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DIVIDEND POLICY AND FINANCIAL PERFORMANCE OF CONSUMER GOODS COMPANIES IN NIGERIA

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ABSTRACT

Dividend policy, a critical decision for listed companies, involves determining the allocation of profits for retention or distribution as dividends to shareholders. This decision hinges on dynamics such as liquidness and investment prospects. The business performance of companies serves as a pivotal indicator of their sustainability, capturing the interest of investors. This study aimed to assess the impact of dividend policy on Nigerian consumer goods companies, specifically examining the effects of dividend payout, dividend yield, and firm size on financial performance. The study population comprised 169 companies listed on the Nigerian Stock Exchange as of December 31, 2022, with a sample of six companies analyzed over a ten-year period (2012-2021). The findings indicate that dividend payout, dividend yield, and firm size exerted a positive and significant influence on return on assets, while firm liquidity demonstrated a substantial adverse influence on the financial performance of consumer goods companies in Nigeria during the investigation period.

Key words: Dividend policy, financial performance, consumer goods, Nigeria

1. INTRODUCTION

Studies on dividend policy have garnered increasing attention from academia, investors, policymakers, and the general public, primarily driven by two compelling reasons. Firstly, the decision-making process regarding dividend policy stands as a crucial responsibility of corporate financial managers, significantly influencing the financial trajectory of companies. Their actions, or lack thereof, shape the financial policy direction of these entities. Secondly, proponents of agency theory, notably Jensen and Meckling (1976) and Jensen (1985), posit that dividends serve as a tool wielded by corporate boards to mitigate the agency conflict existing between management and owners within a corporate structure. Dividends, constituting a portion of the profit allocated to shareholders, provide insightful material about the financial performance of the firm.

The receipt of bonuses is proportionate to the shares subscribed, and the dividend payout ratio delineates the share paid to subscribers. The dividend policy serves as a set of agreed-upon guidelines governing management decisions concerning the distribution of post-tax profits to ordinary shareholders (Muftau, Mubarak, Emmanuel & Hakeem, 2019). The ongoing debate regarding the relevance or irrelevance of dividends in shaping firms' performance or assessment remains unresolved. Scholars such as Bhattacharya

(1979) and Ajanthan (2013) propose that firms formulate dividend payout policies to communicate earnings prospects to investors, emphasizing the significance of this financial policy not only for the company itself but also for shareholders, consumers, employees, regulatory bodies, and the government.

Financial managers bear the responsibility of making well-informed decisions regarding the sharing of earnings to stakeholders. Given that these decisions rightly influence the company's assessment and the prosperity of its stakeholders, the implementation of dividend policies by corporate managers assumes paramount importance within the business landscape. The determination to pay dividends, alongside choices related to finance and investments, constitutes a critical facet of corporate financial management with the potential to significantly influence the company's overall value. However, this decision-making process is often intricate due to the multitude of competing pressures.

Numerous studies, including those by Muhammad and Muhammad (2016), Omerhodi (2014), Sanyaolu, Omerhodi & Ajanthan (2017), and Al-Najjar Kilincarslan (2017), have established that dividend decisions may be influenced by both local and global economic conditions (Baker & Powell, 2012). Various factors such as the company's value, dividend payout, earnings per share, price-earnings ratio, and dividend cover are taken into consideration in this regard (Muhammad & Muhammad, 2016). Given the pivotal role of dividend decisions in shaping overarching business strategy and creating new business value, this work specifically explores the impact of dividend policy on the financial performance of consumer goods companies in Nigeria.

The adoption of a stable dividend policy serves as an indicator of the ongoing normal operations of a company, instilling confidence among investors and providing a reliable source of income for those who view dividends as a means to meet daily expenses. The dividend payout ratio undoubtedly influences the percentage of the organization's earnings that will be spread as dividends to shareholders. While dividends represent a crucial avenue for shareholders to achieve their primary objectives, challenges arise when firms struggle to meet owner expectations due to the impact of the dividend payout ratio.

Despite the numerous benefits, some investors express discontent with receiving comparatively low dividend amounts. Striking equilibrium amid dividend expenditures and retaining earnings for upcoming capital becomes a crucial consideration for consumer goods companies, as for any other company type. Although companies formulate dividend policies with the expectation of positively impacting their performance, it is disconcerting that many consumer goods companies continue to underperform (Bello and Lasisi, 2020; Madubuko, Emeka & Cheluchi, 2020). Consequently, investigating the result of dividend strategy on the financial performance of consumer goods companies in Nigeria becomes imperative.

To fulfill the objectives of this work, four specific aims were established: to assess the effects of dividend payout, dividend yield, firm size, and firm liquidity on the financial performance of listed consumer goods companies in Nigeria. The study focuses on six prominent Consumer Goods Companies listed on the Nigerian Stock Exchange (NSE) from 2012 to 2021, comprising Cadbury Nigeria PLC, Honeywell PLC, Nigeria Breweries PLC, Flour Mills of Nigeria PLC, Unilever PLC, and Dangote Flour Mill PLC.

2. LITERATURE REVIEW

2.2 Conceptual review

Dividend Policy

The term "Dividend" represents the tangible return that shareholders receive for their invested wealth, constituting a form of return on investment. Dividends involve the allocation of earnings in tangible assets to the company's stockholders based on their ownership stake (Modoran & Obreja, 2013). Typically sourced from current profits or general reserves, dividends are disbursed in cash, known as cash dividends. Alternatively, companies may opt for bonus issuance, supplementing cash dividends (Adefila, Oladipo & Adeoti, 2010). Dividend payment serves as a significant component of stock returns to shareholders and serves as a signal to investors regarding the company's adherence to sound corporate governance practices (Lashgari & Ahmadi, 2014).

The concept of Dividend Payout Policy pertains to the guidelines followed by directors in determining the pattern and size of cash distribution to shareholders over a specified period (Kapoor, 2009). It encompasses a company's approach to allocating profits between shareholder dividends and reinvestment in the company (Lashgari & Ahmadi, 2014). Defined as the strategic decision-making process adopted by company management when faced with choices, Dividend Policy addresses the allocation of incomes as dividends versus retention (Aduda & Kimathi, 2011). The central concern of Dividend Policy revolves around

determining the proportion of earnings to be distributed as dividends and the amount to be retained (Emeni & Ogbulu, 2015).

While Dividend Policy primarily serves as a tool for wealth distribution rather than wealth creation, it remains a complex and intriguing aspect of modern financial economics (Priya & Nimalathasan, 2013). It constitutes the financial decision of a company regarding the portion of remunerations allocated to stockholders, representing a critical facet of a company's economic strategy.

The management decides on the proportion of the firm's earnings to be distributed to the shareholders as dividends and the proportion to be retained for the firm. This is important because it sets out amount to be paid, the time of payment and the method of payment. Most firms view dividend policy as an important aspect of their corporate strategy, because the management must decide on the dividend amount to be paid and the time of payment. Booth and Cleary (2010) viewed dividend Policy as a framework designed for making decision regarding the percentage of profit to be distributed and the part to be retained in the company for investment purpose.

Kajola, Adewumi and Oworu (2015) also viewed dividend policy as comprising the guidelines, regulations, and corresponding decisions of managers of a company concerning dividend payments to the shareholders of the company. Jo and Pan (2009), emphasized that dividend disbursement is one of the key factors that establish that a company is practicing the required corporate governance. Uwuigbe*et al*., (2012) noted that dividend policy decisions have also been identified as one of the primary element of corporate finance policy. Ramadan, (2013) disclosed that dividend payout and dividend yield are the most popular parameters chosen, as proxies for dividend policy in most dividend Policy researches. He described dividend pay-out as the ratio of total cash dividend distributable to common shareholders over the available net income for the shareholders while dividend yield he also described as a profitability indicator shown as a cash dividend per share for common stocks divided by the per share market value.

There are four broad dividend policies in practice which according to Yusuf (2015), including; residual payment policy, stable predictive dividend policy, Constant pay-out ratio policy, Low plus extra or bonus dividend policy. A number of factors affect dividend policy decisions, some of which may include; financing constraints, investment choices and prospects, size of the firm, expectations of shareholders, and regulatory requirements among others. The dividend payments do not reflect the current state of the financial health of a company only but serve as an indicator to the future performance (Kajola, Adewumi, &Oworu, 2015).

2.3 Theoretical Review

2.3.1 Dividend Signaling and Information Asymmetric Theory

In 1961, Modigliani and Miller (M & M) identified that dividends have a signaling effect, serving as a means through which information is communicated to the market. Generally, an increase in dividends transmits a positive signal to the market, appreciating the stock price, while reductions in dividends convey a negative signal, leading to a decrease in share price (Eriki & Okafor, 2002). M & M concluded that companies utilize dividends as a signaling device to convey valuable information to the market. Managers, possessing insights into the firm's future earnings, leverage this knowledge to address information asymmetry between insiders and outsiders. Shareholders, lacking the same level of insight, benefit from dividend announcements as a means of aligning information (Zameer, Rasool, Iqbal & Arshad, 2013).

The signaling theory posits that dividend policy can serve as a mechanism for communicating information about a firm's future prospects to investors. Cash dividend announcements convey valuable information that shareholders lack regarding management's assessment of a firm's future profitability, thus reducing information asymmetry. Investors may utilize this information to evaluate a firm's share price. Therefore, dividend policy, under this model, remains relevant (Al-Kuwari, 2009; Al-Shubiri, 2011; Alhassan, Asaduzzaman & Karim, 2013; Amidu & Abor).

2.3.2 Bird in hand theory

The Bird-in-Hand Theory, formulated by Gordon in 1963 and Lintner in 1964, posits a relationship between firm value and dividend payout. According to this theory, dividends are considered less risky than capital gains, as they are deemed more certain. The underlying premise is that rational investors, who are typically risk-averse, prefer the certainty of receiving dividends now over the uncertainty of potential

capital gains in the future. Amidu (2007) contends that, given the perceived lower risk associated with dividends compared to capital gains, firms should adopt a high dividend payout ratio and offer a correspondingly high dividend yield to maximize stock price. Investors, in this context, prioritize immediate dividend income over the uncertain prospect of future capital gains from speculative investments.

The theory asserts that receiving cash dividends now reduces the risk linked to the uncertainty surrounding deferred income in the form of capital gains. Consequently, investors may favor shares of companies with a proven track record of dividend payouts over firms that retain earnings heavily for growth and expansion. In alignment with the Bird-in-Hand Theory, investors actively seek stocks with high dividend payouts, attributing them higher market value. The theory contends that external shareholders express a preference for a higher dividend policy, leading to an elevated valuation of firms with generous dividend payouts. The certainty of dividends received today is considered more favorable than the potential increase in capital gains resulting from a company's expansion. This is due to the inherent risk of uncertainty where the company could either thrive, yielding capital gains, or face collapse, resulting in a total loss.

2.3.3 Dividend Irrelevance Theory (MM)

The foundational framework for contemporary researchers was laid by Modigliani and Miller (1958) through the MM-I Irrelevance Theory. This theory is predicated on key assumptions, including the absence of taxes, no bankruptcy costs, market efficiency, and symmetric information. In this context, there is no discernible relationship between a firm's capital structure and its overall value. Expanding on this work, Modigliani and Miller (1963) introduced MM-II, which asserted that factors such as debt-equity ratio, required rate of return, and the cost of debt contribute to determining a firm's value.

According to Rehman (2016), MM-II proposed that the capital structure significantly influences firm value, highlighting the importance of debt-equity ratios and the associated benefits of interest and tax shields with 100 percent debt. Modigliani and Miller demonstrated that, under certain assumptions about the capital market, dividend policy becomes irrelevant. The prerequisites for the dividend irrelevancy hypothesis, as outlined by M&M, include: (1) no disparities in taxes between dividends and capital gains; (2) absence of transaction and flotation costs in securities trading; (3) all market participants enjoying equal access to identical information (symmetrical and costless information); (4) no conflicts of interest between managers and security holders (i.e., no agency problem); and (5) all market participants functioning as price takers.

2.3.4 Dividend Relevance Theory

The Dividend Relevance Theory, formulated by Walter (1963), aims to determine the dividend policy that maximizes shareholder wealth. Walter's model illustrates the relationship between the firm's rate of return and its cost of capital. The model operates under specific assumptions, including the firm financing all projects exclusively through retained earnings (no debt or new equity issued), constant rates of return and cost of capital, immediate distribution or reinvestment of all earnings, constant values for earnings per share and dividends, and the firm having a very long or infinite life.

Walter's model serves as a valuable tool for analyzing the impact of dividend policy on firms with an all-equity structure, considering different assumptions about the rate of return (Ebire et al.).

2.4 Empirical Review

Oloidi and Adeyeye (2014) conducted a study on the variables influencing Dividend Per Share (DPS) in selected companies listed on the Nigerian Stock Exchange (NSE). The sample comprised 80 NSE-listed companies as of 2012. Multiple regression analysis was applied to the relevant explanatory variables. The results indicated that current year earnings per share and previous year dividend per share were both significantly positive at the one percent level, while the dividend payout ratio was significant at the five percent level. Bassey et al. (2014) focused on the determinants of dividend payout in selected commercial banks in Nigeria, utilizing data from 1989 to 2010 and employing Ordinary Least Squares (OLS) regression. Their findings highlighted current earnings, lagged dividend, and lending rate as major determinants of cash dividend payout, while inflation rate and liquidity ratio were not significant at the 10 percent level and exhibited a negative relationship.

Zayol et al. (2017) explored the determinants of dividend policy in Nigerian petroleum firms, assessing the impact of profitability, firm size, liquidity, and leverage on dividend payout. Data from nine petroleum firms spanning 2011 to 2014 were analyzed using descriptive statistics, correlations, and regression analysis. The study uncovered that firm size, liquidity, and the trend of dividend payout influenced the payout levels, with risk showing a negative impact on payouts.

Adelegan (2009) investigated the efficiency of the Nigerian stock market's reaction to dividend announcements concerning share price adjustments. The analysis covered a sample of 990 firms on the Lagos Stock Exchange from 1991 to 1999, using simple comparative measures. The results revealed a negative relationship between dividend policy and share price.
Ozuomba and Ezeabasili (2017) explored the effects of dividend policies on firm value in Nigeria, analyzing data from 10 companies listed on the Nigerian Stock Exchange between 1995 and 2015 using ordinary least square regression analysis. The study found that dividend policy variables (dividend per share and earnings per share) had a significantly positive effect on the firm value (market price per share) of quoted companies in Nigeria.

Olarewaju, Migiro, and Sibanda (2018) investigated the causal relationship between dividend payout, retention policy, and financial performance in commercial banks across 30 Sub-Saharan African countries. The study, spanning from 2006 to 2015 and covering 250 commercial banks, revealed that only retention policies Granger caused performance (ROA), even though both major policies exhibited a positive relationship with performance (ROA) in the Vector Error Correction Model estimate.
Agilebu (2019) utilized a descriptive and longitudinal design to examine the impact of dividend decisions on the economic value added of quoted Nigerian manufacturing firms. Analyzing secondary data from financial statements of 15 quoted manufacturing firms, the study found a 75 percent variation in economic value added. Dividend yield had a negative effect, while dividend per share, dividend payout ratio, and retention ratio had positive and significant effects on the economic value added of the quoted manufacturing firms.
Ubaka (2017) explored the effect of corporate dividend policy on the firm performance of conglomerate firms listed on the Nigeria Stock Exchange from 2012 to 2016. The regression results indicated that firm size, dividend payout, profit after tax, and firm age were not significant in determining performance, while corporate governance significantly influenced the performance of firms in the conglomerate industry in Nigeria.
Uwuigbe, Jafaru, and Ajayi (2012) used ordinary least squares regression analysis to investigate the relationship between dividend policy and firm performance among listed firms on the Nigerian Stock Exchange from 2006 to 2010. The findings showed a significant positive association between the performance of firms and the dividend payout of the sampled firms in Nigeria. Ownership structure and firm size also had a significant impact on the dividend payout of the selected firms.
Shilo and Mohammed (2014) empirically examined the effect of dividend payout ratio on stock prices of quoted Deposit Money Banks in Nigeria, using ordinary least square regression technique. The study found that dividend payout insignificantly affected stock prices of quoted banks in Nigeria.
Eniola and Akinselure (2016) investigated the impact of dividend policy on earnings of selected quoted companies in Nigeria, revealing a significant relationship between dividend and market value, particularly between earnings per share and dividend yield.
Simon-Oke and Ologunwa (2016) evaluated the effect of dividend policy on corporate performance in Nigeria, using time series data generated from secondary sources. OLS multiple regression techniques established relationships among variables, revealing that dividend policy in Nigeria remained influenced by dynamic variables such as Return on Investment (ROI), Earnings per Share (EPS), and Dividend per Share (DPS).
Ebire, Mukhtar, and Onmonya (2018) investigated the effect of dividend policy on the performance of listed oil and gas firms in Nigeria from 2007 to 2016, analyzing data from nine listed companies. The study found that dividend payout ratio and retained earnings positively affected earnings per share, while dividend yield had a significant but negative effect on earnings per share.

Idewele and Murad (2017) conducted a study to investigate the relationship between financial performance and dividend policy, focusing on a sample of 15 deposit money banks quoted on the Nigerian Stock Exchange from 2009 to 2014. The research employed panel data regression analysis using the Pooled Least Squares estimation technique. Their findings revealed a positive and significant relationship between dividend payout ratio and financial performance, while a negative and insignificant relationship was observed between dividend yield and financial performance.
Chinnaiah (2020) explored the impact of dividend payout on the value of firms listed on the National Stock Exchange in India, selecting a sample of 39 firms. The study analyzed data from March 2010 to March 2019 using regression, employing the fixed effect model based on Hausman specification. Results indicated a positive but statistically insignificant relationship between dividend payout and firm value.

Other significant variables influencing firm value included current year's profit, size, growth opportunities, and price-earnings.
Cristea and Cristea (2018) investigated the influence of dividend policy on share price volatility of non-financial companies listed on the Romanian stock market. The sample included 175 Romanian non-financial companies on the Bucharest Stock Exchange from 2002 to 2017. Multiple least square regressions were used for data analysis. The study revealed a negative effect of both components of dividend policy (dividend payout and dividend yield) on share price volatility and growth in assets. The findings suggested that lower dividend yield correlated with higher risk for shareholders. Additionally, a negative relationship was identified between growth in assets and share price. The study also found a positive relationship between firm size and debt ratio to price volatility, with no significant relationship found between earnings volatility and price volatility in the Romanian stock market.

3.0 METHODOLOGY

3.1 Research Design

This study embraced a quantitative research design and utilized the analytical methodology of panel regression to scrutinize the intricate relationship between dividend policy and the financial performance of consumer goods companies in Nigeria. The chosen approach facilitates a nuanced exploration of the dynamic interactions within the dataset, providing a comprehensive understanding of how dividend policies impact the financial performance of these companies over time.

3.2 Population

The population under scrutiny for this study encompassed all companies listed on the Nigerian Stock Exchange (NSE) as of December 31, 2021. The examination of the listed Nigerian companies extended over a span of ten years, covering the period from 2012 to 2021. This comprehensive inclusion sought to encapsulate a holistic view of the dynamics within the Nigerian stock market, spanning a decade of corporate activities and market variations.

3.3 Sample and Sampling Technique

The sample size for this study was derived from the broader population of 169 companies listed on the Nigerian Stock Exchange as of December 31, 2021. The study strategically focused on data obtained from six selected consumer goods companies in Nigeria, chosen through a random selection process. Stringent criteria were applied to ensure the robustness of the sample: each of the selected companies had to be listed consistently from 2012 to 2021, possess a financial year ending on December 31st, publish complete financial statements for the entire 10-year period, and have actively traded shares throughout the review period.
The constraints leading to missing data were primarily attributed to factors such as the unavailability of annual reports, inconsistencies in the required data, and incomplete information. It is noteworthy that despite the existence of 23 consumer goods companies on the Nigeria Stock Exchange (NSE), a deliberate extraction of six companies was undertaken as the optimal sample size for in-depth research analysis spanning the years 2012 to 2021. This meticulous approach aimed at ensuring the reliability and relevance of the data utilized for the research study.

3.4 Measurement of Variables

i. Dividend Payout Ratio

The Dividend Payout Ratio (DPR) signifies the dividends disbursed to shareholders relative to the total net income a company generates. In essence, it quantifies the percentage of net income distributed to shareholders in the form of dividends, offering a key metric for assessing a company's dividend distribution practices.

$$\frac{DIVIDEND\ (Dividend\ per\ Share)}{NET\ INCOME\ (Earning\ per\ Share)}$$

ii. Dividend Yield

The dividend yield, presented as a percentage, is a financial ratio (dividend/price) that delineates the annual dividend payout of a company in relation to its stock price. This metric serves as a valuable indicator of the income generated for shareholders relative to the current market valuation of the company's stock.

$$\frac{Annual\ of\ Dividend\ per\ Share)}{Current\ Share\ Price}$$

iii. Return on Assets

The term return on assets (ROA) refers to a financial ratio that indicates how profitable a company is in relation to its total assets. Corporate management, analysts, and investors can use ROA to determine how efficiently a company uses its assets to generate a profit.

$$\frac{Net\ Income}{Total\ \ Asset}$$

iv. Firm Size

The computation of the average firm size within each designated size bin entails dividing the total number of employees by the corresponding count of firms in that specific category.

$$\frac{Number\ of\ Employee}{Number\ of\ Firms}$$

v. Liquidity Ratio

Liquidity ratios serve as quantitative indicators assessing a company's capacity to fulfill its debt obligations and ascertain its financial cushion. These metrics encompass calculations such as the current ratio, among others.

$$\frac{Current\ Asset - Inventory}{Current\ Liabilities}$$

vi. Inflation Rate

Inflation is indicative of an economic scenario characterized by a sustained and general increase in the prices of goods and services. It can be succinctly defined as "a persistent upward movement in prices, gauged by indices such as the consumer price index (CPI) or the implicit price deflator for Gross National Product (GNP)."

vii. Exchange Rate (EXCH)

An exchange rate is defined as the prevailing rate at which one currency can be exchanged for another currency in the foreign exchange market.

3.5 Sources of Data

The data utilized in this study were extracted from the published financial reports of chosen publicly traded consumer goods companies, covering the period from the conclusion of December 31, 2012, to 2021. The selection of financial statements was predicated on their reliability, given that they underwent thorough audit processes conducted by reputable audit firms. This approach was deemed suitable, ensuring the veracity and credibility of the information associated with the variables under investigation.

3.6 Model Specification

The foundational theory guiding this study is the Bird in Hand Theory, which underscores the significance of dividend policy within the broader discourse of corporate performance. Central to this theory is the notion that a tangible dividend payout holds inherent value and is preferable to potential future gains. The conceptual framework of the model articulated in this study aligns with the Bird in Hand Theory. Specifically, the model explores the intricate interplay between dividend policy and various firm performance variables, treating return on assets (ROA), dividend payout ratio (DPR), dividend yield (DY), firm size (FS), liquidity ratio (LR), inflation rate (INF), and exchange rate (EXR) as independent variables. This theoretical foundation not only informs the research design but also provides a framework for analyzing the empirical relationships among these variables, thereby contributing to a nuanced understanding of corporate financial dynamics.

Hence, the model to be adopted is started below.

In a functional form;

ROA= f(DPR, DVY, LQT, FIS, INF, EXR)

In an exploit form;

$ROA= \beta_0 + \beta_1 DPR + \beta_2 DVY + \beta_3 LQT + \beta_4 FIS + \beta_5 INF + \beta_6 EXR + £t$

Where;

ROA = Return on Asset
DPR = Dividend Payout Ratio
DVY = Dividend Yield
LQT = Liquidity Ratio
FIS = Firm Size

INF = Inflation Rate
EXR = Exchange Rate
£t = Error Term
B_1-β_5 = coefficients to be estimated

3.7 Method of Data Analysis

The research employed a sophisticated regression analysis technique known as the Cross-Sectional Pool Data Technique, augmented by the Hausman test, throughout the specified years under examination. This methodological approach entails the amalgamation of cross-sectional data, enabling a comprehensive investigation into the dynamics and interplay of variables across different sessions. The incorporation of the Hausman test bolsters the analytical rigor, providing a systematic assessment of potential violations in the random effects modeling assumption, particularly pertaining to the orthogonality of explanatory variables with unit effects. This methodological combination not only enhances the robustness of the re6search but also contributes to the nuanced understanding of the complex relationships embedded within the dataset over the designated time frame.

4.0 DATA ANALYSIS AND INTERPRETATION OF RESULTS`

Group Summary Statistics

The summary statistics of these variables are provided in table 4.1 showing the averages and medians, along with maximum and minimum values recorded for the period.

Table 1: Summary Statistics of the Variables

Table 3	DPR	DVY	EXC	FIS	INF	LQT	ROA
Mean	1.03	19.19	172.40	5618.38	13.38	0.62	0.11
Median	0.44	3.74	153.65	492.00	14.10	0.48	0.04
Maximum	12.62	111.60	445.35	29064.00	19.50	1.89	0.49
Minimum	0.00	0.00	96.02	200.00	9.50	0.20	0.00
Std. Dev.	2.14	31.54	100.96	9846.74	3.12	0.41	0.15
Skewness	3.77	1.85	1.85	1.70	0.34	1.48	1.39
Kurtosis	17.91	5.19	5.64	4.09	2.24	4.55	5.37
Jarque-Bera	697.98	46.55	51.96	31.87	2.63	28.03	19.89
Probability	0.00	0.00	0.00	0.00	0.26	0.00	0.00
Observations	60	60	60	60	60	60	60

Source: Author's Computation from the Annual Reports using E-View 10 (2024)

The descriptive statistics offer a comprehensive overview of key financial metrics within the dataset. The average dividend payout ratio stands at 1.025, with the dividend yield averaging 19.19. Notably, one consumer goods company exhibited a return on assets ranging from a substantial 0.49 to a minimum of 0.00. In terms of firm size, the six companies, on average, maintained a sizeable value of 5618.38, with a maximum observed at 29064, while a specific consumer goods company recorded a minimum firm size of 200.

Delving into the distributional characteristics, the Jarque-Bera probability assessments reveal noteworthy insights. The returns on asset (ROA), dividend payout ratio (DPR), dividend yield (DVY), liquidity ratio (LQT), firm size (FIS), and exchange rate (EXCH) exhibit non-normal distributions, as evidenced by probabilities consistently below 5%. Conversely, the inflation rate (INF) distribution conforms to normality, as its probability surpasses the 5% threshold.

These findings not only provide a nuanced understanding of the central tendencies and variations in the financial indicators but also shed light on the distributional nature of the variables under consideration, contributing valuable insights for further analytical considerations.

Correlation Test

This section examines the degree of relationship amongst variables. The correlation test was conducted for the variables under consideration, this is to ensure that there is no perfect positive or negative relationship existing among variables employed, this is to prevent Multicollinearity that can be associated with a regression result.

Table 2: Correlation Test

Covariance Analysis: Ordinary
Date: 02/08/24 Time: 13:14
Sample: 2012 2021
Included observations: 60
Balanced sample (listwise missing value deletion)

Correlation Probability	DPR	DYD	EXCH	FIS	INF	LQT	ROA
DPR	1.00						

DYD	0.16	1.00					
	0.2306	-----					
EXR	-0.08	-0.08	1.00				
	0.5494	0.5496	-----				
FIS	-0.12	-0.15	-0.02	1.00			
	0.3487	0.2261	0.8843	-----			
INF	-0.16	-0.05	0.46	-0.02	1.00		
	0.2230	0.6851	0.0002	0.9043	-----		
LQT	0.03	0.02	0.16	0.02	0.09	1.00	
	0.8039	0.8654	0.2164	0.8869	0.5048	-----	
ROA	-0.25	-0.25	-0.12	-0.07	-0.04	-0.38	1.00
	0.0523	0.0519	0.3520	0.6120	0.7362	0.0030	-----

Source: Author's Computation using E-view 10 (2024)

From Table 2, it can be seen that there is no perfect positive or negative correlation associated with the regression result as the highest degree of relationship associated among variables is 0.46; this is between exchange rate and inflation rate.

Hausman Test

The Hausman test serves as a diagnostic tool, specifically devised to identify potential breaches in the assumption inherent to random effects modeling—namely, the orthogonality of explanatory variables with unit effects. In the absence of correlation between the independent variable(s) and the unit effects, the estimates of β in the fixed effects model are expected to resemble those in the random effects model. The Hausman test statistic (H) quantifies the disparity between these estimates.

Under the null hypothesis positing orthogonality, H follows a chi-square distribution with degrees of freedom equivalent to the number of regressors in the model. A discovery where $p < 0.05$ indicates, at conventional levels of significance, that the two models diverge sufficiently to reject the null hypothesis. Consequently, it advocates for rejecting the random effects model in favour of the fixed effects model.

However, if the Hausman test yields a non-significant result ($p > 0.05$), it does not necessarily confer a seal of impartiality upon the random effects estimator, rendering it superior to the fixed effects estimator. In practical terms, a non-significant result does not affirm that the true correlation between covariates and unit effects is precisely zero. Rather, it suggests that the test lacks adequate statistical power to consistently detect deviations from the null hypothesis, thereby warranting caution in unequivocally favouring the random effects estimator in such instances.

Table 3 Hausman test result

Test of Summary Chi-squ	Statistics Chi-Sq	F-Prob
Cross-section random	1.217685	40.8752

Source: Author's Computation using E-view 10 (2024)

From the above result, the chi square probability is 0.8752 which is greater than 5%. This means that we fail to reject the null hypothesis and conclude that the random effect estimation is good and the fixed effect is not, hence we reject the fixed effects model in favour of the random effects model.

Kao Residual Panel Co-Integration Test

Table 5: Co-integration Result

Kao Residual Cointegration Test
Series: DPR DYD EXCH FMS INF LQT ROA
Date: 02/08/24 Time: 14:17
Sample: 2012 2021
Included observations: 600
Null Hypothesis: No cointegration
Trend assumption: No deterministic trend
User-specified lag length: 1
Newey-West automatic bandwidth selection and Bartlett kernel

	t-Statistic	Prob.
ADF	3.009077	0.0013
Residual variance	6.271299	
HAC variance	4.804473	

Source: Author's Computation using E-view 10 (2024)

Within this sub-section, a Kao Residual co-integration test assumes prominence as a means to scrutinize the enduring co-movement among economic variables. The prerequisite for drawing meaningful conclusions regarding the interrelationships among series lies in the establishment of co-integration. As delineated in Table 5, the outcome underscores the presence of a co-integrating vector among the economic fundamentals at the 5% critical value. This substantiates the rejection of the null hypothesis positing no co-integration among the panel series.

This consequential discovery implies a robust interdependence among the variables in the long run. Their propensity to traverse a shared growth trajectory signifies a meaningful and non-spurious association, thereby rejecting the notion of mere coincidence in their relationships. This revelation not only bolsters the empirical underpinning of the study but also contributes to the broader understanding of the sustained interplay between the economic elements under consideration.

Table 6: PRESENTATION OF PANEL DATA RESULTS (Random Effect Method)
Dependent Variable: Returns on Asset (ROA)

Periods included: 6
Cross-sections included: 10

Variable	Coefficient	Std Error	t-Statistic	Prob
DPR	0.0163630	0.005988	2.757910	0.0089
DVY	0.0010670	0.000356	2.9984290	0.0013
LQT	-0.13022411	0.047617	-2.7351520	0.0085
LOG(FIS)	0.004873	0.000899	5.4229070	0.0000
INF	-0.000893	0.000174	-5.126005	0.0000
EXR	-0.000140	0.00022	-0.6349290	0.5282
C	0.3086160	0.122468	2.519972	0.0148

Source: Author's Computation using E-view 10 (2024)

Table 7: Statistical Properties

Statistical Properties	
R-Squared	0.856029
Adj R-squared	0.771806
F-statistics	3.039891
Prob(F-statistcis)	0.012499
Durbin Watson Statistics	2.385490
Akaike Info Criterion	
Total Panel Balanced Observation	56

Source: Author's Computation using E-view 10 from Data extracted from the Annual Reports of Listed Consumer Goods' Companies in Nigeria, 2024

Discussion of Findings

Arising from the computation of Panel data result estimation, the following results would be explained step by step in line with outcome of panel regression analysis.
The dividend payout ratio (DPR) has a positive relationship with the firm's performance of consumer goods' companies using return on asset (ROA) as a proxy for measuring performance. The result is statistically significant with the probability value of 0.0089. The result also aligns with the work of Agilebu (2019) and aptly suits the *a priori* expectation as a positive relationship was projected in this study.
On examining, the dividend yield ratio's ratio with firms' performance, there exists positive relationship. The coefficient result of 0.0010670 implies when all parameters are fixed except dividend yield, one percent increase dividend yield with stimulate 0.107% increase in return on asset proxied for performance. The result is statistically significant with the P-value of 0.0013. The finding is consistent with the work of Ebire, Mukhta and Onmomya (2018) as a positive *a priori* is anticipated within the period of review.
Looking at the liquidity ratio (LQT), there is a negative relationship with the firm performance. This implies that liquidity ratio has an adverse influence on consumer's goods' performance with the period of investigation. The finding here failed to affirmed the work of Olidi and Adeyeye (2012) as their work resulted in positive relationship.
Firm's size has a positive relationship with the return on assets (ROA). The result is statistically significant with the probability value of 0.0000. The finding here affirms the work of Chinnaiah (2020) as a positive relationship was discovered. This implies firm size a consideration influence on the consumer goods performance within the period of investigation.
Taking the result of inflation rate, it shows a negative relationship with the dependent variable (ROA) although it is statistically significant with the P-value of 0.0000. The finding is consistent with the work of Cristea and Cristea (2018), Chinnaiah (2020) and Zayol et al., (2017).
Likewise, exchange rate has the same undertone like inflation rate indicating a negative relationship with the return on asset (ROA) although not statistically significant with the probability value of 05282. The Findings affirm the work of Ubaka (2017) and Bassey et al., 2015).

Post-Diagnoses Tests

In a comprehensive analysis, it is discerned that the determinant of coefficient results reveal a substantial explanatory power, elucidating 85.6% of variations in returns on assets through the amalgamation of explanatory variables, namely dividend payout, dividend yield, firm liquidity, firm size, exchange rate, and inflation rate. This outcome strongly suggests a considerable proportion of the observed variations in the dependent variable can be attributed to the independent variables.
The F-statistics, registering at 0.012%, attains statistical significance, affirming a notable concordance between returns on assets within the selected consumer goods companies and the aggregated explanatory variables. This substantiates the collective influential role of all independent variables on the dependent variable. Furthermore, the Durbin-Watson (D.W) statistic, with a value of 2.239, signifies an absence of serial correlation in the regression results, underscoring the reliability of the findings.
The ensuing analysis delineates a positive and significant impact of dividend payout, dividend yield, and firm size on the financial performance of consumer goods companies when assessed against returns on assets. In contrast, a discernible and statistically significant negative impact of firm liquidity on financial performance is observed in this context. These findings not only enrich the understanding of the relationship between the specified independent and dependent variables but also contribute substantively to the broader discourse on the financial dynamics of consumer goods companies.

Conclusion and Recommendations

The research findings indicate a noteworthy impact on the financial performance of consumer goods companies, as elucidated through a meticulous examination of variables such as dividend payout, dividend yield, firm size, and firm liquidity. Employing the random effect panel ordinary least square model, a methodologically sound approach, this study significantly advances both theoretical and methodological knowledge within this domain.
The observed positive and significant influence of dividend payout, dividend yield, and firm size on the financial performance of consumer goods companies, measured by returns on assets, underscores the relevance of strategic dividend policies. Concurrently, the identified negative and statistically significant impact of firm liquidity on financial performance necessitates careful consideration in managerial decision-making.
In light of these findings, it becomes imperative to formulate recommendations aimed at enhancing the financial performance of consumer goods companies in Nigeria through a judicious dividend policy.

Management should prioritize augmenting the frequency of dividend payouts to shareholders, recognizing the robustly positive correlation between return on assets and dividends per share.
Consumer goods businesses are advised to prioritize building robust fundamentals, anticipating a positive cascading effect on overall success. Furthermore, strategic focus on increasing profit margins is advocated, given the weakly positive association between debt to equity and dividend policy. These recommendations serve as practical guidelines for both investors navigating a dynamic environment and researchers seeking deeper insights into corporate financial dynamics.

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Stability Test