
DIVIDEND POLICY AND FINANCIAL PERFORMANCE OF LISTED CONSUMER GOODS FIRMS IN NIGERIA

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Abstract

This study examined the effect of dividend policy on the financial performance of listed consumer goods firms in Nigeria. The study employed secondary data obtained from published annual reports of selected firms covering a ten-year period (2014–2025). Dividend policy was proxied by dividend payout ratio (DPO), dividend per share (DPS), and dividend yield (DY), while financial performance was measured using return on assets (ROA). The data were analysed using descriptive statistics, correlation analysis, and random effects regression models. The descriptive analysis revealed substantial variability in dividend policy indicators, with evidence of extreme values across firms. Correlation analysis showed that DPO, DPS, and DY were positively associated with ROA, although DPO and DY exhibited very strong interdependence. Regression results indicated that DPO ($\beta = 0.174$, $p < .05$) and DPS ($\beta = 39.73$, $p < .05$) had significant positive effects on ROA, while DY ($\beta = -128.38$, $p > .05$) had a negative but insignificant effect. The overall model was statistically significant ($F = 5.69$, $p < .001$), with an R^2 of 0.582, implying that dividend policy variables explained about 58% of the variation in firm performance. The findings imply that dividend policy is relevant for enhancing the profitability of consumer goods firms in Nigeria. Specifically, dividend payout and dividend per share significantly drive performance, while dividend yield does not. The study recommends that firms maintain optimal dividend payout practices and prioritize sustainable dividend per share policies to enhance profitability and investors' confidence.

Keywords: Dividend, Dividend Policy, Dividend per Share (DPS), Financial Performance, and Return on Assets (ROA)

1. INTRODUCTION

1.1 Background of the Study

Dividend policy has been one of the central issues of corporate finance and still evokes significant academic and practical attention. Dividend policy refers to the strategic decision a company takes regarding the distribution of profits with investors in the form of dividends or retained earnings. This decision plays a central role in determining the shape of the finances, investment ability, shareholders' wealth, and general performance of a firm (Baker & Powell, 2022). The type of trade off that the management attempts to achieve between the short term requirement to keep investors happy and long term sustainability of the business is reflected in the dividend policy adopted. Accounting profitability and financial performance are quantified in terms such as Return on Assets (ROA) and are said to be an indicator of how efficiently a particular firm utilizes its resources to generate profits. Dividend policy is commonly regarded as an indicator of the financial strength and perspective of the corporation by the shareholders and other stakeholders. Consistent and expanding dividend distribution is generally a sign of managerial assurance and corporate health, and irregular or absent dividend distributions can signify financial difficulties or declining income capacity (Li & Chen, 2023).

The consumer goods industry is a highly significant segment of the Nigerian economy because it offers basic amenities, employment opportunities, and GDP. Many of these firms are listed on the Nigerian Exchange Group (NGX) and are therefore under the pressure and demands of the capital market shareholders. However, they are also exposed to poor macroeconomic factors (high levels of inflation, exchange rate variation, fluctuating interest rates, and unreliable policy regulations) that can severely influence their dividend policy choices (Adewale & Obafemi, 2023; Oladeji et al., 2021).

Also, Nigeria has a regulatory framework, that is, the Companies and Allied Matters Act (CAMA) 2020, with very strict provisions for dividend payment. Dividends may be paid by listed companies only in distributable profits to prevent insolvency and guarantee long-term corporate survival (CAMA, 2020). While such regulation is intended to safeguard company funds from diversion of payments, it also makes dividend expectations tighter on the part of shareholders, especially during low profitability.

Empirical research indicates mixed results on the influence of dividend policy on firm performance. Some studies have testified for signaling theory by asserting that the announcement of dividends sends useful information to the market about the firm's prospects and financial condition, thus exerting a positive influence on the behavior of investors and firm value (Bhattacharya, 2019; Musa et al., 2021). Conversely, dividend irrelevance theory or residual theory proponents believe that in a perfect market, the firm value cannot be affected by dividend policy, and thus the retained earnings can be more effectively reinvested and utilized to support long-term growth (Okonkwo & Omoregie, 2022).

Moreover, agency theory contends that dividend payments can also reduce agency disagreements between managers and shareholders by limiting free cash flows available for use by managers at their discretion, hence encouraging higher financial discipline (Jensen & Meckling, 1976; Olayemi & Adeniyi, 2022). Nevertheless, the application of such theories in Nigeria is complex, given the underdevelopment of the country's capital markets, inefficient governance systems, and turbulent economic conditions (Okoro & Ogbulu, 2021; Eze et al., 2023).

Although a number of studies have been carried out to determine the relationship dividend policy and financial performance, no concrete conclusion can be arrived at on whether the relationship is positive or negative, in terms of its direction or strength, especially in the consumer goods industry in Nigeria. This point of disagreement refers to the fact that more empirical studies need to be done.

This is the gap that the current study aims to identify, as it discusses the impact of dividend policy on the financial performance of consumer goods companies listed in Nigeria over the last decade. Specifically, it will be sensitive to major variables of dividend policy, such as dividend payout ratio, dividends per share, and dividend yield and reflect their relationship with Return on Assets (ROA), which is a performance indicator of a firm. Hopefully the findings will prove beneficial to the managers in setting policies to pay dividends, help investors make wise decisions, and help the policy makers in formulating policies that will not only spur the growth of corporations but also safeguard the interests of the investors.

1.2 Statement of the Problem

Dividend policy remains one of the most controversial topics in corporate finance, and no common consensus exists on its real effect on firm performance. Its importance is well-known, but it is still unclear whether businesses have to focus on paying higher dividends to please owners or invest the money to grow in the long term. This quandary is especially pronounced in the consumer goods industry of Nigeria where companies have to work in a difficult economic environment with constant inflation, fluctuating exchange rates and repeated changes of policy. These macroeconomic limitations make it hard to decide on dividend and also hard to fully comprehend the impact that these constraints have in business profitability.

One of the biggest issues in dividend policy is that it presents a conflict of interest between the manager and the shareholder. Managers tend to look towards conserving the income to fund the expansion and secure the future of the company and shareholders tend to demand instant gratification by increasing the dividend payments. This conflict of interest poses challenges in developing a dividend policy that will not only please shareholders but will also contribute to long-term corporate sustainability.

In addition, most of the available empirical dividend policy evidence is based on developed economies that have well-developed financial systems, well-established regulatory institutions, and well-developed capital markets. These conditions contrast considerably with those of the environment in Nigeria where financial markets are not as developed, regulations are not as responsive, and companies experience significant operating risks. As a result, the results of the developed society cannot be wholesale instituted in the Nigerian context.

Besides this, the presence of macroeconomic instability (high inflation and unstable exchange rates, in particular) also complicates dividend management in the consumer goods sector of Nigeria. Companies are always faced with the dilemma of whether to distribute dividends to the stockholders, to remain profitable, and to have enough cash left to carry out the reinvestment. These trade-offs are unstable, thus, it is important to ask whether dividends policies in this industry are really affecting performance in the financial sector.

The study thus aims to investigate the contribution of dividend policy to the financial performance of consumer goods companies listed in the Nigerian Exchange Group, and in this regard, attempts to address these essential issues within the Nigerian context.

1.3 Objective of the Study

The general objective of this study is to examine the effect of dividend policy on the financial performance of listed consumer goods firms in Nigeria.

The following are the specific objectives:

- i. To determine the effect of dividend payout ratio on return on assets (ROA) of listed consumer goods firms in Nigeria.
- ii. To ascertain the effect of dividend per share on return on assets (ROA) of listed consumer goods firms in Nigeria.
- iii. To examine the relationship between dividend yield on return on assets (ROA) of listed consumer goods firms in Nigeria.

1.4 Research Questions

In line with the objectives of the study and to provide direction for the investigation, the following research questions have been formulated:

- i. What is the effect of dividend payout ratio on return on assets (ROA) of listed consumer goods firms in Nigeria?
- ii. What is the effect of dividend per share on return on assets (ROA) of listed consumer goods firms in Nigeria?
- iii. What is the relationship between dividend yield on return on assets (ROA) of listed consumer goods firms in Nigeria?

1.5 Research Hypotheses

The hypotheses to be tested in this study are stated below in their null form:

H₀₁: Dividend payout ratio has no significant effect on return on assets (ROA) of listed consumer goods firms in Nigeria.

H₀₂: Dividend per share has no significant effect on return on assets (ROA) of listed consumer goods firms in Nigeria.

H₀₃: Dividend yield has no significant relationship on return on assets (ROA) of listed consumer goods firms in Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Financial Performance

Financial performance is a key indicator of the performance of a firm and its capacity to deliver returns to its stakeholders. It reflects the level of organisational ability to use its resources to generate revenue, maintain growth and to meet strategic objectives. Various stakeholders such as investors and employees, creditors (payables) and regulators use financial performance measurements to evaluate the stability of a business and its future. Besides the shareholder wealth, healthy financial performance is good as it creates jobs, pays out dividends regularly and produces overall growth in the economy.

According to Suleiman (2023), financial performance is the result of strategic choices made by a firm and its capacity to fulfil operational, and financial, objectives. Van Horn (2022) believes that it is the effective use of the resources of the organization to receive an income and be able to live. Similarly, Ismaila (2023) observes that impressive financial performance is highly dependent on proper financial preparation, proper financial documentation, as well as financial management. It can remain profitable and expand its operations and meet its obligations during financial uncertainty by sound fiscal management. No less significant is the outside perception of financial performance. Investors would desire to maximize wealth and consistent failure to provide returns erodes investor trust. To this extent, Amidu and Abor (2023) call profitability, sales growth, cash flow, and market-to-book value some of the most crucial performance indicators. The greatest is profitability, which determines the payment of dividends and the capacity to invest. The efficiency with which firms utilize their assets to generate profit is normally determined by Return on Assets (ROA) and other such ratios.

There are other factors that determine financial outcomes, other than profitability. According to Akani and Sweneme (2023), economic conditions, government policies and financial market dynamics are some of the external determinants that can significantly influence the performance of a business enterprise. On the same note, Priya and Mohanasundari (2023) also cite internal factors such as capital structure, investment choices, and effectiveness of its operations. Firms that can allocate their resources effectively, undertake value-adding activities, and have consistent dividend policies are more likely to be successful in the long run. Uwuigbe et al. (2022) also note that financial performance improves the reputation of the corporation, which influences the confidence of investors and positively influences access to external financing. Finally, firms with a healthy financial position are better placed to access credit, build their business and build trust in stakeholders.

2.1.2 Return on Asset (ROA)

Return on Assets (ROA) is a significant indicator of profitability that shows how effectively the company utilizes asset base to produce net income. It is expressed as a percentage and is calculated by dividing net earnings of a firm by total assets. The greater the ROA, the more efficient its resources are. Many in the finance research and practice communities have come to accept ROA as a standard measure of operation efficiency and overall profitability.

Recent research has indicated that ROA is the core of the corporate performance analysis. As Adebayo and Adewale (2023) point out, it also can provide a clear image of the effectiveness of operations to an investor and an analyst without being obscured by a choice of financing options. In their findings, they discovered that the greater the ROA, the more sustainable a company is and the more attractive it is to investors. Similarly, according to John and Muthoni (2022), ROA is better than most other profitability ratios because it considers the factor of asset utilization, which most other profitability ratios do not consider when creating a profit.

Among the advantages of ROA, it is possible to mention the fact that it is easy to compare companies operating within the same industry by ROA because it does not pay much attention to the firm size and is rather focused on efficiency. Ogunleye and Chikwe (2022) agree that better ROA performance is also associated with businesses that have effectively developed asset management initiatives, hence, directly relate asset productivity with profitability.

The list of literature discussing the determinants of ROA continues to expand. Uzonwanne and Bello (2021) established that firm size, capital structure, and asset turnover are very important factors that affect ROA of listed firms in Nigeria. They also find that companies that have higher asset turnover ratios are associated with superior ROA. Secondly, firms that spend wisely are in a better position to absorb economic shocks, and ROA is a good resilience measure.

2.1.3 Dividend Policy

Dividend policy is a term used to refer to the policy that a firm uses to pay dividends to shareholders and at the same time leave some of the earnings as profit to reinvest and grow it in the future. It is considered to be one of the most significant financial choices, as it determines the percentage of income, which is paid out as dividends, and the percentage, which is left to grow the business. According to Booth and Cleary (2022), dividend policy is a principle used to specify the portion of the profit that is to be distributed to shareholders and the portion that stays to be reinvested. Similarly, Kajola, Adewunmi, and Oworu (2023) see it as a collection of managerial choices that are aimed at providing a consistent and systematic dividend payout program.

In addition to being a financial decision, dividend policy is also part of corporate governance. According to Jo and Pan (2021), the dividend payment represents the compliance with appropriate governance practices, whereas Uwuigbe et al. (2022) highlight that the dividend policy takes the leading part in determining firm value, stockholder wealth, and investor confidence. Ramadan (2023) also notes dividend payout and dividend yield as the most commonly used proxies in empirical studies, the payout ratio being the percentage of earnings paid out as cash dividends and the dividend yield being a measure of the dividend paid to shareholders as a percentage of market price per share.

There are various kinds of dividend policies adopted by companies based on their financial status, investment opportunities, and shareholder expectations. Yusuf (2022) categorizes dividend policies into four, namely, residual payment policy, stable dividend policy, constant payout ratio, and low plus extra (bonus) dividend policy. The policy selected is based on the financial limits, investment opportunities, size of the company and regulation. Kajola et al. (2023) further hold that such a policy as dividend policy does not only indicate the current financial condition of a firm, but also the future perspective of a firm.

2.1.4 Dividend Payout Ratio (DPR)

The Dividend Payout Ratio (DPR) is a basic corporate finance principle, which is used to calculate the amount of a company's income that is given out to shareholders as a dividend. It represents the policy and philosophy of a firm in regard to dividend policy and its financial priorities, whether to give dividends back to its shareholders or to keep them to reinvest in the business. In theoretical terms, DPR gives information on sustainability and maturity of a company and confidence of management in future earnings.

The conceptual significance of DPR is that it serves as an indicator of future profits and as a measure of reinvestment policy. Higher payout ratio can be an indication of managers' certainty that cash flows will be steady in the future, so it is particularly important in emerging economies such as Nigeria where corporate transparency is minimal and capital markets are poorly developed. Adewale and Ilesanmi (2021) note that investors often consider uninterrupted

dividend disbursement as a financial stability sign and effective management in the companies with fluctuating revenue flows.

Dividend signaling theory, lifecycle theory, and residual dividend policy tend to anchor the interpretation of DPR. According to dividend signaling theory, the announcement of dividend and regular payment of dividend information implies some kind of private management information regarding future profitability.

More recent conceptual literature has extended the discussion of DPR to include corporate governance and capital structure. High dividend payouts may be used as a governance mechanism in the market with weak investor protection to reduce agency costs and to reassure investors. According to Okafor and Nnadi (2022), the high frequency of dividend payments decreases the chances of mismanaged capital in Nigerian companies. What is more, the DPR is finding a new place in the discourse of resilience strategies. As Adebisi (2023) mentions, the companies that adapted their policies in payout were more resistant to liquidity stocks in the post-COVID-19 era.

2.1.5 Dividend per Share (DPS)

Dividend per Share (DPS) is a simple financial index that represents the value of company earnings distributed as a dividend to all the ordinary shareholders. It is calculated also as a ratio of a total dividend paid and the number of outstanding ordinary shares. DPS is however not only significant as a physical representation of payback to investment, but also the profitability of a business, its financial health in terms of cash flow and also its commitment to sharing value.

The dividend policy of the administration is not just cash yield in the corporate finance, but also DPS, which is the indicator of financial stability. The other reason Akintoye (2021) cites is that DPS offers a glimpse into the profitability of a business and the way in which it can distribute dividends in the long-run. The concept of DPS stability is particularly applicable in the expanding economies such as Nigeria, where it helps to minimize uncertainty among investors, and it also indicates how robust the corporate governance frameworks are. The other argument that Ogunleye and Sanni (2022) present is that a growing or constant DPS is an indication that the management could be sure of profits in the future.

Depending on the theory, the DPS is interpreted differently. According to the Bird-in-Hand theory developed by Gordon and Lintner, investors will tend to invest in present dividends rather than a future increase in capital, and this is particularly so in volatile markets such as Nigeria where capital gains are not typically long-term (Okonkwo & Chidiebere, 2023). In comparison, dividend irrelevance theory by Modigliani and Miller (1961) reveals that dividend policy (which consists of DPS as sub-set) does not affect the value of a firm in an ideal capital markets. And, to be more specific, in the inefficient markets of Nigeria, where the information asymmetry is present, and the regulation has not been developed adequately, DPS remains a significant element in making an investment decision (Ibrahim & Alabi, 2021).

2.1.6 Dividend Yield (DY)

Dividend Yield is a financial information that shows the price paid by a stock in terms of dividends depending on the price of the stock in the market. It is traditionally calculated by

dividing annual dividends in shares amount by the market price amount per share and multiplying to be converted to percent.

The dividend preference and the signaling theories form the theoretical basis of Dividend Yield. Bird-in-Hand approach (so-called Gordon (1963) model) claims that dividend payments are regarded by investors as more valuable than any chance of rise in capital ascendancy in the future and consequently, highest dividend yield is preferable at best, turbulent markets. However, in ideal markets, the yield or dividend policy does not affect the value of a firm, and when this is suggested by Modigliani and Miller (1961), they claimed the dividend irrelevance. Olayemi and Ibrahim (2021) however note that, in a developing country like Nigeria, the capital market is more likely to be inefficient and the effect of dividend yield on investor behaviour is large, as investors possess limited investment opportunities, have low-quality market infrastructure and a high-probability economic uncertainty.

Moreover, the conceptual importance of dividend yield in evaluating the sustainability of dividend policy of a company. A large dividend yield (and even more so a large yield north of the industry or market average) may be a symptom of a company that has a very strong commitment to its shareholders or conversely may be an indication of an unattractively low share price and potential financial distress. Uzochukwu and Adegbite (2023) state that high yields may attract investors at first glance but may pose a message to investors that the business is either offering excessive or failing to invest in further development.

2.2 Theoretical Review

Theoretical review provides the foundation upon which research studies are built. Therefore, the guiding theories for the study are Agency theory introduced by Jensen and Meckling (1976), and the Bird-in-Hand theory, proposed by Gordon (1963) and Lintner (1964).

2.2.1 Agency Theory

Agency theory, first introduced by Jensen and Meckling (1976), explores the relationship between principals (shareholders) and agents (managers) in corporate governance. The theory posits that conflicts arise due to the separation of ownership and control, as managers may prioritize personal interests over shareholder wealth maximization. These agency conflicts result in monitoring and alignment costs aimed at ensuring managerial decisions align with shareholder objectives.

A key argument of agency theory is that managers may engage in non-value-maximizing (NVM) activities, such as excessive executive compensation, inefficient investments, or empire-building, thereby reducing firm value. Olaniyi and Ojo (2021) highlight that agency problems emerge when managers fail to act in shareholders' best interests, necessitating mechanisms to align their interests.

To mitigate agency costs, researchers propose several strategies. Opoku and Agyemang (2022) establish a negative correlation between dividend policy and agency costs, suggesting that regular dividend payments serve as a disciplinary tool to curb managerial inefficiencies. By paying dividends, firms reduce the cash flow available for discretionary managerial spending, thereby minimizing agency-related risks. Moreover, managerial ownership of equity is another mechanism for aligning interests, as managers with significant equity stakes are more likely to make decisions that enhance shareholder value.

2.2.2 Bird-in-Hand Theory

The Bird-in-Hand Theory, proposed by Gordon (1963) and Lintner (1964), asserts that firm value is directly linked to dividend payouts. The theory argues that investors prefer dividends over capital gains due to the uncertainty surrounding future market conditions. Since dividend payments provide immediate returns, risk-averse investors favor firms that maintain consistent dividend distributions over those that prioritize earnings retention.

Recent studies, such as those by Adebisi and Fapetu (2023), confirm that businesses should prioritize higher dividend payouts to enhance stock price stability. Investors perceive dividends as a sign of financial strength, leading to increased demand for shares in firms with consistent dividend policies. As a result, companies that adopt high dividend payout strategies often experience greater investor attraction, improved market capitalization, and enhanced shareholder wealth.

The Bird-in-Hand Theory challenges the notion that reinvested earnings necessarily translate into higher firm value. While reinvestment can drive long-term growth, market uncertainties introduce risks that may erode shareholder value. Consequently, the theory maintains that immediate dividend payments provide greater certainty, making dividend policy a crucial determinant of firm valuation and investor confidence.

This research integrates the Agency theory as it is best explain how dividend policy influences investor behavior and firm performance in the Nigerian consumer goods sector.

Agency theory is one of the critical theories that can be employed in explaining the relationship between financial performance and dividend policy, particularly in the Nigerian consumer goods sector. It is a theory that was originated by Jensen and Meckling (1976) to explain agency problems that arise as a result of misalignment between ownership and control, or between shareholders (principals) and managers (agents). The managers' function is to make value-influencing financial decisions on behalf of the company, e.g., how much profit to distribute as dividends and how much to retain for investment. Managers may not always make optimal decisions in maximizing shareholder wealth based on self-interest, leading to agency costs.

Dividend policy is a key factor in alleviating agency conflict for consumer goods firms in Nigeria. Shareholders prefer more dividends as direct returns on investment, while managers may prefer keeping earnings for additional growth or their own discretionary spending. If left uncontrolled, this conflict of interest may lead to misallocation of capital, excessive managerial compensation, or investment in unprofitable projects. By implementing an optimally structured dividend policy, firms can reduce the prevalence of free cash flow under managerial control and thus lower the scope for non-value-maximizing actions.

Another aspect of agency theory that can be used for this research is managerial ownership of equity as a device for agency cost savings. Where managers own a large portion of company shares, their wealth is on the line alongside the performance of the company, inducing them to take decisions that drive value creation. This aligns with Skinner and Soltes (2021), who argue that firms whose managerial ownership systems are strong are likely to possess better corporate governance and superior financial performance.

The Nigerian consumer goods sector operates in a tough economic environment in which there is inflation, exchange rate risk, and regulatory ambiguity. Such an environment increases the level of sophistication in financial decision-making to the extent that dividend policy becomes a critical tool in addressing shareholder satisfaction and firm growth. A firm that offers regular dividends sends the message of fiscal strength and investor confidence, which can enhance share valuation and invoke long-term investment. But high dividend payout may restrict the firm to invest in potential projects, and therefore the long-run financial development may be hindered.

Lastly, agency theory highlights the importance of dividend policy in alleviating conflicts between managers and shareholders. A proper dividend strategy ensures effective use of financial resources, enhancing firm performance and investor trust. For Nigerian listed consumer goods firms, ensuring the right proportion between dividend payment and retained earnings is paramount to maintaining financial growth while still ensuring transparency and good corporate governance.

2.3 Empirical Review

Ajayi, et al., (2025) have investigated the influence and impact of dividend policy i.e., dividend pay-out ratio and dividend yield on the firm EPS for 40 listed firms (2018-2021) in Nigeria wherein a panel model (GLS) has been used. They find a low negative correlation between EPS and dividend distributions and EPS, and they find no significant impact of dividend yield on earnings. Nonetheless, the earnings per share were still highly positively correlated with share price progress, which implies that despite the fact that the dividend policy variables of the moment, such as yield and pay-out, do not have an exceptional effect on profitability to a significant degree, EPS and transparency are important. They propose a dividend policy of stability and consistency in order to instil confidence in the investor.

Oyedele and Afolabi (2024) utilised a system generalised method of moments (SGMM) mode of operation on data of 14 listed manufacturing companies between 2013 and 2022. They examined the influence of dividend per share, earnings per share, and size of the firm on the behavior of share prices. Findings reaffirmed that the splitting of dividends in a share positively influences the pattern of share prices even after a correction of factors such as the size of the firm and the earnings. This strengthens the strong signalling effect of DPS in the manufacturing industry in Nigeria which makes it a stable indicator of equity performance.

Azhagaiah and Priya (2023) tested the influence of dividend policy on shareholders' wealth in South India. Their research was grounded on secondary data from the Center for Monitoring Indian Economy (CMIE), examining a sample of 28 chemical industry companies selected from 114 listed companies on the Bombay Stock Exchange using a multi-stage random sampling approach between 2012 and 2021. Analysis of data was conducted using multiple regression and stepwise regression models. Independent variables included dividend per share, retained earnings per share, lagged price-earnings ratio, and lagged market price, whereas the dependent variable was market price per share. The results showed that dividend policy has a significant influence on shareholder wealth in organic chemical companies, but in the case of inorganic chemical companies, shareholder wealth is not influenced by dividend payout.

Okafor and Mgbame (2022) conducted a research study on the relationship between dividend policy and share price volatility in Nigeria. They tested the sample of four banks and two companies each belonging to the food and beverage, petroleum, and brewery sectors. The period

of their study was 2010–2018 based on annual reports and Nigerian Exchange Group Factbook data. Price volatility was used as the dependent variable, whereas dividend yield, payout ratio, asset growth, and earnings volatility were independent variables. Multivariate least squares regression model was employed to test share price volatility against dividend policy. Results confirmed that dividend yield had a significant negative correlation with share price volatility, and thus the null hypothesis that dividend policy changes inversely with normal share price volatility over time was accepted.

Nguyen et al. (2021) investigated the impact of dividend policy on Vietnamese firms' financial performance. The study analyzed 450 Vietnamese listed firms on the Vietnam stock market from 2008 to 2019. ROA, ROE, and Tobin's Q served as dependent variables in the study, which evaluated the impact of the dividend rate and payment of dividends. Results showed that paying dividends harmed the performance of the firm according to accounting-based metrics but enhanced market expectations. It was further determined that Vietnamese firms normally offered relatively low rates of dividend payouts that enhanced accounting-based performance but detracted from market expectations.

Emuze (2020) examined the influence of dividend policy on the performance of 56 listed firms in Nigeria. The study employed financial statements spanning 1999-2018. The core features of dividend policy that were being examined included Form of Dividend Payments (FDP), Timing of Dividend Payments (TDP), Earnings per Share (EPS), Price Earnings Ratio (PER), and Dividend Yield (DY). The firm performance was measured via Return on Assets (ROA), Return on Equity (ROE), and Tobin's Q. Descriptive statistics, correlation matrix, and panel regression analysis aided by E-Views 9 were employed in the research. Findings showed that FDP presented positive but insignificant correlation with ROA (3.13, $p=0.1032$), while TDP presented negative and significant correlation with ROA (-4.80, $p=0.025$). EPS, PER, and DY were positively and significantly correlated with ROA (0.03, $p=0.00$; 0.001, $p=0.00$; and 3.24, $p=0.03$, respectively). For ROE, FDP, EPS, and PER were positively and significantly correlated (15.585, $p=0.01$; 0.044, $p=0.00$; and 0.004, $p=0.00$). TDP, however, was negatively and significantly correlated with ROE (-18.04, $p=0.003$), and DY was negatively but non significantly correlated (-1.70, $p=0.635$). For Tobin's Q, EPS and PER had a positive and significant correlation (0.001639, $p=0.002$; 0.000307, $p=0.007$), while TDP and DY were negatively but insignificant (-0.90, $p=0.41$; -3.60, $p=0.18$). FDP was positively but insignificant correlated with Tobin's Q (0.706, $p=0.49$).

2.4 Conceptual Model

Dividend Policy

Financial Performance

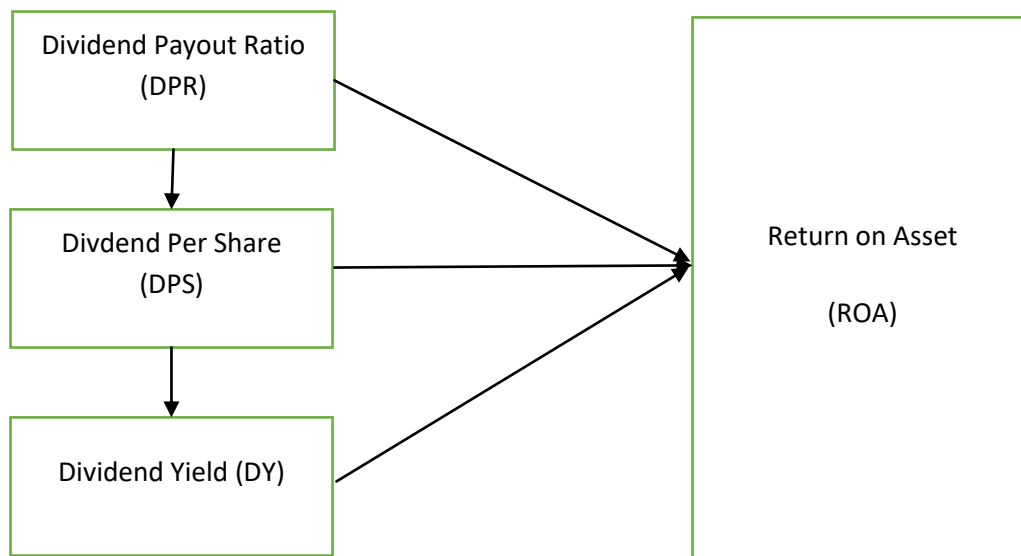


**Figure 1: Conceptual Model
Researcher (2025)**

3. METHODOLOGY

The research design used in this study is the ex post facto research design because it is suitable in cases in which the study relies on historical or past data and could not be able to manipulate the variables in study. The Purposive sampling method was used to cover the sample population of those firms which had all data on their dividend payout, dividend per share, dividend yield, and the return on assets over the period of 2014 to 2023. The study populations of this research consist of the list of all the 21 consumer goods companies listed on the Nigerian Exchange Group (NGX) by the year 2025. The list of ten (10) consumer goods firms was chosen as the sample size in this research by reason of their accessibility to data. These companies include; Nestle Nigeria Plc, flour Mills of Nigeria Plc, Seven-Ups Bottling Company Plc, Dangote Group, Unilever Nigeria Plc, Guinness Nigeria Plc, Cadbury Nigeria Plc, PZ Cussons Nigeria Plc, Northern Nigeria Flour Mills Plc and BUA foods Plc. To collect the data, extracting the pertinent statistics was done manually in the financial reports that had undergone auditing and statutory filings of the chosen companies.

The method of data analysis employed in this study utilizes the descriptive and inferential methods. The descriptive method consists of the measure of central tendencies (mean, median, minimum, maximum and standard deviation) while the inferential methodology employed the Static Panel Data Approach, a robust analytical framework particularly suited for examining longitudinal data encompassing multiple entities over a fixed and random periods of time. This approach allows for the exploration of both cross-sectional and time-series dimensions of the data, thereby facilitating a comprehensive understanding of the relationships between variables. The analytical model for this study

$$\text{Return on Asset} = f(\text{Dividend Policy})$$

$$ROA_{it} = f(DPO, DPS, DY)$$

$$ROA_{it} = \beta_0 + \beta_1 DPO_{it} + \beta_2 DPS_{it} + \beta_3 DY_{it} + \varepsilon_{it} \quad (1)$$

$$ROA_{it} = \beta_0 + \beta_1 DPO_{it} + \beta_2 DPS_{it} + \beta_3 DY_{it} + \varepsilon_{it}$$

$$ROA_{it} = \beta_0 + \beta_1 DPO_{it} + \beta_2 DPS_{it} + \beta_3 DY_{it} + \alpha_i + \mu_{it} \quad (2)$$

$$ROA_{it} = \beta_0 + \beta_1 DPO_{it} + \beta_2 DPS_{it} + \beta_3 DY_{it} + \alpha_i + e_{it} \quad (3)$$

Where:

ROA_{it} = Return on Assets of firm i in year t ;

DPO_{it} = Dividend Payout Ratio of firm i in year t ;

DPS_{it} = Dividend Per Share of firm i in year t ;

DY_{it} = Dividend Yield of firm i in year t .

β_0 = Intercept,

$\beta_1, \beta_2, \beta_3$ = Coefficients of the explanatory variables

ε_{it} = Error term α_i is the individual specific effect for firm i

μ_{it} is the unobserved factors affecting ROA for firm i in time t period.

4. RESULTS AND DISCUSSION OF FINDINGS

Table 4.1: Descriptive Statistics

Statistic	ROA	DPO	DPS	DY
Mean	11.53730	-3.234751	0.078585	0.038924
Median	1.840000	0.711850	0.135000	0.031750
Maximum	61.50000	214.5600	1.378600	0.256900
Minimum	0.000000	-320.0000	-7.290000	-0.229000
Std. Dev.	17.59272	62.40433	1.001544	0.066464
Skewness	1.777711	-3.032329	-6.612190	-0.839266
Kurtosis	5.161279	19.23359	49.72836	8.802755
Jarque-Bera	64.19922	1001.032	5994.328	142.9170
Probability	0.000000	0.000000	0.000000	0.000000

Source: Researchers' Self Computation

Table 4.1 presents the descriptive statistics for Return on Assets (ROA), Dividend Payout Ratio (DPO), Dividend Per Share (DPS), and Dividend Yield (DY).

The results indicate that ROA had a mean of 11.54 (SD = 17.59), with values ranging from 0.00 to 61.50. The distribution was positively skewed (1.78) and leptokurtic (Kurtosis = 5.16), suggesting the presence of extreme values above the mean.

For DPO, the mean was -3.23 (SD = 62.40), with a minimum of -320.00 and a maximum of 214.56. The negative mean suggests that, on average, firms recorded losses or retained earnings more than they paid out as dividends. The high skewness (-3.03) and kurtosis (19.23) further indicate severe departures from normality, consistent with dividend instability across firms.

The average DPS was 0.08 (SD = 1.00), with values ranging from -7.29 to 1.38. The large negative minimum indicates that some firms reported either retained losses or no dividend distribution, while the high kurtosis (49.73) and strong negative skewness (-6.61) reveal extreme outliers and non-normality in dividend distributions.

Lastly, DY recorded a mean of 0.04 (SD = 0.07), ranging from –0.23 to 0.26. The distribution was negatively skewed (–0.84) and highly leptokurtic (Kurtosis = 8.80), suggesting the presence of firms with unusually high or low dividend yields relative to market price.

The Jarque-Bera test was statistically significant ($p < .001$) for all variables, indicating non-normality in the data distribution.

The descriptive statistics reveal that the consumer goods firms in Nigeria exhibited high variability in their dividend policies and financial performance. The negative averages for DPO and DPS highlight periods where firms either retained earnings or paid no dividends, possibly due to profit volatility and macroeconomic challenges. The significant Jarque-Bera statistics confirm that the data are not normally distributed, implying that robust or non-parametric estimation techniques may be required in subsequent analyses.

Table 4.2: Correlation Analysis

	ROA	DPO	DPS	DY
ROA	1			
DPO	0.376697 [0.0039]	1		
DPS	0.480008 [0.0002]	0.306778 [0.0203]	1	
DY	0.362858 [0.0055]	0.824569 [0.0000]	0.631020 [0.0000]	1

Figure in [] represents p-value

Source: Researchers' Self Computation

Table 4.2 presents the correlation coefficients among Return on Assets (ROA), Dividend Payout Ratio (DPO), Dividend per Share (DPS), and Dividend Yield (DY). The results show that ROA was positively correlated with DPO ($r = .38$, $p = .004$), DPS ($r = .48$, $p < .001$), and DY ($r = .36$, $p = .006$). This suggests that higher dividend payout, dividend per share, and dividend yield are associated with improved financial performance of consumer goods firms in Nigeria. A strong positive correlation was also observed between DPO and DY ($r = .82$, $p < .001$), and between DPS and DY ($r = .63$, $p < .001$), indicating that firms with higher dividend payouts tend to simultaneously report higher dividend yields and dividend per share. Furthermore, DPO and DPS were positively and significantly correlated ($r = .31$, $p = .020$), implying that as payout ratio increases, dividend per share also tends to rise. All reported correlations were statistically significant at the 5% level, confirming meaningful associations between dividend policy variables and financial performance.

The correlation analysis indicates that dividend policy has a positive and statistically significant relationship with the financial performance of listed consumer goods firms in Nigeria. This finding implies that dividend decisions—whether measured by payout ratio, dividend per share, or dividend yield—are key factors influencing firm profitability. However, the very strong correlation between DPO and DY ($r = .82$) suggests possible multicollinearity concerns, which should be considered in the regression analysis.

Pre-estimation Tests

Tale 4.3: Hausman Test for Cross-Sectional Random Effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	2.100260	3	0.5519

The Hausman Test for Cross-Sectional Random Effects results show a Chi-Sq. Statistic of 2.1003 with 3 degrees of freedom, and a p-value of 0.5519 > 0.05 level of significance. The null hypothesis of the Hausman test is that the random effects model is appropriate, while the alternative hypothesis suggests that a fixed effects model should be used. Since the p-value (0.2788) is greater than the commonly used significance level of 0.05, we fail to reject the null hypothesis. This indicates that there is no significant difference between the fixed effects and random effects models, implying that the random effects model is more appropriate for analyzing the data in this case (see appendix II for the FEM model). The results suggest that the Random Effects Model should be preferred for analyzing the cross-sectional data of the listed consumer goods companies, as there is no evidence to support the need for a Fixed Effects Model. This decision allows for more efficient estimation, as the random effects model assumes that the individual-specific effects are uncorrelated with the regressors.

Regression Model estimates

Table 4.4: Random Effect Model Coefficients (Dependent = ROA)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	15.24226	3.630137	4.198811	0.0001
DPO	0.173650	0.060348	2.877472	0.0061
DPS	39.73302	14.42132	2.755159	0.0084
DY	-128.3796	70.45399	-1.822176	0.0751

$R^2 = 0.582$; $\text{Adj-}R^2 = 0.480$; F-statistic = 5.690 ($p = 0.000012 < 0.05$)

Table 4.4 reports the results of the random effects regression model with Return on Assets (ROA) as the dependent variable. The model explains approximately 58.2% of the variation in ROA ($R^2 = .582$), while the adjusted R^2 of .480 indicates that nearly half of the variation in financial performance is accounted for by dividend policy variables. The overall model was statistically significant, $F(3, N) = 5.69$, $p < .001$, confirming the joint explanatory power of the predictors.

The coefficient for Dividend Payout Ratio (DPO) was positive and statistically significant ($\beta = 0.174$, $t = 2.88$, $p = .006$), suggesting that an increase in payout ratio is associated with higher ROA. Similarly, Dividend Per Share (DPS) exerted a significant positive influence on ROA ($\beta = 39.73$, $t = 2.76$, $p = .008$), implying that firms that pay higher dividends per share tend to achieve better financial performance.

On the other hand, Dividend Yield (DY) had a negative but marginally insignificant effect on ROA ($\beta = -128.38$, $t = -1.82$, $p = .075$). This indicates that higher dividend yields may not necessarily translate into improved profitability for consumer goods firms, possibly due to market price fluctuations or investor dividend expectations.

4.2 Interpretation of Result

The hypothesis of this study was tested using the t-statistics of the individual variable coefficients.

Hypothesis One (H_{01})

Dividend payout ratio has no significant effect on return on assets (ROA) of listed consumer goods firms in Nigeria.

The result in Table 4.4 shows that dividend payout ratio (DPO) was positively and significantly related to ROA ($\beta = 0.174$, $t = 2.88$, $p = .006 < .05$). Since the p-value was less than the 5% significance level, the null hypothesis was rejected. This implies that dividend payout ratio exerts a significant positive effect on the financial performance of consumer goods firms, indicating that higher dividend payouts enhance profitability.

Hypothesis Two (H_{02})

Dividend per share has no significant effect on return on assets (ROA) of listed consumer goods firms in Nigeria.

The regression coefficient of dividend per share (DPS) was positive and statistically significant ($\beta = 39.73$, $t = 2.76$, $p = .008 < .05$). Given that the p-value was less than .05, the null hypothesis was rejected. This suggests that dividend per share significantly improves ROA, meaning firms that pay higher dividends per share achieve better financial performance.

Hypothesis Three (H_{03})

Dividend yield has no significant relationship with return on assets (ROA) of listed consumer goods firms in Nigeria.

The result indicates that dividend yield (DY) was negative and marginally insignificant ($\beta = -128.38$, $t = -1.82$, $p = .075 > .05$). Since the p-value exceeded the 5% significance threshold, the null hypothesis was not rejected. This implies that dividend yield does not have a statistically significant effect on ROA, suggesting that variations in dividend yield may not directly influence profitability among consumer goods firms.

Post-estimation Tests

Table 4.5: Cross-sectional Dependence Test

Test type	Statistic	d.f.	Prob.
Breusch-Pagan LM	75.66895	44	0.4328

Source: Researchers' Self-Computation

The Cross-sectional Dependence Test (Breusch-Pagan LM) result shows a statistic of 75.66895 with 44 degrees of freedom, and a p-value of 0.4328. The null hypothesis of this test assumes that there is no cross-sectional dependence (i.e., the residuals across different cross-sections are not correlated), while the alternative hypothesis suggests that there is cross-sectional dependence. Since the p-value (0.4328) is greater than the typical significance level of 0.05, we fail to reject the null hypothesis. This indicates that there is no significant evidence of cross-sectional dependence in the data, indicating that the residuals from different cross-sections

(companies) are not correlated. It can be inferred that the lack of cross-sectional dependence suggests that the random effects model is appropriate for analyzing the data without concerns about correlated errors across companies.

Table 4.6: Jarque Bera Normality Test

Statistic	Prob.
20.636	0.0000

The **Jarque-Bera Normality Test** result of Table 4.6 shows a **statistic** of 20.636, **p-value** < 0.05 level of significance. The test evaluates whether the residuals of the model are normally distributed. The null hypothesis assumes normality, while the alternative hypothesis suggests that the residuals deviate from a normal distribution. Since the **p-value** (0.0000) < 0.05, we reject the null hypothesis. This indicates that the residuals are **not normally distributed**. The non-normality of the residuals suggests that the model's assumptions about normality may not hold, which can affect the reliability of hypothesis tests and confidence intervals in the model.

4.3 Discussion of Findings

The study examined the effect of dividend policy on the financial performance of listed consumer goods firms in Nigeria, with return on assets (ROA) serving as the dependent variable. Dividend policy was proxied by dividend payout ratio (DPO), dividend per share (DPS), and dividend yield (DY). The findings revealed mixed effects across the variables, consistent with both theoretical expectations and prior empirical evidence.

The result for dividend payout ratio (DPO) indicated a positive and statistically significant effect on ROA. This suggests that firms that allocate a greater proportion of earnings as dividends experience higher profitability. This outcome aligns with the Bird-in-Hand theory, which posits that investors prefer the certainty of dividends to potential capital gains (Gordon, 1963). Similarly, it supports the Signaling theory, which argues that higher dividend payouts signal management's confidence in future earnings (Bhattacharya, 1979). Empirical studies conducted in Nigeria and other emerging markets also corroborate this finding, indicating that dividend payout policies contribute positively to firm performance (Enekwe et al., 2015; Uwuigbe et al., 2012).

The analysis also showed that dividend per share (DPS) exerts a significant positive impact on ROA. This implies that the absolute dividend distributed to shareholders enhances profitability, thereby reinforcing investor confidence and potentially reducing agency costs. This finding is consistent with earlier evidence from Nigerian listed firms, which revealed that higher dividends per share are associated with improved profitability and market valuation (Adesola & Okwong, 2009; Ajanthan, 2013). The result thus supports the relevance of dividend policy in driving financial performance.

Conversely, dividend yield (DY) was found to have a negative but statistically insignificant effect on ROA. This indicates that dividend yield, which reflects dividends relative to market price, does not directly influence profitability in consumer goods firms. A plausible explanation is that dividend yield is strongly influenced by stock price movements, which in the Nigerian context may be driven more by macroeconomic instability, inflationary pressures, and investor

speculation rather than dividend decisions alone. This result is consistent with studies that found no significant relationship between dividend yield and firm performance in emerging economies (Amidu & Abor, 2006; Uwuigbe, 2013). From a theoretical perspective, the finding aligns with the Dividend Irrelevance theory proposed by Modigliani and Miller (1961), which argues that dividend policy does not affect firm value in a perfect capital market.

Overall, the findings demonstrate that dividend policy, particularly pay-out ratio and dividend per share plays a significant role in explaining the financial performance of Nigerian consumer goods firms. However, dividend yield appears less relevant in this context, highlighting the complex interplay between market conditions and dividend decisions.

5. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The research reaches a conclusion that the dividend policy is a major determinant of performance of firms in the consumer goods industry in Nigeria. Particularly, the dividend pay-out ratio and dividend per share have a positive effect on the return on assets, which confirms the validity of the Bird-in-Hand and Signalling theories, which point to the topicality of dividend policy to shareholders and profitability. Nonetheless, performance does not change greatly with dividend yield, in line with Dividend Irrelevance theory, which assumes that dividends have no effect on firm value in an efficient market.

In general, the results of the research refer to the significance of dividend policy as a financial strategy to improve profitability and maintain the confidence of investors. However, the negligible impact of dividend yield highlights the contribution of external elements, including market price fluctuations and macroeconomic instability, to the outcome of firms in Nigeria.

5.2 Recommendations

Based on the findings, the following recommendations are proposed:

- i. Consumer goods companies are advised to ensure that they have the best payout ratios to enhance investor confidence as well as enhance profitability. To achieve sustainable growth, there should be the right balance between dividend payout and retained earnings.
- ii. The priority of firms should be to have stable and competitive payment of dividend per share as this has a direct effect of increasing performance and satisfaction of shareholders.
- iii. Dividend yield was not significant and so managers and policymakers ought to put efforts in stabilizing share prices with transparent financial disclosures, investor relations and sound macroeconomic policies.
- iv. Instead of considering solely the dividend yield, investors ought to be keener on dividend payout and dividend per share in assessing the performance of firms.
- v. The companies should be urged by regulators like the Nigerian Exchange (NGX) and the Securities and Exchange Commission (SEC) to implement dividend practices that would synchronize returns to the investors and long term reinvestment policies that would improve stability in the market in general.

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