
DIVIDEND POLICY AND FINANCIAL PERFORMANCE OF CONSUMER GOODS COMPANIES IN NIGERIA

Farida Musa, Ibrahim Abubakar Abubakar and Mubarakatu Garba
Accounting Department, Gombe State University

ABSTRACT

In Corporate Businesses dividend policy have been some of the most crucial issues faced by managers in decision making. This study Investigate the Impact of dividend policy on the financial performance of consumer goods companies in Nigeria. Ex-post Factor research design was employed and data was extracted from the annual report and accounts of the sampled companies covering a period of 8years (2010-2017). The data were analyzed using multiple regression analysis and the result showed that dividend per share has positive with significant and insignificant relationship on return on assets and return on equity respectively. Dividend payout has negative and insignificant relationship on return on assets. Dividend payout has positive and insignificant relationship on return on equity. The study concluded that DPR has both positive and negative impact on ROA and ROE respectively. The study recommended that Managers should ensure that their organizations have a good dividend policy that encourages higher dividend per share and minimized dividend payout ratio for it to have good financial performance.

KEYWORDS: Dividend policy, Dividend per share, Dividend payout, Return on Assets, Return on Equity

INTRODUCTION

Dividend is the portion of profit agreed by company to be allocated to shareholders in return for their investment which in turn provides information about the Financial Performance of the company. Dividend is received in proportion of share subscribed. The ratio of share paid to the subscriber is dividend payout. The dividend policy represent the agreed guidelines which regulate management decision in sharing profit after tax to ordinary shareholders (Muftau, Mubarak, Emmanuel & hakeem 2019). There has been unresolved problem on dividend relevance or irrelevance in the determination of firms' performance or value. Bhattacharya (1979) and Ajanthan (2013), suggest that firms Dividend Payouts policies are designed to reveal the earnings prospects to investors which remains one of the most important financial policies not only from the viewpoint of the company, but also from that of the shareholders, the consumers, employees, regulatory bodies and the Government.

Financial Performance can be viewed as how well a company enhances its shareholders wealth and the capability of the firm to generate earnings from the capital invested by shareholders (Osiegbu, Ifurueze & Ifurueze, 2014). The performance of a firm has to do with how effectively and efficiently the firm is able to achieve the set goals of maximizing shareholders wealth (Chakravarthy, 1986). A

company's Financial Performance can be reflected in profit maximization, maximization of return on assets (ROA) and maximization of shareholders' return (ROE), and this usually determines the firm's efficiency (Farida 2019). The research paper tries to assess the impact of dividend policy on financial performance of Consumer Goods Companies in Nigeria.

The Nigerian Consumer Goods Companies are the sectors that provide affordable products and services humanity. The sector has the potential of influencing economic growth and development through the provision of goods and services to almost all individuals in the country having an impact on all customers. The sector plays an important role in the operation of the economy their stability is of paramount importance to the entire populace (Okaro & Okafor, 2013)

STATEMENT OF PROBLEM

The stable dividend policy is sign of continued normal operations of the company; it creates confidence among the investors & provides them with a source of livelihood to those (investors) who view dividends as a source of funds to meet day-to-day expenses. Despite these benefits, some investors complain of receiving low amount as dividend, and if larger amount is paid, it may affect the company's future capital.

if the dividends are not paid to the shareholders on any account which might include insufficient profits, the financial standing of the company in the minds of the investors is damaged and they may like to dispose-off their holdings, and if the company pays stable dividends in spite of its incapacity, it will be suicidal to that company in the long-run. This might consequently lead to company's collapse. This trade off, informs the researchers that there might exist a missing gap in term of actual profit generated and the actual portion of profit allocated as dividend. There is the need to assess the impact of dividend on policy on the financial performance of consumer goods Company in Nigeria.

Several studies have been published on dividend policy and financial performance. Of these studies, Manjunatha and Akash (2018), Justus (2018), used dividend payout as proxy of dividend policy of cement companies in India. Israel and Bein (2019), Funmilola, Adeniyi and Abiodun (2018), used dividend payout as proxy of dividend policy of banks in Nigeria. This study tries to use dividend payout ratio and dividend per share as proxy of dividend policy of consumer goods companies in Nigeria. Findings of most studies on dividend policy and financial performance are controversial with claims and counter claim, Israel and Bein 2017 found positive and significant relationship between dividend policy and financial performance. On the contrary, Manjunatha and Akash (2018) found negative and statistical relationship between dividend policy and financial performance. Ubesie and Emejulu (2020) employed Pearson Product Moment Correlation (PPMC) analytical techniques and Pairwise Granger Causality analysis mechanism this study regression techniques of data analysis using stata.

Theories proposed on dividend policy for example, irrelevant theory by Modigliani-Miller considered dividend policy as an active variable while the relevant theory regards dividend policy as an active variable in the attainment of financial performance. These inconsistencies inform the researcher to assess the impact of dividend policy on financial performance of consumer goods companies in Nigeria from 2010 to 2017. The specific objectives are to:

- i. Examine the impact of Dividend per share on ROA of Consumer Goods in Nigeria.
- ii. Assess the impact of Dividend Payout on ROA of Consumer Goods in Nigeria.
- iii. Ascertain the impact of Dividend per share on ROE of Consumer Goods in Nigeria.
- iv. Examine the impact of Dividend Payout on ROE of Consumer Goods in Nigeria.

Statement of hypothesis

- i. Dividend per share has no significant impact on ROA of Consumer Goods in Nigeria.
- ii. Dividend Payout has no significant impact on ROA of Consumer Goods in Nigeria.
- iii. Dividend per share has no significant impact on ROE of Consumer Goods in Nigeria.
- iv. Dividend Payout has no significant impact on ROE of Consumer Goods in Nigeria.

2.0 LITERATURE REVIEW

The Concept of Dividend Policy

The word Dividend is the actual benefit that shareholders of a company obtain for their wealth invested which can be called return on their investment. Dividends entail the circulation of earnings in the real assets to the stockholders of the company in a fraction to their ownership (Modoran & Obreja, 2013). In most cases, Dividends are paid within the current profits and at some point; they are paid from general services. They involve the payment with cash and is normally known as cash dividend. The other option that is always available to a firm for earning circulation is by issue of bonus, which is additional to cash dividend (Adefila, Oladipo & Adeoti, 2010). Dividend payment is one of the main stock return components to shareholders, and through Dividend payment, a company is able to send a signal to investors that it is well complying with good practices of corporate governance (Lashgari & Ahmadi, 2014).

Dividend Payout Policy indicates the disbursement policy, which directors follow in making decision of the pattern as well as size of cash supply to stockholders over a particular time (Kapoor, 2009). Dividend Policy is a company's policy focusing on paying out salaries as Dividend against retaining them for investment back in the company. It is the section of profit between expenditures to stockholders as well as reinvestment in the company (Lashgari & Ahmadi, 2014). A Dividend Policy is also defined as the strategy of action accepted by the company's managements every time there is a choice to be made (Aduda & Kimathi, 2011). The main concern of Dividend policy decision is about

how much incomes can be paid as Dividend by the company and how much could be reserved (Emeni & Ogbulu, 2015). Dividend Policy is the most multifaceted features in economics. The realism is that Dividend Policy is more usually a tool of prosperity circulation than it is a tool of wealth formation (Priya & Nimalathan, 2013). Nevertheless, Dividend Policy is the most exciting subjects of modern monetary economics.

The Concept of Financial performance

Financial performance is at the heart of the managerial function of an organization' (Ghosh & Subrata 2006). Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). Different researchers have different thoughts about performance. Mostly researchers used the term performance to express the range of measurements of transactional efficiency and input and output efficiency. According to Karanja (2014), performance can be grouped into two basic types; those that relate to results, output or outcomes such as competitiveness, profit and those that focus on determinants of results such as prices or products. Gambo, Ahmad and Musa (2016) define performance as the yield or results of activities carried out in relation to the purposes being pursued. Its objective is to strengthen the degree to which organizations achieve their purposes.

Analysis of financial performance is mainly concerned with the development of a modeling methodology to help in the diagnosis of past performance and thus provide a framework for evaluating the effect of changes in operating parameters as a guide for future planning. Ghosh and Subrata (2006) opine that the performance of an organization is measured by the choice of the management form of wealth to be held. If the performance of an organization is good, there will be little or no disagreement between the management and the shareholders. As known Dividend is the return that accrues to shareholder as a result of the money invested in acquiring the stock of a given company while Dividend Policy on the other hand is concerned with division of net profit after taxes between payments to shareholders (ordinary shareholders) and retention for reinvestment on behalf of the shareholders (Eriki & Okafor 2002).

A difficult decision for both public and private limited companies is to determine the appropriate level of Dividend to be paid to shareholders, and to decide whether or not to offer non-cash alternatives such as scrip dividends. According to Davidson (1990), the existence of some share price reactions on Dividend announcement prompts an analysis of the evidence for both shareholder clienteles and possible interaction of firms' dividend policies with key activities such as internal investments. An aspect of the theory of dividend policy is part of a continuum of control allocations between managers and investors, and hence cross-sectional variations in dividend policy are driven by an underlying factor. The allocation of controls between the manager and investors is important not because of agency or private information problems, but because of its potentially divergent beliefs that can lead

to a disagreement about the value of project available to the firm. This underlying factor is “Financial Performance”.

The subject of Financial Performance has received significant attention from scholars in the various areas of business and strategic management. It has also been the primary concern of business practitioners in all types of organizations since Financial Performance has implications to organization’s health and ultimately its survival. High performance reflects management effectiveness and efficiency in making use of company’s resources and this in turn contributes to the country’s economy at large (Kumari, 2015).

Financial Performance (Corporate performance) is an important concept that relates to the way and manner in which financial resources available to an organization are judiciously used to achieve the overall business objective of an organization, it keeps the organization in business and creates a greater prospect for future opportunities (Abor, 2008). Good Financial Performance leads to efficient business performance management. Business performance management has three main activities: selection of goals, consolidation of measurement information relevant to an organization’s progress against these goals, and interventions made by managers in light of this information with a view to improving future performance against these goals to manage business performance is very important.

Accounting based measures of performance

To effectively evaluate firm performance, accounting based measures such as sales, earnings per share, growth rate of a firm can be used. Most previous studies used accounting data to measure Financial Performance. This entails the use of documented sources from annual reports and accounts to other statistical bulletin as they tap only historical aspect of a firm performance. The major accounting based measures of performance are the Return on Assets (ROA) which is an indicator of how profitable a company is relative to its total assets, Return on Equity (ROE) which is the amount of net income returned as a percentage of shareholders equity and Return on Capital Employed (ROCE) which is used for comparing the relative profitability of companies after taking into account the amount of capital used. For the purpose of this study, the Return on Asset and Return on Equity were discussed in relation to shareholders wealth.

Return on Assets (ROA)

It can be said that the company managers are particularly concerned nowadays with the efficiency of the asset utilization in an effort to improve the performance of the business. The rising pressure exercised by shareholders and the limited funds make the firms to search the ways to increase the efficiency of the assets, in order to maintain the competitiveness. To achieve this goal, the companies need to properly assess the Return on Assets (Siminica, Circiumaru & Simion, 2012). Return on Assets is an overall measure of profitability that reflects both the profit margin and the efficiency of an

institution. It measures how well firms use all their assets. ROA ratio is a percentage which measures the net income earned on the assets of firms.

The importance of Return on Assets as a measure of the firm performance is recognized in the specialized literature. Mohammad and Jaafer (2012) believes that Return on Assets (ROA) is the general-purpose financial ratio used to measure the relationship of profit earned to the investment in assets required to earn that profit. Thus, many scholars in trying to find the effect of other variables on performance employed the use of ROA. Scholars like Amidu (2007), Dogan and Topol (2014), Enekwe, Nweze and Agu (2015), Kajola, Adewumi and Oworu (2015), Fred (2015), Sultan and Hassan (2015), Jayiddin, Jamil and Roni (2016) and many others employ it.

Return on Equity (ROE)

The Return on Equity, according to Siminica, Circiumaru and Simion (2012), is one of the main indicators that a company annually publishes. Along with the turnover, EBITDA and the operating margin, it is the basis of the annual financial reports, presenting a great importance for the stakeholders of the company. The Return on Equity points out the efficiency of using the own capital of the company; that's why its level is important primarily for shareholders, who may thus determine whether the remuneration they get rewards the risk assumed. Managers, in turn, will be motivated to achieve an appropriate level of this rate so as to maintain their positions and to achieve the company's performance criteria. The Return on Equity points out the remuneration of the shareholders, by the payment of Dividends or by other forms of remuneration.

Dividend Policy and Financial Performance

Georgina (2011), established the effects of Dividend Policy on profitability of SACCOs with FOSAS in Kenya using secondary data. The study covers a period of 5 years (2006-2010), variables of the study were ROE, ROCE, Dividend yield and dividend payout ratio. Regression method was used and the study found that the companies dividend payout varied in value although it was positive in case and the study concluded that shareholders should also understand that when a SACCO has unfavorable dividend payout ratio it is due to their bad profit or investment i growth opportunity. However, this study uses ROE and ROCE to measure performance leaving ROA hence the issue of Generalization. The study has contributed to Knowledge, literature and theory.

Also, Uwalowa, Jafaru and Ajayi (2012), investigate the relationship between the financial performance and dividend policy among Nigerian listed firms. Size and market capitalization were the variables used in which regression method of analysis was made for the period of 5 years (2006-2010). The study showed that there is significant positive association between the performance of firms and dividend payout of the sampled firm in Nigeria and conclusively, firm size, tend to have a significant positive impact on firms dividend payout ratio. Hence, larger firms have better access to

the capital market. This study uses only size as the control variable therefore, there is need to employ other variables, however, the study has contributed to literature and theory.

Similarly, Ajanthan (2013), found out the relationship between dividend payout and profitability among listed hotels and restaurant companies in the Colombo stock exchange (CSE), secondary data was use and regression method was employed for analysis. The findings indicate that dividend policy is relevant and therefore, the manager should pay attention and devote adequate timing in designing a dividend policy that will enhance firm's profitability and shareholders value. The study shows the importance of Dividend policy and proper handling of the policy by managers so as to improve the performance of the organization. The study has contributed to theory and practice and literature.

In the same vein, Adesina and Alade (2013), ascertaining the relationship between Dividend Policy and corporate profitability, investment and earnings per share, the financial report of 2010 was used and regression analysis was made which the study reveals that a positive significant relationship exist between dividend policy and earnings per share, also a significant positive relationship exist between investment and dividend policy. The study recommended that organizations should ensure good dividend policy to maintain sound profitability and attract more investment to the organization.

Onanjiri and Karankye (2014), ascertain the impact of dividend payout in the financial performance of manufacturing firms in Ghana, using a period of 8 years (2004-2011). Regression analysis been used for the analysis and findings shows a significantly but negatively impact on quoted manufacturing firm's financial performance in Ghana, the study recommend that manufacturing firms to accumulate high retain earnings to buttress investors in positive net present value project which will fuel sales growth reducing expensive debt finance in Ghana. However, the negative impact might be as a result of inappropriate mixture of capital structure and poor dividend policy decision of management. However, this study contributed to theory, literature and practice.

Another study by, Charles (2014), determined the relationship between dividend payout and firms performance among listed companies at Nigerian stock exchange (NSE) using primary source of data for the period of 7 years (2006-2012), questionnaire was administered, correlation and regression analysis was made and the findings reveals that there exist a relationship between dividend and firm's performance which shows that dividend have a significant influence on firm's performance. The studies suggest that the firms should pay dividend since they are relevant and affect the firms' value. The suggestion in the study encourages payment of dividend meanwhile, the higher the dividend paid out the lower will be the firms' internal source of fund for investment opportunities.

Furthermore, Velnamphy, Nimalthan, and Kaharasi (2014), found out the relationship between Dividend Policy and firm's performance study uses the period of 2008-2012 (5 years), correlation and linear regression was used using return of equity, return on asset, net payment after tax and dividend

payout ratio as variables. The result shows that dividend payout positively influence financial performance of firms and concluded that the dividend payout ratio highly influenced the firm performance.

However, in Pakistan, Hassan, Ishfaq, Yasir and Urrehman (2015), investigate the relationship between dividend payout and profitability of firm in Pakistan for the period of 13 years (1996-2008). Secondary data was used and the variables of the study were earning per share (EPS), return of asset (ROA) and dividend payout ratio (DPO). Logarithmic regression was used, the result showed that there is a negative impact of divided payout ratio and next year earnings of firm, the study recommend for further study in the area and find out new insight. The study uses only ROA as the measure of performance hence the need to use other measures. Contribution has been made in the aspect of literature, theory and knowledge.

Also, Ahmad and Murtaza (2015), on the topic critical analysis of the factors affecting the dividend payout evidence from Pakistan analyzed the effect of change in Pakistan using 2003-2011 financial report. Return on equity, liquidity leverage, growth, firm's size and earnings per share were the variables used. Descriptive statistics and pooled least square method are used for analysis and the result shows that there is a significant relationship among liquidity, earning per share, leverage and firms size on dividend payout also significant relationship between dividend payout and company growth, meanwhile the study concluded that the change in dividend positively relate with the future earnings. However, the study has added to knowledge literature and practice.

Similarly, Ahmed (2015), searching for liquidity, profitability and the dividend payout policy investigate the impact of liquidity and profitability on the dividend policy in the UAE banking sector using the period 2005-2012 (8 years), liquidity ratio and profitability ratio was analyzed using multiple regression. The finding shows that dividend payout has a significant and positive correlation with liquidity but negative and insignificant correlation with profitability. Conclusion was drawn that there is a significant variation of the variables in Islamic banks but not significant with the period.

Another positive relationship, Chinedu, Augustine and Charles (2015), investigate the effect of dividend payout on performance. Evaluation of quoted cement companies in Nigeria, the period 2002-2014 (13 years) was used and return of assets, return on equity, return on capital employed and dividend payout ratio are considered as variables while simple linear regression was used for analysis. The study found out that dividend payout ratio has positive relationship with all the dependent variables (ROCE, ROA and ROE), the DPOR has statistical significant with ROCE and ROA, while ROE has statistical insignificant with DPOR of quoted cement companies in Nigeria.

Also, Chhatoi (2015), study on relationship between profitability and dividend payment in iron and

steel industry in India measures and assesses the relationship between profitability and dividend payment in selected Indian iron and steel industry. The period of 9 years (2004-2012), secondary data was used and descriptive together with influential statistics was adopted for the study, and the result shows that dividend decision is greatly influenced by profitability of the firm also concluded that finance managers prefer retained earnings as a mode of financing towards the investment decision.

Furthermore, Stephen (2016), this study sought to examine the effect of Dividend Policy on the value of firms listed at NSE using the period of 5 years (2011-2015) and correlation and regression analysis using statistical package for social sciences (SPSS) was used for the analysis. The study established that dividend payout ratio, firm size, total dividend paid positively influence firm's value while dividend ratio negatively influence the firm's value the study concluded that dividend policy is relevant and affects firm's value positively such that an increase in dividend increases firm's value and vice versa.

Similarly, Biza and Kembu (2016), explore the relationship between dividend payout and firm financial performance done for the financial report of 2009-2014 (6 years) the result showed a statistically significant relationship between dividend payout and net operating profit after tax and the study concluded that dividend policy is relevant in optimizing profitability levels and hence managers should consciously and accordingly craft dividend policy.

In the same vein, Anandasa, Yana and Relnampy (2016), on the topic Dividend Policy and corporate profitability econometrics analysis of listed corporate firms in Sri-Lanka, find out the impact of dividend policy on corporate profitability using the period of 2009-2014 financial report and regression analysis was made. The findings revealed a significant impact of dividend policy of organization on corporate profitability and the study recommends that organizations should ensure that they have good and robust dividend policy in place because it will enhance their profitability and attract investment.

Similarly, Nyandumo (2016), investigate the effect of profitability on individual policy of manufacturing firms listed in the NSE, the study covered the period of 5 years (2011-2015) using descriptive and regression method for analysis. The study reveals that the earnings of manufacturing firms had the highest variability in dividend policy reporting the lowest while liquidity and firm size were not statistically significant at 95% confidence level.

Furthermore, M'rabet and Bolijat (2016), the paper sought to examine the relationship between dividend payment and firms' performance of selected listed firms in Morocco covering the period of 5 years (2011-2014) and panel data regression method was employed to analyze the secondary data. The findings reveal that indication of dividend policy is an important factor affecting firm performance because their relationship was strong and positive, therefore the manager should devote

adequate time in designing a dividend policy that will enhance firm performance and shareholders value.

Similarly, Kanwal and Hameed (2017), examined the association between the dividend payout ratio and financial performance of firm, net payment after tax, ROE, ROA and dividend payout ratio were used as valuable and correlation with linear regression was used for the analysis. The study shows that dividend payout positively influenced financial performance of firms the conclusion was that dividend payout ratio highly influence firm performance.

Another study of, Ishaque, Irshad, Shams and Ansari (2017), established impact of Dividend Policy on shareholders wealth and firm performance in Pakistan, covering the period of 6 years (2010-2015) financial statement using regression analysis. The finding shows that dividend policy has positive significant impact on shareholders wealth and firm performance, effective, managed and target-oriented dividend policy by firm's financial manager in line with effective supervisory framework governed by capital market regulatory bodies to uplift firm's performance and shareholders wealth in Pakistan.

Chew (2017), thence to provide an understanding of Dividend Policy by viewing existing literature on dividend policy and the relationship between dividend policy and financial performance. The study covered 6 years 2010-2015 and paned data method was used for the analysis, the study reveals a positive and significant relationship between dividend payout and firm performance. Suggestion was made that dividend effect in the corporate capital structure, the economy, legislation, corporate strategy level of personal and corporate taxation and shareholders expectation should be taken into account.

Also, Kawshala and Pandirathia (2017), on the topic effect of Dividend Policy corporate profitability. An empirical study on beverages food and tobacco industry in Sri-lanka, examine the relationship between DPO and corporate profitability in Srilanka. The study uses secondary data for the period of 4 years (2012-2015) paned sectional survey was made made and the funding reveals that there is a positive significant relationship between dividend policy and profitability in the beverage, food and tobacco industries in Srilanka. The study suggested that a certain percentage of earnings shall be payout to shareholders in the form of dividend to improve Profitability.

Almost all the studies related to Dividend Policy and Financial Performance has used various variables in relation to the dependent variable and independent variable, and the general results provides a positive and significant relationship between Dividend Policy and Financial Performance despite the fact that the measures used in ascertaining the variables are different. The studies include that of Georgina (2011); Uwalomwa, Jafaru and Ajayi (2012); Ajathan (2013); Adesina and Alade (2013);

Onanjiri and Karankye (2014); Charles (2014); Nimalthan and Kaliaarasi (2014); Musa (2015); Ahmad and Murtaza (2015); Ahmed (2015); Chinedu, Augustine and Charles (2015); Chhatoi (2015); Stephen (2016); Biza and Thembu (2016); Anandasa, Yana and Velnampy (2016); Nyandumo (2016); M'rabet and Boujyat (2016); Kanwal and Hameed (2017); Ishaque, Irshad, Shams and Ansari (2017); Chew (2017); Kawshala and Panditharathia (2017). Although Hassan et al (2015) revealed a negative impact and recommended for further study in the area and find out new insight.

Dividend signaling and Information Asymmetric Theory

In 1961, M & M found that Dividends have a signaling effect; giving Dividends transmit information to the market. Generally increase in dividends transmit positive signal to the market and appreciate the price of stock and cuts in have view that risk free debt has no impact on Dividends transmit negative signal to the market and reduce the share price (Eriki & Okafor 2002). They also concluded that companies use Dividends as signaling device to the market. He also discussed that managers can forecast the firms future earning and they have proper knowledge about the earnings of the firm and all the insiders have the proper knowledge but the outsiders don't have the proper knowledge about the firms earning and it creates information asymmetry, so for information symmetry between the insiders and outsiders managers announce dividends (Zameer, Rasool, Iqbal & Arshad, 2013).

The signaling theory proposes that Dividend Policy can be used as a device to communicate information about a firm's future prospects to investors. Cash dividend announcements convey valuable information, which shareholders do not have, about management's assessment of a firm's future profitability thus reducing information asymmetry. Investors may therefore use this information in assessing a firm's share price. Dividend Policy under this model is therefore relevant (Al- Kuwari 2009, Al- Shubiri, 2011 Alhassan, asaduzzaman & Karim 2013 also Amidu & Abor).

Information about the prospects of a firm may include the firm's current projects and its future investment opportunities. The firm's Dividend Policy, either exclusively or in combination with other signals, such as capital expenditure announcements or trading by insiders, may communicate this information to a less informed market (Bhattacharya 1979), and that of . Pettit (1972) recognized that announcements of dividend increases are followed by significant price increases and that announcement of dividend decreases are followed by considerable price drops. Three studies of large changes in dividend policy Asquith and Mullins (1983) (dividend initiations) and Healy and Palepu (1988) (dividend omissions) showed that the market reacts dramatically to such announcements. This theory explained the Dividend Policy and is used in the study of Charles et al, (2014); Anandasayana and Velnamphy, (2016) and Ajanthan, (2013).

3.0 METHODOLOGY

This study adopted ex-post facto design. Population of the study comprises all the twenty-seven (27)

Consumer Goods Companies listed on the Nigerian stock exchange as at December 2017, Sample size of thirteen (13) companies were selected on data availability. The data were collected from the annual reports and accounts of the sampled Companies for the period 2010-2017. Data generated was analysed using multiple regression techniques with the help of (STATA). Diagnostic test was also conducted to ascertain the extent at which the data are free from multicollinearity and heteroskedasticity. Financial performance was used as the dependent variable measured by Return on Assets (ROA) and Return on Equity (ROE), dividend policy as independent variable and company size as control variable.

Model Specification

$$ROA_{it} = \alpha + \beta_1 DPS_{it} + \beta_2 DPR_{it} + \epsilon_{it} \dots\dots\dots (1)$$

$$ROE_{it} = \alpha + \beta_1 DPS_{it} + \beta_2 DPR_{it} + \epsilon_{it} \dots\dots\dots (2)$$

Where:

ROA= Return on asset.

ROE = Return on equity.

DPS= Dividend per share.

DPR= Dividend payout ratio.

α_0 = Parameters to be estimated (is the average amount the dependent variable increases when the independent increases by one unit, other independents variables held constant).

$\beta_1 - \beta_2$ = Partial derivatives or the gradient of the independent variables.

ϵ = An error term assumed to satisfy the standard OLS assumption/ U_t = Gaussian White Noise (Stochastic error term).

i = Firm.

t = time

4.0 RESULTS AND DISCUSSION

Table 4.1 Regression Results of the Impact of dividend policy on return on assets

Dependent Variable: Return on assets	
P>(t), Coefficient Estimates, (and t-ratio)	
Independent Variable	OLS Robust
Dps	0.26, .018, (1.13)
Dpr	0.56, -.05, (0.56)
Prof>f	0.50

R2 0.32

Significance at 1% (*)

Source: Authors computation using STATA on the data obtained from annual reports and Accounts of sampled companies (2020).

The analysis is done using OLS Robust estimation; this is due to the fact The OLS regression does not provide efficient estimates and to check whether the variability of error terms is constant or not, a test for heteroskedasticity was conducted. The heteroskedasticity test performed reveal presence of heteroskedasticity which was corrected using the OLS robust test. From the above table, the R2 results 0.32, indicating that 32 % variation in Return on assets is caused by dividend policy of the company. The coefficient of dps (.018) and P>t (0.26) means the dividend per share has positive and insignificant relationship with return on assets of the sampled companies. It also implies that an increase in dividend per share other variables remain constant, increases the return on assets positively but insignificantly. The coefficient of dpr (-.05) and P>t (0.56) means the dividend payout has negative and insignificant relationship with return on assets. It also implies that decrease in dividend payout other variables remain constant, increase the return on assets insignificantly and vise-versa.

Table 4.2 Regression Results of the Impact of dividend policy on return on equity

Dependent Variable: Return on equity	
P>(t), Coefficient Estimates, (and t-ratio)	
Independent Variable	OLS Robust
Dps	0.00, .02, (3.98)*
Dpr	0.50, .053, (0.67)
Prof>f	0.000
R2	0.03
Significance at 1% (*)	

Source: Author’s computation using STATA on the data obtained from annual reports and Accounts of sampled companies (2020).

The analysis is done using fixed effect estimation; this is due to the fact that the Hausman test reveal that fixed effect is more suitable. From the above table, the R2 results 0.03, indicating that 3 % variation in Return on equity is caused by dividend policy of the company. The coefficient of dps (.02) and P>t (0.00) means the dividend per share has positive and significant relationship with return on equity of the sampled companies. It also implies that an increase in dividend per share other variables remain constant, increases the return on equity positively and significantly. This is consistent with the findings of Ubesie, Emejulu and Emejulu (2020). The coefficient of dpr (.053) and P>t (0.50) means the dividend policy has positive and insignificant relationship with return on equity. It also implies that an increase in dividend payout other variables remain constant, increase the return on

equity positively but insignificantly.

5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

This research studied the impact of dividend policy on financial performance of consumer goods companies in Nigeria, using a sample of thirteen companies and covering a period of eight years (2010 – 2017). The findings of this study showed that dividend per share has positive with significant and insignificant relationship on return on assets and return on equity respectively of the sampled companies. Dividend payout has negative and insignificant relationship on return on assets. Dividend payout has positive and insignificant relationship on return on equity.

Based on the findings of the study, the following conclusions were drawn:

1. Dividend per share has positive relationship on financial performance of the sampled companies in Nigeria. The company's financial performance can be improved positively if dividend per share is considered.
2. Dividend payout has negative relationship on (return on assets) financial performance of the sampled companies in Nigeria. The company's financial performance can be improved insignificantly if less dividend is paid.

Based on the findings and conclusions of this study, the recommendations is that financial performance should be improved if lesser amount is paid as dividend and more dividend are placed per share of the sampled companies in Nigeria can achieve a higher and significant profit

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