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Corporate Taxation and Dividend Policy: Evidence from Listed Deposit Money Banks in Nigeria

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ABSTRACT:- *This study investigated the impact of corporate taxation on the dividend policies of selected deposit money banks listed on the Nigeria Exchange Group. Utilizing ex-post facto and correlational research designs, the researchers employed ordinary least square estimation and regression analysis to explore the relationship between corporate taxation and dividend policies of these banks. Data were sourced from the audited annual reports and accounts of the selected banks for the period from 2013 to 2022. The findings revealed that company income tax has a positive but insignificant effect on dividend policy. Additionally, the study found that the national information technology development levy and capital gains tax have a negative and insignificant effect on dividend policy. Additionally, the study found a negative and significant relationship between tertiary education tax and dividend policy, whereas the effective tax rate had a positive and significant effect on the dividend policies of listed deposit money banks in Nigeria. Based on these findings, the study recommends that bank management should tailor their dividend policies to the specific characteristics of their banks, taking corporate taxation into account to enhance investment opportunities. Furthermore, listed deposit money banks should prioritize tax compliance, as this would improve the business environment and drive long-term profitability, ultimately leading to increased dividend payouts.*

Keywords: *Corporate taxation, Dividend policy, Deposit money banks, Company income tax, Effective tax rate*

I. BACKGROUND TO THE STUDY

Dividend policy is a crucial topic in corporate financial management, focusing on decisions about managing an organization's current and future finances without alarming shareholders (Okafor & Mgbame, 2011). It involves choosing between distributing current returns and reinvesting them for future gains (Pandey & Ashvini, 2016). An organization's dividend policy framework indicates the availability of investment opportunities and the extent to which these opportunities are utilized for future growth and expansion (Afza & Mirza, 2011).

Dividends are typically distributed to business owners or shareholders at specific intervals, largely dependent on the firm's declared earnings and the recommendations of its directors. Consequently, if no profit is generated, dividends will not be declared. However, when profits are made, the company is obligated to pay corporate tax and other statutory taxes to the government. Dividend policy involves a corporate finance decision regarding the transfer of value in the form of share dividends from an organization to its shareholders, derived from the profits of business operations over a specified period, usually a year (Okafor & Mgbame, 2011). Regarding dividend payments, it has been noted that most listed banks on the Nigeria Exchange Group are hesitant to declare dividends at the end of the financial year (Oloyede et al., 2018).

Dividend policy is a strategy adopted by an organization to guide management in deciding how to handle dividends, including whether to pay out cash to shareholders, retain profits for reinvestment, or issue new shares to shareholders. This policy dictates how a company structures its dividend payouts and outlines the distribution of dividends to its shareholders. It varies among corporate organizations based on various factors, including taxation. Companies must pay taxes to the government from their profits, either directly or indirectly. In the banking sector, according to Okpara (2010), the primary determinants of dividend policy are the expected future earnings and past dividend patterns. This discrepancy may have influenced the Miller and Modigliani theory (1961), which provided a foundation for extensive debates and research on dividend policy.

Over the years, the Nigerian tax system has focused on generating revenue to cover government expenses at all levels, often neglecting the need to maintain a system capable of promoting rapid industrial growth and expansion (Abiola, 2014). In Nigeria today, companies frequently resort to evading, avoiding, or transferring tax burdens to society. They often achieve this by increasing the prices of goods and services or denying shareholders returns on their investments under the pretext of retaining earnings for reinvestment.

Tax is a mandatory levy imposed by the government on individual incomes and corporate profits to fund social welfare and other governmental responsibilities. Consequently, every corporate organization is expected to fulfill its societal duty by paying taxes. Various types of taxation exist, including personal income tax, petroleum profit tax, company income tax, value-added tax, and capital gains tax. The government

periodically reviews tax policies as part of the existing fiscal policy to achieve its objectives. In Nigeria, corporate income is taxed according to the provisions of the Company Income Tax Act Cap C21 LFN 2004, as amended.

The success of deposit money banks hinges on achieving two fundamental objectives: profitability and liquidity. Profitability forms the foundation for the growth and sustainability of these banks and is a key determinant of dividend payouts. High corporate tax rates reduce the banks' liquidity levels. These objectives are interdependent; one cannot be fulfilled without also fulfilling the other (Jacob & Akinselure, 2016). Therefore, deposit money banks must continually find ways to maintain their liquidity while enhancing performance to satisfy investors and determine dividend patterns.

For many years, various theories and assumptions have been proposed about whether corporate taxes paid by deposit money banks and other organizations impact their dividend payout patterns. The topic of corporate dividend policy continues to be a matter of debate among financial economists worldwide (Anaeto et al., 2020). This debate is ongoing, with numerous academic theories suggesting what an ideal dividend policy should include. Empirical studies have also been conducted to explore the relationship between corporate taxation and dividend policy in Nigeria. Majority of these studies, such as; Abiola, (2014); Abdul and Muhibudeen, (2015); Yusuf (2015); Akani, and Sweneme, (2016); Jacob & Akinselure, (2016); Adesola & Okwong, (2016); Nnadi & Akpomi, (2017); and Onwuka, (2019) have focused on the impact of dividend policy on firm performance, yielding contradictory results. This raises the question: does corporate taxation truly affect a firm's dividend policy? This study aims to address gaps in the literature by investigating the effect of corporate taxation on dividend policy, specifically examining the dividend payout ratio of selected listed deposit money banks in Nigeria.

II. CONCEPTUAL FRAMEWORK:

Concept of Taxation:

Like other developing nations, Nigeria employs various forms of taxation. Defining taxation has been challenging in academic discourse (Olaoye & Atilola, 2018). Despite this difficulty, some literature attempts to provide insights or a general understanding of taxation. CheAzmi and Kamarulzaman (2014) defined tax as a mandatory levy imposed on individuals and organizations by the government, emphasizing its role as a significant revenue source contributing to economic growth. According to Udezo and Onuora (2021), tax serves as a tool used by the government to generate public goods. Bassey (2016) describes tax as a compulsory payment made by individuals and organizations to the government based on predetermined criteria, without receiving direct or specific benefits in return.

Abiahu and Nestor (2017) defined taxation as the compulsory collection of money by a governing authority, typically a government. The term "taxation" encompasses all types of mandatory levies, ranging from income taxes to capital gains and estate taxes. A tax is a mandatory charge imposed by the government on the incomes of taxpayers within a specific geographical area to cover the costs of governance. This means that anyone earning income is required to pay taxes. Common taxes in Nigeria include personal income tax, petroleum profit tax, company income tax, value-added tax, and capital gains tax. The primary purpose of governance is to enhance the welfare of the general population, funded by resources raised through taxation. Therefore, the imposition of taxes is a legal requirement that enables the government to fulfill its obligations.

Taxation of corporate profits in Nigeria has been a prominent topic in public finance discussions. The impact of taxation on firm dividend policies is crucial and garners significant attention from policymakers and corporate executives (Abiahu & Amhalu, 2017). Corporate entities in Nigeria are subject to various taxes including Company Income Tax, Tertiary Education Tax, National Information Technology Development Levy, Capital Gains Tax, and withholding tax on dividends. According to Omodero et al. (2021), corporate taxation can be assessed through metrics such as Company Income Tax, Tertiary Education Tax, and effective tax rate.

Concept of Dividend Policy

Dividend refers to the portion of a company's profits that is distributed to shareholders. It is a financial obligation that quoted firms must fulfill annually, contingent upon the level of profits remaining after taxes. According to Adekoya et al. (2023), dividend represents the money disbursed to shareholders as a return on their investment, derived from profits or earnings after taxes. Similarly, Hamid et al. (2012) describe dividend as the money paid by a company to its shareholders based on the profits accumulated over a specific period, typically one year. Dividends are typically disbursed from profits after taxes during specific periods, in accordance with recommendations from the company's directors. Hence, if there are no profits, dividends will not be distributed. Dividends are usually paid from the profits of the current year and sometimes from general reserves.

Dividend policy refers to how a company determines and structures the distribution of dividends to its shareholders. It represents a financial decision regarding the portion of the company's earnings allocated for distribution to shareholders. Management plays a crucial role in deciding the ratio of earnings to be paid out as

dividends versus retained for the company's use. This decision encompasses the amount, timing, and method of dividend payments. Many firms consider dividend policy a vital component of their corporate strategy, as it involves determining the dividend amount and timing of distribution. According to Kajola et al. (2015), dividend policy encompasses the guidelines, rules, and managerial decisions concerning dividend distributions to the company's shareholders.

According to Yusuf (2015), there are four main dividend policies: residual payment policy, stable predictive dividend policy, constant payout ratio policy, and low plus extra or bonus dividend policy. Several factors influence decisions regarding dividend policy, such as financial limitations, investment opportunities and outlooks, company size, shareholder expectations, and regulatory obligations, among others. Dividend payments not only reflect the present financial condition of a company but also serve as an indicator of its future performance (Kajola et al., 2015).

According to Onwuka (2023), banks play a critical role in the economic resource allocation of countries by facilitating the flow of funds from depositors to investors. To ensure economic stability, banks must enhance their profitability to effectively compensate shareholders through dividend payments. This strategy not only attracts potential investors but also fosters economic growth.

Theoretical Framework

This study is anchored on a number of theories.

Bird-in-the Hand Dividend Theory

In the 1960s, the bird-in-the-hand theory gained prominence in discussions of dividend policy, with proponents including Gordon (1963) and Lintner (1962). This theory posits that dividends hold a distinct value compared to retained earnings or potential capital gains in a world marked by uncertainty and incomplete information. Cash dividends represent the immediate "bird in the hand" that investors often prefer over the uncertain "two in the bush" of potential future capital gains. Therefore, other factors being equal, increasing dividend payments may lead to higher stock prices. This is because a higher payout ratio can reduce the cost of capital, thereby increasing share value, while a higher current dividend reduces uncertainty about future cash flows. It is believed that higher dividend payout ratios maximize a firm's value, aligning with the principles of the "bird-in-the-hand" theory (Al-Malkawi et al., 2010).

Gordon and Lintner (1962) argued against Modigliani and Miller (1960), asserting that they were mistaken in suggesting that a firm's cost of capital remains unaffected by its dividend policy. According to Gordon and Lintner, reducing dividend payments increases the firm's cost of capital. They posited that investors generally prefer dividends because they are perceived as more certain compared to the uncertain potential of capital gains, which may or may not materialize if the firm retains its earnings.

Dividend Irrelevance Theory

Miller and Modigliani introduced the dividend irrelevance theory in the early 1960s, asserting that in a perfectly efficient capital market, the dividend policy adopted by a company has no impact (Miller & Modigliani, 1961). According to their theory, in such a market, dividend policy does not influence either the stock price or the cost of capital of a firm. Therefore, shareholders' wealth is unaffected by the firm's dividend decisions, leading to indifference between receiving dividends and realizing capital gains. This indifference arises because shareholders' wealth is determined by the income generated from the firm's investment decisions (Aneato et al., 2020).

According to Al-malkawi et al. (2010), in the context of Miller and Modigliani's theory, dividends are considered inconsequential. The dividend irrelevance theory disregards how earnings are distributed and instead emphasizes the fundamental earnings capacity and the investment decisions aimed at generating such earnings. Miller and Modigliani argue that a firm's value is unaffected by the type of clientele it attracts. Onwuka (2019) further explains that the dividend irrelevance theory assumes perfect capital markets and rational investors, although it also includes assumptions such as fixed investment policies and the absence of uncertainty risk.

Residual Theory of Dividends

The Residual Theory of Dividends suggests that a company should distribute dividends only from the remaining cash after funding all significant investment opportunities. This approach often leads to varying dividend payments over time (Park and Rhee, 2017). Within the context of the Residual Dividend Policy, the firm prioritizes investments over dividends, making the dividend policy relatively unimportant. Under this framework, dividends are only paid out when retained earnings exceed the capital required for investment projects. This theory is relevant to this study because it implies that banks can distribute dividends only when they have generated profits after tax.

Empirical Review

The essence of the review is to identify the specific objectives, the variables, analytical tools and the findings.

Ok a for et al. (2023) examined the correlation between corporate taxation and dividend policy among listed deposit money banks in Nigeria, considering their leverage structure. The study utilized panel regression analysis to investigate data from 9 banks purposively selected from the 14 listed deposit money banks on the Nigerian Exchange Group as of 2023. The research uncovered that company income tax has a positive and statistically significant association with dividend per share among listed deposit money banks in Nigeria. Conversely, deferred tax was found to have a positive but not statistically significant relationship with dividend per share. Additionally, the study determined that the leverage ratio does not significantly impact the relationship between taxation (company income tax and deferred tax) and dividend per share of listed deposit money banks in Nigeria. Consequently, the study recommends that board members, managers, and shareholders of banks should reassess their dividend policies based on the findings presented.

Adekoya et al. (2023) investigated the influence of company income tax on dividend yield among listed deposit money banks (DMBs) in Nigeria. The study employed an ex-post facto research design, gathering historical data from the annual reports and accounts of 17 sampled banks over a decade, from 2011 to 2020. Dividend yield (DY) was utilized as a proxy for dividend yield, while company income tax (CIT) served as a proxy for company income tax. The data were analyzed using descriptive and inferential statistics, including multiple regression analysis. The results indicate that company income tax has a statistically insignificant negative impact on dividend yield, suggesting that an increase in company income tax may lead to a slight decrease in the dividend yield of DMBs.

Iorlaha et al. (2021) investigated the correlation between corporate tax and dividend policy among manufacturing companies in Nigeria. The study utilized an ex-post facto research design to gather historical data from the published annual reports of 13 selected manufacturing firms over an 8-year period, spanning from 2013 to 2020, resulting in a total of 104 observations. Descriptive statistics and appropriate panel estimation tests, including tests for multicollinearity, were employed to analyze the data. Corporate tax was used as a proxy for corporate tax, while dividend per share (DPS) served as a proxy for dividend policy. The findings indicated that corporate tax has a positive and statistically significant impact on dividend per share, suggesting that an increase in corporate tax is associated with a slight increase in the dividend per share of manufacturing companies.

Anaeto et al. (2020) conducted an empirical study to examine how corporate tax influences dividend policy among listed deposit money banks (DMBs) in Nigeria. The research employed an ex-post facto research design to collect secondary data from 13 selected DMBs over a decade, from 2009 to 2018, resulting in 130 observations. Descriptive statistics and panel regression techniques were utilized for data analysis. Company income tax (CIT) and education tax (EDT) served as proxies for corporate tax, while dividend per share was used as a proxy for dividend policy. The study's findings indicated that both company income tax and education tax have a statistically significant negative impact on dividend per share. This implies that an increase in company income tax and education tax is associated with a substantial decrease in dividend per share among DMBs.

Onwuka (2019) investigated the influence of corporate taxation on dividend policy within deposit money banks (DMBs) in Nigeria. The study employed an ex-post facto research design to gather historical data from the financial statements of 10 selected DMBs over a five-year period, from 2009 to 2013, resulting in 50 data points. Descriptive statistics and regression analysis were employed for data analysis. Corporate tax was utilized as a proxy for corporate taxation, while dividend payments were used as a proxy for dividend policy. The study's findings indicated that corporate tax has a statistically significant negative impact on dividend payments. This suggests that an increase in taxes would lead to a substantial decrease in dividend payments among DMBs.

Oloyede et al. (2018) investigated how corporate taxation affects the dividend policies of publicly traded companies in Nigeria. They used Company Income Tax (CIT) and Education Tax (EDT), along with Dividend per Share (DPS) as a measure of dividend policy, and considered Firm Size (FZ) as a potential factor influencing dividend decisions. Data were gathered from the annual reports of selected firms spanning a decade from 2014 to 2023. The study employed panel data techniques such as pooled OLS, fixed effects, and random effects estimations. Their findings indicated that corporate taxation, including both CIT and EDT, did not significantly influence the dividends paid by consumer goods firms in Nigeria. Therefore, according to the empirical evidence, there is no consensus that changes in the company income tax rate affect dividend policy.

Abiahu and Amahalu (2017) explored the impact of taxation on the dividend policies of publicly listed deposit money banks in Nigeria. They utilized an ex post facto research design to gather historical data from publications by the Nigeria Exchange Group, fact books, and the annual reports and accounts of 14 sampled deposit money banks, totaling 140 observations. The data were analyzed using descriptive statistics, Pearson correlation coefficient, and ordinary least squares (OLS) regression. Corporate tax (COTAX) served as a proxy

for taxation, while dividend per share (DPS), dividend payout (DPO), and dividend yield (DY) represented dividend policy. The study found that corporate tax has a negative and significant effect on DPS, DPO, and DY, indicating that an increase in corporate tax leads to a significant reduction in these dividend metrics for deposit money banks.

Pandey and Ashvini (2016) examined the factors influencing the dividend policy in India's FMCG sector. They considered variables such as the dividend payout ratio (DPR), debt equity ratio (DER), earnings (ERN), earnings per share (EPS), corporate tax (CT), and firm size (FS), focusing on 12 companies from the NSE sectoral index. Using ordinary least squares (OLS) for data spanning from 2003 to 2012, the study found that DPR, DER, ERN, and CT significantly affect EPS and are strong predictors of dividend payout in the FMCG sector.

Ibrahim (2015) studied the impact of corporate tax on the dividend policies of listed consumer goods companies in Nigeria. The research employed a non-survey design, utilizing published annual reports and accounts of the selected companies. Six companies were analyzed over the period from 2009 to 2013. The findings showed a negative relationship between corporate taxation and dividend policy, as well as between dividend policy and board structure.

Mohammed and Hauwa (2015) evaluated the impact of corporate taxation on the dividend policies of listed consumer goods companies in Nigeria. They employed a non-survey research design, collecting secondary data from the published annual reports and accounts of six selected companies over a five-year period from 2009 to 2013, totaling 30 observations. The data were analyzed using descriptive statistics and panel estimation techniques such as fixed effect and random effect regression. The effective tax rate (ETR) was used as a proxy for corporate taxation, and dividend per share (DPS) was used as a proxy for dividend policy. The study found that the effective tax rate has a negative but insignificant impact on DPS, suggesting that an increase in the effective tax rate leads to a slight reduction in the dividend per share of consumer goods firms.

Clearly, the findings in this literatures, suggest that tax policies may also be important. However, not many studies have documented the long-term effects of these tax policies on business performance, even though some found a significant effect, but uncertainty about its size remains. This paper has become part of the series of studies analyzing the effect of corporate taxation on dividend policy of DMBs in Nigeria so as to provide clue on contending issues and fill some research gap.

III. METHODOLOGY

According to Creswell (2014), ex-post facto research ensures that environmental influences on research problems are systematically and empirically addressed. Therefore, this study employs both correlational and ex-post facto research designs. This design is appropriate for evaluating how corporate taxation affects the dividend policies of selected deposit money banks in Nigeria. The primary objective of this research approach is to gain insights and generate new ideas. The study uses multiple regression analysis, which is suitable for predicting the impact of multiple independent variables on a single dependent variable. Additionally, the study employs the Ordinary Least Squares (OLS) method, a parametric statistical test based on specific assumptions. Violating these assumptions could potentially affect the reliability of the results. The regression model was chosen because it assumes linearity and normality in evaluating the influence of independent variables on the dependent variable. Secondary data were collected from the audited annual reports of selected deposit money banks listed on the NGX and the Central Bank of Nigeria statistical bulletin over a 10-year period (2014-2023). The dividend payout ratio (DPOR) is used as a proxy for the dependent variable, while the independent variables include company income tax, effective tax rate, capital gains tax, education tax, and the National Information Technology Development Levy.

The model is therefore specified as:

$DPORit = \beta o + \beta 1CITX_{it} + \beta 2CAGT_{it} + \beta_3 ETRit + \beta 4EDTXit + \beta 5NITDL_{it} + \varepsilon it$ …..…….(1)

Where:

DPOR = Dividend Payout Ratio
CITX = Companies Income Tax
EDTX = Education Tax
NITX = National Information Technology Development Levy
CGTX = Capital gains tax
CETR = Current effective tax rate
$\beta 0$ = constant of regression equation
$\beta 1, \beta 2, \beta 3, \beta 4, \beta 5$ = Beta coefficients of the regression equation
it = time for intercepts
ε_{it} = the disturbance or error term for firm i in the year t.
i: Firm 1 to 10
t: Year 1 to 10

IV. RESULTS:

Descriptive Statistics

Table 1: Summary of descriptive statistics

Variable	Observations	Min	Max	Mean	Std deviation
DPO	120	0	0.960608	0.337443	0.211234
CIT	120	0	3.195010	3.895009	6.365009
NITD	120	0	2.945009	5.575008	6.705008
TEDT	120	0	6.605009	4.305008	9.175008
CGT	120	0	7.085008	2.605007	8.115508
ETR	120	-0.01784	1.074027	0.133707	0.161984

Source: STATA Output

From the table, the mean value of the dividend payout ratio is 0.337443, indicating that, on average; approximately 34% of the total profit of the sampled listed deposit money banks was paid out as dividends during the review period. The minimum and maximum values of the dividend payout ratio, 0.0 and 0.96 respectively, suggest that the least profitable banks did not pay any dividends, while the most profitable bank paid out a substantial 96% of its total profit as dividends. The standard deviation of 0.2112348 indicates that there is little deviation of data from the mean value.

Secondly, the analysis shows that the average company income tax was 3.89, indicating that banks paid a high amount of company income tax, which likely affected their dividend payouts. The standard deviation for company income tax is 6.36, with a range of 3.19, and minimum and maximum values of 0 and 3.19, respectively, suggesting significant variation in company income tax payments by banks over time.

Additionally, the results indicate that the National Information Technology Development Levy (NITD) had an average value of 5.57, which could also influence banks' dividend payouts. The standard deviation for NITD is 6.70, with minimum and maximum values of 0 and 2.94, respectively, highlighting a high variability in NITD payments by banks over the study period.

The results also show that the tertiary education tax has a mean of 4.30, indicating higher TEDT payments that impact the dividend payout of the sampled banks. The standard deviation is 9.17, with minimum and maximum values of 0 and 6.60, respectively. The average capital gains tax is 2.60 with a standard deviation of 8.11, suggesting a wide variation among the firms, with minimum and maximum values of approximately 0 and 7.08, respectively.

Lastly, the effective tax rate (ETR) has an average of 0.1337078 and a standard deviation of 0.1619844, indicating a wide dispersion of data from the mean ETR of the sampled banks. The minimum and maximum values are -0.0177554 and 1.074027, respectively.

Table 2 Correlation analysis

	DPO	CIT	NITD	TEDT	CGT	ETR
DPO	1.00					
CIT	0.1222	1.00				
NITD	0.0574	0.7761	1.00			
TEDT	-0.1870	0.2607	O.1782	1.00		
CGT	0.1710	0.0648	0.0722	-0.0914	1.00	
ETR	0.3932	0.2636	0.5405	0.0781	0.0103	1.00

Source: STATA Output

Table 2 displays the correlations between the dependent variable, dividend payout, and the independent variables: company income tax (CIT), national information technology development levy (NITD), tertiary education tax (TEDT), capital gains tax (CGT), and effective tax rate (ETR).

The analysis of company income tax revealed a positive correlation with dividend payout of 0.1222, accounting for approximately 12% of their relationship. This suggests that the banks allocated a small portion of their total profits to company income tax, which may not significantly impact dividend payouts. Thus, an increase in the amount of company income tax paid would lead to a 12% increase in dividend payouts, and vice versa.

The analysis of the national information technology development levy indicates a positive correlation of approximately 6% with the dividend payout of listed deposit money banks in Nigeria. This suggests a positive relationship between dividend payout and the national information technology development levy, indicating that an increase in this levy is associated with increased bank liquidity and net interest income.

Additionally, the correlation coefficient between dividend payout and tertiary education tax for listed deposit money banks is -0.1870. This indicates a negative relationship between tertiary education tax and dividend payout, accounting for an 18% impact. Therefore, an increase in the tertiary education tax paid by banks would result in a decrease in their dividend payout.

Moreover, the correlation between dividend payout and capital gains tax for listed deposit money banks in Nigeria is 0.1710. This signifies a positive relationship between capital gains tax and dividend payout, with a 17.1% influence. Thus, an increase in the capital gains tax paid by banks would lead to a corresponding 17% increase in their dividend payout.

Finally, the analysis of the effective tax rate indicates a positive correlation of 39.3% with the dividend payout of listed deposit money banks in Nigeria. This demonstrates a positive relationship between dividend payout and the effective tax rates of banks. Therefore, an increase in the effective tax rate of banks is associated with an increase in dividend payout.

Multicollinearity Test

Table 3 Variance inflation factor (VIF)

Variables	VIF	1/VIF
CIT	0.499155	2.00
NITD	0.345654	2.89
TEDT	0.936409	1.07
CGT	0.898297	1.11
ETR	0.577074	1.73

Source: STATA Output

This assessment was carried out using the Tolerance Value and Variance Inflation Factor (VIF) as displayed in the table above. The results indicate that the VIF values for the independent variables vary, all remaining below ten. Additionally, the tolerance values are either lower than one or significantly higher than 0.1. These findings strongly suggest the absence of problematic multicollinearity among the independent variables in the study. Therefore, the model used in the study is deemed to be appropriately fitted.

Table 4: Random effect regression result

DPO	Coefficient	Std err	Z-value	P-value
CONST	0.7226012	0.7336459	0.98	0.325
CIT	0.0433862	0.0298164	1.46	0.146
NITD	-0.0276903	0.0186032	-1.49	0.137
TEDT	-0.0374548	0.0181356	-2.07	0.039
CGT	-0.0145477	0.0136319	-1.07	0.286
ETR	1.914696	0.5115406	3.74	0.000
Adj R^2 = 0.274				
F-statistic = 10.07				
Prob > chi2 = 0.048				

Source: STATA version 15.0

Table 4 presents the regression results where dividend payout is regressed on company income tax, national information technology development levy, tertiary education tax, capital gains tax, and effective tax rate. The adjusted R-squared of 0.2741 indicates favorable characteristics with respect to the instrumental variables used. This suggests that the model explains 27% of the variability in bank dividend policy, while the remaining 73% of the variations, which are not accounted for by the model, are influenced by other factors not included in this study. The analysis with Prob > Chi2 = 0.0048 indicates a significant relationship between corporate taxation and the dividend policy of deposit money banks in Nigeria.

The correlation coefficient analysis indicated a constant dividend payout at 0.274. In the regression results, negative coefficients of 0.0276903, 0.0374548, and 0.145477 were found for national information technology development levy, tertiary education tax, and capital gains tax, respectively. Company income tax and effective tax rate showed positive coefficients of 0.433862 and 1.914696, respectively. Additionally, tertiary education tax and effective tax rate were found to be statistically significant at the 5% level. Conversely, company income tax, national information technology development levy, and capital gains tax were statistically insignificant in a similar manner.

The results indicated that a unit increase or decrease in the national information technology development levy, tertiary education tax, and capital gains tax will lead to a corresponding decrease or increase in the dependent variable, assuming other variables remain constant. Specifically, a unit increase in the national

information technology development levy, tertiary education tax, and capital gains tax will result in a decrease in dividend payout by 0.0276903, 0.0374548, and 0.145477, respectively.

Similarly, a unit increase or decrease in company income tax and effective tax rate will lead to a corresponding decrease or increase in the dependent variable, assuming other variables remain constant. For example, a unit decrease in company income tax and effective tax rate will result in a decrease in dividend payout by 0.433862 and 1.914696, respectively. This indicates a negative relationship with company income tax and a positive relationship with effective tax rate, showing that corporate taxation and dividend payout vary in different directions.

V. DISCUSSION:

Company Income Tax and Dividend Policy

The findings of this study contradict those of Abiahu and Amahalu (2017), who stated that company income tax has a negative and insignificant effect on dividend payout. However, they align with Oloyede et al. (2018), who reported that company income tax has a positive and insignificant effect on firms' dividend policy. This study is also supported by the reports of Nnadi and Akpomi (2017) and Khana et al. (2017), but it disagrees with Onwuka (2015), who claimed that company income tax reduces the size of dividend payouts of quoted DMBs in Nigeria.

National Information Technology Development Levy and Dividend Policy

The analysis also revealed a negative correlation of -0.0276903 between the payment of the National Information Technology Development Levy and dividend payout. This suggests that an increase in the levy is associated with a decrease in dividend payout, although the correlation is minimal and insignificant.

Tertiary Education Tax and Dividend Policy

Tertiary education tax had a statistically significant negative effect on dividend payout. This finding aligns with several global studies, such as Aneato et al. (2020), which established a negative and significant relationship between tertiary education tax and dividend policy. However, this finding contradicts the empirical work of Oloyede et al. (2018).

Capital Gain Tax and Dividend Policy

The analysis also revealed a negative correlation of -0.0145477 between capital gains tax and the dividend payout of banks. This suggests that an increase in capital gains tax is associated with a decrease in the dividend payout of banks, although the correlation is statistically insignificant.

Effective Tax Rate and Dividend Policy

The effective tax rate positively impacts dividend policy, with a coefficient of 1.914696. This means that a unit increase in the effective tax rate is likely to result in a 1.914696 unit increase in the banks' dividend payout. Consequently, a smaller effective tax rate would likely lead to a smaller dividend payout ratio. These findings contradict those of Mohammed and Hauwa (2015), who stated that the effective tax rate has a negative and insignificant effect on dividend policy.

VI. CONCLUSION:

The study investigated the impact of corporate taxation on the dividend policy of listed Deposit Money Banks in Nigeria. Specifically, it evaluated the effects of company income tax, national information technology development levy, tertiary education tax, capital gains tax, and effective tax rate on the dividend policy of these banks. The dividend policy was measured using the dividend payout ratio.

The study concluded that company income tax has a positive but insignificant impact on the dividend policy of listed deposit money banks. In contrast, the national information technology development levy has a negative and insignificant effect. Additionally, there is a significant negative relationship between tertiary education tax and the dividend policy of these banks, while capital gains tax has a negative and insignificant impact. Finally, the study found a significant positive relationship between the effective tax rate and the dividend policy of listed deposit money banks in Nigeria.

Based on the findings, the study recommends that bank management should tailor dividend policies to their specific circumstances to enhance investment opportunities, considering corporate taxation as a key factor in these policies. Additionally, listed deposit money banks should ensure timely tax payments, as this would improve the business environment and drive long-term profitability, ultimately increasing dividend payouts.

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