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Dividend Policy and Corporate Financial Performance: Evidence from Selected Listed Consumer Goods Firms in Nigeria

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Abstract

This study evaluated the dividend policy and corporate financial performance with evidence from selected listed consumer good firms in Nigeria within the period 2015-2019; using dividend pay-out ratio, earnings per share and dividend per share as proxies for dividend policy and Return on equity as proxy for financial performance with two control variables; firm size and financial leverage. The study employed correlation and ex-post facto research designs. Descriptive statistics and multiple regressions were used for data analysis. Secondary data were used, which were extracted from the Central Bank of Nigeria statistical bulletin and the Audited Annual Reports of the ten selected listed consumer goods firms in Nigeria. The results of the study show that dividend pay-out ratio; earnings per share and dividend per share are positively related to return on equity. It also revealed that dividend pay-out ratio and earnings per share were statistically insignificant with the return on equity while dividend per share was statistically significant with return on equity within the period of study. The study therefore recommends that firms should adopt a dividend policy strategy that will guarantee greater financial performance to improve on the dividend per share. It is also recommended that management should act in the best interest of the shareholders as this will go a long way in reducing agency problem. The implication of this finding is that if firms do not adopt a good dividend policy strategy that will benefit the shareholders, investors will lose interest in the firm and this will threaten the growth of some of these consumer goods firms in the future.

Keywords: Dividend Policy, Financial Performance, Dividend Pay-Out Ratio, Earnings Per Share, Dividend Per Share

Background to the study

In a world of significant agency problems between the principal and the agent, the agents who are entrusted with the affairs of the organization are repeatedly faced with the decisions on how to enhance the value of the firm.

Interestingly, such decisions bother on investment in the assets, financing structure and dividend policy decision of the organization. Of these three fundamental responsibilities, dividend policy decision has remained a major factor to appraise the activities of the agent.

Most corporate organizations adopt dividend policy that has the major aim of maximizing shareholders' wealth. The financial managers for instance have to decide on whether to adopt a high payout ratio and turn around to borrow funds from the capital market for investment purposes or adopt a low payout ratio and use the retained earnings in financing the investment opportunities prevalent at that time. Farrukh et al (2017) have argued that financial managers will have to settle on basic business and budgetary choices that will meet their goal of expanding shareholders' wealth and firm's value. In that case, profit will assume an important position.

Dividend policy is a company's policy focusing on paying out profit as dividend against retaining them for investment back in the company. Dividend policy can be referred to as the decision that affects earnings payable to shareholders after all cost and taxes have been removed by the firm from its total earnings.

Majority of financial assets are shares which are individual unit of capital, held purposely for the expected returns (Faure, 2015). These returns are termed as dividend and are only available to shareholders of an equity firm. When firms have earned profits, they are faced with the problem of how much of the profit to be shared as dividend and in that case, dividend policy becomes very imperative. This is because, shareholders would want the greater part of the profit to be distributed as dividend while the managers would want to retain most of the earnings for reinvestment in the future. Foong, Zakaria and Tan, (2007) asserted that dividend is an after tax distribution of a share of the firm earnings to the shareholder and this influence shareholders perception about changes in the firms performance. Oliver and Ugah (2015) noted that, dividend payment by corporate organizations is a fundamental expectation to shareholders and therefore ranks as one of the most important corporate decisions. A company's ability to consistently pay out increased levels of dividend over time conveys information about the management's assessment of the firm's performance as well as its future prospects.

Financial performance refers to the degree to which financial objectives of a firm is being or has been accomplished. It is a measure of how well a firm can use assets from its business and generate revenues. Valentin (2014), puts it as the efficiency with which a firm uses its resources in generating revenues. In the view of Turakpe & Fiiwe, (2017), the notable measures of financial performance in companies are ROA, ROE and net margin on sales. The return on equity (ROE) according Monteiro (2016) is perhaps the most important ratio an investor should consider.

Opinion from scholars ranges from the position that dividend policy has no real impact on the value and performance of the firm to the position that the dividend policy of a firm does impact on the value and performance of that firm and this has led to some conflicting results. Some scholars in the likes of; Thafani & Abdullah (2014); Ogheneochuko, (2015) and Mbah and Anichebe (2018) revealed that dividend policy influence firm's performance, while others also in the likes of; Kapoor (2006) and Ifuero & Iyobosa, (2016) submitted that dividend policy has no significant influence on performance of firms.

The dividend policy of the firm has remained one of the most contentious, but interesting issues in corporate finance. The relative merits of dividend policy on the performance of firms are important both from the firm and stakeholders' perspectives. In this study, the question is whether the dividend policy of a firm actually affects its economic value and performance, particularly in the developing economies.

Objective

Every potential investor who decides to invest in a company will want to investigate its capacity of paying dividends to its shareholders. Dividend policy is a factor because it can be utilized by firm's management to attract investors. It will be quite discouraging when companies that are expected to pay dividend are not paying dividend to their shareholders, when in the actual sense, the ultimate objective of a firm is to maximize its shareholder's wealth. To guarantee success in every company, management needs to completely understand dividend policy

because it can affect their performance positively or negatively. Some school of thoughts; Kapoor (2006) submitted that dividend policy has no significant influence on performance of firms while another; Abdul & Muhibudeen, (2015) noted that dividend policy influence firm's performance. The objective of this study is to evaluate the effect of dividend policy on the financial performance of consumer goods firms in Nigeria. Here the multiple regressions were used to analyze the effect of dividend policy on the financial performance of consumer goods firms in Nigeria. This study used yearly data generated from National Bureau of Statistics and the audited annual report of the selected consumer goods firms in Nigeria between 2015 and 2019.

Conceptual Framework

The study looks at the conceptual issues associated with the study and as a result discusses the concept of dividend policy and the concept of financial performance.

Concept of Dividend Policy

Dividend policy is the policy a company uses to structure its dividend pay-out to shareholders. It is a financial decision of a firm as to the proportion of the firm's earnings to be paid out to the shareholders. The management decides on the proportion of the firm's earnings to be distributed to the shareholders as dividends and the proportion to be retained for the firm. This is important because it sets out amount to be paid, the time of payment and the method of payment. Most firms view dividend policy as an important aspect of their corporate strategy, because the management must decide on the dividend amount to be paid and the time of payment. According to Booth and Cleary (2010) dividend Policy is a framework designed for making decision regarding the percentage of profit to be distributed and the part to be retained in the company for investment purpose. Kajola, Adewumi, & Oworu (2015) also viewed dividend policy as comprising the guidelines, regulations, and corresponding decisions of managers of a company concerning dividend payments to the shareholders of the company. Jo and Pan (2009), emphasized that dividend disbursement is one of the key factors that establish that a company is practicing the required corporate governance. Uwuigbe et al., (2012) noted that dividend policy decisions have also been identified as one of the primary element of corporate finance policy. Ramadan, (2013) disclosed that dividend pay-out and dividend yield are the most popular parameters chosen, as proxies for dividend policy in most dividend Policy researches. He described dividend pay-out as the ratio of total cash dividend distributable to common shareholders over the available net income for the shareholders while dividend yield he also described as a profitability indicator shown as a cash dividend per share for common stocks divided by the per share market value. There are four broad dividend policies in practice which according to Yusuf (2015), including; residual payment policy, stable predictive dividend policy, Constant pay-out ratio policy, Low plus extra or bonus dividend policy. A number of factors affect dividend policy decisions, some of which may include; financing constraints, investment choices and prospects, size of the firm, expectations of shareholders, and regulatory requirements among others. The dividend payments do not reflect the current state of the financial health of a company only but serve as an indicator to the future performance (Kajola, Adewumi, & Oworu, 2015).

Concept of Financial Performance

A firm's financial performance is of importance to investors, stakeholders and the economy at large. Investors are interested in the returns for their investment. A business that is performing well can bring better rewards to their investors. The financial performance of a firm can increase the income of its staff, rendering quality products or services to its customers and creating more goodwill in the environment it operates. A company that has good financial performance can generate more returns which can lead to future opportunities that can in turn create employment and increase the wealth of people. The ability of an organization to achieve success in financial performance is dependent on its ability to manage its financial matters efficiently. Ismaila, (2011), believed that there is evidence of a positive relationship between financially linked activities such as maintenance of sound financial records, planning, procurement of external and professional financial advice, and successful financial performance. Suleiman (2013), in his view, noted that a firm's financial performance is the result of a company's assessment or strategy on how well a company accomplished its goals and objectives. It provides a deductive measure of how well a company can use assets from business operations to generate revenue. A company's

performance is its ability to achieve its target objectives from its available resources (Rahul 1997). Van Horn (2005) defined financial performance as a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. Measuring of firms' financial performance is one of the strategic management functions aimed at satisfying the interest of shareholders and other stakeholders in a company. The firm's performance appraisal involves a periodic and systematic evaluation of its operations to determine the achievements of the firm's objectives.

The main objective of shareholders in investing in a business is to increase their wealth. Thus the measurement of performance of the business must give an indication of how wealthier a shareholder has become as a result of the investment over a specific time. If a company does not have a stable dividend policy, the shareholders will lose interest and will not want to continue keeping their capital in such company. Significant variables measuring firm's financial performance according to Amidu & Abor, (2006), are profitability, cash flow, sale growth and market-to-book value. Profitability measure of financial performance could be measures such as Return on Equity (ROE) and Return on Assets (ROA). Profitability measures are important in measuring the extent to which a business can generate profits from the factors of production. ROE is the measure adopted for the study. ROE is a financial ratio that shows the percentage of profit a company earns in relation to its shareholder's equity. It is commonly defined as net income divided by shareholder's equity.

Theoretical Framework

This study is anchored on three theories; which are the agency theory, the signaling theory and the bird-in-hand theory.

Agency Theory

This theory was first used by Jensen and Meckling (1976) in New York. The theory suggests that, dividend policy is determined by agency costs arising from the divergence of ownership and control. Agency theory states that managers of firms are likely to engage in non-value maximizing (NVM) behaviour. The apostles of this theory hold the view that the value of the firm would be decreased by the agency costs incurred due to non-value maximizing managers. Managers may not want to adopt a dividend policy that is value-maximizing for shareholders but would choose a dividend policy that maximizes their own private benefits. The agency problem arises when there is a conflict of interest between shareholders interest and managers' interest. According to Al-Kuwari (2009) shareholder is the principal in agency problem while the manager acts as the agent whose responsibility is to maximize value of the firm and returns to the firm's shareholders. D'Souza and Saxena (1999) observed in their study that there is a statistical significant negative relation between dividend policy and the agency cost, and they expressed that dividends should be paid in a regular basis to decrease the agency cost. Arnold (2008) also agreed that dividend is the best solution to reduce agency cost. However, if a manager's personal wealth were linked to the price of the firm's common equity, these agency costs could be reduced. Thus, managerial ownership of equity could serve as an agency cost reducing mechanism, increasing the value of the firm.

Signalling Theory

The signaling theory was propounded by Ross (1977) and Bhattacharya (1979). This theory had its root from the information asymmetry existing between managers as fund users and shareholders as fund providers. The theory assumes that managers have access to more information relating to the value of the firm's assets than other outside agents and investors. Therefore managers seek to use dividend pay-out policies to signal to the shareholders about the financial performance of their firms. Miller & Rock (1985), hold the view that managers know more than investors about the true state of the firm's current earnings. The signaling theory assumes that a higher dividend payout sends a signal to investors as to the future cash flow or the profitability of the firm. Amidu (2007) has argued that firms, despite the distortion of investment decisions to capital gains, may pay dividends to signal their future prospects. High dividend payments are considered positive sign of profitability by shareholders. Chaabouni (2017) also noted that dividends have a signaling effect as dividend payment gives the information about a company to the market. When there is an increase in dividend payments, it is a good sign for a company; it

increases its goodwill and its reputation in the mind of customer and share price increases (Al-Hasan, Asaduzzaman & Karim, 2013). The relevance of this theory to this study is that investors are attracted to invest in particular firm only when they have a good signal that such firms are doing well.

Bird-in-hand Theory

This theory was propounded by Gordon 1963 and Lintner 1964. The theory holds that a relationship exists between firm value and dividend payout. It states that dividends are less risky than capital gains since they are more certain. They postulated that investors being rational are usually risk averse and would prefer to receive dividend now than to expect a capital gain in the future that is uncertain. Amidu (2007) argued that investors would prefer dividends to capital gains because dividends are supposedly less risky than capital gains, firms should set a high dividend payout ratio and offer a high dividend yield to maximize stock price. Investors would prefer a dividend today to a highly uncertain capital gain from a questionable future investment. The theory argues that cash dividend received now, reduces the risk associated with the uncertainty surrounding deferred income; in form of capital gain. Hence, investors may prefer to purchase shares of companies with track record of dividend pay-out than companies that retain heavily for growth and expansion. Under the bird-in-hand theory, stocks with high dividend payouts are sought by investors and, consequently, command a higher market price. They argue that, outside shareholders prefer a higher dividend policy and those investors would consequently value high payout firms more highly. The dividend the investors receive today is far better than an increase in the capital gain as a result of expansion by the company as the risk of uncertainty exists, the company could grow resulting in capital gain and it could collapse as well resulting in total loss.

Review of Empirical Literature

Khan et al (2016) examined the Impact of Dividend Policy on Firm Performance: An Empirical Evidence from Pakistan Stock Exchange; using data extracted from the audited annual reports of the listed firms from 2010-2015 and adopting the ordinary least square technique for analysis. From their result, they found positive relationship between return on assets, dividend policy, and growth in sales. Their results also show that dividend pay-out ratio and leverage have significant negative relation with the return on equity.

Williams and Duro (2017), empirically investigated the impact of dividend policy on performance of quoted companies in a developing economy, using a sample of twenty quoted firms in a developing nation actively operating within 2005 to 2016 in the stock market. The Ordinary least square estimation technique was used for the analysis. Their result shows that there is a significant positive impact of dividend pay-out ratio on return on asset. They also found out that there is a positive relationship between return on equity and dividend per share. They concluded that profit after tax should be considered sensitive in relation to dividend payment. It was on this basis that they recommended that dividend policy issuance should be tied to specific range of profit after tax. A situation whereby profit after tax is below the specified range, there should be no dividend. Also, among their recommendations is that most quoted companies on the stock exchange market should be compelled to always make their dividend policy public annually.

Farrukh et al., (2017) examined the impact of dividend policy on shareholders wealth and firm performance in Pakistan; taking annual data from 51 firms listed on the Pakistan Stock Exchange while adopting multiple regressions for the analysis. They found from their result that dividend policy has positively significant impact on shareholders' wealth and firm performance, while commending the implementation of stable, effective, managed and target-oriented dividend policy by firm's financial managers along with effective supervisory framework governed by capital market regulatory bodies to uplift firms' performance and shareholders wealth in Pakistan. They also recommend that appropriate firm disclosure with respect to dividend payout and dividend per share is needed to guard the potential investors in making the right investment choices in listed firms.

Hafeez et al (2018), examined the Impact of Dividend Policy on Firm Performance; with evidence from the Manufacturing firms in Pakistan. The study adopted multiple regressions while the data used were extracted from the audited financial statement of the 15 selected manufacturing firms for the study for a period between 2014 and

2017. Findings reveal that all the independent variables have a positive relationship with dependent variables which indicate that they positively influence return on investment. They recommended that firms should maintain consistency in dividend policy to increase in return on asset.

Akinleye and Ademiloye (2018) examined the impact of dividend policy on performance of five quoted manufacturing firms in Nigeria from 2011-2015 using dividend payout ratio and dividend per share were used as independent variables while return on capital employed was used as dependent variable. Data was obtained from the audited annual report and accounts of the sampled firms and adopted multiple regressions for analysis. Their results show that, DPO and DPS have a negative effect on ROCE. The study also reveals that, DPO and DPS are statistically insignificant with ROCE. They recommended that management of manufacturing firms in the country should not be misguided by the contribution of dividend policy to improve performance to the point that they will consciously distribute more fractions of their earnings than necessary thereby dampening the future growth prospect and investment diversification of their firms.

Usman and Olorunnisola (2019), studied the Effects of Dividend Policy on Corporate Performance of Deposit Money Banks in Nigeria; using purposive random sampling method to select seven out of the sixteen quoted deposit money banks in Nigeria based on the size of their capital. Data were obtained from the audited annual reports of the sampled deposit money banks and Nigerian Stock Exchange over a period of ten years (2009-2018). Panel regression was used, and their study from their result showed that dividend policy has significant effect on corporate performance of deposit money banks in Nigeria. They recommended that, managers should improve their working capital and measure them with fair value and also that banks should increase the level of asset capital to improve profitability.

Ideweale and Murad (2019), investigated the relationship between financial performance and dividend policy for a sample of fifteen Deposit Money Banks quoted on the Nigeria Stock Exchange 2009 to 2014. Panel data regression analysis was used as the method of analysis, and the model was estimated using the Pooled Least Squares estimation technique. The study revealed that there is a positive and significant relationship between dividend payout ratio and financial performance. Their study also on the contrary, reveals that there is a negative and insignificant relationship between dividend yield and financial performance. The study recommends that since there is a positive and significant relationship between dividend pay-out ratio and financial performance, firms should strive to maintain healthy and a stable dividend policies. It is also recommended that since dividend yield is not affected by financial performance, investigations should be made to ascertain other factors that affect dividend yield.

Many scholars in their studies have tried to discuss the effect of dividend policy on financial performance of corporate organizations; however, these views are not enough for some level of business decisions; more empirical support is needed to complement the findings of these scholars. This paper has become part of the series of studies evaluating the effect of dividend policy on financial performance of corporate organizations in Nigeria so as to provide a clue on contending issues and fill some research gaps.

Methodology

The research design employed for this research is correlational and ex-post facto designs. The design for the study is appropriate because it assists in determining the effect of dividend policy on the financial performance of selected listed consumer goods firms in Nigeria. The general objective in this correlational and ex-post facto research designs is to gain an insight and generate new idea. The ex-post facto research design was used because the events have already occurred and variables not manipulated. Multiple Regression technique was also adopted as the tool of analysis as it is most appropriate for the study and because of its ability to use multiple independent variables to estimate their effect on a single dependent variable. The OLS method adopted in this study is a parametric statistical test that is based on a number of assumptions, the violation of which could affect the reliability of the results. The regression model was used because it assumed linearity and normality and it ascertains the impact of the independent variables on the dependent variable. Yearly data were generated from the Audited Annual Report of the ten (10) selected consumer goods firms listed on the NSE and the Central Bank of Nigeria

statistical bulletin between 2015 and 2019. The model for this study follows the works Hafeez et al (2018) and Butt H.A. (2018) and Usman and Olorunnisola (2019), on the effect of dividend policy on corporate performance, though with little modifications, these studies emphasized and established a relationship among variables in a growth model. The model is therefore specified as:

$$ROE = \beta_0 + \beta_1(DPR) + \beta_2(ESP) + \beta_3(DPS) + \beta_4(FSZ) + \beta_5(FLV) + \mu$$

Where:

ROE = Return on Equity; used to measure financial performance

Dividend policy is represented by dividend pay-out ratio, earnings per share and dividend per share while the other variables; firm size and financial leverage to serve as control variables.

DPR = Dividend pay-out ratio

EPS = Earnings per share

DPS = Dividend per share

FSZ = Firm size proxied by the logarithm of total assets of the selected firms

FLV = Financial leverage measured by the ratio of total debt to total book value of assets

β_0 = constant of regression equation

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ = Beta coefficients of the regression equation

μ = error term to capture variations in the mode

Results

Table 1: Descriptive Statistics

Variables	Mean	Std. Deviation	Minimum	Maximum
ROE	0.164	0.197	-0.23	0.91
DPR	0.335	0.613	-3.99	2.95
ESP	6.759	15.837	-33.21	65.79
DPS	2.794	5.997	0.13	36.95
FSZ	19.720	3.733	12.75	23.67
FLV	2.667	2.533	0.27	7.91

Source: STATA OUTPUT:

The above table presents the summary of descriptive statistics for the study. From the table, it shows that the mean value for ROE is given as 16%; this indicates the average level of ROE across the consumer goods firms. It also suggests that for every ₦1 use of assets generates 16% ROE in the sampled consumer goods firms in Nigeria and the standard deviation of ROE is 0.198. The difference between the mean and the standard deviation is 0.033. This is an indication of wide variations in the ROE around the mean. It means that there is a significant variation in the ROE status of the sampled consumer goods firms. The minimum and maximum are -0.23 and 0.91 respectively. This is an indication of a very wide range of 0.68. The range shows that there is a gap in ROE between the consumer goods firms, which explains why some consumer goods firms have low ROE and others with high ROE. The minimum value implies that some consumer good firms make a loss in some accounting years.

The mean value of the dividend pay-out ratio (measured as dividend per share/earnings per share) is given as 0.335 which means that on the average; firms pay about 33% of their profits as dividends with the 67% of the profit as retained earnings.

The mean value of earnings per share and its standard deviation in the listed consumer good companies are 6.759 and 15.837. These values demonstrate the dispersion of the panel data in the study. It also has a maximum value of 65.79 and a minimum of -33.21.

For dividend per share, mean value and its standard deviation are 2.794 and 5.994 respectively. However, the maximum value for the dividend per share is 36.95 per share while the minimum value recorded is 0.13 per share.

The firm size, which is measured as total assets, has a mean value of 19.720 with a standard deviation of 3.733. Leverage also has a mean value of 2.667 with a standard deviation value of 2.533.

Table 2: Correlation matrix

	ROE	DPR	EPS	DPS	FSZ	FLV
ROE	1.000					
DPR	0.273*	1.000				
EPS	0.345**	-0.065	1.000			
DPS	0.713**	0.147	0.343**	1.000		
FSZ	0.314	0.113	0.081	0.169	1.000	
FLV	-0.107	-0.129	0.47	0.63	0.167	1.000

Source: *STATA OUTPUT*:

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

This result on table 2; shows the relationship between the independent variables and the dependent variable. Absolute value of the correlation coefficient and larger value indicate strength and strong relationships. The result shows that the correlation coefficients on the main diagonal are 1.000 for all the variables, which indicate perfect and positive linear relationship that each variable has with itself.

The above results in table 2 reveal that the correlation between return on equity (ROE) and dividend pay-out ratio (DPR) is positive and significant at the 5 percent level with $R=0.273$ and $p\text{-value}=0.013$. The implication is that an increase in return on equity is associated with an increase in dividend pay-out ratio and a decrease in return on equity associated with a decline in dividend pay-out ratio.

The result also shows that the correlation between ROE and earnings per share is positive and significant at 1 percent level with $R=0.391$ and $p\text{ value}=0.007$ which implies that earnings per share have a significant positive effect on return on equity.

The third variable of interest in the study is the dividend per share; which also has a positive and significant correlation with return on equity at 1 percent with $R= 0.713$ and $p\text{-value}=0.001$; which also implies that dividend per share has a significant positive effect on return on equity. This further implies that the higher the earnings per share, the higher the return on equity and the lower the earnings per share the lower the return on equity. Looking at the two control variables in the study, firm size and financial leverage; it shows that there is positive relationship between firm size and return on equity while financial leverage shows a negative relationship with return on equity within the period of study.

Table 3: Regression Coefficients: Dependent Variable: Return on equity

Variables	Coefficients	Std. error	t-stat	P-value
Constant	-0.147	0.208	-0.707	0.454
DPR	0.041	0.023	1.783	0.073
EPS	0.011	0.007	1.571	0.115
DPS	0.023	0.003	7.667	0.001
FMS	0.029	0.021	1.381	0.137
FLV	-0.054	0.031	-1.742	0.103

$R^2 = 0.637$; $R^2\text{ Adjusted} = 0.609$; $DW = 1.128$

Source: *STATA OUTPUT*

The above regression result on table 3 shows that all the variables except firms leverage have positive coefficients. Also, all the variables except dividend per share are positive but insignificantly related to return on equity. The dividend per share is positively and significantly related to the return on equity. In the result as above, the coefficient shows the change that takes place in the dependent variable as a result of the change in the independent

variables. The coefficient value of dividend pay-out ratio is 0.041, which indicates that one unit increase in the independent variable (DPR); will increase the dependent variable by 0.041 units. Also, the coefficient value of earning per share is 0.011, which indicates that one unit increase in the independent variable (EPS); will increase the dependent variable by 0.011 units. A unit increase in dividend per share will increase the return on equity by 0.023; this is evidence from the coefficient value of dividend per share given as 0.023.

For the control variables; firm size and firm leverage, they both have coefficient values of 0.029 and 0.054 respectively; which indicates that a unit increase in firm size will increase return on equity by 0.029 while a unit increase in financial leverage will decrease return on equity by 0.054.

The coefficient of determination R^2 which measures the fitness of the model, as from the result on table 3 has a value of 0.637 which mean that about 64% of the variation in the dependent variable are explained by the explanatory variables, while about 36% variations of the firm return on equity of the consumer goods firms are explained outside the unspecified variables such as error term.

Autocorrelation

Autocorrelation occurs when the residuals are not independent from each other. Durbin-Watson statistics has been adopted in this study to test for the presence of autocorrelation. The regression result shows that the Durbin-Watson statistics (DW) is 1.128 which is less than 2. This signifies a problem of autocorrelation of the variables of the study.

Table 4: Multicollinearity Diagnostics Result

Variables	Collinearity Statistics	
	TOLERANCE (1/VIF)	VIF
DPR	.864	1.139
EPS	.718	1.217
DPS	.791	1.283
FMS	.893	1.121
FLV	.917	1.093

Source: STATA OUTPUT

The above results show that the VIF for the independent variables varies; it shows that all the variables are less than ten. The tolerance values are also smaller than one or significantly higher than 0.1. The result shows that there is strong evidence indicating absence of adverse multicollinearity between the independent variables of the study. This shows that the model of the study fits appropriately.

Discussions

From the regression results, it shows that the three variables of dividend policy which are the dividend pay-out ratio, earnings per share and dividend per share are positively related to return on equity. It also revealed that dividend pay-out ratio and earnings per share were statistically significant with the return on equity while dividend per share was statistically insignificant with return on equity within the period of study.

This finding is in conformity with the submissions of Williams and Duro (2017), Farrukh et al. (2017) and Hafeez et al (2018), who also found that there is a positive and significant relationship between dividend policy and financial performance; but on the contrary, the study failed to agree with the submission of Akinleye and Ademiloye (2018), who found negative relationship between dividend policy and financial performance.

Conclusions

The study evaluated dividend policy and corporate performance taking a look at some selected listed consumer goods firms in Nigeria. The results of the study revealed that dividend policy has significant effect on the financial

performance of consumer goods firms in Nigeria. It also revealed that dividend pay-out ratio and earnings per share were statistically significant with the return on equity while dividend per share was statistically insignificant with return on equity within the period of study. The research concluded that dividend pay-out ratio and earnings per share have significant effect on financial performance while dividend per share has insignificant effect on financial performance. The study therefore recommends that firms should adopt a dividend policy strategy that will guarantee greater financial performance to improve on the dividend per share. It is also recommended that management should act in the best interest of the shareholders as this will go a long way in reducing agency problem. The implication of this finding is that if firms do not adopt a good dividend policy strategy that will benefit the shareholders, investors will lose interest in the and would not want to keep their stocks with such firm; and this will threaten the growth of some of these consumer goods firms in the future.

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