

EARNINGS MANAGEMENT AND FUTURE DIVIDEND PAY-OUT: A STUDY OF LISTED NON-FINANCIAL FIRMS IN NIGERIA

Uwuigbe Uwalomwa*

Department of Accounting, Faculty of Business Management, Majan University College, Oman
E-mail: uwalomwa1234@gmail.com

Uwuigbe Olubukunola

Department of Accounting, Covenant University, Nigeria
E-mail: bukola.uwuigbe@covenantuniversity.edu.ng

Eluyela Damilola

Tasmanian School of Business and Economics, University of Tasmania, Australia
E-mail: damilola.eluyela@gmail.com

Martins Bankole Olajide

Department of Economics, Bowling Green State University, United States of America
E-mail: bankole.martins@yahoo.com

Olawale Adeniyi Aina

Accounting, Covenant University, Nigeria
E-mail: ainaadeniyi@gmail.com

(Received: June 2025; Accepted: November 2025; Published: October 2026)

Abstract: This scholarly inquiry examines the extent to which earnings management practices exert influence over subsequent dividend disbursements within a cohort of 32 non-financial corporations listed on the Nigerian Exchange Group, spanning the period from 2020 to 2023. Employing panel data analysis, the investigation assessed the repercussions of both accrual-based and real earnings management, while simultaneously controlling for variables such as current dividend payout, earnings per share (EPS), liquidity, firm size, and leverage. Descriptive statistical analysis indicated considerable heterogeneity in dividend payouts among the sampled firms. A fixed-effects model, corroborated by the Hausman test, was utilised for the regression analysis, producing an R-squared value of 0.457, which suggests a

* Corresponding author: Uwuigbe Uwalomwa. E-mail: uwalomwa1234@gmail.com

Copyright © 2026 The Author(s). Published by VGWU Press

This is an Open Access article distributed under the terms of the Creative Commons BY 4.0 license (Creative Commons — Attribution 4.0 International — CC BY 4.0) which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited.

Uwalomwa, U., Olubukunola, U., Damilola, E., Olajide, M.B., Aina, O.A., (2026)

Earnings Management and Future Dividend Pay-out: A Study of Listed Non-financial Firms in Nigeria

moderate degree of explanatory capability. The principal findings reveal that neither category of earnings management, discretionary accruals ($p = 0.8154$) nor real activities manipulation ($p = 0.2215$), exerts a statistically significant influence on forthcoming dividends, thereby necessitating the rejection of the study's principal hypotheses. In contrast, the decisions regarding dividends were chiefly influenced by fundamental financial indicators: EPS exhibited a robust positive correlation ($\beta = 0.439$, $p = 0.0001$), leverage demonstrated a significant adverse relationship ($\beta = -0.694$, $p = 0.0397$), and liquidity also presented a positive and significant effect ($p = 0.0486$). The study concludes that, within the Nigerian context, earnings management fails to serve as a dependable predictor of dividends. It underscores the imperative for corporations to focus on genuine profitability and prudent financial governance, and it advocates for enhanced regulatory oversight to facilitate transparent reporting, thereby safeguarding investor interests and promoting sustainable dividend policies.

Keywords: Earnings management; Dividend Policy; Accrual and Real Earnings Management; Nigeria; Emerging Markets Finance.

JEL CODES: M41, G34, G35, M41, M48, O55, G32, G15.

1. Introduction

The phenomenon of earnings management has emerged as a prominent concern in the realm of corporate financial reporting, particularly within developing nations that frequently exhibit inadequate or ineffective regulatory infrastructures. Reported earnings serve as a fundamental metric of corporate performance and influence strategic decisions, including those related to dividend policies; however, the manipulation of such earnings undermines their integrity (Diri, 2017; Marzena, 2024). Recent trends have underscored a growing unease regarding managerial oversight of financial disclosures, casting doubt on the authenticity of earnings information that is critical for making dividend-related determinations (Shittu, Onifade, Aminu, & Ajibola, 2023). The concept of earnings management has attracted considerable scholarly attention, as well as interest from investors and regulatory institutions worldwide (Gunny, 2010; Shittu and Amao, 2022; Lizińska, 2024; Marzena, 2024). In recent times, an extensive examination of earnings management vis-à-vis dividends has taken place. The issue of earnings management has drawn substantial international scrutiny due to its potential ramifications on the accuracy of financial reporting, investor confidence, and market efficiency. The significance of earnings for shareholders is paramount, as they provide vital insights into a firm's financial health (James & Paul, 1999; Remlein, 2024).

Uwalomwa, U., Olubukunola, U., Damilola, E., Olajide, M.B., Aina, O.A., (2026)

Earnings Management and Future Dividend Pay-out: A Study of Listed Non-financial Firms in Nigeria

While not intrinsically erroneous, the practice of earnings management evokes apprehensions regarding its ramifications for stakeholders, particularly concerning forthcoming dividend distributions (Healy & Palepu, 1988a; Noronha et al., 2008; Monsuru & Adetunji, 2014). Healy and Wahlen (1999) characterise earnings management as the intentional manipulation of financial reporting and transaction structuring by executives to modify financial statements, which could ultimately mislead stakeholders regarding the organisation's economic performance. Burgstahler and Dichev (1997) describe it as intentionally manipulating reported earnings to achieve specific objectives or secure personal benefits. Monsuru and Adetunji (2014) opine that managers might employ various tactics to distort reported earnings while still distributing substantial dividends to shareholders, thereby enhancing the company's market value. Despite Levitt's (1998) argument that such practices undermine the integrity of earnings and weaken financial reporting quality, In Nigeria's evolving economic environment, earnings management has gained significant traction owing to its potential impact on investors, stakeholders, and the overall integrity of financial markets (Uwuigbe *et al.*, 2015). As a prominent player in the African economy, the Nigerian economy has experienced rapid growth and development in its financial markets over the past few decades. Conversely, the phenomenon of corporate expansion has been accompanied by a myriad of challenges that pertain to the domains of corporate governance, financial reporting, and overall transparency within the business environment (Uwuigbe, Jafaru, & Ajayi, 2012). As the financial markets in Nigeria have undergone significant development over the years, the nation has simultaneously grappled with a multitude of complex issues related to corporate governance, the accuracy of financial reporting, and the essential principle of transparency in business practices (Uwuigbe, Peter, & Oyeniyi, 2014). The prevalence of aggressive earnings management strategies poses a substantial risk to market integrity, a situation that can have far-reaching negative consequences if not adequately addressed; businesses often find themselves under immense pressure to meet market expectations and sustain robust stock performance, which may lead them to succumb to the temptation of manipulating their reported earnings figures. Consequently, it is of paramount importance to conduct a thorough and comprehensive evaluation of the practices associated with earnings management, as such an assessment is crucial for understanding the broader implications for market integrity and corporate accountability.

Earnings management, however, is not always about accounting manipulations (Roychowdhury, 2006). It has been associated with vital issues such as investors'

Uwalomwa, U., Olubukunola, U., Damilola, E., Olajide, M.B., Aina, O.A., (2026)

Earnings Management and Future Dividend Pay-out: A Study of Listed Non-financial Firms in Nigeria

confidence, market efficiency, and financial reporting credibility (Uwalomwa, Uwuigbe, & Bernard, 2015). Firms can manipulate their profit data to portray a non-representative picture of their actual performance and financial position to stakeholders such as creditors, shareholders, and investors. Investor confidence is then lost, and an inefficient allocation of capital and other resources ensues. Market credibility is also at risk since the perceived legitimacy of the market is distorted (Leuz et al., 2003). A core financial challenge in the corporate world today is that of earnings management's impact on future dividends. Firms use earnings management devices to massage their financial statements for many different reasons. This has raised questions on the extent to which the practice of earnings management affects shareholder value creation through the dividend policy channel. The current growth in the research on the relationship between earnings management and dividend policy notwithstanding, there has not been any consensus on the nature of the link between the two. As a result, this research attempts to explore the relationship between earnings management and future dividend payouts in quoted non-financial firms in Nigeria.

The structure of this paper is as follows. The introduction is followed by a review of relevant literature and the development. The methodology section, discussion of findings, conclusions, and recommendations are stated in sections 3, 4, and 5, respectively.

2. Literature review and hypothesis development

2.1. Theoretical Foundations

This study uses signalling theory to gain insights into the topic being researched. Spence (1973) stated that the basic premise of signalling theory is that managers use dividends as a means of passing on private information on a firm's prospects. According to signalling theory, managers provide signals to indicate information that can be useful to investors on a company's performance and its future (DeAngelo et al., 2004). Managers would be expected to alter earnings, so as to send signals of strong performance and of future dividends to signal earnings management and dividends (Bhattacharya, 1979).

The theory recognised the knowledge gap between managers and investors and took into account issues of accurate signals and management-shareholder incentives (Black, 1976; Miller & Rock, 1985). This study uses signalling theory to meet and bridge the knowledge gap. As a result, the theory will help the organisation to find a means to pass on credible signals to the investors (Dong, Robinson, & Veld, 2005). In addition, Signal theory will also be of help in managers sending signals to the

Uwalomwa, U., Olubukunola, U., Damilola, E., Olajide, M.B., Aina, O.A., (2026)

Earnings Management and Future Dividend Pay-out: A Study of Listed Non-financial Firms in Nigeria

investors through earnings management and dividends. This will help in enabling the business to successfully recruit investors and also to have happy shareholders (Anton, 2016). The signalling theory is bounded by the investor's assumption of rationality and the prospect of managers manipulating the company's signal, as they will not pass credible information like earnings or dividends to the investors, and as such will lose their trust, burden the company, and be a waste of company resources if they do not meet up. The significance of the theory is that, as a research paradigm, it offers a consistent explanation of the distribution and receipt of information, as well as a profound impact on investor conduct and market results. The signalling theory is applied in this study because of its consistency with previous research. As a result, the signalling theory will provide a consistent and suitable framework to conceptualise the relationship between earnings management and future dividend payouts of Nigerian-listed non-financial firms and their special features and business environment challenges.

2.2. Review of Related Literature on Earnings Management and Future Dividend Payout

This section delineates the essential interplay between earnings management and dividend policy as pivotal determinants of corporate financial strategy and investor perception. While seminal theories posited by Watts & Zimmerman (1986) and Healy & Wahlen (1999) furnish critical frameworks for comprehending the motivations behind earnings manipulation, they remain predominantly theoretical with insufficient empirical validation in the context of emerging markets. Subsequent investigations conducted by Uwuigbe et al. (2012; 2014) and Kazemi et al. (2014) have enhanced the understanding of these phenomena in isolation and acknowledged their combined significance; however, notable deficiencies continue to exist. Specifically, the extant literature lacks definitive insights regarding the causal relationship between earnings management and dividend decisions, particularly concerning whether dividend policies serve to constrain earnings manipulation or if manipulated earnings misrepresent dividend signals. This study endeavours to rectify these deficiencies by empirically scrutinising this dynamic relationship within the framework of an emerging market context.

The nexus between Earnings management and future dividend payout remains a topic of scholarly discourse, with the extant literature illuminating both strategic opportunities and considerable hazards. Adelegan (2003) asserts a positive correlation, contending that earnings management engenders a favourable financial environment and enhances investor trust, frequently through the implementation of artificially inflated or normalised dividends. Nonetheless, a significant empirical

Uwalomwa, U., Olubukunola, U., Damilola, E., Olajide, M.B., Aina, O.A., (2026)

Earnings Management and Future Dividend Pay-out: A Study of Listed Non-financial Firms in Nigeria

deficiency persists in substantiating whether this alleged confidence translates into enduring, long-term market advantages or merely fabricates a transient illusion that ultimately diminishes value. Further complicating this viewpoint, Rafique (2012) characterises the relationship as ethically captivating and intricate, observing that although the immediate objective of wealth generation may appear advantageous, the long-term repercussions of exposure, such as diminished investor confidence, are profoundly detrimental. This situation engenders a pivotal empirical lacuna: a dearth of comprehensive, quantitative data delineating the precise threshold at which the ephemeral advantages of this strategy are eclipsed by the enduring reputational and financial detriments. Amplifying the associated risks, Farinha & Moreira (2007) propose that excessive earnings management can obscure a firm's authentic financial condition, resulting in capital misallocation and financial turmoil. The empirical gap in this context pertains to a direct, causal relationship; additional research is imperative to definitively illustrate how specific earnings management practices directly trigger quantifiable instances of financial misallocation or distress within organisations. Collectively, these investigations delineate a contentious relationship yet leave considerable voids in comprehending its causality, boundary conditions, and definitive long-term implications.

A considerable body of academic literature about the relationship between alterations in dividend policy and the ensuing profitability has generated substantial yet ambiguous findings. A notable segment of this scholarship delineates a persistent correlation, positing that modifications in dividends are positively related to prospective earnings. For example, Aharony and Dotan (1994) illustrate that announcements regarding dividends transmit information concerning forecasted profitability, while Chen and Wu (1999) and Nissim and Ziv (2001) establish that changes in dividends serve as precursors to sustainable shifts in earnings. Nonetheless, a significant empirical lacuna is evident in these foundational signaling studies, as they predominantly affirm correlation without comprehensively addressing alternative interpretations, such as simultaneous corporate events or intrinsic firm maturity, which may jointly precipitate both dividend alterations and enhancements in earnings. This viewpoint is further corroborated by Arnott and Asness (2001, 2003) and Harada and Nguyen (2005), who contend that dividends possess predictive capabilities for long-term growth, a perspective bolstered by cross-national evidence from Baker, Mukherjee, and Paskelian (2006) and Vivian (2006). A pivotal deficiency in this domain of inquiry is its overwhelming emphasis on developed markets, thereby leaving the generalizability of these predictive associations to emerging economies, characterised by disparate investor protections

Uwalomwa, U., Olubukunola, U., Damilola, E., Olajide, M.B., Aina, O.A., (2026)

Earnings Management and Future Dividend Pay-out: A Study of Listed Non-financial Firms in Nigeria

and market efficiencies, largely unexamined. The prevailing consensus that dividends mitigate information asymmetry, as articulated by Stacescu (2006) and substantiated by findings from Lipson, Maquieira, and Megginson (1998) concerning new dividend issuers and Dhillon, Raman, and Ramírez (2003) regarding analyst forecasts, robustly supports the signalling hypothesis. However, a significant empirical void persists in comprehending the specific mechanisms through which this signal is legitimised; it remains ambiguous whether the subsequent enhancement in performance is a direct consequence of the market's response to the signal or arises from ancillary disciplinary effects that dividend commitments impose on managerial practices. Consequently, while the signalling theory is well-substantiated, the precise causal pathways and contextual limitations of its applicability necessitate further rigorous examination.

A substantial corpus of scholarly inquiry interrogates the strength and resilience of the association between alterations in dividend policy and future profitability, thereby casting doubt on the fundamental assertion of the signalling theory. This scepticism is historically entrenched; one of the pioneering investigations conducted by Watts (1973) discovered minimal empirical validation for the proposition that dividends transmit dependable information regarding future earnings. This viewpoint was subsequently emphasised by DeAngelo and Skinner (1992; 1996), who assert that changes in dividends do not exhibit systematic correlations with ensuing abnormal enhancements in earnings. They argue that the dividend signal is frequently too ambiguous to provide significant insights and may be influenced by variables apart from managerial foresight. In support of this perspective, Benartzi, Michaely, and Thaler (1997) present only tenuous evidence that increases in dividends are predictive of future earnings growth, ultimately concluding that the predictive capacity of dividends is markedly exaggerated.

Further complexity is introduced by Grullon, Michaely, and Swaminathan (2002), who propose that although alterations in dividends may signal transitions within a firm's life cycle, such as progression to maturity or shifts in risk profile, they do not consistently correlate with enhanced future earnings performance. This consensus regarding the restricted informativeness of dividends is corroborated by subsequent investigations. Specifically, findings from Benartzi et al. (2005) and Lie (2005) elucidate that the ability of dividend alterations to forecast future profitability is, at best, circumscribed, thereby perpetuating scepticism towards the signalling hypothesis.

Research conducted within the context of emerging markets similarly reveals disparate conclusions concerning the relationship between dividend policy and

Uwalomwa, U., Olubukunola, U., Damilola, E., Olajide, M.B., Aina, O.A., (2026)

Earnings Management and Future Dividend Pay-out: A Study of Listed Non-financial Firms in Nigeria

earnings management. For instance, empirical investigations by Aurangzeb and Dilawer (2012) and Haider et al. (2012) focusing on publicly listed enterprises in Pakistan demonstrate a negative association between earnings management and the dividend payout ratio. This indicates that while artificially elevated earnings may augment firm valuation, they do not necessarily reflect operational effectiveness and may fail to convert into distributable cash flows. These investigations assert that constrained growth in cash flows, even in the presence of increasing reported profits, can ultimately hinder a firm's ability to distribute dividends, resulting in diminished payout ratios and yields. This viewpoint is corroborated by Shah et al. (2010) and Chansarn and Chansarn (2016), who report the absence of a significant correlation between earnings management and dividend policy, suggesting that manipulative reporting practices do not invariably affect payout decisions.

In contrast, alternative studies are consistent with a signaling or disciplining hypothesis. He et al. (2017) and Smith et al. (2017) contend that dividend disbursements exert a negative influence on earnings management, indicating that the pledge to regular distributions disciplines managerial behavior and reduces instances of manipulation. Supporting this disciplining effect, Handoyo and Kusumaningrum (2022) present evidence from the banking sector in Indonesia that dividend payments serve to deter earnings management behaviors. Nonetheless, the relationship does not exhibit universal consistency. Eskandar and Bolori (2021), in their examination of the Iranian market, illustrate that dividends can, in fact, promote earnings manipulation, particularly within specific ownership configurations. Finally, placing an emphasis on reporting quality, Salah and Jarboui (2022) ascertain that in the French market from 2008 to 2015, dividend payments are positively correlated with the quality of financial reporting, suggesting that firms exhibiting greater transparency in earnings are more likely to sustain consistent dividend distributions.

Srikanth and Prasad (2015), in their analysis of firms operating within the Indian economic framework, utilized discretionary accruals alongside dividend payout ratios and determined that discretionary accruals negatively impacted dividend distributions. Although their findings provide valuable insights, they are constrained by the institutional and regulatory milieu of India, which raises critical inquiries regarding the applicability of these results to other emerging markets characterized by distinct governance structures and reporting frameworks. Expanding the discourse to encompass a multi-national perspective, Vieira (2017) examined this correlation across the G5 countries and similarly identified a negative correlation between earnings management and payout strategies. His conclusions imply that

Uwalomwa, U., Olubukunola, U., Damilola, E., Olajide, M.B., Aina, O.A., (2026)

Earnings Management and Future Dividend Pay-out: A Study of Listed Non-financial Firms in Nigeria

dividend policy may function as a governance instrument capable of alleviating agency conflicts. Nevertheless, the investigation predominantly established correlation as opposed to causation. It remains ambiguous whether enhanced dividend obligations actively regulate managerial behavior, thereby decreasing earnings manipulation, or if firms that inherently exhibit lower manipulation tendencies are merely better positioned to maintain elevated payout levels.

Collectively, these scholarly contributions present evidence of an inverse relationship between earnings management and dividend policy. However, they concurrently highlight enduring empirical deficiencies—particularly concerning the directionality of causation and the influence of country-specific institutional frameworks. Addressing these deficiencies is imperative for attaining a more profound comprehension of how dividend policies operate within diverse market and governance contexts.

In Nigeria, Abed *et al.* (2012) investigated the impact of conservative accounting policies on earnings management, finding a positive correlation between conservatism and both performance and earnings management, but a negative relationship between conservatism and company size. Ajide and Aderemi (2014) found that earnings management negatively impacts dividend policy in Nigerian firms, though it is not a significant factor in determining dividend payouts. Additionally, Uzoaga and Alozieuwa (1974) noted that during and after indigenisation, dividend policy in Nigerian companies was influenced more by apprehension and disapproval than by traditional factors, underscoring the contentious nature of these investigations. Subsequent studies by Inanga (1975, 1978), Soyode (1975), and Oyejide (1976) criticised Uzoaga and Alozieuwa for not empirically testing conventional factors affecting dividend changes. Both Inanga and Soyode also did not empirically examine the applicability of Lintner's model to Nigerian firms' dividend policies, although they suggested both conventional and unconventional factors influenced dividend behaviour. Conversely, Oyejide (1976) tested Britain's modified Lintner model over eight years with 19 companies, finding strong evidence supporting the model's relevance in Nigeria.

Despite global studies on the subject, research on earnings management and dividend payouts in Nigeria remains sparse. Izedonmi and Eriki (1996) and Adelegan (2003) supported Oyejide's (1976) findings, particularly concerning the modified Lintner model and the incremental information content of cash flow. Osazevbaru (2012) explored creative accounting practices in Nigeria, finding that they positively impacted company value and share price. However, there is limited focus on the relationship between earnings management and future dividend payouts in Nigerian

Uwalomwa, U., Olubukunola, U., Damilola, E., Olajide, M.B., Aina, O.A., (2026)

Earnings Management and Future Dividend Pay-out: A Study of Listed Non-financial Firms in Nigeria

non-financial listed firms. Existing studies on earnings management and dividend payouts are more prevalent in developed economies such as China, the United States, Russia, and France (Leuz *et al.*, 2003b). However, emerging economies like Nigeria, Ghana, Somalia, Egypt, and Kenya face significant institutional differences that hinder research on this topic (Uwuigbe *et al.*, 2015). This gap in the literature highlights the need for studies focused on the Nigerian context to understand how earnings management practices influence dividend policies.

Given Nigeria's unique economic and regulatory environment, exploring the impact of earnings management on dividend policies is essential. This study is significant academically and practically for investors, regulators, and corporate stakeholders. It could help enhance Nigeria's capital markets and promote greater transparency and accountability in the corporate sector. Therefore, this research seeks to fill the existing gap by addressing the relationship between earnings management and future dividend payouts in Nigerian-listed non-financial firms.

2.3. Development of research hypothesis

Drawing from the aforementioned literature, the hypotheses tested in this study are stated below in the null form.

a) H_0 : There is no significant relationship between earnings management and future dividend payout.

b) H_0 : Real earnings management does not affect future dividend payout.

3. Material methods

To achieve the objectives of this study, an ex-post facto research design was adopted. This methodology is particularly appropriate for examining the impact of the independent variables on a dependent variable in a non-experimental context. The ex-post facto approach enables researchers to analyze naturally occurring differences or relationships without manipulating the study environment. This is crucial in prior studies involving corporate financial data, where interventions in organizational processes or behaviours are neither feasible nor ethical. Furthermore, it offers insights into real-world phenomena, facilitating the generation of evidence-based recommendations for research, policy, and practice. This study utilizes secondary data sourced from the annual financial statements of non-financial companies listed on the Nigerian Exchange Group over a four-year period from 2020 to 2023. This timeframe was chosen due to its significance and the presence of key economic and regulatory changes. The chosen period encapsulates the disruptive impact of the COVID-19 pandemic, which had widespread effects on business operations and financial reporting practices across Nigeria and the globe. This external shock is

Uwalomwa, U., Olubukunola, U., Damilola, E., Olajide, M.B., Aina, O.A., (2026)

Earnings Management and Future Dividend Pay-out: A Study of Listed Non-financial Firms in Nigeria

likely to have influenced both earnings management behaviors and dividend policies, making its inclusion in the study timeframe essential. Moreover, this period witnessed notable legislative amendments and increased regulatory focus on corporate governance in Nigeria. These changes are crucial for a comprehensive understanding of the relationship between earnings management and dividend distribution, as they may have influenced corporate behaviors and reporting practices.

The emphasis on non-financial firms is deliberate to maintain consistency, as the financial industry operates under a distinct set of regulations and capital requirements, which could introduce additional variability. The study's sample includes a dataset of all listed non-financial firms over the specified period, ensuring a comprehensive representation of the market. This methodological choice is strategic for delving into how earnings management impacts dividend payout policies amidst a backdrop of significant economic and regulatory changes. By leveraging annual data over this period, the research aims to capture both short-term and longer-term trends, thus providing a nuanced understanding of the dynamics at play.

The study used the judgmental sampling method in selecting 32 firms, representing 27.1% of the total population, which were non-financial firms listed on the Nigerian Exchange Group floor with fully available financial statements from 2020 to 2023. Krejcie and Morgan (1970) state that the 5% threshold is adequate for generalising results; thus, this sample size was appropriate for the study. The study made use of panel data analysis with a regression model because of the ability to control for individual and time-specific effects, which can help isolate the association between earnings management and dividend policy. Panel data regression captures the dynamic nature of the relationship between variables, and it enhances the reliability of the findings by increasing the degrees of freedom in the analysis. In addition, by combining cross-sectional and time-series data, panel data regression helps mitigate multicollinearity issues and provides more efficient estimates. Fixed-effects or random-effects models are flexible and can be adapted to the data structure and the specific objectives of the study. The use of a panel data analysis using the regression models method strengthens the study by providing a robust and relevant methodology for understanding the relationship between earnings management and dividend policy during the period 2020–2023.

3.1. Model specification

The model for this study is stated in the functional form as:

$$\begin{aligned} Y &= B_{it} + B_{it}X_{it} + U_{it} \\ \text{Dividend payout} &= F(\text{Earnings management}) \\ \text{DIV PAY} &= F(\text{DAC}, \text{REM}) \end{aligned} \quad (1)$$

The inclusion of control variables enhances the predictability and analysis of the relationship. The equation will now be:

$$\text{DIV PAY} = F(\text{EARNMGT}) + C \quad (2)$$

$$\text{DIV PAY} = F(\text{DAC}, \text{REM}) + \text{CDIV} + \text{EPS} + \text{LIQUIDITY} + \text{SIZE} + \text{LEV} + U_i \quad (3)$$

The model

$$\text{FDP}_{it} = \beta_0 + \beta_1 \text{DAC}_{it} + \beta_2 \text{REM}_{it} + \beta_3 \text{CDIV}_{it} + \beta_4 \text{EPS}_{it} + \beta_5 \text{LIQ}_{it} + \beta_6 \text{SIZE}_{it} + \beta_7 \text{LEV}_{it} + U_{it} \quad (4)$$

Where

β_0	=	Constant
$\beta_1 \beta_2 \beta_3 \beta_4 \beta_5 \beta_6 \beta_7$	=	Coefficients of parameters to be estimated
Independent variable	=	Earnings management, real earnings management
Dependent variable	=	Dividend payout
FDP	=	Future dividend payout
DAC	=	Discretionary accruals
REM	=	Real earnings management
CDP	=	Current dividend payout
EPS	=	Earnings per share
LIQ	=	Liquidity
FIRM SIZE	=	Firm size by the log of total assets
LEV	=	Leverage
i, t	=	representing companies under consideration and time factor (years)
U_{it}	=	Error term, which is the sum of all other factors that are not captured in the Model.

3.2. A priori expectations of variables

The a priori expectations suggest that the coefficients β_1 , β_2 , β_4 , β_5 , and β_6 are expected to be positive, while β_3 is expected to be negative, with no specified expectation for β_7 .

Table 3.1 Apriori expectations

Variables	Apriori expectation	Mathematical representation
Discretionary accruals	Positive	$\beta > 0$
Real earnings management	Positive	$\beta > 0$
Current dividend payout	Negative	$\beta < 0$
EPS	Positive	$\beta > 0$
Liquidity	Positive	$\beta > 0$
Size	Positive	$\beta > 0$
LEV	Negative	$\beta < 0$

3.3. Variable measurement

Independent variables:

Earnings management: Earnings management was analysed using discretionary accruals from the modified Jones model by Dechow (1995), employing a two-stage analysis that involved extracting residuals and running a regression with the study model. Chen (2010) highlighted that credit sales are easier to manage earnings for than cash sales. To measure total accruals, both the balance sheet approach and the cash flow approach can be used, with the cash flow approach being preferred for its directness and reduced risk of distortion.

$$TAC_t = \text{Income}_t - \text{Cash Flow}_t$$

Whereas: Income (operating income after tax) = Earnings before extraordinary and abnormal items in the year and Cash Flow t = Operating cash flow in year t

$$\frac{\text{Total accruals}}{A_{t-1}} = \beta_1 \left(\frac{1}{A_{t-1}} \right) + \beta_2 \left(\frac{\Delta REV_{it} - \Delta REC_{it}}{A_{t-1}} \right) + \beta_3 \left(\frac{PPE_{it}}{A_{t-1}} \right) + \varepsilon_{it} \quad (5)$$

Where:

TA_{it} = Total accruals in year t for firm i .

REV_{it} = Revenues in year t minus revenues in year $t-1$ for the firm i (change in revenue)

Uwalomwa, U., Olubukunola, U., Damilola, E., Olajide, M.B., Aina, O.A., (2026)

Earnings Management and Future Dividend Pay-out: A Study of Listed Non-financial Firms in Nigeria

 REC_{it} = Receivables in year t minus receivables in year $t-1$ for firm I (change in receivables)

 PPE_{it} = total amount of property, plant, and equipment in year t for the firm

 $A_{i,t-1}$ = Total assets in year $t-1$ for firm I , i.e., total assets in the previous year

 $\beta_1, \beta_2, \beta_3$ = Represents the firm-specific parameters.

 ϵ = The Residual represents the firm-specific discretionary portion of accruals.

The right side of the equation represents the non-discretionary accruals when Non-discretionary accruals are deducted from the total accruals, the result gives the Discretionary accruals, which are the proxy and indicator of the presence of earnings management.

$$DA_{it} = \frac{TAC_{it}}{A_{i,t-1}} - \beta_1 \left(\frac{1}{A_{i,t-1}} \right) + \beta_2 \left(\frac{\Delta REV - \Delta REC}{A_{i,t-1}} \right) + \beta_3 \left(\frac{PPT_{it}}{A_{i,t-1}} \right) \quad (6)$$

Real earnings management: This study will use Roychowdhury's (2006) model to analyze real earnings management techniques, including accelerating sales timing, reducing production costs, and reducing discretionary expenses. Therefore, Cash from operations is expressed as a direct function of sales and change in sales.

$$\frac{CFO_{it}}{Asset_{t-1}} = \alpha_0 + \alpha_1 \left(\frac{1}{Asset_{t-1}} \right) + \beta_1 \left(\frac{Sales_{it}}{Asset_{t-1}} \right) + \beta_2 \left(\frac{\Delta Sales_{it}}{Asset_{t-1}} \right) + \epsilon_{it} \quad (7)$$

 CFO_{it} = Actual CFO minus Normal level of CFO

 $Sales_{it}$ = Sales during the period t
 $\Delta Sales$ = $Sales_t - Sales_{t-1}$

Control variables adopted for this study are: Firm size, return on equity and Leverage

Table 3.2 Variable measurement

Variables	Measurement	Used by
Earnings Management	Modified Jones Model	Bala, (2015); Ajide & Aderemi (2014)
Real Earnings Management	Roychowdhury Model	Liu (2011)

Uwalomwa, U., Olubukunola, U., Damilola, E., Olajide, M.B., Aina, O.A., (2026)

Earnings Management and Future Dividend Pay-out: A Study of Listed Non-financial Firms in Nigeria

Variables	Measurement	Used by
Dividend pay-out	Total dividend Earnings available to shareholders	Aurangzeb & Dilawer (2012)
Future Dividend Pay-out	(Dividend pay-out current year – next year pay-out + 1) / current year dividend payout	Gill, Biger & Mand (2014)
EPS	$\frac{\text{Net income}}{\text{outstanding shares}}$	Edet, Atairet & Anoka (2014); Ethel, Mary & Inyama (2015)
Liquidity	$\frac{\text{Current asset}}{\text{current liability}}$	Edet, Atairet & Anoka (2014);

4. Discussion of findings

Table 1 presents the descriptive statistics of all the variables used in the study.

Table 1. Summary of descriptive statistics

Variables	FDIV	DAC	REM	CDIV	EPS	LIQ	SIZE	LEV
Mean	0.08109	0.0007	-0.005	0.4956	3.094	1.33	17.3	0.5562
Median	0.000	-0.018	0.0056	0.3986	0.995	1.12	17.2	0.2928
Maximum	8.05662	0.7558	0.8504	3.4737	29.95	4.07	20.8	6.3198
Minimum	-6.3906	-0.414	-1.289	-0.485	-4.13	0.07	14.5	-0.81
Std. Dev.	1.39091	0.1498	0.2342	0.5264	5.7472	0.64	1.49	0.9378
Skewness	1.52561	1.4259	-1.663	1.8147	2.9366	1.17	0.18	4.0478
Kurtosis	15.8822	9.9316	13.604	9.8572	12.449	4.79	2.31	21.31
Jarque-Bera	934.729	299.63	658.65	321.04	660.17	46.2	3.26	2137.6
Probability	0	0	0	0	0	0	0.2	0
Sum	10.3796	0.093	-0.589	63.432	396.03	170	2208	71.188
Sum Sq. Dev.	245.699	2.8507	6.9686	35.196	4194.9	52.8	281	111.69
Observations	128	128	128	128	128	128	128	128
Probability	0	0	0	0	0	0	0.2	0
Sum	10.3796	0.093	-0.589	63.432	396.03	170	2208	71.188
Sum Sq. Dev.	245.699	2.8507	6.9686	35.196	4194.9	52.8	281	111.69
Observations	128	128	128	128	128	128	128	128

Uwalomwa, U., Olubukunola, U., Damilola, E., Olajide, M.B., Aina, O.A., (2026)

Earnings Management and Future Dividend Pay-out: A Study of Listed Non-financial Firms in Nigeria

The descriptive statistics result, as depicted in Table (1), suggests that the mean value for future dividend payment (FDIV) for the period stood at 0.08109, with a median of zero (0), indicating that many companies do not pay dividends or pay extremely low sums. Likewise, the standard deviation, maximum and minimum values of 1.39091, 8.05662 and 6.39060, respectively. This descriptive outcome suggests the significant variability in dividend policies among the firms. The positive skewness and the high kurtosis values of 1.52561 and 15.8822. This outcome suggests a long right tail and a peaked distribution. Also, descriptive statistics for the discretionary accruals (DAC) have a mean close to zero (0.0007) and a median of -0.018, indicating minimal earnings management through accruals on average. However, the standard deviation, positive skewness and high kurtosis values of 0.1498, 1.4259 and 9.9316, respectively, suggest a variability in the accrual practices. Analogously, the descriptive statistics for real earnings management (REM) reveal a slightly negative mean (-0.005) and a median of 0.0056, indicating generally conservative modifications.

Equally, the analysis of current dividend payout (CDIV) reveals that firms generally pay out about half of their earnings as dividends, with a mean of 0.4956 and a median of 0.3986. The positive skewness (1.8147) and high kurtosis (9.8572) indicate the presence of outliers, suggesting that some firms have unusually high dividend payouts. Earnings per share (EPS) show significant variation among firms, with a mean of 3.094, a median of 0.995, and a high standard deviation of 5.7472. The high skewness (2.9366) and kurtosis (12.449) further highlight that a few firms report exceptionally high earnings, contributing to the overall diversity in profitability levels. Likewise, the descriptive outcome for the liquidity ratios suggests a mean of 1.33 and a median of 1.12, with a standard deviation of 0.64, indicating moderate variability and some extreme values, as suggested by the positive skewness (1.17) and kurtosis (4.79). Firm size, measured by the log of total assets, shows a mean of 17.3 and a median of 17.2, with a nearly symmetrical distribution (skewness of 0.18) and moderate kurtosis (2.31), suggesting a relatively normal distribution of firm sizes. Leverage, with a mean of 0.5562 and a median of 0.2928, displays significant variability, as indicated by a high standard deviation (0.9378).

Table 2. Pearson Correlation Analysis Correlation t-Statistic Probability

	FDIV	DAC	REM	CDIV	EPS	LIQUIDIT Y	SIZE	LEV
FDIV	1							
	--							

DAC	0.06287	1						
	0.70713	-						
	0.4808	-						
REM	-0.0018	-0.282	1					
	-0.0201	-3.297	--					
	0.984	0.0013	--					
CDIV	-0.1542	0.009	0.0311	1				
	-1.7517	0.1011	0.3497	-----				
	0.0823	0.9196	0.7271	-----				
EPS	0.15219	0.0909	0.0421	0.1535	1			
	1.72848	1.0241	0.4734	1.7439	-----			
	0.0864	0.3078	0.6368	0.0836	-----			
LIQUIDIT Y	0.11016	0.1537	0.0639	0.048	-0.13	1		
	1.24414	1.7457	0.7183	0.5392	-1.42	-----		
	0.2158	0.0833	0.4739	0.5907	0.158	-----		
SIZE	0.0822	0.0138	-0.017	0.0933	0.488	-0.3	1	
	0.92579	0.155	-0.189	1.0518	6.28	-3.9	--	
	0.3563	0.877	0.8506	0.2949	0	0	--	
LEV	0.00048	-0.089	-0.019	0.0748	0.11	-0.1	0.26	1
	0.00534	-1.008	-0.214	0.8416	1.247	-0.9	3.05	-----
	0.9957	0.3155	0.831	0.4016	0.215	0.35	0	-----

Table (2) shows the correlation analysis of financial variables such as FDIV (financial dividend), DAC (discretionary accruals), REM (real earnings management), CDIV (cash dividend), EPS (earnings per share), LIQUIDITY, SIZE, and LEV (leverage). Results from the table depict that discretionary accruals (DAC) have a positive relationship with future dividend pay-out, indicated by 0.06287, while real earnings management (REM) has a negative relationship with dividend pay-out, indicated by -0.0018, indicating that the degree of association is weak. This suggests that as management of accruals increases, the proportion of dividends paid to shareholders increases, whereas as real activities manipulation increases, dividend payout decreases. Notably, the table's result further shows that most of the

correlation coefficients are low, indicating a weak linear correlation among the variables.

The result from the correlation further shows the numerous critical correlations between Nigerian manufacturing organisations' financial metrics. Firstly, firm dividend (FDIV) is positively associated with Earnings Per Share (EPS), implying that corporations that pay more significant dividends report higher earnings per share. This shows that companies with strong earnings can better pay dividends to shareholders, emphasising the connection between profitability and payout policy. Furthermore, FDIV has a negative association with Corporate Dividend (CDIV), but not significantly, suggesting that enterprises focused on firm-level payouts may not prioritise corporate-wide dividend initiatives as heavily.

Furthermore, the results from Table 2 further indicate that Debt to Asset Ratio (DAC) has a negative correlation with retained profits to Market Value (REM), suggesting that higher debt levels lead to lower retained profits. This could be due to higher interest payments and financial risk. On the other hand, the positive relationship between Size (SIZE) and EPS suggests that larger organisations earn more per share due to economies of scale, superior market positioning, and resource availability. However, size negatively affects liquidity, suggesting that larger enterprises may use their size to manage cash flows more effectively. Invariably, this outcome table (2) holistically implies that for managers, understanding the positive impact of firm size on profitability underscores the importance of growth strategies to enhance earnings. However, the negative impact of debt on retained earnings highlights the necessity for prudent debt management to sustain financial health. For investors, the positive correlation between size and profitability suggests a preference for investing in larger firms with higher earnings potential. Conversely, the negative impact of leverage on retained earnings calls for a cautious evaluation of the company's debt levels.

Hausman Test

The study employed the Hausman test to address potential estimation issues, such as autocorrelation, heteroscedasticity, and cross-correlation within cross-sectional units. This test ensures the consistency and efficiency of estimates, thereby enhancing the robustness of policy recommendations derived from panel data analysis. According to the rule of thumb, the null hypothesis is rejected if the p-value is less than 0.05, indicating that the alternative hypothesis should be accepted. The outcome, as depicted in Table 3, depicts a probability value of 0.000, which is below the 0.05 threshold. Consequently, the null hypothesis is rejected, and the alternative

hypothesis is accepted. This result indicates that the study's fixed-effects model is the appropriate regression model.

Table 3. Hausman test result (Correlated Random)

Equation: Untitled: Test Cross-section random effects

Test summary	Chi-statistics	Chi-Sq. d.f.	Prob.
Cross-section random	42.633468	7	0.0000

Table 4. Cross-section random effects test comparisons

Variable	Fixed	Random	Var(Diff.)	Prob
DAC	0.335075	0.200152	0.333869	0.8154
REM	-0.470948	-0.034528	0.127421	0.2215
CDIV	-0.780999	-0.511552	0.029836	0.1188
EPS	0.439580	0.039944	0.010724	0.0001
LIQUIDITY	0.833461	0.347060	0.140301	0.1941
SIZE	0.077464	0.069320	0.366905	0.9893
LEV	-0.693550	-0.011120	0.095781	0.0275

Table 5. Cross-Section Random Effects Test Equation: (Dependent Variable FDIV)

Method: Panel Least Squares (Total panel (balanced) observations: 128)

Variable	Coefficient	Random	Var (Diff.)	Prob
C	-2.953737	10.48677	-0.281663	0.7789
DAC	0.335075	0.970274	0.345340	0.7307
REM	-0.470948	0.605424	-0.777881	0.4387
CDIV	-0.780999	0.271818	-2.873238	0.0051
EPS	0.439580	0.105868	4.152145	0.0001
LIQUIDITY	0.833461	0.416751	1.999902	0.0486
SIZE	0.077464	0.612461	0.126480	0.8996
LEV	-0.693550	0.332274	-2.087281	0.0397
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.457256	Mean dependent var	0.081090	
Adjusted R-squared	0.225523	S.D. dependent var	1.390913	
S.E. of regression	1.224064	Akaike info criterion	3.488211	
Sum squared resid	133.3516	Schwarz criterion	4.357189	
Log-likelihood	-184.2455	Hannan-Quinn criter.	3.841282	
F-statistic	1.973199	Durbin-Watson stat	2.906472	
Prob(F-statistic)	0.004653			

Source: Output from Eviews

The Hausman test results, presented in Table 3, strongly support the use of the fixed effects model over the random effects model, as evidenced by a highly significant chi-square statistic (42.633468) and a p-value of 0.0000. This indicates that the fixed effects model is better suited for the analysis, as it effectively controls for firm-specific characteristics that could influence dividend policies. Key determinants such as Earnings Per Share (EPS) and leverage were found to significantly affect future dividend payouts, while variables like discretionary accruals (DAC) and real earnings management (REM) showed no substantial impact on dividend distributions. By adopting the fixed effects model, the study accounts for unobserved heterogeneities, ensuring more reliable and valid results. This approach is crucial for accurately assessing explanatory variables' impact and making well-informed policy or strategic decisions. Moreover, the fixed effects model appropriately addresses potential endogeneity issues, providing consistent and robust estimates.

Firstly, the outcomes derived from the Hausman test and the cross-section random effects analysis (Table 5) furnish substantial corroboration concerning the association between earnings management and prospective dividend distributions among publicly listed non-financial enterprises in Nigeria. The initial hypothesis (H01: posits that there is no significant relationship between earnings management and future dividend payout) was scrutinised by analysing the coefficients and p-values pertaining to discretionary accruals (DAC) alongside other variables that serve as indicators of earnings management. The results indicate that DAC possesses a coefficient of 0.335075 with a p-value of 0.8154, thereby implying that no significant association exists between discretionary accruals and prospective dividend distributions. This implies that discretionary accruals, as a proxy for earnings management, do not play a significant role in determining future dividend policies as measured by DAC, and do not significantly impact future dividend payouts. This finding suggests that earnings management through discretionary accruals cannot be used as a significant signal for future dividend payouts. Thus, investors may not view discretionary accruals as a credible signal of a firm's future financial health or dividend policy. Interestingly, the outcome corroborates the findings of Watts (1973), DeAngelo and Skinner (1992), Benartzi, Michaely, and Thaler (1997), Grullon, Michaely, and Swaminathan (2002), Benartzi *et al.* (2005), and Lie (2005), Aurangzeb and Dilawer (2012), and Haider *et al.* (2012), who observed that a negative association exists between earnings management and the dividend payout.

The second hypothesis (H02: *Real earnings management does not affect future dividend payout*) was tested by analysing the coefficient and p-value for real earnings

Uwalomwa, U., Olubukunola, U., Damilola, E., Olajide, M.B., Aina, O.A., (2026)

Earnings Management and Future Dividend Pay-out: A Study of Listed Non-financial Firms in Nigeria

management (REM). The results showed a coefficient of -0.470948 and a p-value of 0.2215. While the negative coefficient suggests an inverse relationship, the high p-value indicates that this relationship is not statistically significant, leading to the acceptance of the null hypothesis. This outcome implies that real earnings management does not significantly influence future dividend payouts. This outcome is crucial for corporate managers and investors, suggesting that traditional earnings management techniques may not be reliable indicators of a firm's future dividend policy. It highlights the importance of focusing on other financial metrics and firm-specific characteristics when making dividend-related decisions. Furthermore, in accordance with signalling theory, the results imply that investors may discount the information from real earnings management activities when forming expectations about future dividends. Notably, these findings do not align with previous research by Aharony and Dotan (1994), Chen and Wu (1999), Nissim and Ziv (2001), Arnott & Asness (2001, 2003), Harada & Nguyen (2005), Baker, Mukherjee & Paskelian (2006), Stacescu (2006), and Vivian (2006), which suggested a stronger link between earnings management and future dividends.

Table 5 provides further insights into the dividend behaviour of firms. The positive and highly significant relationship between EPS and future dividends (coefficient = 0.439580; p-value = 0.0001) supports the signalling theory and the proposition that profitability is the major determinant of the dividend policy. Given the industry's current environment of heightened scrutiny and real-time availability of financial information, the ability of firms with higher EPS to translate accounting profits into shareholder value via dividends has been increasingly scrutinised. Firms are often called upon to sustain or grow dividends to sustain investor confidence. This is especially the case in frontier and volatile markets, where higher EPS and EPS growth have become strong signals to predict dividend continuity and survival of a firm. The ability of firms to maintain and increase dividends (or otherwise retain profitability in the form of dividends) may have implications for the valuation and risk premium of a firm.

On the contrary, a variety of empirical studies have unveiled more profound and intriguing interconnections between specific financial ratios and the anticipated dividends, which can yield significant ramifications for the financial management strategies adopted by a corporation and for the stakeholders involved, particularly the investors. Within the framework of the aforementioned model, a noteworthy negative correlation has been observed between the measure of leverage (LEV) and the expected dividends (coefficient = -0.693550; p = 0.0397), a finding that underscores the restrictive influence that debt obligations exert on the ability of a

corporation to distribute dividends to its shareholders. In essence, firms that exhibit elevated levels of debt ratios may find themselves compelled to allocate funds that could otherwise be utilised for the purpose of dividend disbursement towards fulfilling their financial commitments, thereby safeguarding their solvency and averting the peril of bankruptcy. To elaborate further, in accordance with the principles of signaling theory, the capital structure adopted by a firm can convey critical information pertaining to its financial stability to external observers. Elevated levels of leverage may serve as a cautionary signal or even a clear indication of the potential vulnerability or financial distress faced by an organisation, which, in turn, could lead investors to become increasingly reluctant to accept the prospect of higher dividend payouts. This phenomenon carries significant implications for signaling to investors and plays a pivotal role in establishing their confidence in the firm's financial practices. Consequently, from the perspective of senior management, the consideration of leverage is of paramount importance, as excessive leverage could ultimately compromise the firm's ability to distribute dividends in the future, rendering the organisation less appealing to investors who prioritise dividend income.

Simultaneously, the inverse relationship is observed in the case of the liquidity ratio, which demonstrates a positive and statistically significant correlation with expected dividends (coefficient = 0.833461; $p = 0.0486$). This finding implies that firms possessing a greater proportion of current assets relative to their current liabilities are more capable of fulfilling their dividend obligations with greater frequency. In other words, organisations characterised by high liquidity levels are better positioned to meet their dividend commitments, even in instances where they experience diminished earnings or encounter adverse economic circumstances. This ability to maintain dividend payments, despite temporary setbacks, can significantly enhance investor confidence, as high liquidity may also be interpreted as an indicator of superior operational efficiency and proficient cash management practices within a firm. Therefore, it may be strategically advantageous for certain corporations to uphold a designated level of liquidity as an integral component of a stable and consistent dividend policy, particularly during periods of market volatility and uncertainty.

The study also found that current cash dividends (CDIV) have a negative effect on future dividends (coefficient = -0.780999, $p = 0.0051$), indicating that dividends given currently will affect the amount to be paid in the future. This may be as a result of the dividend being front-loaded, where companies focus more on giving out dividends now (to please shareholders), to the detriment of future dividends. This is

Uwalomwa, U., Olubukunola, U., Damilola, E., Olajide, M.B., Aina, O.A., (2026)

Earnings Management and Future Dividend Pay-out: A Study of Listed Non-financial Firms in Nigeria

more likely to occur in companies that have low expectations of earnings and FCF, and so, our results are also evidence of unsustainable over-dividend paying by companies that will not be able to sustain the pay-outs in the future. This should serve as a warning to corporate managers to avoid overpayment of dividends, as high payments currently would leave them with less money in the future to be paid out as dividends. As such, our results are an indication of the tradeoffs between leverage, liquidity, and dividend payment. Liquidity and dividends may complement each other, and companies with higher liquidity ratios are more likely to pay dividends. However, high leverage would curtail this effect, and high dividends given currently will likely reduce future dividends. This will be important information to keep in mind for investors and other regulators when assessing the financial health and viability of corporate dividend policies. The results also suggest that capital structure and liquidity should be taken into consideration in dividend modelling, especially in emerging markets such as Nigeria, where they may be more financially constrained. To sum up the results of the whole research, which are presented in this research paper. One can say that the relationship between a company's three financial determinants, which are its leverage, liquidity, and dividend policy, has a great impact on the firm's financial strategy. Additionally, it can be stated that dividends and liquidity are directly related, as companies with more liquidity are more likely to pay dividends. However, the positive effect of this relationship is greatly weakened by the existence of high leverage ratios. This is so as the firm must use its available financial resources to service its debts, thereby reducing the amount of dividends that can be paid. Further, in order to maintain high dividends in the future for the long term, a company would be forced to reduce the amount of dividends paid to its shareholders in the future, which can potentially lead to a disruption in the firm's financial status. The implications of the last situation in the environment of the Nigerian capital market are great, as it can increase the risk in the economic environment. The study recommends that the capital structure and liquidity should be incorporated into the existing models for dividend predictions in order to make a more solid and sustainable analysis of future dividend payments.

Conversely, the findings from this research substantiate the notion that a combination of elevated earnings and proficient management of leverage enables a firm to maintain the capability to distribute dividends over an extended temporal horizon. For participants in the Nigerian capital market, the measurement of a company's profitability is more accurately assessed through the lens of Earnings Per Share (EPS) and the levels of debt incurred, as opposed to relying on the firms' earnings management practices that involve either accrual accounting or real

Uwalomwa, U., Olubukunola, U., Damilola, E., Olajide, M.B., Aina, O.A., (2026)

Earnings Management and Future Dividend Pay-out: A Study of Listed Non-financial Firms in Nigeria

earnings management techniques. This observation underscores the conclusion that firms operating within the Nigerian capital market do not appear to engage in earnings management strategies when determining their dividend policies. Consequently, it follows that a consistently high EPS emerges as the sole criterion that investors can utilise to appraise a firm's capacity to distribute dividends. This notion is congruent with the foundational assumptions of signalling theory. Therefore, it is incumbent upon managers to concentrate their efforts on enhancing the firm's profitability and efficiently managing leverage, while investors and regulatory bodies should rely on direct financial metrics, such as EPS and debt levels, to accurately gauge the firm's ability to sustain dividend payments.

5. Conclusions and recommendations

This research makes a notable contribution to the existing body of literature by conducting an empirical investigation into the relationship between earnings management and future dividend distributions within the distinctive framework of non-financial corporations listed on the Nigerian Exchange Group. The principal empirical outcome, that no statistically significant correlation is evident between future dividends and either discretionary accruals or real earnings management, provides a crucial insight into the limitations of the signalling theory within this developing market. This leads to the inference that, within the Nigerian capital market, investors and other stakeholders do not regard managed earnings as a reliable indicator of a firm's intrinsic financial health or its ability to distribute future dividends. In contrast, the study validates the significance of fundamental performance metrics. The signalling theory is substantiated by the strong, positive, and statistically significant correlation between earnings per share (EPS) and future dividends. This finding emphasises that EPS, as a direct metric of true profitability, continues to serve as a primary and dependable signal upon which market participants rely for evaluations of a firm's dividend-disbursing capability, thereby illuminating a critical distinction between manipulated accounting figures and genuine financial performance.

Furthermore, the study discovered that leverage and liquidity factors significantly influence dividend policies. Liquidity allows firms to pay dividends, as it grants firms access to funds as and when needed for dividend payment. On the other hand, leverage negatively affects the firm's ability to pay dividends, as debt creates financial obligations to lenders, thereby reducing the funds available to pay dividends. Finally, the empirical study revealed that high current dividends could impede the firm's ability to pay future dividends, meaning that the strategy of front-

Uwalomwa, U., Olubukunola, U., Damilola, E., Olajide, M.B., Aina, O.A., (2026)

Earnings Management and Future Dividend Pay-out: A Study of Listed Non-financial Firms in Nigeria

loading dividends is risky. Therefore, based on the key findings of the study, the following recommendations can be made to executives, investors, and regulators.

Based on the empirical findings that fundamental financial metrics, rather than earnings management, are the primary determinants of dividend policy, specific recommendations are proposed for corporate executives and investors. For corporate leadership, the imperative is to pivot from short-term accounting manipulations toward cultivating genuine, sustainable financial health by implementing operational strategies that generate stable, high-quality earnings and a robust Earnings Per Share (EPS). Concurrently, prudent financial stewardship is required to optimise the capital structure, maintaining leverage at a growth-supportive level without incurring financial distress, while proactively managing liquidity to honour dividend commitments during profit fluctuations. For investors, this necessitates refining analytical frameworks to prioritise fundamental indicators such as EPS, liquidity, and leverage, which are significantly more reliable predictors of dividend sustainability, thereby basing decisions on genuine profitability and financial soundness rather than manipulable earnings figures, especially within the Nigerian market context.

For regulators and policymakers, the findings underscore the necessity to enhance frameworks that promote transparency and high-quality financial reporting. This involves strengthening oversight mechanisms to deter earnings manipulation and ensure reported figures reflect economic reality, alongside mandating clearer disclosures on corporate dividend policies, capital structure decisions, and liquidity management. Such measures would empower investors to make better-informed decisions and reinforce market discipline by aligning corporate actions with long-term, fundamental value creation, ultimately safeguarding investor confidence and promoting sustainable market practices.

Limitations of the study

While this research contributes to the understanding of dividend policy in Nigeria, it is not without limitations. Primarily, the study's scope and methodology are constrained. Therefore, future research could incorporate financial institutions operating under distinct regulatory frameworks that may exhibit varying financial behaviours. A sectoral comparison might yield intriguing insights regarding how industry structure influences the interplay between dividends and earnings management.

Acknowledgements

The authors thank the anonymous reviewers and editor for their valuable contributions.

Funding

The authors in this research jointly declare that there is no form of external financial support or grants from any institution or agency for conducting the research.

Author Contributions

Uwalomwa Uwuigbe conceived the central idea for this study and was responsible for developing the title and research methodology. Damilola Eluyela contributed by preparing the literature review section. Bankole O. M. handled the organisation and articulation of all citations and references. Olubukunola Uwuigbe oversaw the editorial process, ensuring grammatical accuracy, typographical corrections, and overall readability of the manuscript. Olawale Adeniyi Aina collaborated with Uwalomwa Uwuigbe in developing the discussion of findings, concluding, and formulating recommendations. Together, they also addressed the reviewers' comments and incorporated the necessary revisions.

Disclosure statement

The authors in this manuscript jointly declare that there are no known competing financial interests or personal relationships that could influence the work reported in this paper.

References

1. Abed, S., Suwaidan, M., & Slimani, S. (2012). The impact of family and foreign ownership on dividend policy: Evidence from Jordan. *International Journal of Economics and Finance*, 4(9), 187–194.
2. Adelegan, O. J. (2003). The impact of growth prospects, leverage and firm size on dividend behaviour of corporate firms in Nigeria. *The Nigerian Journal of Economics and Social Studies*, 45(1), 1–32.
3. Aharony, J., & Dotan, A. (1994). Regular dividend announcements and future unexpected earnings: An empirical analysis. *Financial Review*, 29(1), 125–151.
4. Ajide, F. M., & Aderemi, A. A. (2014a). Dividend policy and financial performance: A study of selected listed firms in Nigeria. *Journal of Business and Finance*, 2(1), 1–12.
5. Ajide, F. M., & Aderemi, A. A. (2014b). The effects of corporate social responsibility activity disclosure on corporate profitability: Empirical evidence from Nigerian commercial banks. *IOSR Journal of Economics and Finance*, 2(6), 17–25.

Uwalomwa, U., Olubukunola, U., Damilola, E., Olajide, M.B., Aina, O.A., (2026)

Earnings Management and Future Dividend Pay-out: A Study of Listed Non-financial Firms in Nigeria

6. Anton, S. G. (2016). The impact of dividend policy on firm value: A panel data analysis of Romanian listed firms. *Journal of Public Administration, Finance, and Law*, 10, 107–112.
7. Arnott, R. D., & Asness, C. S. (2001). Does dividend policy foretell earnings growth? *Financial Analysts Journal*, 57(3), 70–87.
8. Aurangzeb, D., & Dilawer, T. (2012). Determinants of dividend payout ratio: A study of KSE manufacturing firms. *Journal of Business Strategies*, 6(1), 1–10.
9. Benartzi, S., Grullon, G., Michaely, R., & Thaler, R. (2005). Dividend changes do not signal changes in future profitability. *The Journal of Business*, 78(5).
10. Benartzi, S., Michaely, R., & Thaler, R. H. (1997). Do changes in dividends signal the future or the past? *Journal of Finance*, 52(3), 1007–1034.
11. Bhattacharya, S. (1979). Imperfect information, dividend policy, and the bird in the hand fallacy. *Bell Journal of Economics*, 10(1), 259–270.
12. Black, F. (1976). The dividend puzzle. *Journal of Portfolio Management*, 2(2), 5–8.
13. Burgstahler, D. C., & Dichev, I. D. (1997). Earnings management to avoid earnings decreases and losses. *Journal of Accounting and Economics*, 24(1). <https://ssrn.com/abstract=10637>
14. Chansarn, S., & Chansarn, T. (2016). Earnings management and dividend policy of small and medium enterprises in Thailand. *International Journal of Business and Society*, 17(2), 307–328. <https://doi.org/10.33736/ijbs.527.2016>
15. Chen, K. C., & Wu, L. (1999). The impact of agency costs on the decision to pay cash dividends. *Review of Quantitative Finance and Accounting*, 12(1), 135–158.
16. DeAngelo, H., DeAngelo, L., & Skinner, D. (2004). Are dividends disappearing? Dividend concentration and the consolidation of earnings. *Journal of Financial Economics*, 72(3), 425–456.
17. DeAngelo, H., & Skinner, D. J. (1992). Dividends and losses. *Journal of Finance*, 47(5), 1837–1863.
18. DeAngelo, H., & Skinner, D. J. (1996). Reversal of fortune: Dividend signaling and the disappearance of sustained earnings growth. *Journal of Financial Economics*, 40(3), 341–371.
19. Dhillon, U. S., Raman, K., & Ramírez, G. G. (2003). Insider trading and the long-run performance of new debt issues. *Journal of Financial Management and Analysis*, 16(2), 34–47.
20. Diri, M. E. (2017). *Introduction to earnings management*. <https://doi.org/10.1007/978-3-319-62686-4>
21. Dong, M., Robinson, C., & Veld, C. (2005). Why individual investors want dividends. *Journal of Corporate Finance*, 12, 121–158.
22. Eskandar, M., & Bolori, S. (2021). Dividend policy and corporate governance in the Gulf Cooperation Council countries. *Journal of Financial Reporting and Accounting*, 19(3), 412–432.
23. Farinha, J., & Moreira, J. (2007). Dividend and earnings quality: A missing link? *Working Finance*, 40(4), 1031–105.

Uwalomwa, U., Olubukunola, U., Damilola, E., Olajide, M.B., Aina, O.A., (2026)

Earnings Management and Future Dividend Pay-out: A Study of Listed Non-financial Firms in Nigeria

24. Fukuda, S. (2000). Dividend changes and earnings performance in Japan. *Pacific-Basin Finance Journal*, 8(1), 53–66.
25. Grullon, G., Michaely, R., & Swaminathan, B. (2002). Are dividend changes a sign of firm maturity? *Journal of Business*, 75(3), 387–424.
26. Gunny, K. (2010). The relation between earnings management using real activities manipulation and future performance: Evidence from meeting earnings benchmarks. *Contemporary Accounting Research*, 27(3), 855–888.
27. Handoyo, S., & Kusumaningrum, E. (2022). The impact of dividend policy on firm value in Indonesia. *Journal of Economics, Business, and Accountancy Ventura*, 25(1), 123–134.
28. Harada, K., & Nguyen, P. (2005). Dividend change context and signaling efficiency in Japan. *Pacific-Basin Finance Journal*, 13(5), 504–522.
29. He, Z., Lin, H., & Wang, J. (2017). Dividend policy and earnings management across countries. *Journal of International Financial Markets, Institutions and Money*, 46, 17–35.
30. Healy, P. M., & Palepu, K. G. (1988). Earnings information conveyed by dividend initiations and omissions. *Journal of Financial Economics*, 21(2), 149–175.
31. Healy, P. M., & Wahlen, J. M. (1999). A review of the earnings management literature and its implications for standard setting. *Accounting Horizons*, 13(4), 365–383.
32. Inanga, E. L. (1975). Dividend policy in an African context: A case study of the Nigerian banking industry. *Nigerian Journal of Economic and Social Studies*, 17(2), 291–302.
33. Inanga, E. L. (1978). The determinants of corporate dividend policy in Nigeria. *Savings and Development*, 2(1), 33–49.
34. Izedonmi, P. F., & Eriki, P. O. (1996). Determinants of dividend policy in Nigeria. *The Nigerian Journal of Economics and Social Studies*, 38(1), 1–10.
35. Kazemi, H., Rostami, V., & Ghorbani, B. (2014). Earnings management and dividend policy: Evidence from Iran. *Journal of Accounting and Taxation*, 6(3), 34–40.
36. Krejcie, R. V., & Morgan, D. W. (1970). Determining sample size for research activities. *Educational and Psychological Measurement*, 30, 607–610.
37. Leuz, C., Nanda, D., & Wysocki, P. D. (2003). Earnings management and investor protection: An international comparison. *Journal of Financial Economics*, 69(3), 505–527.
38. Levitt, P. (1998). Social remittances: Migration-driven local-level forms of cultural diffusion. *International Migration Review*, 32, 926–948.
39. Lie, E. (2005). Operating performance following dividend decreases and omissions. *Journal of Corporate Finance*, 11(1–2), 171–186.
40. Lipson, M. L., Maquieira, C. P., & Megginson, W. L. (1998). Dividend initiations and earnings surprises. *Financial Management*, 27(3), 36–45.
41. Lizińska, J. (2024). Discovering the relationship between financing and earnings management. In *Earnings management and corporate finance: The importance of transparent financial reporting* (pp. 177–193).
42. Marzena, R. (2024). Real earnings management possibilities for managers. In *Earnings management and corporate finance: The importance of transparent financial reporting* (pp. 84–98).

Uwalomwa, U., Olubukunola, U., Damilola, E., Olajide, M.B., Aina, O.A., (2026)

Earnings Management and Future Dividend Pay-out: A Study of Listed Non-financial Firms in Nigeria

43. Miller, M. H., & Modigliani, F. (1961). Dividend policy, growth, and the valuation of shares. *The Journal of Business*, 34(4), 411–433.
44. Miller, M. H., & Rock, K. (1985). Dividend policy under asymmetric information. *The Journal of Finance*, 40(4), 1031–1051.
45. Nissim, D., & Ziv, A. (2001). Dividend changes and future profitability. *Journal of Finance*, 56(6), 2111–2133.
46. Noronha, C., Zeng, Y., & Vinten, G. (2008). Earnings management in China: An exploratory study. *Managerial Auditing Journal*, 23(4), 367–385.
47. Osazevbaru, H. O. (2012). Does dividend policy affect firm earnings? Empirical evidence from Nigeria. *Journal of Research in National Development*, 10(2), 123–131.
48. Oyejide, T. A. (1976). Company dividend policy in Nigeria: An empirical analysis. *The Nigerian Journal of Economic and Social Studies*, 18(2), 179–195.
49. Rafique, M. (2012). Factors affecting dividend payout: Evidence from listed non-financial firms of Karachi stock exchange. *Business Management Dynamics*, 1(11), 76.
50. Remlein, M. (2024). *Earnings management and corporate finance: The importance of transparent financial reporting*.
51. Salah, S., & Jarboui, A. (2022). Dividend policy and firm performance: Evidence from the MENA region. *Journal of Financial Management, Markets and Institutions*, 10(1), 1–20.
52. Shah, S. Z. A., Yuan, H., & Zafar, N. (2010). Earnings management and dividend policy: An empirical comparison between Pakistani listed companies and Chinese listed companies. *International Research Journal of Finance and Economics*, 35, 51–60.
53. Shittu, S. A., Onifade, H. O., Aminu, S. O., & Ajibola, K. T. (2023). *Real earnings management and firm value, Nigeria*. 8th Academic Conference on Accounting and Finance (ACAF) of The Institute of Chartered Accountants of Nigeria (ICAN).
54. Sirait, F., & Siregar, S. V. (2014). Dividend policy and earnings quality: Evidence from Indonesia. *International Journal of Accounting and Information Management*, 22(2), 103–117.
55. Smith, J., Wallace, S., & Jordan, C. (2017). Dividend policy and stock price volatility in the U.S. equity capital market. *International Review of Economics & Finance*, 49, 54–72.
56. Soyode, A. (1975). Dividend policy in an era of indigenisation: A comment. *Nigerian Journal of Economics and Social Studies*, 17(8), 126.
57. Srikanth, K., & Prasad, A. V. (2015). Dividend policy—its impact on shareholders' value: A study of Indian firms. *Journal of Contemporary Management Research*, 9(2), 1–15.
58. Stacescu, B. (2006). Dividend policy in Switzerland: A behavioural perspective. *Financial Markets and Portfolio Management*, 20(3), 371–392.
59. Uwuigbe, U., Jafaru, J., & Ajayi, A. (2012). Dividend policy and firm performance: A study of listed firms in Nigeria. *Accounting and Management Information Systems*, 11(3), 442–454.
60. Uwuigbe, U., Peter, D. S., & Oyeniyi, A. (2014). The effects of corporate governance mechanisms on earnings management of listed firms in Nigeria. *Journal of Accounting and Management Information Systems*, 13, 159–174.

Uwalomwa, U., Olubukunola, U., Damilola, E., Olajide, M.B., Aina, O.A., (2026)

Earnings Management and Future Dividend Pay-out: A Study of Listed Non-financial Firms in Nigeria

61. Uwuigbe, U., Uwuigbe, O. R., & Bernard, O. (2015). Assessment of the effects of a firm's characteristics on earnings management of listed firms in Nigeria. *Asian Economics and Financial Review*, 5(2), 218–228.
62. Uzoaga, W. O., & Alozieuwa, N. O. (1974). Dividend policy in an era of indigenisation: The Nigerian experience. *Journal of Management Studies*, 11(3), 316–326.
63. Uzoaga, W. O., & Alozieuwa, O. C. (1974). Dividend policy in an indigenous private enterprise in a developing economy: A case study of Nigeria. *Nigerian Journal of Economic and Social Studies*, 16(2), 119–133.
64. Vieira, E. S. (2017). Dividend policy and ownership structure: Evidence from the Portuguese market. *Journal of Accounting and Taxation*, 9(1), 1–11.
65. Vivian, A. (2006). The impact of dividend announcements on firm risk. *Applied Financial Economics*, 16(13), 903–913.
66. Watts, R. (1973). The information content of dividends. *Journal of Business*, 46(2), 191–211.
67. Watts, R. L., & Zimmerman, J. L. (1986). *Positive accounting theory*. Prentice-Hall.