



ACCOUNTING INFORMATION AND DIVIDEND PAYOUT OF LISTED OIL AND GAS FIRMS IN NIGERIA

By

ANDREW GAMALIEL¹, DR. NURADDEEN USMAN MIKO², BLESSING DUNIYA³

^{1,2,3} *Kaduna State University, Kaduna, Kaduna State, Nigeria,*

Corresponding authors' email and mobile: andrewgamaliel@gmail.com/08133597640¹,

nuraumiko@gmail.com/08036691170², blessduniya@gmail.com/08028843087³

Abstract

A company's main goal and objective is to maximize profit in order to meet shareholder expectations for dividend payments. Any investor whether an institutional investor or an individual the goal is the maximization of expected returns from their investments to a suitable point. As such, investors will desire to invest their resources in stocks of company with a higher dividend which will eventually increase the investor's wealth thereby conveying information about the management's assessment of the firm's future prospects thereby sending a strong signal to the market. This study analyses the impact of accounting information on dividend payout of listed oil and gas firms in Nigerian. The study used secondary data obtained from audited annual reports and accounts of listed oil and gas firms in Nigeria. The population of the study includes all the 12 listed oil and gas firms in Nigeria Exchange Group as at 31st December, 2021 with a sample size of 10 listed oil and gas firm. The study covers a period of 10 years from 2012-2021. This study uses a simple random sampling method. The panel regression was used in analysing the data. From the analysis of the study, it was found that profitability has an insignificant positive relationship with dividend payout. Liquidity is significantly positive on dividend payout at 10%. However, leverage shows an insignificant positive relationship with dividend payout, while on the other hand firm size reveals a significant negative relationship with dividend payout. Therefore, the study recommends that, management of the companies should retain more of the companies' total profits for reinvestment especially when there are opportunities for growth and needs for expansion. The firms should prudently explore the use of debt financing to be invested in viable projects that would boost their revenue generation.

Keywords: accounting information, dividend payout, firm size, leverage, liquidity, profitability

Introduction

1. Introduction

Profitability is the backbone of every business, regardless of its size. All business activities depend on the profits generated by the company. If profitability is low, the business cannot operate actively. Therefore, the higher the profitability of the company the more investors are confident in the shares of the company (Tui et al., 2017). Rahel and Serkalem (2010) posited that profitability also helps a firm to ensure its solvency for owners to invest in the future and firms can go out of business, if it incurs losses and become insolvent and profit is generally attained only when company operates effectively and efficiently (Mayliza & Sari, 2018). Some factors have been identified as influencing a company's profits, including the level of competition the company faces, and company size. Income is another important factor in paying dividends, and is measured by things like return on assets and return on equity.

Maximizing shareholder wealth is the primary goal of profitability, and a company must make profits in order to pay dividends. It is generally recommended to pay dividends if the company makes a profit (Nuhu, 2014; Ahmad, 2016). The main goal of every business person, whether an organization or an



individual, is to obtain the desired return on investment at an appropriate level. Therefore, investors will want to invest their resources in the stocks of companies that pay higher dividends and eventually increase the investors' wealth. Investors prefer to increase the value of stocks in the market in order to get more returns from their savings and increase their wealth (Pander, 2010).

The Nigerian economy fell into recession in the second quarter of 2016, leaving domestic companies, especially oil and gas companies, vulnerable to financial concerns. As the number of non-performing loans increases, financial institutions become reluctant to provide loans to businesses (Patrick 2018). Limento and Djuaeriah (2013) and Aliyu (2015) opined that macroeconomic factors such as interest rate, gross domestic product, inflation rate, finance and interest rate risk can lead to a change in the market value of the company. On the other hand, it is also argued that dividends may be affected by firm specific variables such as return on equity, earnings per share, profitability, company size, and leverage (Stephen & Okoro, 2014; Taimur et al., 2015; Zeeshan et al., 2015; Adenugba et al., 2016).

Distribution of dividends by corporate entities is an important obligation to shareholders because timely payment of dividends influences management assessment of the firm's future prospects and conveying sending strong signals to the market about its fundamentals (Alzomaia, 2013). Majanga (2015) suggested that dividend payment is one of the factors that bring about fluctuation in the share value of a company. He added that investors prefer to invest their money in companies that pay dividends. Similarly, as part of efforts to regain shareholder confidence, companies have also adopted dividend policies that is geared towards maximizing the market values of their equity shares and boost the shareholder's wealth (Ogochukwu, 2016).

Two important aspects of good accounting information are that it should be presented fair and relevantly to help users make informed decisions. Relevant and accessible information enables users to make investment decisions by analyzing historical and current financial data to predict future events (Institute of Chartered Accountants of Nigeria [ICAN], 2014). Accounting information can also be determined according to its relationship with the financial information contained in each company's financial statements (Paul and Juliana, 2015). When documents provide the needed financial information about the company's growth and the nature of its dividends, the documents are considered reliable and assist investors in deciding on investment options (Oyerinde, 2006).

One financial decision of a firm is preference of debt capital over equity capital in the company's operations (Franklin and Muthusamy, 2011). Leverage is often associated with financial activities that involve sourcing funds through borrowing (Javed, 2012). The strength of the leverage effect depends on the ratio of borrowed capital to total capital. The leverage effect can be positive or negative depending on whether interest is included in earnings before interest and tax [EBIT] (Enekwe et al., 2014). Leverage arises because the firm will use assets and capital to do its business, which have fixed costs and can increase the company's return (Hasibuan, 2017). However, a poor liquidity position may mean fewer dividends due to shortage of cash (Omaliko & Okpala, 2020). Since dividends are considered income, the company's capital is an important factor to consider before deciding how much of the income should be paid to shareholders (Riyanto, 2015).

A company pays dividends if it has cash flow. Payments depend more on cash flows, which reflect the company's ability to pay dividends than on current earnings which are less heavily influenced by accounting practices. According to Liu and Hu (2005), if the dividend is less than the profit, the



company has a surplus; if dividends are greater than profits, it means the company needs money to pay dividends. The size of the firm can determine the level of confidence of investors. The size of the company is divided into various categories: large, medium and small (Hirdinis, 2019). The larger the firm size, the easier access to information. Therefore, large companies with good earnings pay more dividends than smaller companies. The size of the firm is determined by the total resources, level of activity, and ability to operate the firm (Ali, 2021).

1.2 Statement of the Problem

The impact of the global crisis has affected the business value of Nigerian companies. Most companies struggle to raise funds to finance their investments and projects to support and expand their business. Nigeria's oil and gas companies are raising capital for long-term investments, where general reserve is made to guarantee availability of fund to finance their anticipated projects. The oil and gas firms are highly capital-intensive and are largely automated in their production. In October 2021, the expenditure in the oil and gas industry was established at N2.06 billion (Source). The COVID-19 pandemic has had a significant impact on economic growth, mainly due to reduced global oil and gas demand and the global economic slowdown. The COVID-19 pandemic in April 2020 caused global oil prices to collapse, oil and gas companies worldwide experienced reduction in capital expenditures, shortfall in revenue and cash flows (Source). Nevertheless, the economy of Nigeria suffered from the decline and weakening of oil prices in the international market, which particularly affected the income of oil and gas firms (Adamu, 2015 & Ogochukwu, 2016).

In an effort to regain shareholder confidence, companies have also adopted the right dividend policies that would maximize the market values of their shares and boost the shareholder's wealth. Adamu (2009) argued that Nigerian companies affected by the global crisis of 2008 are companies in the oil and gas industry, and these companies have a great impact on the economy because the money generated from this sector is the main source of financing the Nigerian budget. Studies in dividend policy shows not only that a general theory of dividend policy remains elusive, but also that dividend payout varies over time among firms, across countries, and between developed and emerging financial institutions. This study seeks to address the issue of the dividend payout. Studies carried out in this area of dividend policy, shows that there is no conclusive and consensual solution in the aspect of dividend. Studies have linked dividend payout to performance of the oil and gas firms in Nigeria but few consider accounting information as a signal to dividend payout.

The main objective of this study is to examine the impact of accounting information on dividend payout of listed oil and gas firms in Nigeria with the following as the specific objectives:

- (i) To examine the impact of profitability on dividend payout of listed oil and gas firms in Nigeria;
- (ii) To examine the impact of leverage on dividend payout of listed oil and gas firms in Nigeria;
- (iii) To examine the impact of firm size on dividend payout of listed oil and gas firms in Nigeria;
- (iv) To examine the impact of liquidity on dividend payout of listed oil and gas firms in Nigeria.

To achieve these specific objectives, the following hypotheses were formulated:

H₁: Profitability has no significant impact on dividend payout of listed oil and gas firms in Nigeria.

H₂: Leverage has no significant impact on dividend payout of listed oil and gas firms in Nigeria.

H₃: Firm size has no significant impact on dividend payout of listed oil and gas firms in Nigeria.

H₄: Liquidity has no significant impact on dividend payout of listed oil and gas firms in Nigeria.



2. Literature review

Conceptualisation

The conceptualisation reveals the operational definition of the variables of studies. Dividends are the amount of profit after the deduction of taxes paid to shareholders (Kilincarslan, 2021). Dividend can be seen as the distribution of profits from companies to their shareholders, which is usually decided by the directors. It is basically the proportion of profits that is paid as a dividend to shareholders. Dividend policy mainly refers to the financial management choice, which incorporates the extent of the profit paid to investors as a profit from their investment, the proportion withheld for reinvestment, and the growth of the business organization. Nissim and Ziv (2001) see dividend policy as a set of rules that an organization applies when coming to conclusions about delivering profits to its investors. A dividend policy can be seen as an option for the company in deciding whether to pay profits in dividend form to investors or to save them in retained earnings for raising capital to finance investment in the long term (Nugraha et al., 2021).

Accounting information refers to how we can measure and report economic events in the management of a business by investing, receiving, and disbursing funds (Bo, 2009). Non-accounting information, on the other hand, is information that is not related to accounting and could be speculative (Ejuvbekpokpo & Edesiri, 2014). However, a financial report needs to be accurate, pertinent, and devoid of any false information in order to be effective. Users must also be better informed about the similarities and differences between these two types of information.

Profitability is simply the operating efficiency of the firm, that is, it is ability of the firm to make profit or get sufficient return on capital. The profitability of a business concern has been widely accepted as largely depends upon the manner in which working capital is managed (Brigham & Houston, 2004). Profitability is the company's capacity to profit from sales and efficient asset utilization. According to Kasmiasi and Santosa, (2019), profitability is beneficial in a company's existence because it enables corporation to assess profit over short or long term. Profitability is the measure in appraising the results of a company's operation over a short phase of time.

Financial leverage is primarily concerned with the financial activities which involve the raising of funds from outsource and bearing the fixed charge against it (Javed, 2012). Radev, Lekpek and Siljkovic (2013) define financial leverage as the measure of the effect of enterprise's business activities in the presence of fixed financial expenses. As long as a higher rate of return can be earned on assets than is paid for the capital used in acquiring the assets, the rate of return to owner can be increased. This is referred to as positive financial leverage (Marston & Perry, 1996).

Liquidity is a ratio that shows a company's ability to meet short-term financial obligations as they become due (Dwiantari & Artini, 2021). Liquidity is a critical component of any organizational environment that necessitates careful consideration, planning, and management because it influences the level of trust among stakeholders. Liquidity should be controlled such that neither too much nor too little is available as firms with poor liquidity management experience illiquidity and eventually bankruptcy. Liquidity is an important factor of dividend decision policy in a firm which is measured by current ratio, quick ratio and debt ratio. The liquidity position of a firm is important in considering payment of dividend because dividend payout translates to cash outflow which is only possible with adequate cash on ground. Therefore, the higher the liquidity position of a firm, the higher the ability of



the firm to pay dividend to shareholders. The likelihood to pay higher dividends lies with firms that have adequate liquidity than firms with lower liquidity Umar et al..., (2020).

Empirical Review

Profitability and Dividend Payout

Profitability is the company's ability to earn profits with sales, total assets, and its capital. According to Kasmiasi and Santosa (2019), profitability ratios are beneficial for the survival of the company because it helps companies to determine the profits in the short or long run. The amount to be declared as dividend is determined by the company. Fama and French (2005), Amidu and Labor (2006) and Al-Malkawi (2007) in their studies conducted in advanced countries found that a positive and a significant relationship linking profitability and dividend payout while. Malik (2013) in his studies found an insignificant relationship existing between profitability and dividend payout.

Yegon et al., (2014) studied the effects of dividend policy on firm's financial performance of listed manufacturing firms in Kenya. Data for the study was extracted from the annual reports and accounts of nine quoted manufacturing companies in Kenya for a ten-year period from 2004 to 2013. The data was subjected to regression analysis where dividend policy was the dependent variable and the independent variables included profitability, investment and earnings per share. They found a significant positive relationship between dividend policies and firm's profitability.

Tut (2019) examines the financial determinants of dividend payout policy of commercial banks in Kenya using 42 banks as population. The study used levels of profit, liquidity, bank size and leverage as independent variables while dividend payout policy was used as dependent variable. Result revealed that levels of profit, liquidity and bank size have a positive significant influence on dividend payout policy while leverage has no significant influence on dividend payout policy.

Leverage and Dividend Payout

Radeviv et al., (2013) see leverage as a measure of the impact of an enterprise's business activities in the presence of constant financial outlays. Faris (2011), Gul *et al* (2012), Mushtaq (2016) and Mahdzan *et al* (2016). In their studies, found a positive and significant relationship between leverage and dividend payments. Also, Al-Twajry (2007), Al-Kawari (2009), Morakinyo *et al* (2018), Madeem *et al* (2018) and Okoro *et al* (2018) found a negative and significant relationship between leverage and dividends. In contrast, the study of Pandey and Ashvini (2016) and Brahmaiah (2018) reveal a significant negative impact between leverage and dividend payout.

Firm size and Dividend Payout

Firm size has great influence, not only on whether firms pay dividends or not, but also on the profitability of the firm. Large size companies are more likely to pay high dividends, than smaller companies. This is consistent with the study of Aivazian (2003) who mentioned that larger firms tend to have easy access to the market and are expected to pay more dividends. The reason is that when firms pay dividend, they limit their cash available for investments. If new investment opportunities present themselves the firms have to fund them with either retained earnings or by issuing new debt or equity.

Studies by Al-Kuwari (2009), Alzomaia and AlKhadhiri (2013) and Amina (2015) posited a relationship between firm size and dividend payout on firms listed under the Gulf Cooperation Council



(GCC) stock markets. However, studies conducted by Al-Ajmi et al. (2011) shows that, there is no significant relationship between firm size and dividend payout in Saudi Arabia. It is argued that, bigger companies are liable to disburse high dividends as larger companies are more established and have higher cash flows.

Maxwill and Wilson (2019) assessed accounting information quality and financial performance of oil marketing companies in Nigeria. Longitudinal study design was employed for the study. Secondary data was obtained from annual reports of the companies for 2004-2014. But multi-Binary logistic regression model was used to test the hypotheses. Their empirical finding indicated that total assets (firm size) as well as earnings per share (EPS) have positive and significant relationship with accounting information quality of oil marketing companies in Nigeria.

Uwuigbe et al. (2012) conducted a study on the relationship between financial performance and the dividend policy of Nigerian listed companies. It investigates the correlation between dividends, company size, and ownership structure using regression in data analysis on a sample of 50 companies with data sourced from annual reports of listed firms between 2006 and 2011. Their result revealed that performance (size and ownership structure) and dividend payments of the listed companies have a positive and significant relationship.

Liquidity and Dividend Payout

Investors see liquidity as the ability to turn an investment portfolio into cash with little or no loss of value (Patrick 2018). Ehiedu (2014) argued that liquidity should not be excessive or insufficient. Excess liquidity refers to accumulated cash that does not generate profit for the firm or organization. Aivazian (2007), Kuwari (2009), and Baker and Wurgeler (2004) suggested that liquidity is an essential factor affecting the payment of dividend. A firm can only pay dividend base on the strength of the firms' cash flow. The level of dividend payment is determined once a firm's financing and investment decision is been made alongside financing and investment.

Studies by Kanwal and Hameed (2017), Sugiastuti et al. (2018), and Pertiwi (2016) show that liquidity has no negative impact on a company's value. A company's liquidity condition affects its ability to pay dividends since cash is used to pay them rather than retained earnings (Brigham and Houston, 2016). A financially sound business will therefore probably pay out greater dividends.

Nuredin (2012) uses panel data and in-depth interviews to carry out a study on the determinants of dividend policy in Ethiopian insurance companies. The determinants are profitability, growth, liquidity, size, and leverage. The findings indicate that liquidity has a significant and positive impact.

Theoretical Review

The theory used in the study which is the Bird-in-Hand theory.

Bird in the Hand Theory (Dividends Preference)

The Bird in hand theory was propounded by Myron Gordon (1959) and John Lintner (1962) respectively. The theory states that, dividend payment is pertinent to an investor's and it can likewise influence the firm's worth. This theory assumes "A bird at hand worth more than multiple birds in the bush". In other words, the theory suggests that, an investor is willing to contribute or invest on stock that



delivers high profit other than stocks that pay dividend in the future. Since some of the investors are risk adverse, they view dividends less risky compare to capital gain. Therefore, they prefer to be rewarded with dividend now rather than future capital gains. In addition, investors are more interested in those firms with larger proportion of their earnings as dividend. Hence, a company has to set a higher dividend payout ratio in other to increase the stock price (Robinson 2006).

From the forgoing, it is obvious that this theory conceives that a firm's ability to pay dividend matters a lot to the investors and shareholders. From the forgoing due to uncertainty, investors today will prefer a dividend payout that is ('bird – in - hand') rather than the 'two birds in the bush' that is (capital gain). It is obvious that the theory posits that a firm's ability to issue out dividend to their investors and shareholders matters a lot. Hence investors will be more interested in studying the nature of dividend ratio as it shows how certain dividend will be paid by the firms (Lucey, 2001).

3. Methodology

This study employed the correlational research design since the research work assesses the impact of the explanatory variables on the dependent variable. The population of the study includes all the listed oil and gas firms in Nigeria Exchange Group as at 31st December, 2021. A sample of ten (10) listed firms was selected. The research hypotheses were tested using the data collected from the annual reports of the companies under study and the official website of the Nigerian Exchange Group. The study uses panel regression because the data is panel in nature. and whose annual financial report is obtainable for the period under study. The study covers a period 10 years from 2012-2021. This study uses a simple random sampling method. Secondary data was use for the study which was extracted from the audited financial report and accounts of the listed firms.

Variable Measurement

The criteria for the measurement of variables in this study is represented in table 1.

Table 1

Measurement of Variables

S/N	Variables	Measurement	Source
1	Dividend payout	Dividend payout ratio is equal to total dividend to total net earning	Moghri and Galogah (2013)
2	Profitability	ROE is equal to profit after tax to equity	Cruiz and Luiz, (2015)
3	Firm size	Natural logarithm of total assets	Bonga (2015), Dada et al. (2015)
4	Leverage	Short term plus long -term liability to total assets	Arise, 2015
5	Liquidity	Current asset to current liability	Gupta and Parua (2012), Ojediran (2015)

Source: Researcher's Compilation, 202



Model Specification

The study adopts the Olson's (1995) model which was developed according to recommendation by Preinrich, (1938), Edwards and Bell (1995) and Peasnell (1982). This model was employed in testing the formulated hypotheses for this study as presented below. The Ohlson (1995) model is stated as: $P_t = y_t + 1x\theta + 2vt \dots\dots\dots(1)$

This model is peculiar base on the empirical framework using the independent variables and the dependent variables. As such the regression model below was considered for the study.

$$DVP_{it} = \beta_0 + \beta_1 PROF_{it} + \beta_2 FSIZE_{it} + \beta_3 LEV_{it} + \beta_4 LIQ_{it} + \epsilon_{it}$$

Whereas; DVP = Dividend payout (dependent variable); i = firm; t = time; β_0 = Intercept; $\beta_1, - \beta_4$ = coefficient of the explanatory variables; PROF = Profitability (independent variable); FSIZE = Firm size (independent variable); LEV = Leverage (independent variable); LIQ = Liquidity (independent variable); ϵ = error term.

Diagnostic Test

Post-estimated test like hettest, normality test, Lagrange Multiplier test, Hausman test and Variance Inflation Factor were carried out for the study.

4. Result and Discussion

This section of the studies presents the descriptive statistics describing the nature of the variables, and correlation matrix which analyses the relationship that exist between dependent and each independent variable individually. In addition, the regression result examines the model which captures the dependent variable together with all the independent variables.

Table 2

Descriptive Statistics of Variables

Variables	Mean	Std. Dev.	Min.	Max.	Skew.	Kurt.
DVD	5.7422	2.2707	0.000	9.930	0.9379	0.2452
PROF	0.7182	0.9946	-0.1938	3.9521	0.0000	0.0041
LEV	0.5581	0.2703	0.0055	0.9747	0.0109	0.0624
LIQ	1.2433	0.7211	0.0464	2.9499	0.0133	0.6174
FSIZE	18.0020	1.6731	13.2089	21.2737	0.0187	0.0187

Source: Stata Output (2024)

The result presented in table 2, represents the descriptive statistics of the variables for the period of study. The mean dividend payout as 5.7422 and standard deviation of 2.2707 while the minimum value of dividend is 0 and the maximum of dividend is 9.930. This implies that on average, the dividend payout of the listed oil and gas firms pays 5.74 per share during the period under study, with a standard deviation of 2.27 indicating a relatively low dispersion in dividend payout of the listed oil and gas companies in Nigeria.



Profitability indicates a mean of 0.7182 with a standard deviation of 0.9946, implying that on average, the shareholders of the oil and gas companies earn a return on their investment. The standard deviation of compared to the mean value indicates that there was a great dispersion in rate of return on investment earned by shareholders of the oil and gas firms listed in Nigeria during the period under study. The minimum value of the return on equity -0.1938 and a maximum value of 3.9521 suggest that other oil and gas firms still made losses during the period and their shareholders earned a relatively low return on their investments.

Leverage indicates the mean of debt ratio of the oil and gas firms is 0.5581. The maximum debt ratio under the period of study is 0.9747 and the minimum is 0.0055. In addition, the mean for liquidity ratio was found to be 1.2433 with the maximum ratio of 2.94 and the minimum of 0.04 for the year also, the standard deviation was found to be 0.7211 for the year. Finally, the mean natural logarithm of total assets over the period was found to be 18.00 with a standard deviation of 1.67 and the value of 21.2737 as the maximum and 13.2089 as the minimum respectively.

Table 3

Correlation Matrix

Variables	DVD	PROF	LEV	LIQ	FSIZE
DVD	1.0000				
PROF	0.0777	1.0000			
	0.4423				
LEV	0.0537	-0.0304	1.0000		
	0.5959	0.7642			
LIQ	0.2143	-0.0304	-0.1181	1.0000	
	0.0322	0.7642	0.2417		
FSIZE	-0.2370	0.0937	0.0343	-0.1447	1.0000
	0.0176	0.3537	0.7350	0.1509	

Source: Stata Output (2024)

The correlation matrix in the regression model which shows the correlation between all variables in the model. The result indicates that profitability, leverage, and liquidity have positive correlation coefficient of 0.0777, 0.0537, and 0.2143 respectively. On the other hand, firm size indicates a negative relationship with the correlation coefficients of -0.2370.

Table 4

Variance Inflation Factor

Variables	VIF	1/VIF
LIQ	1.04	0.965798
RSIZE	1.03	0.970878
LEV	1.02	0.984555
PROF	1.01	0.989924

Source: Stata Output (2024)



**ACCOUNTING INFORMATION AND DIVIDEND PAYOUT OF LISTED OIL
AND GAS FIRMS IN NIGERIA**

From the result of the variance inflation factor (VIF), the check for multicollinearity was carried out and the test is necessary as multicollinearity can change the parameters of the regression model. The mean VIF is 1.12 which is an indication that there is no multicollinearity in the variable since the VIF is less than 5.

Table 5
Regression Result

Variables	Coefficients	P-Value
PROF	0.3218	0.137
LEV	0.4524	0.568
LIQ	0.5499	0.070
FSIZE	-0.2767	0.058
CONS	9.5579	0.000
R ²	0.2177	
Adj. R ²	0.1046	
Wald chi2	9.66	
Prob>F	0.0466	

Source: Stata Output (2024)

From the result of regression analysis shown in table 4, the result indicates a positive and insignificant relationship between profitability (PROF) and dividend payout (DVD) of listed firms. This was proved by the value of coefficient which is (0.3218) with p-value (0.247). It implies that any decrease of N1 in the profit of the listed firms, will also lead to a decrease of (0.3218) in the amount to be paid as dividend to the prospective shareholders. However, this result is in line with the researcher's expectation which is the higher the profit, the higher the amount to be declared as dividend to the shareholders and also in line with the result of Jensen (1992), Fama and French (2005), Amidu and labor (2006) and Al- Malkaidi (2007). However, the result also formed a basis for the accepting the null hypothesis which states that, there is no significant influence connecting profitability and dividend payout.

In the case of liquidity and dividend payout of listed oil and gas firms, the sign is positive with the value of (0.5499) and with p-value of (0.070) which is significant at 5%. It therefore implies that a positive and significant relationship exist between liquidity and dividend payout. This implies that as liquidity is increasing by 1, dividend is payout is also increase by 0.5499. However, in the case of leverage and the dividend payout, the coefficient found is positive with coefficient value of (0.4524) and with p-value of (0.609) which is greater than 10%, it implies that a positive an insignificant relationship exists between liquidity and dividend payout of listed oil and gas firms in Nigeria. However, the end result is in line with the result of Faris (2011), Gulet (2012), Mushtaq (2016) and Mahdzan *et al.* (2016). Hence, the result forms the basis for accepting the null hypothesis and fails not to accept the alternate hypothesis

Finally, In the case of firm size and dividend payout, the result found is negative with the coefficient value of (-0.2767) with a p-value of (0.093) which is statistically significant at 5%. This implies that, a negative and significant relationship exist between firm size and dividend payout. This implies that the larger the firm in terms of assets and revenue generation the higher the amount to be declares as profit. A



firm with many assets tends to generate more revenue thereby determining the amount to be declared as dividend due to the revenue generated. Also, the result is in agreement with reality and also in line with the findings of Alzomaia and AlKhadhiri (2013), Amina (2015) and Al-Ajmi and Abo Husain (2011). Hence base on the result, we reject the null hypothesis

The regression result, it shows cumulatively, the relationship between the proxies which was given by the value of R-square which is 0.1046 which is 10.46%, this implies that the proxies collectively explained 10.46% of the dependent variable since the R^2 is greater than 10% therefore the result is suitable. Going by the result probability of F-statistics is significant since it's less than 5% which implies that collectively profitability, liquidity, leverage and firm size have significant impact on dividend payment.

5. Conclusion and Recommendations

The following conclusions are drawn from the findings of the study:

From the results of the analysis, it shows that profitability has a positive relationship with dividend payout of listed oil and gas firms in Nigeria implying that the companies with high level of profitability are likely to pay higher dividend while those with low profitability are likely to pay low dividend. Also, liquidity is positive and significantly related with dividend payout of the listed oil and gas firms in Nigeria, firms with a high liquidity tends to issue out high dividend compare to those with low liquidity. However, leverage shows a positive and insignificant relationship with dividend payout, While, on the other hand firm size reveals a negative and significant relationship with dividend payout.

In line with findings of this study the following can be deduced:

- (i) The management of the companies should retain more than half of the companies' total profits for reinvestment especially when there are opportunities for growth and needs for expansion. The retained earnings should be prudently used for investment purposes and projects with positive net present values that will enhance the financial health of the companies and boost their profit.
- (ii) The management of the companies should prudently explore the use of debt financing to be invested in viable projects that would boost their revenue generation.
- (iii) The management of the oil and gas companies should ensure that loan interests are paid as at when due to avoid accumulation of outstanding interest expenses that could jeopardize the financial health of the companies. This will help in heighten the confidence of current and potential investors in the ability of the companies to meet their financial obligations and consequently attract more investors to their firms.
- (iv) The liquidity position of the listed oil and gas companies in Nigeria should be improved by ensuring that cash component is raised more than other elements.

References

- Ahmed, I. E. (2015). Liquidity, profitability, and the dividends payout policy. *World Review of Business Research*, 5 (2), 73-85.
- Aivazian, V., Booth, I. & Cleary, S. (2003). Do Emerging Market Firms Follow Different Dividend Policies From U.S. Firms? *Journal of Financial Research*, 26(3), pp. 371-387.
- Aliyu, M. Y. (2015). Impact of macroeconomic variables on stock returns in Nigeria. Master of Science in Economics Thesis submitted to the School of Postgraduate Studies, Ahmadu Bello University, Zaria (unpublished).



- Al-Kuwari, D 2009, 'Determinants of the dividend payout ratio of companies listed on Emerging Stock Exchanges: *The Case of the Gulf Cooperation Council (GCC) Countries*,
Al-Malkawi, & Husam, A N (2010), Factors Influencing Corporate Dividend Decision: *Evidence from Jordanian Panel Data International Journal of Business*
Alnajjar, M(2017). Impact of accounting information system on organizational performance: A study of SME's in the UAE. *Journal of Accounting & Finance*, 3(1),20-35
Alzomaia, M. & Al-Khadhiri, A. (2013). Determination of Dividend Policy: The Evidence from Saudi Arabia, *International Journal of Business and Social Science* 4(1).
Amidu M, Abor J. Determinants of dividend payout ratios in Ghana. *Journal of Risk Finance*, 2006; 7: 136-45.
Brahmaiah B (2018). Determinants of corporate dividend policy in India: a dynamic panel data analysis. *Academy of Accounting and Financial Studies Journal* 22(2):1-13.
Brigham, E. F., & Houston, J. F. (2011). Study Guide for Brigham/Houston's Fundamentals of Financial Management, Concise Edition, 7th. Cengage Learning.
Enekwe, C.I., Agu, C.I. & Eziedo, K.N. (2014). The effect of financial leverage on financial performance: Evidence of quoted pharmaceutical companies in Nigeria. *IOSR Journal of Economics and Finance*, 5(3), 17-25.
Fama, Eugene F., & French, Kenneth R. 2002, *Testing Trade-Off and Pecking Order Predictions about Dividends and Debt*, *The Review of Financial Studies* 15, 1-33.
Faris Nasif AL- Shubiri 2011. *Determinants of Changes Dividend Behavior Policy*: Evidence From the Amman Stock Exchange Amman Arab University Jordan College of Business, Department of Finance and Banking Groppelli and Nikbakht. Finance 5th Ed.
Franklin, J.S. & Muthusamy, K. (2011). Determinants of financial leverage in Indian pharmaceutical industry. *Asian Journal of Management Research, online Open Access Publishing Platform*, 2(1), 380-389.
Gill, A., Niger, N. and R.Tibrewala. 2010. Determinants of dividend payout ratio: Evidence from United State, *The open business journal*, Vol.3, 8 -14
Gordon, M. J. (1963). Optimal investment and financing policy. *The Journal of Finance*, 18(2), 264-272.
Gul, S., Mughal, S., Bukhari, A. S., & Shabir, N., (2012). The determinants of corporate dividend policy: An Investigation of Pakistani Banking Industry. *European Journal of Business and Management*, 4(12), 1-5
Javed, M.U. (2012). Impact of financial leverage on dividend policy: Case of Karachi Stock Exchange 30 Index. *Journal of Contemporary Issues in Business Research*, 1(1), 28-32.
Kumar BR, Sujit KS (2018). Determinants of dividends among Indian firms-An empirical study. *Cogent Economics and Finance* 6(1):1423895.
Limento, A.D. & Djuaeriah, N. (2013). Determinants of stock prices in Indonesian publicly listed transportation industry. *International Journal of Business and Information*, 6, 70-79
Majakusi, J. (2016). Effect of Liquidity management on the financial performance of commercial banks in Kenya (Doctoral dissertation, University of Nairobi).
Morakinyo FO, David JO, Adeleke EO, Omojola SO(2018). Determinants of dividend policy of listed deposit money banks in Nigeria. *World Journal of Finance and Investment Research* (International Institute of Academic Research and Development) 3 (1):25 40.
Nuhu, K. (2013). Impact of debt-equity and dividend payout ratios on the value of firm. *Global Journal of Commerce and Management Perspective*, 2(2), 18-27.



- Nuredin, M., (2012). Determinants of Dividend Policy of Insurance Companies in Ethiopia, A thesis Submitted to the Department of Accounting and Finance in partial fulfilment of the requirements for the Degree of Master of Science (Accounting and Finance) Addis Ababa University, Ethiopia.
- Ogochukwu, O.N. (2016). The oil price fall and the impact on the Nigerian economy: A call for diversification. *Journal of Law, Policy and Globalization*, 48, 84-93.
- Ohlson, J.A. (1995). Earnings, book values, and dividends in equity valuation. *Contemporary Accounting Research*, 11(2), 661-687.
- Okoro, C. O., Ezeabasili, V., Alajekwu, U. B. (2018). Analysis of the determinants of Dividend payout of Consumer goods companies in NIGERIA. Annals of Spiru Haret University Economic Series
- Omaliko, E., & Okpala, N. (2020). Effect of environmental disclosures on dividend payout of firms in Nigeria, *International Journal of Banking and Finance Research*, 6(3), 14-28
- Perretti, G. F., Allen, M. T., & Weeks, H. S. (2013). Determinants of dividend policies for ADR firms, Shelton weeks, managerial finance, Vol. 39, No. 12, Pp. 1155-1168 DOI: 10.1108/mf-04-2013-0075
- Robinson, T., Henry, E., Pirie, W., Broihahn, M. (2015), International Financial Statement Analysis. 3rd edition. New Jersey: John Wiley & Sons, Inc.
- Suwardika, I., & Mustanda, I. (2017). The Effect of Leverage, Company Size, Company Growth, and Profitability on Firm Value in Property Companies. *E-Journal of Management Science*, 6(3), 1248-1277.
- Tui, S., Nurnajamuddin, M., Sufri, M., & Nirwana, A. (2017). Determinants of Profitability and Firm Value: Evidence from Indonesian Banks. *International Journal of Management & Social Sciences*, 7(1), 84-95. <http://dx.doi.org/10.21013/jmss.v7.n1.p10>.
- Zayol, P., Theophilus, M. A., & Mirian, S. M. (2017). Determinants of dividend policy of petroleum firms in Nigeria. *IOSR Journal of Economics and Finance*, 8(3), 54–62. Retrieved from <https://doi.org/10.9790/5933-0803045462>

Appendix

. summarize dvd prof lev liq fsize

Variable	Obs	Mean	Std. Dev.	Min	Max
dvd	100	5.7422	2.270755	0	9.93
prof	100	.718244	.9946855	-.1938	3.9521
lev	100	.558114	.2703894	.0055	.9747
liq	100	1.243356	.7211854	.0464	2.9499
fsize	100	18.00201	1.673199	13.2089	21.2737



ACCOUNTING INFORMATION AND DIVIDEND PAYOUT OF LISTED OIL AND GAS FIRMS IN NIGERIA

```
. pwcorr dvd prof lev liq fsize , sig star(5)
```

	dvd	prof	lev	liq	fsize
dvd	1.0000				
prof	0.0777 0.4423	1.0000			
lev	0.0537 0.5959	-0.0304 0.7642	1.0000		
liq	0.2143* 0.0322	-0.0304 0.7642	-0.1181 0.2417	1.0000	
fsize	-0.2370* 0.0176	0.0937 0.3537	0.0343 0.7350	-0.1447 0.1509	1.0000

```
. hettest
```

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of dvd

chi2(1) = 0.02

Prob > chi2 = 0.8793

```
. hausman fe re
```

	Coefficients		(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
	(b) fe	(B) re		
prof	.2597118	.3289158	-.069204	.0465058
lev	.7369821	.47625	.2607321	.2042963
liq	.6173355	.5565192	.0608163	.0621427
fsize	-.3014951	-.2799617	-.0215333	.

b = consistent under Ho and Ha; obtained from regress

B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

chi2(4) = (b-B)'[(V_b-V_B)⁻¹](b-B)

= 6.52

Prob>chi2 = 0.1633

(V_b-V_B is not positive definite)



. vif

Variable	VIF	1/VIF
liq	1.04	0.965796
fsise	1.03	0.970878
lev	1.02	0.984555
prof	1.01	0.989924
Mean VIF	1.02	

. xttest0

Breusch and Pagan Lagrangian multiplier test for random effects

$$dvd[id,t] = \alpha + u[id] + e[id,t]$$

Estimated results:

	Var	sd = sqrt(Var)
dvd	5.156331	2.270755
e	3.936714	1.984115
u	.2605282	.5104196

Test: $\text{Var}(u) = 0$

$$\begin{aligned} \chi^2_{(01)} &= 9.42 \\ \text{Prob} > \chi^2 &= 0.0011 \end{aligned}$$

. xtreg dvd prof lev liq fsise , re

Random-effects GLS regression

Group variable: id

R-sq: within = 0.0682

between = 0.2177

overall = 0.1046

Number of obs = 100

Number of groups = 10

Obs per group: min = 10

avg = 10.0

max = 10

Wald chi2(4) = 9.66

corr(u_i, X) = 0 (assumed)

Prob > chi2 = 0.0466

dvd	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
prof	-.3218168	.2164555	1.49	0.137	-.1024282	.7460618
lev	-.4524475	.7920996	0.57	0.568	-1.100039	2.004934
liq	-.5499866	.3036336	1.81	0.070	-.0451243	1.145097
fsise	-.2767465	.145746	-1.90	0.058	-.5624034	.0089104
_cons	9.557914	2.726691	3.51	0.000	4.213697	14.90213
sigma_u	.51041964					
sigma_e	1.9841154					
rho	-.06207128	(fraction of variance due to u_i)				



*ACCOUNTING INFORMATION AND DIVIDEND PAYOUT OF LISTED OIL
AND GAS FIRMS IN NIGERIA*

Appendix B

Sample Size of the Study

S/N	Name of Company
1	Capital Oil Plc
2	Conoil Plc
3	Eternal Oil Plc
4	Forte Oil Plc
5	Japaul Oil and Maritime Services Plc
6	Mobil Oil Nigeria Plc
7	MRS Oil Plc
8	Oando Plc
9	Total Nigeria Plc
10	Seplat Petroleum development Company Limited

Source: Researcher's Compilation, 2021