pay-out ratio:** This is the proportion of the company's earning that is distributed to shareholders. In other words, this ratio shows the portion of profits the company decides to keep funding operations and the portion of profits that is given to its shareholders. Dividend pay-out ratio is measured as the amount of cash dividends declared during the year divided by profit before interest and tax of the year. This measure was used by Manneh (2014) and Chidoziem and Ndubuisi (2017).

**ii. Dividend per share:** This is the dividend for every ordinary share outstanding. Dividend per share is measured as the total dividend declared and paid by a business, including interim dividends, divided by the number of outstanding ordinary shares. Studies like Ibrahim and Sa'idu (2015), Alias et al. (2016) and Adebayo and Olatunji (2018) used this measure to proxy dividend policy.

### **Independent Variable**

The independent variable of the study is Board Independence. It is measured as the mix of executive and non-executive directors sitting on a board. That is, the number of non-executive directors divided by the total number of directors sitting on the board. This measure was used by Dalton et al. (1999), Beiner et al. (2004), Adams et al. (2010) and Mohammed (2017).

### **Control Variables**

Previous studies recognized the use of some firm specific features as control variables due to their direct effect on dividend payout. Chidoziem and Ndubuisi (2017) for instance use firm size, Leverage as control variables, while investigating the effect of taxation on dividend policy of quoted Deposit Money Banks in Nigerian. In addition, Adebayo and Olatunji (2018) used firm size, while Hassan, Tanveer, Siddique and Mudasar (2013) used firm size and profitability as control variables in their studies. Thus, this study used firm size; profitability and leverage as control variables.

**Firm Size:** Firm Size is measured by taking the log of total assets. This measure is in line with Gul and Ahmad (2012) and Hassan et al. (2013)

**Profitability:** Profitability is proxied using Return on assets which is measured as profit before tax divided by the total assets. Gul and Ahmad (2012) and Hassan et al. (2013), Ribeiro, Cerqueira, and Brandão (2015) and Salaudeen and Eze (2018) used ROA to proxy profitability.

**Leverage:** Leverage is calculated as total debt (long and short term debt) divided by total assets as used by Gul and Ahmad (2012), Pilos (2017) and Ribeiro et al. (2015).

Firms size, profitability and leverage are used as control variables, due to the fact that they were reported to have a significant influence on the dependent variable (dividend pay-out), hence the need to control for their influence.



### 3.3 Methods of Data analysis

The data generated for the study was analyzed using three statistical techniques, namely: descriptive statistics, correlation and multiple regressions. As a result of the longitudinal nature of the data, panel data regression was used to analyze the data and test the hypotheses of the study. OLS and GLS were used based on the result of different post estimation tests which include multicollinearity, heteroscedasticity, normality test of the variables and error estimation term, others are; Hausman specification and Breuch and Pagan Lagrangian multiplier test for random effects.

### Models specification

The model is basically the panel econometric model which includes the dependent variable, the independent variables and the control variables. The model is stated as follows:

$$DP_{it} = \alpha_{it} + \beta_1 BI_{it} + \beta_2 ROA_{it} + \beta_3 FS_{it} + \beta_4 FL_{it} + \varepsilon_{it} \dots \dots \dots (1)$$

Where:

$DP_{it}$  = Dividend pay-out for firm i in period t

$BI_{it}$  = Board Independence for firm i in period t

$ROA_{it}$  = Return on Asset for firm i in period t

$FS_{it}$  = Firm Size for firm i in period t

$FL_{it}$  = Firm Leverage for firm i in period t

## 4.0 Results and Discussion

### 4.1 Descriptive Statistics Result

Table 1 shows the summary statistics of the study variables. To clearly understand their central tendency and spread/dispersion around the mean, the table presents their mean, standard deviation, minimum and maximum.

Table 1 : Descriptive statistics

Variable	N	Mean	StDev	Min	Max	VIF
DPR	130	0.31	0.35	0.00	1.94	
DPS	130	0.93	1.45	0.00	6.60	
BI	130	0.60	0.14	0.27	0.92	1.39
FS	130	1.73trn	1.89trn	70.25bn	10.04trn	1.44
ROA	130	0.03	0.52	-0.12	0.3	1.44
LEV	130	0.12	0.14	0.00	0.63	1.21

Source: STATA 15.0 outputs based on data generated (2011 - 2020)

From Table 1 it can be observed that the study has 130 observations, which means there is no missing value for all the study variables over the period of study. FCMB accounts for the maximum value of dividend payout ratio (DPR) of 1.94 which is nearly 200% in 2015 though the reported profit was ₦2.548bn. This means that the banks had to use part of its reserve to supplement the dividend payment. The minimum value for DPR (0.00) was recorded by many banks in several years indicating that no dividend was paid for those years. The deviation is 0.42 which means there is moderate spread for DPR from one and other and from the mean (0.37).

Zenith recorded the maximum value of dividend per share (DPS) of ₦5.60 naira in 2019. The minimum value for DPS (0.00) was recorded in some periods indicates that those banks did not pay dividend in those periods. The standard deviation reported was 1.25, which indicates a wide spread for DPS from one and other and from the mean (0.88).

Regarding board independence (BI) which refers to the ratio of non-executive directors (NEDs) to total number of directors, Table 1 shows that on average, non-executive directors account for 60% of the total board members which is consistent with the requirement of SEC (2009) that majority of members should be non-executive directors expecting that NEDs should bring independent judgment as well as necessary scrutiny to the proposals and actions of management. However, the standard deviation of 0.14 suggests that BI is not widely dispersed among the banks. This is evidenced from the minimum value for BI (27%) and the maximum of 0.92%. The NED's minimum ratio of 27% indicates small number of NED on a Board. This happens once with UBA in 2017 and 2018.

For the firm size (FS) Table 1 shows 70.25bn and 10.04trn as the minimum and maximum values respectively. The mean value is 1.73trn while the standard deviation stands at 1.89trn. This result suggests that there is a high variation of the FS across the Deposit Money banks. The substantial variation in FS, indicated by a standard deviation that nearly matches the mean, suggests significant differences in the scale of operations across banks, which could affect their financial strategies including dividend payouts.

For return on asset (ROA) which is the control variable for financial performance/profitability, the table shows an average of about 3%. Stanbic IBTC recorded the highest profitability/performance in the study period as it recorded the

maximum value of ROA of 30% in 2017. Union bank recorded the minimum ROA of -12% due to the net loss reported in 2011. The value of the standard deviation (0.50) implies a relatively wide dispersion around the mean (0.03). This means the profitability/performance of the DMBs is nearly consistent across the banks. Finally, for the leverage (LEV) the result provides that, on average the debt to asset ratio stands at 12% with a minimum of 0% and maximum of about 63% recorded by UBA in 2019.

The results of VIF and tolerance tests presented for all the study variables, show the maximum value for VIF is 1.74 and minimum value for tolerance is 57%. The mean VIF is 1.34. This suggests absence of multicollinearity among the independent variables in the models.

#### 4.2 Correlation Matrix

Correlation was used in this study to determine the direction of relationship between dependent and explanatory variables of the study. Table 2 presents the spearman correlation matrix. The choice of the spearman was informed by the result of Skewness and Kurtosis test (Jacque-Bera Test) and Shapiro-Wilk tests for normality, which indicates that some of the values of the study variables are not normality distributed. The values of the spearman correlation coefficients range from -1 to 1. While -1 means strong negative relationship, 1 indicates strong positive relationship. Moderate, weak and no relationship at all lie in between -1 and +1.

Table 2: Pearson Correlation Matrix of the Variables

	Dpr	Dps	Aetr	Lrcetr	Tpocf	Bs	Bi	Bgd	Fs	Roa	Lev
Dpr	1										
Dps	0.37	1									
Bi	0.08	-0.02	0.17	-0.01	0.00	-0.48	1				
Fs	-0.08	0.33	0.07	-0.07	0.09	0.40	-0.2	0.11	1		
Roa	0.23	0.35	0.23	-0.03	0.18	-0.21	0.3	0.35	-0.29	1	
Lev	-0.24	-0.19	-0.15	0.01	-0.05	0.11	-0.2	-0.31	0.05	-0.23	1

Source: STATA 15.0 outputs based on data generated (2011 - 2020)

BI has a positive coefficient with DPR, 8%. The low correlation coefficient between board independence (BI) and dividend payout ratio (DPR) suggests a weak direct link. Also, BI shows a very weak but negative relationship with DPS. This

weak relationship implies that possibly other factors such as macroeconomic conditions and/or government regulations are mediating or moderating the relationship. BGD and the ratio of out-side directors BI move in the same direction with the DPR. LEV on the other hand has a negative coefficient with DPR an indication of inverse relationship between leverage and DPR. Suggesting that increased leverage might constrain dividend payouts due to higher debt obligations. Table 2 also shows a negative association between FS and DPR. However, ROA has positive association with DPR. BI and leverage are negatively related with DPS indicating that changes in any of those variables goes with change in DPS in opposite direction.

### 4.3 Regression Results

Table 3: FGLS Regression Result for Direct Relationship

Variables	Model 1 (DPR)			Model 2 (DPS)		
	Coef.	Z	P> z	Coef.	Z	P> z
Constant	-0.049	-0.11	0.912	-3.985***	-2.62	0.009
Independent Var.						
BI	-0.151	-1.47	0.143	-0.801***	-3.92	0.000
Control Variables						
FS	0.019	0.53	0.598	0.357***	2.62	0.009
ROA	0.351	1.26	0.206	7.578***	8.72	0.000
LEV	-0.246***	-2.65	0.008	-3.984***	-2.62	0.009
Obs	130			130		
Wald chi2(7)	52.73			127.19		
Prob>chi2	0.000			0.000		

Panels Heteroskedastic with cross-sectional correlation  
Correlation Panel-specific AR(1)

Source: STATA 15.0 outputs based on data generated (2011 - 2020)

\*, \*\* and \*\*\* mean significant at 10% , 5% and 1 level respectively

From the FGLS result presented in Table 3, the Wald  $\chi^2$  is far greater than two and is significant at 1%, which suggests that the model is fit to estimate the relationship between dependent variable and the independent variables.

The relationship between Board Independence (BI) and dividend policy is negative and statistically significant ( $P < .001$ ) only in model 2 as observed from the coefficient of -0.801. This implies that independent directors tend to influence dividend payout ratio negatively, hence, the higher the number of independent directors in a board, the lower would be the dividend payout ratio. This evidence is consistent with the agency theory and substitution hypothesis, which posits that dividends substitute for independent directors on the board. In other words, dividend mechanism can be employed by the board to reduce agency cost resulting from the conflict of interest with shareholders. That is, firms with weak corporate governance need to establish a reputation by paying dividends. Possibly this may be due to reasons such as, risk aversion or differing priorities of non-executive directors. The result support the findings of some prior studies like Al-Najjar and Hussainey (2009) and Thompson and Manu (2020). However, the result is contrary to the findings of some studies e.g Setia-Atmaja et al., (2009) and Tahir, Rahman, et al., (2020) who's results suggest that large number of independent directors in the board lead to an increase in distributable income to shareholders.

## **5.0 Conclusion and Recommendations**

This paper investigates the effect of Independent directors on dividend pay-out policy using a sample of thirteen (13) deposit money Banks listed on the Nigerian Exchange over the period of 10 years. The result indicates that independent directors tend to influence dividend pay-out ratio adversely. This result provides a new empirical insights relating to directors independence and dividend pay-out policy. The findings have a number of implications for DMBs and shareholders, policy makers as well as the regulatory authorities. The evidence implies that shareholders of DMBs that are more interested in dividend income can influence the chances of dividend payment by lowering the number of independent directors in the board consistent with the agency theory and substitution hypothesis, which posits that dividends substitute for independent directors on the board. That is, dividend mechanism can be employed by the board to reduce agency cost resulting from the conflict of interest with shareholders.

Based on the foregoing, the study recommends that shareholders of Nigerian DMBs can increase the chances of receiving dividend by appointing relatively lower numbers of outside directors. However, shareholders should be cautious and trade-off in adjusting the number of independent directors on the board to avoid a potential compromise in governance quality.

In addition, the evidence provided in this study offers potential theoretical and empirical insight for future studies. In terms of theoretical expansions, the evidence suggests that future studies may improve their theoretical grounds by using other theories, such as stakeholder theory, when examining factors influencing dividend pay-out policy. With respect to the empirical expansions, this paper focuses only on listed DMBs in Nigeria; however, future studies can extend the current study by examining the impact of other corporate governance mechanisms on dividend policy in different international governance environments (i.e. developed or other developing economies). Again, further studies can incorporate qualitative methods that could uncover underlying motivations and attitudes of independent directors towards dividend policies. Additionally, exploring the interaction effects of various corporate governance attributes could offer more comprehensive insights.

Finally, the study has a number of limitations including restricting our analysis to only the influence of Independent directors in the listed DMBs. In addition, the study's focus on only listed banks excludes a significant portion of the banking sector, such as smaller or unlisted banks, whose governance structures and dividend policies might differ substantially.

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