ISSN: 2658-8455
Volume 7, Issue 14 (2026), pp. 577-596.
© Authors: CC BY-NC-ND

Dividend irrelevance theory in the financial sector of emerging markets: A literature review

Sofiane AKHKHA *(PhD candidate)*
Laboratory of Innovation in Finance, Governance, and Artificial Intelligence
National School of Business and Management (ENCG Settat)
Hassan First University of Settat, Morocco

Correspondence address:	National School of Business and Management (ENCG Settat) Hassan First University of Settat, Morocco (+212) 523 723577; (+212) 523 401202; (+212) 523 401 362
Disclosure Statement:	The authors declare that they have not received any financial support that could have influenced the objectivity of this study. They take full responsibility for any potential plagiarism, the use of artificial intelligence in the writing process, as well as for the results presented in this article.
Conflict of Interest:	The authors report no conflicts of interest.
Cite this article:	Akhkha, S. (2026). Dividend irrelevance theory in the financial sector of emerging markets: A literature review. *International Journal of Accounting, Finance, Auditing, Management and Economics*, *7*(14), 577–596. https://doi.org/10.5281/zenodo.24085319
License	**This is an open access article under the CC BY-NC-ND license**

Received: 16/05/2026 *Accepted: 15/11/2026*

Dividend irrelevance theory in the financial sector of emerging markets: A literature review

Abstract

The literature on the dividend policy of financial firms is limited compared with that on other sectors and mainly covers advanced markets. Moreover, the empirical findings are inconsistent, particularly regarding whether dividends affect value, share price behaviour, and financial performance. Drawing on dividend irrelevance theory, this paper reviews the main theoretical arguments and empirical evidence regarding dividend policy of financial firms in emerging markets. Specifically, this study focuses on whether prior literature supports or challenges the dividend irrelevance theory in the context of the financial sector in emerging markets. To address this question, the paper adopts a semi-systematic literature review approach and develops an integrative qualitative synthesis of theoretical contributions and empirical evidence. It contributes to the literature by relating divergent evidence on dividend irrelevance to the regulatory, informational and stakeholder mechanisms that characterise financial institutions in emerging markets.

The synthesis of 15 selected empirical studies indicates mixed evidence on the extent to which dividend irrelevance theory applies in this setting. Some studies suggest that dividend policy has a limited or nonsignificant influence on value, share-price volatility or financial performance, while others document the relevance of dividends to investors and depositors and their association with market assessments of financial firms. These divergent findings suggest that the relevance of dividends may depend on market frictions, heterogeneity across financial systems, the institutional environment, and the particular characteristics of financial firms.

Future research should prioritise theoretical explanations of dividend relevance, comparable empirical designs and evidence from underrepresented financial institutions and markets. Bibliometric analysis can help map the intellectual framework and evolution of the "dividend puzzle". Future work should combine qualitative studies of managerial perspectives with comparable quantitative designs that account for regulatory change and the institutional settings of financial firms.

Keywords: Dividend irrelevance theory, dividend policy, financial sector, emerging markets, share price volatility, financial performance.
JEL classification: G21; G35; G32
Paper type: Theoretical research (literature review).

ISSN: 2658-8455
Volume 7, Issue 14 (2026), pp. 577-596.
© Authors: CC BY-NC-ND
IJAFAME
International Journal of Accounting, Finance, Auditing, Management & Economics

1. Introduction

Corporate finance decisions focus primarily on maximising shareholder wealth (Watson et al., 2023; Keown et al., 2017). Achieving this objective requires rigorous financial management encompassing capital investment, funding structures, and the allocation of earnings (Damodaran, 2014). These earnings are either retained to finance growth or distributed to shareholders as cash dividends or through share repurchases (Grullon & Michaely, 2002; Dhanani, 2005). Dividend policy thus forms part of broader investment and financing decisions rather than a residual outcome. According to Lee and Lee (2021), dividend policy has attracted sustained interest from practitioners and scholars because of its role in asset pricing and its implications for the cost of capital and investment decisions. This interest derives additionally from the seminal debate regarding the influence of dividend policy on firm value. Examining this relationship, Miller and Modigliani (1961), hereafter MM, developed the hypothesis of "dividend irrelevance". They argue that, under perfect market conditions, dividend policy does not influence firm value. Specifically, in the absence of taxes, transaction costs, and information asymmetry, valuation remains independent of distribution patterns and depends strictly upon asset productivity and investment policy. The empirical assessment of this hypothesis yields conflicting results (Borges, 2009). A segment of the literature indicates that dividends influence firm valuation, equity pricing, corporate performance, and market perception. Conversely, alternative studies document a negligible relationship. This divergence stems reportedly from market imperfections and differences in financial systems, ownership structures, corporate maturity and disclosure practices (Ang & Ciccone, 2009; Brown et al., 2015; Azekkar et al., 2023). The difficulty of reconciling these divergent findings, despite decades of theoretical and empirical research, helps explain why dividend policy remains an enduring puzzle (Black, 1976; Bernstein, 1996). One possible source of this divergence is the assumption that payout mechanisms operate similarly across regional and institutional settings. This assumption becomes particularly consequential when frameworks developed across sectors in mature markets are used to explain dividend behaviour in emerging economies. Against this backdrop, contemporary literature suggests that studying dividend policy in emerging economies requires attention to local regulatory systems, ownership concentration, investor protection, access to funding and disclosure quality. These factors are important for interpreting dividend policy and affect the cost and channels of information transmission through which stakeholders interpret corporate payout signals (Jabbouri & El Attar, 2018; Al-Najjar & Kilincarslan, 2019). In this regard, the dividend policy of financial firms in emerging markets is comparatively underexplored in prior literature (Caiazzo et al., 2025). These institutions constitute a fundamental lever of development, representing the dominant funding channel in emerging economies where capital markets demonstrate inherent inefficiencies (Safdar et al., 2025). Furthermore, unlike non-financial corporations, financial firms distribute profits under prudential requirements such as mandatory liquidity and capital adequacy thresholds. Their payout decisions also occur in a context of information asymmetry arising from asset-quality opacity, systemic risk and the need to maintain domestic financial stability. Consequently, conventional dividend policy frameworks seem insufficient to fully explain the payout behaviour of financial institutions in emerging markets. In this context, Baker and De Ridder (2018) confirm that prior studies have focused for the most part on studying manufacturing and utility firms in developed countries. This focus of research has led to a limited body of empirical evidence on dividend policy of financial firms in emerging markets. Moreover, they assert that financial firms disburse profits more regularly than their industrial counterparts, rely predominantly on cash dividends and are reluctant to cut or omit payouts. In addition, Bergmann (2016) documents that following the subprime crisis, Australian listed companies increased the magnitude of distributed profit despite modest earnings growth. Evidence specific

to financial institutions suggests that they may use dividends to convey information to stakeholders regarding their financial soundness by signalling asset quality, liquidity position and funding risk, especially during periods of stress and economic uncertainty (Forti & Schiozer, 2015; Tran, 2022). Signalling is only one potential consequence of distributions in the financial sector. According to Lepetit et al. (2018), dividends may limit managerial discretion regarding the free cash flow, yet they can also undermine the accumulation of internal capital and increase the default risk for creditors and deposit insurers. The study also underlines that weak shareholder protection induces higher payouts, whereas weak creditor rights constrain them, indicating that banks adjust dividend policy in opposite directions to mitigate agency conflicts associated with shareholder and creditor interests. Competing claims on earnings from shareholders, creditors and deposit insurers mean that financial institutions set dividends amid agency conflicts and prudential constraints. Any assessment of the dividend-irrelevance hypothesis in this sector must account for that distinctive institutional setting.

Research exploring dividend policy can be organised into three broad strands. The first treats payouts as a general corporate-finance question and draws mainly on evidence from the United States, the United Kingdom, and Western Europe. This strand attributes the relevance of dividends chiefly to foundational signalling and agency mechanisms (Bhattacharya, 1979; Easterbrook, 1984; John & Williams, 1985; Jensen, 1986; Ang & Ciccone, 2009). The second examines the associations between dividend policy, firm value, share prices, and financial performance of listed companies in emerging markets. This coverage may overlook the conditions governing dividend payments in different sectors. In particular, aggregating financial and non-financial firms may conceal differences in their capacity to pay dividends. This capacity depends partly, for instance, on prudential norms concerning capital resilience and solvency in insurance companies and banks (Ashraf et al., 2016; Głód et al., 2020), while leverage, share liquidity and ownership contribute to explaining payout differences across sectors (Caiazzo et al., 2025). The third focuses on financial institutions and comprises two branches. The first compares dividend persistence and payout consistency across financial and non-financial firms. The second branch investigates how regulatory dynamics and capital pressures drive payout adjustments, while also exploring the impact of governance structures, asset quality, and depositor discipline (Acharya et al., 2011; Floyd et al., 2015). These strands remain insufficiently integrated. Studies covering dividend relevance often draw on heterogeneous samples, whereas research on financial institutions primarily emphasises the determinants of payout choices and accords limited attention to the role of sector-specific conditions in explaining the valuation effects of dividend policy. The literature therefore provides partial insight into how dividend policy influences the valuation of financial institutions in emerging markets, given the distinct regulatory framework and prudential norms, specifically risk management, solvency, and capital resilience which govern the activity of financial institutions and constrain their payout capacity (Ashraf et al., 2016; Budagaga, 2020).

The primary objective of this review is therefore to examine and synthesise the theoretical arguments and empirical findings concerning the dividend-irrelevance hypothesis, with particular attention to financial institutions in emerging markets. To this end, the review extends the theoretical discussion by relating the irrelevance proposition to signalling, agency, and prudential arguments relevant to financial institutions, while providing an integrative comparison of 15 empirical studies according to the outcomes examined and institutional contexts investigated. Accordingly, this paper asks how the literature explains the heterogeneous evidence concerning dividend irrelevance across the financial sectors of emerging markets. Section 2 presents the theoretical foundations of dividend policy. It begins with the economic rationale for distributing earnings, then discusses dividend irrelevance, signalling theory and agency theory, before integrating them through the institutional conditions of emerging financial markets. Section 3 describes the literature selection protocol.

ISSN: 2658-8455
Volume 7, Issue 14 (2026), pp. 577-596.
© Authors: CC BY-NC-ND
IJAFAME
International Journal of Accounting, Finance, Auditing, Management & Economics

Section 4 presents the empirical synthesis and its implications. Section 5 concludes and outlines priorities for future research.

2. Theoretical background

Dividend policy concerns the allocation of earnings between shareholders and retained funds (Allen & Michaely, 2003). For financial institutions, this decision also affects the capital available to absorb losses and sustain intermediation. The following discussion separates the assumptions behind dividend irrelevance from competing signalling and agency explanations (Ilie, 2011), before examining the institutional conditions that shape their predictions in emerging markets.

2.1. The rationale for distributing earnings

Dividends represent the portion of earnings distributed to shareholders. The bird-in-the-hand argument associates a preference for current dividends with uncertainty about future capital gains (Gordon, 1963; Lintner, 1964). However, a preference for cash does not by itself establish that a higher payout creates value. The valuation question concerns whether distribution changes expected cash flow or required returns after accounting for investment and financing decisions. Signalling and agency theories identify mechanisms through which this can occur (Bhattacharya, 1979; Easterbrook, 1984; Jensen, 1986). For financial institutions, these potential benefits must also be assessed against the cost of reducing retained capital.

2.2. Dividend irrelevance and its assumptions

MM (1961) establish that, with a given investment policy, perfect capital markets and rational investors, dividend policy does not affect firm value. Their argument assumes no relevant taxes, transaction or issuance costs, and equal access to information. Investors can obtain cash by selling shares, while firms can replace distributed funds through external financing without destroying value. A dividend therefore reallocates shareholder wealth rather than creating it. This conditional proposition does not imply that the share price remains unchanged when a dividend is paid.

The central issue for financial institutions is whether retained and externally raised capital are interchangeable. If issuing equity is costly or difficult, a distribution can reduce the capital available for lending or loss absorption. The assumption of an unchanged investment policy then becomes restrictive. Equally, an announcement can reveal private information even if the cash transfer itself creates no value. Relaxing an MM assumption therefore identifies a possible channel of relevance.

2.3. The signalling effect of dividends

Dividend policy can convey private information to the market when maintaining a payout is more costly for weak firms than for strong firms. The models of Bhattacharya (1979), John and Williams (1985), and Miller and Rock (1985) explain credibility through such costs, rather than assuming that dividends are intrinsically difficult to manipulate. The signalling hypothesis predicts a positive response to an unexpected dividend increase when investors interpret it as evidence of sustainable future cash flows. A competing interpretation is that higher distributions reflect fewer profitable investment opportunities. Thus, neither payout persistence nor a positive announcement response alone establishes that future profitability will improve.

For financial institutions, the signal also reaches depositors and creditors, whose concern is repayment capacity. Forti and Schiozer (2015) relate bank dividends to information-sensitive depositors, extending the stakeholders beyond equity investors. Yet the distribution of profits erodes capital that secures creditors' interests. The informational benefit can therefore be offset

by greater perceived solvency risk. Its credibility depends on asset-quality disclosure, the capital remaining after dividend payments, the protection of creditors' and depositors' rights, and the extent of managerial discretion over payouts.

Recent banking research qualifies the interpretation of payouts as a universal signal of future strength. Belloni et al. (2022) find that European banks' dividends reflect signalling, agency and supervisory motivations, but do not incorporate expectations of future economic conditions or their own profitability. Acosta-Smith et al. (2023) find that pandemic distribution restrictions increased bank capital and resilience, while raising shareholders' required returns and reducing the cost of debt to some extent. Dautović et al. (2023) also document a lending channel associated with retained capital. These empirical findings suggest that regulated payouts reflect both information and capital allocation, with potentially different consequences for shareholders and creditors.

The theoretical implication is that these interventions are not informationally equivalent. A voluntary dividend cut, a bank-specific supervisory restriction and a sector-wide suspension convey different signals. A general restriction weakens the inference that any individual bank faces poor prospects, whereas a bank-specific restriction may indicate supervisory concern. Conversely, regulatory permission to distribute dividends does not necessarily signal stronger future earnings. European studies offer comparative evidence on these mechanisms, but their findings cannot be directly generalised to all emerging markets. Their relevance depends on local supervisory practices, disclosure regimes and funding structures.

2.4. Dividend policy and agency issues

Agency conflicts arise from the separation of ownership and management functions. As agents could be motivated by self-interest, their managerial decisions may not always align with the best interests of shareholders. Within agency theory, dividends can mitigate these conflicts by reducing the internal funds available to management. Where distributions induce subsequent external financing, capital providers may subject the firm to additional scrutiny (Easterbrook, 1984). Moreover, managers may use free cash flow for personal benefits or perquisite consumption. Distributing funds beyond those required for value-creating investments can therefore limit wasteful expenditure (Jensen, 1986). This disciplinary effect depends on effective external monitoring and cannot be assumed when alternative funding channels are costly or unavailable.

Regarding financial institutions, agency conflicts are not confined to shareholders and managers, they also arise between shareholders and creditors. Dividend payments may benefit shareholders while reducing the resources available to satisfy creditor claims, particularly when guarantees weaken funding-market discipline. Moreover, retained earnings required to meet prudential standards or absorb prospective losses should not automatically be treated as excess cash. Lepetit et al. (2018) incorporate shareholder and creditor rights into a unified framework of bank dividend policy. The theoretical predictions are therefore conditional. Dividends may enhance value creation by constraining managerial discretion, but they may also weaken resilience by transferring resources away from creditors. Ownership concentration creates a similar tension. It can strengthen managerial oversight, yet it may also enable controlling shareholders to influence distributions at the expense of other stakeholders.

2.5. Institutional conditions in emerging financial markets

Four institutional conditions can shape how these theories apply to emerging financial markets. First, trading costs, differential taxation (Feldstein & Green, 1979) and restricted access to new equity make cash dividends, share sales and retained earnings imperfect substitutes. The cost of replenishing distributed capital may consequently shape financing and investment decisions. Second, information asymmetry concerns both disclosure quality and unequal access to information. Opaque loan portfolios and uncertain loss recognition may increase demand for

ISSN: 2658-8455
Volume 7, Issue 14 (2026), pp. 577-596.
© Authors: CC BY-NC-ND
IJAFAME
International Journal of Accounting, Finance, Auditing, Management & Economics

dividend signals while making those signals more difficult to interpret. However, these conditions vary across markets and institutions; classification as an emerging market does not, by itself, establish their severity (Jabbouri & El Attar, 2018; Al-Najjar & Kilincarslan, 2019). Third, governance arrangements and legal enforcement influence who benefits from a distribution and who bears its costs. Effective minority-shareholder rights can constrain excessive managerial retention, whereas creditor protection can restrict distributions that weaken repayment capacity. Ownership concentration may reduce information asymmetry for controlling investors without offering equivalent protection to outside shareholders. The agency implications of dividend payments therefore depend on the relative strength of these mechanisms, rather than on a simple classification of governance as either strong or weak (Lepetit et al., 2018). Fourth, prudential regulation restricts the set of feasible payout decisions and alters their informational content. Capital requirements, supervisory intervention and a bank's distance from applicable regulatory thresholds determine the opportunity cost of distributing earnings. A profitable bank may retain earnings because regulatory capital is scarce, while permission to distribute dividends may indicate sufficient capital rather than stronger future earnings. Capital regulation thus constrains managerial choice and shapes how stakeholders interpret payout decisions (Ashraf et al., 2016; Belloni et al., 2022).

These banking mechanisms should not be generalised automatically to all financial firms. For insurers, the relevant institutional conditions centre on solvency requirements and policyholder claims. The analysis of other financial intermediaries must similarly account for their particular funding structures and regulatory regimes.

2.6. Conceptual synthesis for the emerging-market financial sector

The integrated framework begins with the MM proposition that the payout policy is neutral under specified conditions. Institutional frictions determine whether changes in dividends convey information, affect agency costs or restrict the accumulation of internal capital. Disclosure quality influences the credibility of dividend signals; ownership structures and legal protections determine how the benefits and costs of distributions are allocated; and prudential requirements and access to external equity affect the relative cost of retention and payout.

These conditions shape both the dividend decision and stakeholders' responses to it. A positive association between dividends and firm value may therefore reflect stronger underlying profitability or capitalisation rather than an independent causal effect of the distribution itself. This framework yields three competing expectations. When external capital is readily available and dividend payments provide little additional information, their incremental effect on valuation is likely to be limited. When credible signalling or managerial discipline predominates, dividends may increase shareholder valuation and strengthen the confidence of funding providers. By contrast, when capital is scarce or shareholder–creditor conflicts are pronounced, distributions may weaken financial resilience even if shareholders benefit initially. These expectations serve as interpretive propositions for the review rather than hypotheses tested in this paper. The synthesis therefore distinguishes among firm valuation, announcement returns, share-price volatility, financial performance and depositor responses. Evidence concerning one outcome does not establish an equivalent effect on the others. Heterogeneous findings can instead be evaluated according to the underlying mechanism, the affected stakeholder and the institutional conditions examined in each study.

3. Methodology

This study employs a semi-systematic literature review and an integrative qualitative synthesis. The design is suited to a fragmented evidence base spanning different types of financial institution, emerging-market settings, outcome variables and empirical methods. The semi-

systematic component provides an explicit procedure for identifying and selecting studies. The integrative component enables comparison of theoretical mechanisms and interpretation of divergent findings across institutional settings (Snyder, 2019). The review is therefore distinct from both a selective narrative overview and a statistical meta-analysis (Tranfield et al., 2003; Snyder, 2019). Its purpose is to identify, appraise and synthesise empirical evidence on the relevance of dividends in the financial sector of emerging markets. Furthermore, the identification, screening, eligibility assessment and inclusion of studies are reported in line with the relevant PRISMA items (Page et al., 2021). This reporting framework makes the study-selection process more transparent.

3.1. Search sources and strategy

The literature search was conducted from 7 February to 30 April 2026, with 30 April 2026 serving as the review cut-off date. Scopus and Web of Science were the principal bibliographic databases. Google Scholar was used as a supplementary discovery tool to improve coverage of studies that may not have been indexed consistently. Additional searches were performed through ScienceDirect, Emerald Insight, SpringerLink and Wiley Online Library. Backward reference searching and forward citation tracking were then used to identify potentially eligible studies omitted by the database searches. No lower date limit was imposed on seminal theoretical contributions. The empirical search focused on peer-reviewed journal articles published between 2010 and 30 April 2026 in English or French.

The core Boolean expression was ("dividend policy" OR "dividend payout" OR "dividend irrelevance" OR "dividend relevance") AND ("bank" OR "financial institution" OR "insurer" OR "financial firm") AND ("emerging market" OR "developing economy" OR "developing country"). Where database functionality permitted, the expression was applied to titles, abstracts and keywords. Supplementary combinations linked the dividend terms to "firm value", "market value", "share price", "stock price volatility", "financial performance", "financial sustainability" and "depositors", as well as to the names of individual emerging economies. Database-specific field codes and operators were adapted without altering the underlying concepts.

Table 1. Sources and operational search parameters

Source	Operational search parameters
Scopus	Core Boolean expression searched in titles, abstracts and keywords; 2010–30 April 2026; journal articles; English or French.
Web of Science	Core Boolean expression searched by topic; 2010–30 April 2026; journal articles; English or French.
Google Scholar	Phrase-based variants of the core concepts; the first 143 results, ranked by relevance, were screened.
Supplementary searches	Publisher-platform searches, backward reference searching and forward citation tracking.

Source: Auteurs

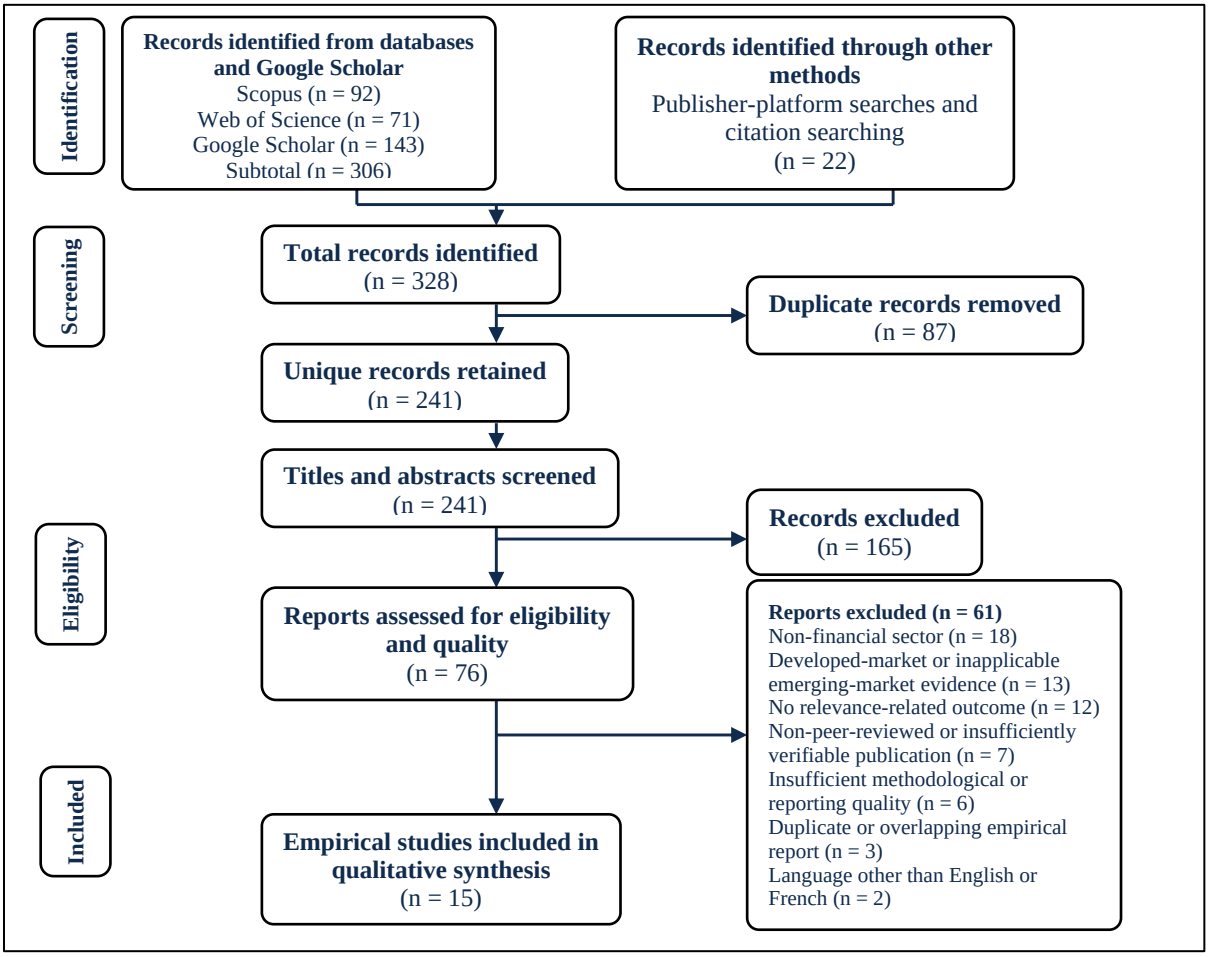
3.2. Eligibility criteria and selection process

A study was eligible when it (i) examined dividend policy or payout decisions; (ii) included banks, insurers or other financial institutions operating in an emerging market; (iii) evaluated a relevance-related outcome, namely firm or market value, share-price behaviour, financial performance, financial sustainability, or stakeholder and depositor responses; (iv) reported an identifiable empirical design, data source, sample and set of findings; and (v) appeared as a peer-reviewed journal article in English or French. Mixed-sector studies were retained only when financial firms constituted a meaningful component of the sample, and the analysis addressed an outcome relevant to the review question. A country's emerging-market status was determined with reference to the IMF and MSCI classifications applicable to the study period.

ISSN: 2658-8455
Volume 7, Issue 14 (2026), pp. 577-596.
© Authors: CC BY-NC-ND
IJAFAME
International Journal of Accounting, Finance, Auditing, Management & Economics

Studies were excluded if (i) they focused exclusively on non-financial firms or developed markets; (ii) examined only the determinants of dividend payout without considering a relevance-related outcome; (iii) did not provide sufficient information on their data, methods or findings; (iv) were not peer reviewed; (v) duplicated or substantially overlapped another report of the same evidence; or (vi) fell outside the language criteria. Records were screened in two stages. Titles and abstracts were assessed first, after which potentially eligible reports underwent full-text assessment. Where a complete article could not be obtained, indexed records and publisher information were examined to assess potential eligibility. The 15 studies included in the final synthesis were assessed in full text. Duplicate records were identified by comparing author names, publication year, article title and DOI.
The selection process is reported in Tables 2 and 3 and summarised in Figure 1.

Figure 1. PRISMA flow diagram of literature identification, screening and inclusion



Source: Author; flow structure adapted from PRISMA 2020 (Page et al., 2021).

Table 2. Study-selection results

Selection stage	Result
Identification	Scopus (n = 92), Web of Science (n = 71), Google Scholar (n = 143) and supplementary searches (n = 22); total records identified, n = 328.
Deduplication	Duplicate records removed (n = 87); unique records retained (n = 241).
Title and abstract screening	Records screened (n = 241); records excluded (n = 165).
Eligibility assessment	Reports assessed against the eligibility and quality criteria (n = 76); reports excluded (n = 61).
Qualitative synthesis	Empirical studies included (n = 15).

Source: Author.

Table 3. Reasons for exclusion following eligibility assessment

Reason for exclusion	**Count**
Exclusive focus on the non-financial sector	18
Developed-market setting or inapplicable emerging-market evidence	13
Dividend determinants examined without a relevance-related outcome	12
Non-peer-reviewed or insufficiently verifiable publication	7
Insufficient methodological or reporting quality	6
Duplicate or overlapping empirical report	3
Publication language other than English or French	2
Total	**61**

Source : Author.

3.3. Quality appraisal and evidence synthesis

Methodological quality was appraised before synthesis. The appraisal considered the clarity of the research question, the appropriateness and transparency of the sampling strategy, the reliability of the data source, the measurement of dividend policy and the relevant outcome, the suitability of the empirical method, the treatment of confounding or endogeneity where applicable, and the extent to which the conclusions followed from the reported results. The appraisal was used to determine whether a study offered sufficiently credible and interpretable evidence for inclusion. It was not converted into a single numerical score because the corpus contained heterogeneous research designs for which mechanically aggregated ratings could be misleading.

For each eligible study, information was entered into a structured extraction matrix comprising the author and publication year, country or region, type of financial institution, sample period, research method, dividend measure, outcome measure, principal finding and implication for dividend irrelevance. The 15 eligible studies were then organised into four outcome domains, namely (1) firm or market value, (2) share-price behaviour, (3) financial performance or sustainability, and (4) stakeholder or depositor responses. Within each domain, the synthesis compared the direction, statistical significance and substantive interpretation of the reported relationships. Cross-study differences were examined in relation to regulatory capital constraints, market frictions, ownership structures, disclosure quality and wider institutional conditions. Statistical pooling was not attempted because the studies differed materially in their outcomes, measures, samples and estimators.

3.4. Scope and limitations of the review

The final corpus comprises 15 studies that met the eligibility and quality requirements. Its limited size reflects the review's specific focus on dividend relevance in financial institutions operating in emerging markets. Studies concerned solely with the determinants of dividend policy fall outside this scope. The corpus supports a focused interpretive synthesis but does not warrant statistical generalisation across all emerging economies or types of financial institution. The transparency of the synthesis is supported by the use of multiple discovery sources, explicit search terms, documented selection counts, citation tracking and a standardised extraction framework.

Several limitations remain. Restricting the review to publications in English or French may have excluded relevant domestic-language research. Database coverage of local journals is uneven, and Google Scholar's relevance ranking is not fully reproducible. Mixed-sector samples may also obscure relationships specific to regulated financial institutions. In addition, limited full-text availability for some potentially eligible reports may have constrained the selection process.

ISSN: 2658-8455
Volume 7, Issue 14 (2026), pp. 577-596.
© Authors: CC BY-NC-ND
IJAFAME
International Journal of Accounting, Finance, Auditing, Management & Economics

4. Revisiting dividend policy relevance in the financial sector of emerging markets

The evidence on dividend policy in financial institutions is concentrated in banking, alongside studies of broader financial-sector samples and mixed-sector evidence. This coverage provides a stronger basis for interpreting bank behaviour than for drawing conclusions across all types of financial institution. Across these studies, dividends may convey information about earnings while reducing the resources retained within the institution. For deposit-taking institutions, payments may also reassure depositors about financial soundness. The discussion distinguishes valuation, announcement returns, price volatility and financial sustainability, since each concerns a different consequence of dividend policy.

4.1. Dividend policy and firm value

The valuation studies offer contrasting findings that may reflect differences in the information conveyed by dividends. Budagaga (2020) and Fadila et al. (2023) find limited additional information in dividend payments after considering accounting information for MENA and Indonesian banks. Their results suggest that investors may rely more on equity and earnings when assessing these institutions. Where accounts already provide a credible indication of financial strength, a distribution may add relatively little to that assessment.

Abdullah et al. (2025) provide some evidence of a positive dividend–valuation relationship for Turkish financial institutions, as do Ibrahim and Gwadabe (2025) for Nigerian banks. A cash payment may strengthen confidence that reported earnings are available for distribution. It may also reduce the resources left under managerial control, giving shareholders a benefit beyond the information conveyed. Financially stronger institutions could, however, sustain both larger distributions and higher valuations. The contrast with the MENA and Indonesian findings therefore raises a question about the additional benefit investors obtain from dividends, with information, managerial discretion and financial strength offering different explanations.

The Turkish evidence provides a more specific basis for considering discretion. Abdullah et al. (2025) report a stronger dividend–valuation relationship after mandatory payouts were abolished. A voluntary payment may reveal more about management's willingness to distribute earnings because retention remains an alternative. The stronger relationship following IFRS adoption also suggests that credible financial reporting may help investors assess whether a payment can be sustained. Considered alongside Budagaga (2020) and Fadila et al. (2023), this finding allows two interpretations of disclosure. Better accounts may reduce reliance on dividends as a source of information, or increase confidence in the distributions themselves. Which effect predominates remains an empirical question.

Ayunku and Apiri (2020) and Thapa (2025) associate cash distributions with higher share prices in Nigerian and Nepalese banks. Thapa (2025) also reports a negative dividend-yield relationship, which may partly reflect the construction of yield, since a fall in price raises the ratio even with an unchanged dividend. The opposing signs thus offer limited insight into whether investors value the payment differently. Hazratov et al. (2026) report an insignificant dividend–value relationship in ASEAN banks, although inconsistencies in the reported model make that result difficult to assess. Taken together, these studies provide mixed evidence on the contribution of dividends to valuation. They leave open both the reasons institutions choose to distribute earnings and the value attributable to the distribution itself.

4.2. Dividend announcements and share-price volatility

Announcement returns concern the news investors receive when a dividend is disclosed. Abaalkhail et al. (2025) find a positive announcement-day return in a Saudi sample that includes banks and insurers alongside non-financial companies. The result is reported for the combined

sample, with financial-sector participation rather than a separate financial-sector estimate. Ali and Chowdhury (2010) find that average price changes around announcements in Bangladeshi banks are statistically insignificant. Prakash and Karthick (2025) similarly report insignificant cumulative abnormal returns over the announcement window for Indian financial services companies. In the Baltic mixed-sector study, including financial firms, Legenzova et al. (2017) find positive average abnormal returns that are insignificant over the full period, although significant in some years. These findings provide uneven support for an announcement effect. An anticipated dividend may already be reflected in prices, while an unexpected payment may revise earnings expectations. Limited price adjustment at disclosure can therefore be consistent with investors valuing regular distributions.

The distinction between dividend increases, reductions and unchanged payments helps explain why reactions may differ within the same market. An increase may signal confidence in future earnings, but could also suggest fewer opportunities to reinvest. A reduction may indicate financial difficulty or a decision to preserve funds for expansion. Abaalkhail et al. (2025) report differences across these announcement categories, suggesting that investors respond to the information accompanying a payment as well as its amount. Averaging across categories may obscure such differences. For financial institutions, the interpretation may also depend on whether retained earnings support future business or meet regulatory capital needs. These possibilities concern the reasons for changing distributions, beyond the direction of the change alone. Next, price volatility concerns the variability of share prices rather than the immediate response to an announcement. Nazir et al. (2012) associate higher dividend yields with lower share-price volatility in Pakistani financial institutions, while the payout-ratio relationship is statistically insignificant. Camilleri et al. (2019) find that the dividend–volatility relationship among Mediterranean banks changes when crisis years are excluded. One possible explanation is that distributions accompany more predictable earnings during periods of financial stability. During a crisis, maintaining payments may reassure investors while also raising concerns about the resources available to absorb losses. This tension could help explain why the relationship varies with financial conditions, although neither study directly tests that explanation. Lower volatility would indicate a different outcome from an increase in institutional value.

4.3. Financial sustainability and depositor-related signalling

Financial sustainability concerns an institution’s capacity to continue operating and meeting its obligations. The evidence considered here relates specifically to banks. Oduro (2024) reports a positive relationship between dividends and the financial sustainability of Ghanaian rural and community banks. The sustainability measure includes capital strength and other aspects of financial soundness, extending the analysis beyond profitability alone. The result is consistent with banks having sufficient resources both to distribute earnings and to maintain their financial position. It offers less support for expecting higher dividends to improve the position of a financially constrained bank. Financial strength may enable payments, while payments may in turn influence the confidence of funders.

Forti and Schiozer (2015) examine the incentive to sustain dividends when banks depend on institutional depositors. Brazilian banks with greater reliance on this funding paid higher dividends, particularly during the financial crisis. The relationship also appears among closely held banks, whose shareholders have more direct access to management. This makes reassurance directed towards depositors a plausible explanation alongside signalling to shareholders. The authors interpret the payments in this way, although depositor perceptions are not directly measured. The subsequent recovery in deposits may reflect renewed confidence, with the contribution of dividends remaining uncertain.

The Brazilian and Ghanaian findings suggest a tension between reassuring funders and retaining capital. Banks whose institutional depositors can withdraw or transfer funds may have an

ISSN: 2658-8455
Volume 7, Issue 14 (2026), pp. 577-596.
© Authors: CC BY-NC-ND
IJAFAME
International Journal of Accounting, Finance, Auditing, Management & Economics

incentive to maintain distributions during uncertainty. If payments help sustain depositor confidence, they may protect a source of funding. At the same time, the funds distributed are no longer available to support lending or absorb losses. Forti and Schiozer (2015) discuss this pressure on lending capacity, while Oduro (2024) considers distributions in relation to financial sustainability and capital conditions. The potential benefit of reassurance therefore depends partly on the resources available after payment. This depositor-related explanation applies most directly to deposit-taking institutions.

4.4. Synthesis of prior empirical findings

Across the reviewed financial institutions, the evidence suggests that dividend relevance may depend on what a payment reveals and, on the resources retained after distribution. The banking studies suggest why shareholder and depositor responses may differ. Budagaga (2020) and Fadila et al. (2023) find limited additional valuation information for shareholders, whereas Forti and Schiozer (2015) identify a depositor-related incentive to distribute earnings. Shareholders assess expected returns, while depositors are concerned with repayment, so the same payment may inform different judgements. Findings on valuation and depositor-related signalling can consequently coexist. Evidence from broader financial-sector samples extends the valuation and market-response discussion, but the balance between confidence and deposit funding remains grounded mainly in banking.

Regulation may influence both the scope for distributing earnings and investors' interpretation of retention. A bank facing binding capital requirements may retain profits to comply, while a better-capitalised bank may retain them to finance additional lending. A dividend reduction alone offers limited information about these motives. Oduro (2024) examines capital conditions in relation to sustainability, while Abdullah et al. (2025) associate greater payout discretion with a stronger valuation relationship in Turkish financial institutions. Together, these studies suggest that the conditions governing distribution may help explain its meaning. Capital restrictions can protect creditors while reducing immediate payments to shareholders, creating potentially different consequences for the two groups.

The depth of financial markets may affect the cost of replacing distributed funds. Where new equity is expensive or difficult to raise, retention provides financial institutions with resources for investment and, in banks, lending. A distribution may therefore reassure investors while making future financing more costly. Trading liquidity concerns a separate issue, the speed with which information enters prices. Infrequent trading can delay adjustment, leaving a short observation window with little recorded response. Ali and Chowdhury (2010) also discuss the possibility that information reaches investors before the formal announcement. These explanations could account for limited adjustment at disclosure, but the reviewed studies provide little direct evidence on their relative importance. Access to finance and the timing of price adjustment thus offer distinct ways in which market conditions may influence the results.

Ownership and investor protection may influence how financial institutions use retained earnings. A controlling shareholder can monitor management directly, while minority shareholders may value distributions that reduce funds under insiders' control. Stronger shareholder rights may help minorities obtain payments; under weaker protection, institutions may instead distribute earnings to build a reputation for fair treatment. Creditors may favour retention when payments reduce the resources available to meet obligations. Lepetit et al. (2018) examine these competing interests in banking and provide context for interpreting the reviewed findings. Forti and Schiozer (2015) further suggest that concentrated ownership can coexist with pressure from depositors. Direct shareholder access to management may reduce the need for public signals to owners while leaving an incentive to reassure other funders.

These institutional explanations concern identifiable decisions about payout discretion, capital retention and the allocation of resources between shareholders and creditors. They offer

possible reasons for differences across studies, rather than a demonstrated account of country differences. Table 4 summarises the samples, methods and main findings. The evidence remains concentrated in banking, with more limited grounds for extending depositor-related or prudential explanations to other financial institutions. A central question is whether the confidence associated with a distribution compensates for the resources it uses. Research connecting payouts to subsequent funding, investment and financial soundness could clarify that balance, with deposit flows and lending providing relevant outcomes for banks.

Table 4. Comparative evidence on dividend policy in the financial sector

Study	Sample and period	Outcome and dividend measure	Empirical method	Main findings
Abdullah et al. (2025)	Turkey; 111 quoted financial firms; 1995–2017.	Share price and Tobin's Q; cash dividends per share and payout ratio.	Pooled ordinary least squares, fixed effects; Tobit for a separate dividend-smoothing model.	Cash dividends per share positively associated with valuation; payout-ratio coefficients statistically insignificant in the preferred fixed-effects models. Cash-dividend associations strengthen after IFRS adoption and the abolition of mandatory payouts.
Ibrahim and Gwadabe (2025)	Nigeria; 12 listed deposit money banks; 2015–2024.	Tobin's Q; payout ratio, with leverage and capital controls.	Fixed-effects panel regression with bank-clustered standard errors.	Positive payout–valuation association after accounting for debt and capital conditions.
Ayunku and Apiri (2020)	Nigeria; 21 quoted commercial banks; 2004–2018.	Equity price, in an error-correction model; payout, retention and yield.	Augmented Dickey–Fuller and Johansen tests; error-correction model, 14 adjusted observations.	Positive payout and yield associations with equity prices in aggregate banking data.
Budagaga (2020)	MENA region; 11 countries; 144 listed banks; 2000–2015.	Equity market value; annual returns in additional tests; payout and yield.	Extended Ohlson model; pooled ordinary least squares, random and fixed effects; fixed effects preferred.	Dividend associations statistically insignificant after accounting for equity and earnings.
Fadila et al. (2023)	Indonesia; 25 listed banks; 2011–2020.	Equity market value; annual returns in additional tests; payout and yield.	Extended Ohlson model; random effects in simple model, fixed effects with accounting controls; return checks.	Payout association weakens with accounting controls; dividend-yield association statistically insignificant.
Hazratov et al. (2026)	ASEAN region; 3 countries; 370 banks-years observations; 2020–2024.	Market capitalisation; dividend policy combines payout ratio, dividends per share and yield.	Panel data analysis; linear regression; fixed effects model; Robust standard errors;	Dividend policy has no statistically significant effect on corporate value among banks in Indonesia, Malaysia, and Singapore.
Thapa (2025)	Nepal; 16 development banks; 2014–2023.	Stock-price level; dividends per share, payout ratio and yield.	Correlation and multiple regression with residual diagnostics.	Dividends per share and payout positively associated with price; yield negatively associated.
Abaalkhail et al. (2025)	Saudi Arabia; 99 companies, including 10 banks and 7 insurers; 2011–2018.	Abnormal and excess returns; cash-dividend announcements and changes.	Market-model and market-adjusted event returns; 41-day window; t-tests and Wilcoxon tests.	Positive announcement-day return for the combined sample; responses differ across dividend-change categories.
Ali and Chowdhury (2010)	Bangladesh; 25 private commercial banks; January–September 2008.	Industry-adjusted price response around dividend announcements.	Event study using adjusted price comparisons and pooled t-tests; stated 44-day window.	Average price changes around announcements statistically insignificant; dividend announcements convey no significant information to the market.

ISSN: 2658-8455
Volume 7, Issue 14 (2026), pp. 577-596.
© Authors: CC BY-NC-ND
IJAFAME
International Journal of Accounting, Finance, Auditing, Management & Economics

Prakash and Karthick (2025)	India; 10 financial services firms, 79 announcements; 2013–2024.	Average and cumulative average abnormal returns around final dividends.	Market-model event study; 21-day window (−10 to +10); t-tests.	Cumulative abnormal returns statistically insignificant; lasting stock price impact from dividend announcements not supported.
Legenzova et al. (2017)	Baltic market; 40 dividend-paying firms, 168 announcements; 2010–2015; mixed sectors.	Average abnormal holding-period returns around announcements.	Market-adjusted event analysis; windows from −30 to +1, +3 and +7; t-tests.	Positive average abnormal returns, insignificant over the full period but significant in some years.
Nazir et al. (2012)	Pakistan; 75 continuously listed financial firms; 2006–2010.	Annual high–low share-price volatility; yield and payout ratio.	Fixed-effects panel regression with earnings volatility, growth, size and debt controls.	Higher yield associated with lower volatility; payout-ratio association statistically insignificant.
Camilleri et al. (2019)	16 Mediterranean countries; 95–139 listed banks per year; 2001–2016	Annual high–low share-price volatility; yield and payout ratio.	Ordinary least squares on 16 annual cross-bank averages; 14 excluding 2008–2009; cluster subsamples.	Dividend–volatility relationships vary with crisis-year inclusion and bank clusters formed using dividend yield and payout ratio.
Oduro (2024)	Ghana; 135 rural and community banks; 2011–2020.	Composite financial sustainability index, with ROI and EVA in additional models; dividend payout and recapitalisation indicators.	Dynamic panel system generalised method of moments; recapitalisation–payout interactions.	Positive payout–sustainability association; Recapitalization enhances long-term institutional sustainability; Relaxed dividend policy signals operational efficiency to shareholders.
Forti and Schiozer (2015)	Brazil; 168 banks; 2001–2009.	Total payout relative to earnings, comprising dividends, interest on equity and share repurchases; alternative payout measures; institutional-depositor funding as predictor.	Tobit and instrumental-variable Tobit; crisis interactions, ownership subsamples and robustness checks.	Greater reliance on institutional deposits associated with larger payouts, especially during the crisis; dividends used to signal asset quality and liquidity to information-sensitive depositors.

Source: Author.

5. Conclusion

The 15 studies reviewed suggest that dividend relevance in the financial sector of emerging markets depends on what a distribution adds to existing information and what retaining those earnings would permit the institution to do. The informational question helps interpret the contrast between limited incremental valuation information in MENA and Indonesian banks and positive associations in Turkish financial institutions. Credible accounts may reduce investors' reliance on dividends, but they may also make a voluntary payment more persuasive. In Turkey, stronger valuation associations after IFRS adoption and the abolition of mandatory payouts suggest a role for disclosure credibility and payout discretion. These findings admit competing interpretations of disclosure as a substitute for, or a complement to, dividend signals. The evidence does not establish which interpretation predominates across institutional settings. The cost of distributing rather than retaining earnings places a further condition on the relevance of those signals. Under MM's (1961) benchmark, external finance can replace distributed funds without additional cost, leaving investment policy unchanged. That substitution cannot be

assumed for banks facing costly equity issuance or binding prudential requirements. A payment may reassure investors or depositors while reducing the resources available for lending and loss absorption. Nor are its consequences necessarily shared equally, since shareholders may benefit from distributions that weaken creditors' protection. The review's theoretical contribution is to connect signalling and agency incentives to this constraint on capital replacement. Dividend relevance then depends on the interaction between the information conveyed and the financing consequences of the payment.

For managers, this interaction makes payout capacity inseparable from the uses of retained earnings. Positive associations between dividends and financial soundness offer limited guidance to an institution already facing a binding capital constraint, since stronger banks may simply be better able to distribute profits. The managerial implication is to assess whether the anticipated reassurance from a payment warrants its opportunity cost under the institution's financing conditions. Such an assessment requires distinguishing the strength that permits a distribution from any subsequent benefit attributable to it.

The empirical literature provides only a partial basis for making that distinction. The methodological contribution of this semi-systematic review is to make the comparisons explicit through a documented selection procedure and an assessment of differences in samples, measures and specifications. Separating valuation from announcement returns, price volatility and financial sustainability avoids treating unlike outcomes as equivalent tests of irrelevance. A muted price response to dividend announcements, for instance, may reflect information already incorporated into prices. Conversely, a positive valuation association can reflect underlying profitability or capitalisation. Neither result alone identifies the consequence of distributing an additional unit of earnings.

These inferential limits are compounded by the review's coverage. Fifteen studies provide a narrow basis for generalisation across emerging economies, particularly when banking predominates and some samples combine sectors or market classifications. Conclusions about insurers and other intermediaries remain correspondingly limited. Restricting eligibility to English and French creates possible language bias by excluding domestic studies. Heterogeneity in dividend indicators, outcomes and research designs precluded a meta-analysis, so the review supplies no pooled estimate or statistical decomposition of the divergent findings. Reporting inconsistencies and unresolved endogeneity further constrain interpretation.

Future research must therefore distinguish the proposed explanations more closely. The theoretical priority is to specify when disclosure substitutes for dividend information and when capital constraints alter the benefits of signalling or managerial discipline. Methodological work can then test these predictions using comparable measures and credible sources of variation in payout discretion, including regulatory changes where the identifying assumptions are defensible. Qualitative evidence on managerial decisions could clarify how those constraints operate. Empirical priorities concern underrepresented institutions and markets, alongside bank studies that connect payouts to subsequent deposit flows, lending and financial resilience. Bibliometric mapping can help locate omissions, but resolving the economic disagreement requires evidence on the consequences of distribution relative to retention under identifiable financing conditions.

References

(1). Abaalkhail, L., McCluskey, T., & Power, D. (2025). Dividend announcements and share price dynamics: New evidence from Saudi-listed companies using event study approach. *Frontiers in Applied Mathematics and Statistics, 11*, Article 1574134. https://doi.org/10.3389/fams.2025.1574134

ISSN: 2658-8455
Volume 7, Issue 14 (2026), pp. 577-596.
© Authors: CC BY-NC-ND

(2). Abdullah, H., Isiksal, A. Z., & Rasul, R. (2025). Dividend policy and firm value: Evidence of financial firms from Borsa Istanbul under the IFRS adoption. *Journal of Financial Reporting and Accounting*, *23*(1), 350–370. https://doi.org/10.1108/JFRA-04-2022-0147

(3). Acharya, V. V., Gujral, I., Kulkarni, N., & Shin, H. S. (2011). *Dividends and bank capital in the financial crisis of 2007–2009* (NBER Working Paper No. 16896). National Bureau of Economic Research. https://doi.org/10.3386/w16896

(4). Acosta-Smith, J., Baruník, J., Gerba, E., & Katsoulis, P. (2023). *Moderation or indulgence? Effects of bank distribution restrictions during stress* (Staff Working Paper No. 1053). Bank of England. https://www.bankofengland.co.uk/-/media/boe/files/working-paper/2023/moderation-or-indulgence-effects-of-bank-distribution-restrictions-during-stress.pdf

(5). Ali, M. B., & Chowdhury, T. A. (2010). Effect of dividend on stock price in emerging stock market: A study on the listed private commercial banks in DSE. *International Journal of Economics and Finance, 2*(4), 52–64. https://doi.org/10.5539/ijef.v2n4p52

(6). Allen, F., & Michaely, R. (2003). Payout policy. In G. M. Constantinides, M. Harris, & R. M. Stulz (Eds.), *Handbook of the economics of finance* (Vol. 1A, pp. 337–429). Elsevier. https://doi.org/10.1016/S1574-0102(03)01011-2

(7). Al-Najjar, B., & Kilincarslan, E. (2019). What do we know about the dividend puzzle? – A literature survey. *International Journal of Managerial Finance, 15*(2), 205–235. https://doi.org/10.1108/IJMF-03-2018-0090

(8). Ang, J. S., & Ciccone, S. J. (2009). Dividend irrelevance theory. In H. K. Baker (Ed.), *Dividends and dividend policy* (pp. 97–113). John Wiley & Sons. https://doi.org/10.1002/9781118258408.ch6

(9). Ashraf, B. N., Bibi, B., & Zheng, C. (2016). How to regulate bank dividends? Is capital regulation an answer? *Economic Modelling, 57*, 281–293. https://doi.org/10.1016/j.econmod.2016.05.005

(10). Ayunku, P. E., & Apiri, T. R. (2020). Dividend policy impact on market value of quoted commercial banks in Nigeria (2004–2018). *Saudi Journal of Business and Management Studies, 5*(3), 181–195. https://doi.org/10.36348/sjbms.2020.v05i03.002

(11). Azekkar, Y., El Mallouky, A., & El Ouafa, K. (2023). La politique de dividendes: Revue de littérature systématique. *International Journal of Accounting, Finance, Auditing, Management and Economics, 4*(3-1), 757–772. https://doi.org/10.5281/zenodo.8092710

(12). Baker, H. K., & De Ridder, A. (2018). Payout policy in industrial and financial firms. *Global Finance Journal, 37*, 138–151. https://doi.org/10.1016/j.gfj.2018.05.005

(13). Belloni, M., Grodzicki, M., & Jarmuzek, M. (2022). *Why European banks adjust their dividend payouts?* (IMF Working Paper No. 22/194). International Monetary Fund. https://doi.org/10.5089/9798400218972.001

(14). Bergmann, M. (2016). The rise in dividend payments. *RBA Bulletin*, March, 47–56. https://www.rba.gov.au/publications/bulletin/2016/mar/pdf/bu-0316-6.pdf

(15). Bernstein, P. L. (1996). Dividends: The puzzle. *Journal of Applied Corporate Finance, 9*(1), 16–22. https://doi.org/10.1111/j.1745-6622.1996.tb00097.x

(16). Bhattacharya, S. (1979). Imperfect information, dividend policy, and "the bird in the hand" fallacy. *The Bell Journal of Economics, 10*(1), 259–270. https://doi.org/10.2307/3003330

(17). Black, F. (1976). The dividend puzzle. *The Journal of Portfolio Management, 2*(2), 5–8. https://doi.org/10.3905/jpm.1976.408558

(18). Borges, M. R. (2009). *Is the dividend puzzle solved?* [Working paper]. SSRN 1343782. https://doi.org/10.2139/ssrn.1343782

(19). Brown, C., Handley, J., & O'Day, J. (2015). The dividend substitution hypothesis: Australian evidence. *Abacus, 51*(1), 37–62. https://doi.org/10.1111/abac.12041

(20). Budagaga, A. R. (2020). Dividend policy and market value of banks in MENA emerging markets: Residual income approach. *Journal of Capital Markets Studies, 4*(1), 25–45. https://doi.org/10.1108/JCMS-04-2020-0011

(21). Caiazzo, E., Gambacorta, L., Oliviero, T., & Shin, H. S. (2025). Corporate payout policy: Are financial firms different? *The Review of Corporate Finance Studies*, Article cfaf025. Advance online publication. https://doi.org/10.1093/rcfs/cfaf025

(22). Camilleri, S. J., Grima, L., & Grima, S. (2019). The effect of dividend policy on share price volatility: An analysis of Mediterranean banks' stocks. *Managerial Finance, 45*(2), 348–364. https://doi.org/10.1108/MF-11-2017-0451

(23). Damodaran, A. (2014). Applied corporate finance (4th ed.). *John Wiley & Sons*. https://pages.stern.nyu.edu/~adamodar/pdfiles/acf4E/acf4Ebook.pdf

(24). Dautović, E., Gambacorta, L., & Reghezza, A. (2023). *Supervisory policy stimulus: Evidence from the euro area dividend recommendation* (Working Paper No. 2796). European Central Bank. https://www.ecb.europa.eu/pub/pdf/scpwps/ecb.wp2796~9d1860e15e.en.pdf

(25). Dhanani, A. (2005). Corporate dividend policy: The views of British financial managers. *Journal of Business Finance & Accounting, 32*(7–8), 1625–1672. https://doi.org/10.1111/j.0306-686X.2005.00643.x

(26). Easterbrook, F. H. (1984). Two agency-cost explanations of dividends. *The American Economic Review, 74*(4), 650–659. https://www.jstor.org/stable/1805130

(27). Fadila, A., Nugraheni, S., & Utami, K. (2023). Correlation among dividend policy and market value of equity in banking industry: A residual income approach. *Nominal: Barometer Riset Akuntansi dan Manajemen, 12*(1), 72–83. https://doi.org/10.21831/nominal.v12i1.54284

(28). Feldstein, M. S., & Green, J. R. (1979). *Why do companies pay dividends?* (NBER Working Paper No. 413). National Bureau of Economic Research. https://doi.org/10.3386/w0413

(29). Floyd, E., Li, N., & Skinner, D. J. (2015). Payout policy through the financial crisis: The growth of repurchases and the resilience of dividends. *Journal of Financial Economics, 118*(2), 299–316. https://doi.org/10.1016/j.jfineco.2015.08.002

(30). Forti, C., & Schiozer, R. F. (2015). Bank dividends and signaling to information-sensitive depositors. *Journal of Banking & Finance, 56*, 1–11. https://doi.org/10.1016/j.jbankfin.2015.02.011

(31). Głód, J., Klapkiv, L., Białek-Jaworska, A., & Opolski, K. (2020, May). Dividends of life insurance companies and the solvency capital requirements. In *Contemporary Trends and Challenges in Finance: Proceedings from the 5th Wroclaw International Conference in Finance* (pp. 221-230). Cham: Springer International Publishing. https://doi.org/10.1007/978-3-030-43078-8_18

(32). Gordon, M. J. (1963). Optimal investment and financing policy. *The Journal of Finance, 18*(2), 264–272. https://doi.org/10.1111/j.1540-6261.1963.tb00722.x

(33). Grullon, G., & Michaely, R. (2002). Dividends, share repurchases, and the substitution hypothesis. *The Journal of Finance, 57*(4), 1649–1684. https://doi.org/10.1111/1540-6261.00474

(34). Hazratov, B., Supriatna, N., & Solikin, I. (2026). Assessing the effect of dividend policy on corporate value in the ASEAN financial sector. *Journal of Development Economics and Digitalization, Tourism Economics, 3*(2), 94–101. https://doi.org/10.70248/jdedte.v3i2.3617

ISSN: 2658-8455
Volume 7, Issue 14 (2026), pp. 577-596.
© Authors: CC BY-NC-ND
IJAFAME
International Journal of Accounting, Finance, Auditing, Management & Economics

(35). Ibrahim, L., & Gwadabe, H. A. (2025). Dividend payout, leverage, and firm value of listed deposit money banks in Nigeria. *International Journal of Management Science and Business Analysis Research, 10*(7), 164–181. https://doi.org/10.70382/caijmsbar.v10i7.055

(36). Ilie, L. (2011). Dividend controversy: A theoretical approach. *Studies in Business and Economics, 6*(3), 110–118. https://ideas.repec.org/a/blg/journl/v6y2011i3p110-118.html

(37). Jabbouri, I., & El Attar, A. (2018). The dividend paradox: A literature review. *International Journal of Markets and Business Systems, 3*(3), 197–221. https://doi.org/10.1504/IJMABS.2018.093292

(38). Jensen, M. C. (1986). Agency costs of free cash flow, corporate finance, and takeovers. *The American Economic Review, 76*(2), 323–329. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=99580

(39). John, K., & Williams, J. (1985). Dividends, dilution, and taxes: A signalling equilibrium. *The Journal of Finance, 40*(4), 1053–1070. https://doi.org/10.1111/j.1540-6261.1985.tb02363.x

(40). Keown, A. J., Martin, J. D., & Petty, J. W. (2017). *Foundations of finance: The logic and practice of financial management* (9th ed.). Pearson. https://repositori.mypolycc.edu.my/bitstream/123456789/5408/1/Foundations%20of%20Finance%20%28John%20D.%20Martin%20etc.%29%20%28z-lib.org%29.pdf

(41). Lee, C. F., & Lee, A. C. (2021). Investment, financing, dividend, and production policies: Review and integration. *Review of Pacific Basin Financial Markets and Policies, 24*(3), Article 2150018. https://doi.org/10.1142/S0219091521500181

(42). Legenzova, R., Jurakovaitė, O., & Galinskaitė, A. (2017). The analysis of dividend announcement impact on stock prices of Baltic companies. *Central European Business Review, 6*(1), 61–75. https://doi.org/10.18267/j.cebr.173

(43). Lepetit, L., Meslier, C., Strobel, F., & Wardhana, L. (2018). Bank dividends, agency costs and shareholder and creditor rights. *International Review of Financial Analysis, 56*, 93–111. https://doi.org/10.1016/j.irfa.2017.12.007

(44). Lintner, J. (1964). Optimal dividends and corporate growth under uncertainty. *The Quarterly Journal of Economics, 78*(1), 49–95. https://doi.org/10.2307/1880545

(45). Miller, M. H., & Modigliani, F. (1961). Dividend policy, growth, and the valuation of shares. *The Journal of Business, 34*(4), 411–433. https://doi.org/10.1086/294442

(46). Miller, M. H., & Rock, K. (1985). Dividend policy under asymmetric information. *The Journal of Finance, 40*(4), 1031–1051. https://doi.org/10.1111/j.1540-6261.1985.tb02362.x

(47). Nazir, M. S., Abdullah, M. M. N., & Nawaz, M. (2012). How dividend policy affects volatility of stock prices of financial sector firms of Pakistan. *EuroJournals Publishing Incorporation: American Journal of Scientific Research*, 61(1), 132-139. https://www.researchgate.net/publication/351118405_How_Dividend_Policy_Affects_Volatility_of_Stock_Prices_of_Financial_Sector_Firms_of_Pakistan

(48). Oduro, R. (2024). Impact of recapitalisation and dividend payout policies on financial sustainability of rural and community banks in Ghana. *Future Business Journal, 10*(1), Article 11. https://doi.org/10.1186/s43093-023-00292-3

(49). Page, M. J., McKenzie, J. E., Bossuyt, P. M., Boutron, I., Hoffmann, T. C., Mulrow, C. D., Shamseer, L., Tetzlaff, J. M., Akl, E. A., Brennan, S. E., Chou, R., Glanville, J., Grimshaw, J. M., Hróbjartsson, A., Lalu, M. M., Li, T., Loder, E. W., Mayo-Wilson, E., McDonald, S., … Moher, D. (2021). The PRISMA 2020 statement: An updated guideline for reporting systematic reviews. *BMJ, 372*, Article n71. https://doi.org/10.1136/bmj.n71

(50). Prakash, P. A., & Karthick, M. (2025). Announcement effect of dividends and share price response: Evidence from Indian financial services companies. *European Economic Letters*, *15*(4), 497–506. https://www.eelet.org.uk/index.php/journal/article/view/3657

(51). Safdar, M. Z., Gulab, H., Khan, M. A. E., & Shehnaz. (2025). Finance in emerging economies: Challenges and opportunities in capital market development. *Research Journal for Social Affairs*, *3*(6), 235–248. https://doi.org/10.71317/RJSA.003.06.0449

(52). Snyder, H. (2019). Literature review as a research methodology: An overview and guidelines. *Journal of Business Research*, *104*, 333–339. https://doi.org/10.1016/j.jbusres.2019.07.039

(53). Thapa, B. K. (2025). Influence of dividend policy on stock price of Nepalese development banks. *People's Journal of Management*, *13*(1), 12–23. https://doi.org/10.3126/pjm.v13i1.74402

(54). Tran, D. V. (2022). How do depositors respond to bank dividend policy? Evidence from market discipline, global financial crisis and COVID-19 pandemic. *Asian Academy of Management Journal of Accounting and Finance*, *18*(2), 21–39. https://doi.org/10.21315/aamjaf2022.18.2.2

(55). Tranfield, D., Denyer, D., & Smart, P. (2003). Towards a methodology for developing evidence-informed management knowledge by means of systematic review. *British Journal of Management*, *14*(3), 207–222. https://doi.org/10.1111/1467-8551.00375

(56). Watson, D., Head, A., & Chan, D. (2023). Corporate finance: Principles and practice (9th ed.). *Pearson Education Limited*. https://duikt.edu.ua/uploads/l_426_21838153.pdf