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EXAMINING THE FACTORS THAT INFLUENCE DIVIDEND PAYOUT DECISIONS OF LISTED CONGLOMERATES IN NIGERIA

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ABSTRACT

The results showed that certain conglomerates reported negative profits and earnings per share for certain years, making it impossible for those years to pay dividends. The goal of this study is to look into the variables that affect listed conglomerates in Nigeria's dividend distribution decisions. For the frequently (10) years spanning from 2012 to 2022, the study acquired audited financial reports from eight (8) quoted conglomerates on the Nigerian stock exchange (NSE) and subjected them to descriptive statistical correlation analysis. The results show an ideal partnership. In contrast to its link with debt and inflation, the

Introduction

The phrase "dividend policy" (DP) refers to the payout strategy that managers use to examine the frequency and magnitude of cash distributions to stockholders over a period. "*The main objective of management is to maximize shareholder wealth, which translates to increasing the company's worth as determined by the price of its common stock*" (Chand, 2017). Various uncertainties, most of which are challenging to foresee with confidence, are frequently present in investment activity. In addition to a company's success, there are other factors that must be taken into account when making investment decisions, such as the country's political climate and economic position. Financial reports are a popular source of data on a company's success. Investors can assess the enterprise's performance and prospects for increased profit according to the report. The final split of a company's earnings between shareholder cash dividends and retained earnings is determined by its DP. The reservedprofitsoffer investors with a foundation forpossibleforthcomingrevenue growth, while the divided earnings give them a current flow. Common and fundamental DP include consistent, constant or continuous, and unbalanced dividend policies as well as no DP, which is the last of these. Whether company earnings should be given to stockholders or reinvested in future advantageous projects is a crucial question in today's environment.The financial management must determine the best dividend policy to address this problem and help the company expand and improve the wealth of its investors. The majority of shareholders favour cash dividends, but they also have an interest in the corporation's expansion and capital appreciation, which motivates management to spend company profits in development initiatives. The stock price of the company may be positively or negatively impacted by variations in dividend policy. Higher payment also results in reduced forthcomingdevelopment, which is

dividend payout rate has a positive linkwith business size, liquidity, and economic growth but a negative link coefficient with profit tax. The research came to its conclusion by advising management of mentioned conglomerates to create efficient marketing plans to boost sales, turnover, and operational effectiveness in order to boost profitability.

Keywords: Dividend policy, firm size, leverage, liquidity, inflation, profit after tax.

unscrupulous for corporations and also for investors in the long run, yet higher payout leads to higher fast cash flow to investors, which is excellent. The optional dividend policy preserves equilibrium between these disparities and elevates share prices, maximizing shareholders' wealth (Muhammad, Said and Syeda, 2018).

Statement of the Problem

According to findings, certain companies reported negative profits and earnings per share for a long time, making it impossible for them to pay dividends during those years. For instance, the NSE, 2018 annual reports revealed that John Holt failed to distribute dividends to its shareholders due to negative earnings per share in 2011, 2012, 2015, and 2017. Additionally, A.G. Leventis reported negative earnings per share in 2015 and 2017, which had an impact on their dividend payout of the years under review, suggesting that being a conglomerate does not necessarily ensure regular dividend disbursements. DP is one of the three business decisions that managers must make, along with investments and finance, and is the most contentious due to info asymmetry, agency issues, taxes, and transaction costs.This begs the question of whether dividend policy has any impact on Nigerian company values.

Objective of the Study

To examine the variables that affect Nigerian listed conglomerates' dividend payout choices.

Literature Review

Dividend Policy

According to Cordelia&Kalu (2017), dividends are the distribution of earnings (past or current) in real assets among a corporation'sstockholders in quantity to their ownership. A controlled or passive residual dividend is possible. The majority of the time, dividends are paid only when potential investment ports have been made, however managers do have a tendency to smooth dividend payments by establishing dividend payment at a certain level of earnings and investment. In this situation, dividends are frequently nil and tend to be very erratic. In contrast to managed policies, where dividends increase in predictable amounts over time, residual policies frequently have unpredictable dividends (Etale&Bingilar, 2016). Dividend policy, according to Lease, et al. (2000), is the procedure management uses when determining dividend payments.Dividend policy, as described by Lease, et al. (2000), is the procedure management uses to decide on dividend payouts, or, put another way, the amount and pattern of cash payments made to stockholders over time. A company's dividend policy determines how much cash should be sent to stockholders over a certain time without endangering the company's ability to expand, retain and grow shareholder capital, and maximize shareholder value

(Danago et al., 2015). Because a corporation must maintain a balance between its growth policies, dividend payout policies, and dividend payout policies, dividend policy has a significant impact on a company's value. Dissatisfaction among shareholders as well as the growth of the company can result from a small error. For investors, managers, lenders, and other stakeholders, dividend policy is essential. It is crucial for investors because they view dividends as a way to access companies for investment as well as a source of income. Additionally, it provides access to a company's capacity for producing positive cash flows (Masum, 2014).

Empirical Studies

The elementsinducing the DP of listed conglomerates in Nigeria were explored by Oloruntoba (2020). In order to analyse the data, the investigation utilized secondary data from an audited financial report and descriptive statistics, correlation, Hussman test, and panel data regression. The results showed that firm-specific characteristics and international factors had a favourable and substantialinfluence on the dividend payout ratio (DPR) of listed conglomerates. Findings submitted that the DPR of listed conglomerates in Nigeria is not significantly influenced by macroeconomic conditions. The study makes the suggestion that, in order to ensure consistent dividend payments, management of the corporations should continuously moderate and enhance internal elements influencing the company from within.

The influence of DP and earnings on the sharevalue of listed companies in Nigeria was examined by Manuji (2020). The data was examined using econometric approaches, such as the Ordinary Least Square (OLS) and Augmented Dickey Fuller and Philip Perror Test for unit roots. The study's findings suggest that earnings per share (EPS) and dividends per share (DPS) have a positive and considerable impact on market price per share. The study also revealed that dividend policy and earnings are effective tools for raising quoted corporations' stock prices in Nigeria. According to the study, listed companies in Nigeria should raise their investments in order to enhance net assets. Nigerian quoted companies must make sure that their dividend policies are up to date and necessary.

Muhammed et al. (2018) examined the impact of dividend policy on stockholders' wealth using secondary data from 17 listed insurance corporations in Pakistan. From 2012 to 2015, non-probability convenient sampling was employed in the research. Dividend policy is employed as an independent component to assess shareholder wealth employing three ratios: DPS, retention ratio (RR), and DPR. EPS is utilized as a dependent variable to assess stockholder wealth. Examples of analytical techniques include descriptive statistics, regression analysis, and correlation. The findings indicate that all independent factors have a positive impact on the dependent variable, with DPS and RR becoming significant at 5%. In addition, the analysis shows that the idea of dividend irrelevancy did not hold true in the instance of Pakistan's insurance sector.

The impact of DP on the performance of listed oil and gas companies in Nigeria from 2007 to 2016 was examined by Ebire et al. (2018). Nine publicly traded companies served as the study's sample size for secondary data. Descriptive statistics, a correlation matrix, and pooled regression analysis were used to analyse the data that had been gathered. Additionally, different diagnostic tests including the variance inflation factor and heteroskedasticity were run on the result residuals. The analysis' findings showed that retained earnings and DPR have a beneficial impact on listed oil and gas companies in Nigeria's earnings per share, while dividend yield had a large but adverse impact.

The determinants influencing the DP of Nigerian deposit money banks (NDMB) were assessed by Morakinyo et al. (2018) utilising panel data analysis over a ten-year period (2006-2015). The population of the investigation includes each of the 21 NDMBs as of December 31, 2015. All 15 NDMBs listed on the

NSE as of December 31, 2015, make up the study's sample. The information was taken from the banks' financial reports within the study's time frame. Using panel data regression, the data was examined. According to the study, other variables had a favorable impact on dividend policy while board size, leverage, the financial crisis, and political component dummy variables had a negative impact.According to the study, in order to meet the shareholders' need for wealth maximization in the form of increased dividends, the management team should work towards greater profitability, a larger firm size, and lesser debt levels.

Theoretical Framework

The "Bird in Hand" theory of Gordon

According to this argument, external stockholdersfavour a greater DP. They would rather receive a dividend now than a financial gain from an uncertain future. An alternate, more traditional theory concerning the impact of dividends is that they raise business value. Dividends are appreciatedcontrarily from retained earnings (capital gains) in a world of doubt and incomplete information. Investors favor the "bird in the hand" of cash dividends to the "two in the bush" of potential future capital gains. This hypothesis is predicated on the idea that what is currently available is superior than what might one day be available. Investors would rather have a payout that is guaranteed now than one that has been promised in the future, even if it is larger.

Research Methodology

The research used secondary data from the CBN Bulletin and the audited financial reports of the eight (8) listed conglomerates on the NSE for the ten (10) years between 2012 and 2022. The data were then analyzed utilizing descriptive statistics, correlation, the Haussmann test, and regression. The demographic and sample size are the listed conglomerate enterprises.

The Model

$DPR_{it} = \beta_0 + \beta_1 FSIZ_{it} + \beta_2 PAT_{it} + \beta_3 LEV_{it} + \beta_4 LQ_{it} + \beta_5 GDP_{geit} + \beta_6 INF_{it} + \mu_{it} \dots \dots \dots \dots 1$

Where:*"DPR = Dividend payout ration, SIZ = Firm size, PAT =Profit after tax, LEV=Leverage, LQ = Liquidity, GPR =Gross domestic product growth rate, INFInflation, I = 1…….N (cross sectional unit), t= 1…….T (time series unit),* β_0*=Intercept,* $\beta_1 - \beta_6$*= Coefficient of the independent variables,* μ_{it}*=Residual or error term of firm 'i' in period 't'"*

Discussion of Results

The outcomes of the descriptive analysis are presented in this section. The technique employed are the mean, standard deviation, minimum, and maximum summary statistics.

Table 1: Summary of Descriptive Statistics

Variables	Mean	St d. Dev.	Min	Max
DPR	-2.3337	20.280	-114.286	28.571
FSIZ	17.007	1.274	11.915	19.510
PAT	1,761,685.00	3,953,916.00	-3,476,859.0	20,600,000.0
LEV	8.401	57.081	0.257	420.087
LQ	1.176	0.70826	0.123	3.424
GDP_{gr}	3.812	2.967	-1.617	8.006
INF	8.927	3.944	2.864	16.343

Source: Authors' Computation, 2023

In total, 54 observations for 8 listed conglomerates on the NSE over a ten-year period are presented in Table 1's descriptive statistics. One dependent variable was compared to six independent factors. The dividend payout is the dependent variable, and its value is expressed as the proportion of annual dividend to net profit after taxes. The dividend payout ratio fluctuates between positive and negative values, suggesting that some businesses are making a profit. The dividend payout ratio has an average of -2.333705 and a standard deviation of 20.28005. There is a minimum payout of -114.2857k, and the maximum dividend received by stockholders was 28.57143k. This is because several firms experienced losses in some fiscal years and were unable to pay dividends for those years.
To use total asset as a stand-in for company size, it was logged. Firm size ranges from 11.91481 to 19.50971, with a mean of 17.01 showing an increase during the course of the study. The profit after tax is a factor that was taken into account during the study's time frame. Profit after taxes, a crucial indicator, must be positive for the firm to have had a profit in some of the years under consideration.
Leverage ranged from 0.257 percent to 420.09 percent, with an average of 8.4 percent and a standard deviation of roughly 57.08 percent. The liquidity of the firms ranges from 0.1225753 to 3.423545, with a mean of 1.176442.Liquidity value represents an improvement in the firms' financial standing. The macroeconomic metric, real GDP growth, which measures the expansion of economic activity, has an average value for the research period of about 3.81 percent and a standard deviation of about 2.97 percent. Over the research period, the economy grew by a low of -1.62 percent and a maximum of roughly 8.0 percent. The inflation rate ranges from 2.86 to 16.34 with a standard deviation of roughly 3.94 percent and an average value of 8.92.

Correlation Analysis

To investigate the link between the variables used in the models for this study, a correlation analysis was undertaken. The main purpose of doing this was to discover relationships with extremely high correlation coefficients that may indicate multicollinearity issues in the model.

Table 2: Correlation Analysis

	DPR	PAT	FSIZ	LQ	LEV	GDP_{gr}	INF
DPR	1.0000						
PAT	0.0707 (0.6113)	1.0000					
FSIZ	0.0346 (0.804)	0.8114 (0.000)	1.0000				
LQ	0.2348 (0.0874)	0.0261 (0.8512)	-0.0803 (0.5639)	1.0000			
LEV	-0.0248 (0.8585)	0.181 (0.1904)	-0.1066 (0.4431)	0.1077 (0.4383)	1.0000		
GDP_{gr}	0.076 (0.5847)	0.0496 (0.7218)	-0.172 (0.2136)	0.256 (0.0617)	0.1329 (0.338)	1.0000	
INF	-0.0908 (0.5138)	0.0685 (0.6224)	0.0513 (0.7127)	0.0877 (0.5284)	-0.1392 (0.3156)	0.0368 (0.7918)	1.0000

Source: Authors' Computation, 2023
Note: P-values in parenthesis

The findings in the above table show how the constructs utilized are related by their individual coefficients. A variable and itself are related when the correlation coefficient on the main diagonal is (1 in all situations), which denotes a perfect relationship. In contrast to its association with debt and inflation, the DPR exhibits aaffirmative coefficient with respect to profit tax, company size, liquidity, and economic growth. The only correlation that is determined to be statistically insignificant is that between dividend payout ratio and earnings after tax, company size, economic growth, leverage, and inflation.In general, the results from the table reveal that there is no significant link between any of the constructs because the variables discovered are less than (0.7), which implies that there is no substantial correlation between any of the variables.

Conclusion and Recommendation

The investigation finds that DP and earnings have a favorable relationship, and firm-specific characteristics have a big influence on listed conglomerates' dividend payout. This suggests that a considerable role in defining the dividend distribution of the listed companies in Nigeria is played by numerous internal elements that the company's management may control. The study thus suggests that in order to maintain a consistent dividend payout, the management of these organizations should continuously modify and enhance the internal characteristics that are under their control. The management of mentioned conglomerates should continue to create efficient marketing plans to raise sales turnover and efficient operational efficiency to boost profitability, which would guarantee a better dividend payment.

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