

**DIVIDENDS REGULATION IN NIGERIA: AN EXAMINATION
OF THE SECURITIES AND EXCHANGE
COMMISSION'S OVERSIGHT AND IMPACTS ON
LISTED COMPANIES**

Offorma Nkechi Elizabeth*
Ahiakwo Grace Abraham**

Abstract

Dividend policy occupies a central position in corporate finance, investor protection, and capital market regulation. Against this background, the study interrogates the legislative and regulatory framework governing dividend declaration and distribution, situating it within broader debates on transparency, solvency, and shareholder rights. The aim of the study is to critically examine how the SEC's oversight function and evolving statutory reforms address these challenges, with a view to strengthening investor protection and enhancing confidence in Nigeria's capital market. Methodologically, the research adopts a doctrinal approach, analysing relevant statutes, SEC rules and circulars, NGX disclosure practices, and comparative perspectives from jurisdictions such as the United Kingdom and Ghana. The findings reveal that while Nigeria's framework provides clear rules on dividend declaration, solvency requirements, and disclosure obligations, practical implementation remains problematic. Weak enforcement, and other challenges undermine the system's effectiveness. The ISA 2025 represents a major reform, expanding SEC's enforcement powers and introducing mechanisms to safeguard investors, but its success depends on detailed subsidiary regulations and

* LLB (UNN), BL, Enugu, PGD, Uniport), MSC (Uniport), LLM (RSU), PhD (RSU).
Email: elizofforma@gmail.com

** PhD (RSU), LLM (RSU), LLB (Uyo) BL (Abuja) PDE, (FCET). Law Lecturer at Faculty of Law, Department of Private and Property Law, University of Port Harcourt. Notary Public & Principal Partner at Gracey's Legal Consult and Resolution Firm, No 1 Erema Street, Omoku, Rivers State, Nigeria. Email: graceahiakwo@gmail.com

consistent application. The study concludes that Nigeria's dividend regulation is at a critical juncture: reforms have laid a strong foundation, but clarity and enforcement are essential to translate statutory provisions into real investor protection. Accordingly, it recommends the issuance of comprehensive SEC guidelines on unclaimed dividends among others

Keywords: Capital Market regulation, Dividends Policy, Investor Protection, Security and Exchange Commission, Unclaimed Dividends.

1.0 INTRODUCTION

Dividend policy, the mechanism by which companies distribute profits to shareholders, is a core junction between corporate finance, shareholder rights and regulatory oversight. In the context of business investment, company dividends continue to be one of the most significant methods of distributing profits.¹ Dividends both strengthen company managers' commitment to producing revenue for shareholders and convey to potential investors confidential information about a company's success.² However, a company's ability to turn a profit does not ensure that dividends will be paid. To put it another way, a company that generates a profit from its activities may decide to distribute dividends to its members, reinvest the profit back into the firm, move it to a reserve account, or utilise it for other appropriate uses like paying off current debts and liabilities.³

The board of directors alone has the authority to decide whether to capitalise profit, issue dividends, set it away as a reserve, or use it to

¹ P L Davis and S W Gower, *Principles of Modern Company Law* (10th edn, Sweet and Maxwell) 12; J Abugu, *Principles of Corporate Law in Nigeria* (MIJ Professional Publishers Ltd, 2014) 735–738; C Wild and S Weinstein, *Smith and Keenan's Company Law* (15th edn, Pearson Education Ltd, 2011) 195; R S Edwards, 'A Note on the Law Relating to Company Dividends' [1939] (6)(22) *Economica*, 170.

² S A Ross, 'The Determination of Financial Structure: The Incentive-Signalling Approach' [1997] (8)(1) *The Bell Journal of Economics*, 23-40.

³ Companies and Allied Matters Act (CAMA) 2020

settle debts. In this sense, it is crucial to establish uniform guidelines for evaluating business choices on dividend payments. As a result, many countries have passed legislation and policy guidelines to gauge directors' choices about dividend payments and other business distributions. The basic goal is to establish acceptable limits under which a corporation may declare a dividend payment or otherwise disperse its assets, even though the legal framework and policy measures on dividend payouts may differ from country to country.

Many businesses, however, lack a clear and strategic direction for their profit distribution strategy and are not fully aware of the significance of dividend policy. The average dividend growth rate is often seen by investors as being more unpredictable than it actually is. Investors typically believe that the average dividend growth rate has also increased when dividends rise. Return volatility increases as investor confidence drives up prices relative to payments.⁴ Private information is overconfident, and investors appreciate it more than public knowledge. An investor forms preconceived notions about future cash-flow growth as they research the market. Based on the facts he has gathered; the investor then starts his own study and becomes overconfident. He raises prices disproportionately high relative to current rewards if the private knowledge is favourable.

The Securities and Exchange Commission (SEC, sometimes known as "the Commission") is a key player in determining how publicly traded firms in Nigeria declare, pay, and handle dividends. A combination of statutes (most notably the Investments and Securities Act and company law), SEC guidelines and circulars, and more general corporate governance laws like the Nigerian Code of Corporate Governance

⁴ F Hasan and M R Islam, 'The Relationship Between Behavioral Finance and Dividend Policy: A Literature Review' [2022] (26)(5) *Academy of Accounting and Financial Studies Journal*, 1-11.

(NCCG) have developed the legal framework controlling dividends during the past 20 years. The SEC aims to guarantee that dividend payments are made from legally distributable income, sufficiently declared, and promptly distributed to eligible shareholders through various procedures.⁵

Additionally, the Investments and Securities Act of 2025 gives the SEC the authority to oversee the entire unclaimed dividend procedure, potentially bypassing contradictory rules under the Finance Act and CAMA.⁶ However, the SEC's current regulations mostly address procedural issues like timely reporting, returning unclaimed profits to businesses, and registrar duties. According to SEC regulations, it is still unclear how unclaimed dividends will be disposed of in the long run, particularly after six years.

1.1 METHODOLOGY

The Nigerian Exchange (NGX) corporate-disclosure policy, SEC regulations and circulars, and Nigerian statutes are all examined in this article using doctrinal legal analysis and regulatory assessment. In order to track how listed businesses really implement regulatory requirements, it supplements legal sources with current market data and commentary (news, exchange announcements, and market reports). The Companies and Allied Matters Act (CAMA), the Investments and Securities Act, and SEC rules and circulars are examples of primary sources that were examined; NGX corporate action announcements, legal commentary, and market assessments are examples of secondary sources. (Key primary papers studied include the Investment and

⁵ Businessam, 'Investors charge SEC to enforce 'dividend payout policy' on listed firms' <<https://businessamlive.com/investors-charge-sec-enforce-dividend-payout-policy-listed-firms/>> accessed 20 December 2025.

⁶ Investments and Securities Act 2025 s 93

Securities Act of 2025, ISA (2007), CAMA 2020, and SEC rules and circulars.)

2.0 CONCEPTUAL CLARIFICATION

2.1 Dividend

Hauser⁷ describes a dividend as the portion of a firm's net earnings that a director suggests be given to shareholders based on their ownership investment in the company. A dividend is essentially the amount of an organisation's earnings that is payable to its shareholders after taxes have been paid. The word "dividend" comes from the Latin word "dividendum," which means "things to be divided." According to Graham and others,⁸ Dividends are periodical payments that a company's board makes to its shareholders. In other words, a dividend is a portion of an organisation's profits that are chosen to be given to different classes of stockholders in exchange for their financial support of the business.

The money that a business distributes to its shareholders from its profits is known as a dividend. These payments may be made in cash or by issuing more shares, as in the case of a script dividend. Dividend payments are often required of companies listed on the stock exchange on a quarterly or semi-annual basis. The term "interim dividend" refers to the quarterly or semi-annual distribution. The final dividend is the last payment, which is typically made at the conclusion of the company's fiscal year. Usually, dividends are disbursed following the deduction of company tax.

⁷ R Hauser, 'Did Dividend Policy Change During the Financial Crises?' [2013] (39)(6) *Econ Papers*.

⁸ J R Graham and others, 'Do Price Discreteness and Transactions Costs Affect Stock Returns? Comparing Ex-Dividend Pricing before and after Decimalization' [2003] (58)(6) *The Journal of Finance*, 2611–2636.

2.2 Dividend Policy

According to Sujata⁹ the technique that management use when determining dividend payouts, or to put it another way, the amount and timing of cash payments to shareholders over time, is referred to as "dividend policy." Investors, managers, lenders, and other stakeholders, more especially the claimholders, are affected. In addition to being a source of consistent income for investors, dividends, whether declared now or accrued and distributed later, also play a significant role in a company's valuation. The quantity of dividends that can be paid to shareholders can also be influenced by managers' ability to invest in projects, since higher dividends result in less money available for investment.

Accordingly, to Kapoor,¹⁰ dividend policy is the payout strategy used by managers to determine the amount and distribution pattern of cash to shareholders over time. According to Akinsulire,¹¹ the impact of dividend policy announcements on share values makes them crucial. Because investors are more optimistic about the company's future prospects, a stable dividend policy is anticipated to result in higher prices. In order to enhance the value of the shareholders' investment, the dividend policy should aim to maximise their return.

3.0 DIVIDEND PAYMENT PRACTICES IN NIGERIA

In Nigeria, market behaviours, regulatory restrictions, and statutory provisions all influence dividend payments among listed firms. The Securities and Exchange Commission (SEC) and the Nigerian

⁹ K Sujata, *Impact of Dividend Policy on Shareholder Value: A Study of Indian Firms* (Synopsis of the Thesis to be Submitted in Fullfilment of the Requirements for the Degree of PhD in Management, 2004).

¹⁰ S Kapoor, 'Impact of Dividend Policy on Shareholders' Value: A Study of Indian Firms' <<http://shodhganga.inflibnet.ac.in:8080/jspui/handle/10603/2432>> accessed 20 December 2025.

¹¹ O Akinsulieri, *Financial Management* (7th edn, Lagos: El-Toda Ventures, 2011).

Exchange Group (NGX) establish procedural and disclosure requirements to guarantee transparency and investor protection, while the Companies and Allied Matters Act (CAMA) offers the legal basis for dividend declaration and distribution. In actuality, dividend payments show each company's financial success, cash flow situation, and corporate governance philosophy in addition to adherence to these legal and regulatory frameworks. The next subsections look at the regulatory protections that influence dividend practices among Nigerian listed businesses as well as the procedure for paying dividends.

a. Declaration and payment process

In actuality, a Nigerian listed company's dividend cycle typically consists of the board reviewing and recommending a final payout (or directors declaring an interim dividend). The board of directors alone has the authority to decide whether to capitalise profit, issue dividends, set it away as a reserve, or use it to settle debts. Section 426 of CAMA, 2020 states that a company may only issue dividends for any year or other term at a public meeting on the directors' proposal.¹² The corporation may occasionally pay members interim dividends that the directors believe are warranted by the company's profits.¹³

In this sense, it is crucial to establish uniform guidelines for evaluating business choices on dividend payments.¹⁴ This is motivated by the need to protect investors' rights to dividend returns on their investments and to prevent directors from acting opportunistically when allocating business profits to rival interests. In the case of *Longe v. First Bank of*

¹² Companies and Allied Matters Act, 2020 s 426(1)

¹³ *ibid*, s 426(2)

¹⁴ S V Akaayar, 'A Critical Analysis of the Legal and Regulatory Principles for the Declaration and Payment of Company Dividends in Nigeria' [2020] (64)(2) *Journal of African Law*, 245–266.

Nigeria Plc,¹⁵ the appellant, a senior executive director, challenged his removal from office, raising broader issues of corporate governance, board powers, and regulatory compliance. The Supreme Court held that corporate governance rules and regulatory frameworks must be strictly followed; directors and boards must act within the Articles of Association, CAMA, and regulatory codes, and shareholder and investor interests are central to corporate decision-making. Although not strictly a dividend case, it powerfully supports arguments on investor protection, board accountability, and regulatory compliance, all of which affect dividend policy.

In addition, shareholders must approve final dividends at the Annual General Meeting, the qualifying and payment dates must be announced via the exchange (corporate-disclosure), and shareholders must be paid by registrars and e-dividend systems. Registrars and registries handle e-dividend registration and payment execution, and NGX's corporate-disclosure platform serves as the official route for the public declaration of corporate actions, including dividends. Qualification dates and e-dividend registration criteria are frequently mentioned in recent NGX letters and business announcements.

b. Legal constraints and investor protection mechanisms

Corporate governance regarding distributions is ensured by company articles and procedural safeguards (board recommendation, shareholders' resolution), whereas Nigerian law (CAMA and case law) forbids distribution out of capital and mandates that dividends be backed by distributable profits.¹⁶ In accordance with its authority under Sections 3(4)(e) and 93 of the Investments and Securities Act 2025, SEC rules establish layers of investor protection. The Commission hereby

¹⁵ (2010) 6 NWLR (Pt. 1189) 1.

¹⁶ CAMA, 2020 s 427.

instructs public firms and their Registrars to continue honouring all shareholder requests for the payment of unclaimed dividends.¹⁷ In *Union Bank of Nigeria Ltd v. Nwaokolo*,¹⁸ the respondent was a shareholder who challenged certain acts of the company and its directors, alleging improper handling of company affairs affecting shareholder benefits, including entitlement to returns on investment. The Supreme Court held that shareholders are entitled to dividends only when validly declared by the company; directors owe a fiduciary duty to act in the best interests of the company and its shareholders and that courts will intervene where directors abuse their discretion or act mala fide. The case underscores that dividend entitlement is not automatic and must follow proper corporate governance procedures, reinforcing directors' accountability.

c. Dividend drought and concentration

A significant portion of NGX-listed companies have not paid dividends for prolonged periods of time, according to market reports and analysis (2024–2025). This pattern is sometimes regarded as a sign of poor cash generation, re-investment, or capital conservation strategies. For instance, a number of listed companies (in a number of industries) have not paid out cash dividends for at least five years, according to recent reports, which raises concerns about capital discipline and shareholder returns. Despite some significant share price increases, 45 of the 146 firms listed on the Nigerian Exchange Limited (NGX) have not paid dividends in at least five years, leaving owners with no cash returns.¹⁹ The non-dividend companies operate in a variety of industries, including consumer goods, insurance, healthcare, ICT, and industrial

¹⁷ Investments and Securities Act 2025 ss 3(4)(e) and 93.

¹⁸ (1995) 6 NWLR (Pt. 400) 127.

¹⁹ Daba, 'One-Third of NGX Listed Firms Haven't Paid Dividends in Five Years' <<https://www.dabafinance.com/en/news/nigeria-ngx-dividend-drought-2025?>> accessed 20 December 2025.

goods. Prominent companies include DN Tyre & Rubber, International Breweries, Royal Exchange, Omatek Ventures, and NCR Nigeria. Certain companies, such as Daar Communications and Secure Electronics, have never paid dividends since going public. Both institutional and retail investors are impacted by this tendency, which may also have an impact on market liquidity and valuation. Many of these companies continue to be unprofitable, according to financial reports, while others record poor or irregular earnings that are insufficient to support rewards. For instance, International Breweries reported a N113 billion loss in 2023 before turning a profit in the first half of 2025. Even though SCOA's H1 2025 profit of N342 million exceeded its full-year earnings for 2024, dividends were still withheld.²⁰

4.0 COMPARATIVE PERSPECTIVES

4.1 Nigeria and the United Kingdom

The UK has been at the forefront of international reforms pertaining to corporate governance since the 1980s.²¹ Among other things, the timing of a distribution is more important to UK company law than the timing of a dividend declaration. Business law just serves as a model for the corporate constitutional relationship; dividends are the result of an internal business governance procedure. In the UK, the Companies Act 2006's Part 23 outlines all of the rules pertaining to company distributions. Only profits that are available for distribution may be used

²⁰ Daba (n 18).

²¹ C G Ntim, 'Board Diversity and Organizational Valuation: Unravelling the Effects of Ethnicity and Gender' [2015] (19)(1) *Journal of Management and Governance*, 167-195; C G Ntim, 'Corporate Governance, Corporate Health Accounting and Firm Value: The Case of HIV/AIDS Disclosures in Sub-Saharan Africa' [2016] (51)(2) *International Journal of Accounting*, 155- 216; W M Al-Bassam and C G Ntim, 'The Effect of Islamic Values on Voluntary Corporate Governance Disclosure: The Case of Saudi Listed Firms' [2017] *Journal of Islamic Accounting and Business Research*.

to pay a dividend or distribution to shareholders.²² However, a company's size also counts because larger, more established, and more mature businesses tend to pay dividends that are greater and more consistent.²³ The distributable-profits principle is similarly established by Nigeria's CAMA; as a result, both countries forbid payments made out of capital, albeit they do so in different ways and with varying degrees of enforcement.

A dividend is illegal if the Companies Act's conditions are not fulfilled.²⁴ Additionally, if a dividend is not properly authorised by board minutes, it can be considered unlawful. Directors must determine if the company has sufficient distributable reserves to declare a dividend to the shareholders prior to the meeting. These minutes must be retained by HMRC in order to justify the dividend announced; a dividend voucher has not yet been completed; for tax reasons, this is a "receipt." The dividend amount, dividend rate per share, and any applicable tax credit should all be displayed.²⁵ In Nigeria, a business is not allowed to declare or pay dividends if there are good reasons to think that the business would not be able to pay its debts when they become due.²⁶

The Financial Conduct Authority's (FCA) long-standing listing regulations, as well as more regular enforcement and market transparency, are advantageous to UK markets.²⁷ Although Nigeria's

²² Companies Act 2006 ss 829-853

²³ M Momany and others, 'Determinants of UK Companies' Dividend Policy' [2024] (21)(1) *Investment Management and Financial Innovations*, 386-396.

²⁴ section 836(4) of CA 2006

²⁵ HM Revenue & Customs, 'Distributions: general: dividends, distributions and company law' <<https://www.gov.uk/hmrc-internal-manuals/company-taxation-manual/ctm15205>> accessed 20 December 2025.

²⁶ CAMA 2020 s 428

²⁷ FCA, 'FCA Overhauls Listing Rules to Boost Growth and Innovation on UK Stock Markets' <<https://www.fca.org.uk/news/press-releases/fca-overhauls-listing-rules-boost-growth-and-innovation-uk-stock-markets>> accessed 20 December 2025.

SEC and NGX have tightened disclosure regulations, e-dividend methods, and unclaimed dividend regimes, market practice occasionally demonstrates inconsistent enforcement capacity and reduced dividend regularity.²⁸ Businesses are frequently under pressure to uphold open dividend policies due to the UK's strong stewardship and institutional investor engagement practices.

4.2 Ghana and Nigeria

Statutory company legislation, securities regulation, and changing corporate governance standards all influence dividend payout patterns in Ghana and Nigeria. There are significant variations in the legal specifics, administration, and handling of unclaimed dividends, despite the fact that both states have capital markets with robust regulatory monitoring and corporate systems founded on common law.

The Companies Act, 2019 (Act 992) governs dividend declaration and payment in Ghana.²⁹ According to the Act, a firm may only declare dividends if the directors have suggested the distribution and the shareholders have authorised it by ordinary resolution. Directors and shareholders are liable for any violations.³⁰ In order to reduce delays and administrative inefficiencies, the Securities and Exchange Commission of Ghana has instructed listed businesses to switch from using physical dividend warrants to electronic payment methods like bank transfers and mobile money platforms.³¹

²⁸ Nigerian Exchange Group <<https://ngxgroup.com/exchange/data/corporate-disclosures/>> accessed 20 December 2025.

²⁹ Companies Act, 2019 (Act 992).

³⁰ *ibid*, s 72

³¹ Securities and Exchange Commission of Ghana, 'The Corporate Governance Code for Listed Companies 2020' <https://sec.gov.gh/wp-content/uploads/Final-Regulatory-Laws/Codes/Corporate_Governance_Code.pdf> accessed 27 December 2025.

The Companies and Allied Matters Act (CAMA) 2020 serves as the foundation for Nigeria's dividend distribution system, which is further supported by stock market and Securities and Exchange Commission (SEC) laws. Detailed procedures for declaring and paying dividends, including requirements for solvency tests and retained earnings prior to distribution, are provided under CAMA 2020 and regulatory practice. Company law includes dividend rules, which must comply with CAMA and SEC regulations.

However, when recommending a dividend reward payout in Ghana, profitability throughout a financial term is not the only element to consider. Directors must adhere to the distribution test outlined in Act 992 when recommending dividend payments.³² An evaluation of a business's capacity to settle its debts when they become due is a crucial prerequisite in this respect.³³

One of the new provisions of the Companies Act 2019 (Act 992) is the handling of the phenomena of unclaimed dividends. The new rule requires the corporation to form an interest-bearing Unclaimed Dividend Account right away, into which the unclaimed sum will be credited, if dividends are not claimed for three (3) months. In that regard, Section 73(1) of the Act stipulates, "The company will immediately (a) open an interest-bearing unclaimed dividend account and (b) credit the entire amount of its shareholders' unclaimed dividends to that account, unless that account has already been opened, if any dividend declared by the company cannot be paid due to the dividends being unclaimed by the member entitled to the dividend and remaining unclaimed for three months."

³² Companies Act, 2019 (Act 992) s 72

³³ *ibid*, s 82

If the dividend is still unclaimed after the aforementioned account has been opened and credited, the company is required by law to send the funds to the registrar of companies, who will subsequently form an account and deposit the funds.³⁴ The corporation must notify the relevant shareholders or their estate, if applicable, at their last known address when it makes the payment to the Registrar. Accordingly, Section 73(6) stipulates that “On the day of the payment under subsection (2), the business must notify the relevant shareholder or the shareholder's estate at the last address the business is aware of of the dividend payment”.

Additionally, a company's retained earnings prior to the payment, return, or distribution cannot be exceeded by a series of payments, returns, or distributions. Additionally, a business may specify dividend distribution methods through its registered constitution without consulting the shareholders' resolution. These clauses give a business the chance to choose a dividend payment scheme for its shareholders.³⁵ Once more, a firm may choose to compensate its shareholders through non-cash dividends and capitalisation problems. These allow unissued shares to be issued and credited as fully paid for by shareholders, or they allow an amount owed on issued shares to be considered paid on a call made in lieu of dividend payments to shareholders. These provide creative means of boosting shareholders' capital contributions and a company's capital position, as well as obtaining payments for shares that have not yet been paid for.³⁶

Last but not least, Act 992 does not forbid stockholders from serving as business officers. It implies that a shareholder may concurrently serve as a director, managing director, executive director, chairman of the

³⁴ Companies Act, 2019 (Act 992) s 73(2)

³⁵ *ibid*, s 76

³⁶ Companies Act, 2019 (Act 992) s 77

board of directors, etc. The shareholder will be eligible for benefits that accrue to those who hold these positions within a corporation in any of these jobs. When determining what benefits should be provided for a shareholder's labour, experience, and efforts, reward planning should consider the significant role that shareholders play in a company's management.³⁷

In conclusion, Ghana's Companies Act 2019 offers a more explicit and centralised statutory regime, especially with regard to unclaimed dividends, even if Ghana and Nigeria have fundamental commonalities in dividend regulation. With a major focus on electronic dividend systems, Nigeria's structure under CAMA 2020 is more dynamic and policy-driven and is supported by SEC laws. Both systems are still changing in response to the demands of effective corporate financial management, investor protection issues, and market realities.

5.0 REGULATORY OVERSIGHT OF DIVIDEND DISTRIBUTION BY THE SECURITIES AND EXCHANGE COMMISSION

The Securities and Exchange Commission's (SEC) larger duty to oversee and control the capital market includes the regulation of dividend distribution in Nigeria. The Companies and Allied Matters Act 2020 (CAMA) governs the substantive legality of dividend declarations, but the Investment and Securities Act 2025 (ISA 2025) provides the institutional and regulatory framework that allows public and listed companies to monitor their dividend-related activities to guarantee transparency, equity, and investor protection.

³⁷ R Nunekpeku, 'Reward Planning for Shareholders and Directors of Private Companies – Pointers from the Companies Act, 2019 (Act 992)' <<https://thebftonline.com/2020/11/30/reward-planning-for-shareholders-and-directors-of-private-companies-pointers-from-the-companies-act-2019-act-992/>> accessed 27 December 2025.

Section 3 of the Investment and Securities Act 2025, which designates the Commission as the highest regulatory body for the Nigerian capital market, gives the SEC its regulatory jurisdiction. Section 3(4) gives the SEC the authority to intervene in the management and control of capital market operators, public companies, and regulated entities that it believes have failed, are failing, or are experiencing a crisis, acted in a way that is detrimental to the interests of their investors and shareholders, or committed serious corporate governance violations, including entering the premises and taking any action it sees fit to protect investors and the public; giving regulated firms instructions on issues pertaining to capital market operations.³⁸ Dividend distribution is clearly included by this legal framework since it is a corporate action that directly impacts the investment returns of shareholders.

The Act now imposes stringent regulations on the handling of unclaimed dividends. Anyone found in violation of the applicable laws or related rules is guilty of an offence and faces a minimum fine of ₦10,000,000, a minimum sentence of five years in jail, or both. The SEC may impose a penalty of at least ₦10,000,000 and ₦50,000 per day for persistent violations in lieu of prosecution.³⁹ ISA 2025 increases investor protection and upholds the SEC's supervisory role in guaranteeing that dividend rights remain traceable and recovered by legitimate shareholders by statutorily controlling unclaimed dividends. Additionally, the 2013 SEC Rule stipulated that any dividend declared must be paid in full by transferring monies or issuing a cheque to the registrar within seven (7) working days of the annual general meeting where the dividend was announced. Only the company's current profits or revenue reserves will be used to pay dividends. No business may take out a loan to pay dividends. If there are good reasons to think that a

³⁸ ISA 2025 s 3(4)(a and e)

³⁹ *ibid*, s 93

corporation is or would be unable to pay its liabilities as they become due after payment, the company is not allowed to declare or pay dividends.

Furthermore, all directors who pay or participate in the payment of dividends from capital will be held personally accountable for returning any such payments to the firm. Every director who suggests paying a dividend when it is clear that the business lacks the funds to do so will be held personally responsible for paying the declared dividend to shareholders.

One of the key goals of SEC supervision under ISA is still investor protection. For dividends, this clause serves as the foundation for SEC rules for e-dividend registration, registrar behaviour, and administrative protections meant to guarantee that dividends declared by public firms are effectively distributed to shareholders. Together, these actions lower the frequency of unclaimed dividends and boost trust in the dividend payment system.⁴⁰

6.0 DISCUSSION

In Nigeria, dividend regulation functions within a multi-layered legal and regulatory framework that combines corporate governance norms, capital market regulation, and company law. In *Lewis v. Fokoy Investment Ltd*,⁴¹ a dispute arose from the internal management of a company, particularly the manner in which profits were handled and whether certain payments made to shareholders could properly qualify

⁴⁰ SEC, 'Database of Un-Mandated Accounts in the Nigeria Capital Market (e-Dividend Registration)' <<https://sec.gov.ng/for-investors/keep-track-of-circulars/database-of-un-mandated-accounts-in-the-nigeria-capital-market-e-dividend-registration/>> accessed 20 December 2025.

⁴¹ (1992) 1 NWLR (Pt. 222) 164.

as dividends. The issue was whether dividends could lawfully be paid in circumstances where there were no distributable profits. The Court of Appeal held that dividends can only be declared and paid out of distributable profits, not from capital; any payment made to shareholders otherwise than from profits is illegal and void; and directors who authorise such payments act ultra vires and breach company law principles. This case strongly reinforces investor protection by preserving company capital and aligns squarely with CAMA provisions on dividend declaration.

One important conclusion is that, despite the Companies and Allied Matters Act of 2020 giving the board of directors the primary authority to declare dividends, this discretion is not unrestricted. In addition to the Securities and Exchange Commission's (SEC) supervisory monitoring, it is limited by legislative regulations on distributable profits, solvency criteria, and shareholder approval. This emphasises how the law maintains managerial flexibility to reinvest profits or stabilise business finances while safeguarding shareholders' claim to returns. In *Interdrill (Nig.) Ltd v. U.B.A. Plc*,⁴² the case concerned corporate governance, disclosure obligations, and regulatory compliance in financial transactions. Although not directly about dividends, it addressed transparency and accountability in corporate conduct. The Supreme Court held that companies and financial institutions must comply strictly with regulatory and disclosure obligations; corporate actions affecting investors must be transparent and lawful; regulatory bodies (e.g., SEC, CBN) play a critical oversight role. The decision is useful in dividend discourse for emphasising disclosure, regulatory oversight, and corporate governance, especially in publicly quoted companies.

⁴² (2017) 13 NWLR (Pt. 1581) 52.

The SEC's growing regulatory power under the Investments and Securities Act of 2025, especially with regard to unclaimed profits, is another noteworthy discovery. Unclaimed dividends are now treated as a capital market concern rather than just a corporate governance issue thanks to Section 93 of the Act. The Act improves investor protection and boosts trust in the dividend distribution system by making non-compliance illegal and giving the SEC the authority to levy significant administrative fines. The analysis also discovers that although ISA 2025 makes enforcement powers clearer, there are still questions about how unclaimed dividends will be handled in the long run and how they will be ultimately disposed of, particularly after the statutory deadlines, which could lead to regulatory conflict and future legal action.

The report also emphasises the ongoing "dividend drought" that many NGX-listed businesses are experiencing. Many companies have neglected to pay dividends for long stretches of time, sometimes longer than five years, despite legislative protections. In addition to reflecting structural issues like low profitability, erratic earnings, and capital conservation tactics, this tendency calls into doubt the efficacy of shareholder activism and market discipline in Nigeria. Nigeria's structure is solid in terms of legal regulations but uneven in terms of actual results when compared to nations like the United Kingdom, where institutional investors and strong enforcement mechanisms put pressure on businesses to maintain transparent dividend practices.

Furthermore, a comparison with Ghana highlights the advantages and disadvantages of Nigeria's dividend regulatory system. Ghana's Companies Act, 2019 (Act 992) takes a more rigid and centralised statutory approach, especially with regard to unclaimed profits, even though both nations emphasise investor protection and operate under common law-based corporate systems.

Ghana's framework incorporates precise deadlines and custodial duties directly into company law, in contrast to Nigeria, where the management of unclaimed profits has developed mostly through regulatory action under the Investments and Securities Act 2025. A rules-based approach that lessens regulatory ambiguity is shown in the mandated transfer of unclaimed profits into interest-bearing accounts and thereafter to the Registrar of Companies. This is in contrast to Nigeria's more dynamic yet policy-driven system, where despite increased SEC enforcement tools, concerns about long-term detention and the ultimate disposition of unclaimed dividends still exist. Nigeria's model emphasises flexibility and regulatory response, whereas Ghana's approach shows how legislative specificity can improve administrative efficiency and certainty.

Overall, the results point to a comprehensive and increasingly investor-focused dividend regulation regime in Nigeria, especially under ISA 2025. However, its efficacy is largely dependent on uniform enforcement, more precise regulatory guidance on outstanding issues, and enhanced corporate governance practices among listed companies.

7.0 CONCLUSION

The Companies and Allied Matters Act 2020 serves as the main foundation of Nigeria's comparatively strong legal and regulatory framework for dividend declaration and payment, which is further strengthened by the Securities and Exchange Commission's (SEC) oversight authority under the Investments and Securities Act 2025. These tools work together to guarantee that dividends are only issued from distributable profits, subject to solvency restrictions, and handled in a way that supports accountability, transparency, and investor protection.

Unquestionably, the Investment and Securities Act 2025 is a revolutionary piece of legislation. It is an attempt to modernise Nigeria's financial markets, deal with current issues, safeguard investors, and establish a strong regulatory framework for future expansion. The Act itself offers the required tools and framework, but the SEC's careful enforcement and successful implementation will be crucial. The ISA 2025 is positioned as a crucial facilitator as Nigeria works towards its economic goals, promoting the efficiency and confidence required for the capital market to efficiently deploy resources and drive development.

The Act has transformed unclaimed dividends from a peripheral corporate governance issue into a central capital market concern by giving the SEC regulatory authority, establishing penalties for non-compliance, and bolstering enforcement procedures. This change improves investor confidence and brings Nigeria closer to international best practices for investor protection. Nevertheless, practical issues still exist in spite of these legislative advancements, such as ambiguities over the long-term handling of unclaimed profits and the lack of clarity regarding their final disposition outside of designated timeframes.

8.0 RECOMMENDATIONS

The paper makes the following recommendations:

- i. It is recommended that the SEC issue clearer and more detailed subsidiary regulations or guidelines under the ISA 2025 specifically addressing the long-term management and final disposition of unclaimed dividends. This would eliminate ambiguities, reduce the risk of regulatory conflict with CAMA and other fiscal legislation, and provide certainty for companies, registrars and shareholders.
- ii. Require listed companies to publish a clear dividend policy statement (frequency, pay-out ratio rationale, conditions for

suspending dividends) as part of listing-continuing obligations.

This enhances investor information and reduces uncertainty.

- iii. Furthermore, shareholder engagement and investor education should be prioritised. Regulators, registrars and market operators should expand investor-awareness programmes on e-dividend registration, shareholder rights, and mechanisms for claiming outstanding dividends. Increased awareness would reduce the incidence of unclaimed dividends and empower shareholders to hold corporate managers accountable.
- iv. Periodic legislative and regulatory review should be institutionalised to ensure that Nigeria's dividend regulation regime remains responsive to market realities. Maintaining investor confidence and ensuring dividend regulation successfully supports capital market development and economic progress in Nigeria will need ongoing synchronisation of CAMA, ISA, SEC regulations, and corporate governance laws as capital markets change.