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**DIVIDEND POLICY AND FIRM VALUE OF LISTED CONSUMER  
GOODS FIRMS IN NIGERIA***Dachomo, Gloria Pam**Kaduna State University, Kaduna, Kaduna State, Nigeria**Corresponding authors' email and mobile: gloria.dachomo@kasu.edu.ng/08067443059*

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**Abstract**

This study examines dividend policy on firm value of listed consumer goods firms in Nigeria. Proxies to measure dividend policy are dividend pay-out ratio and retained earnings, while the firm value is proxied by Tobin's Q within the period from 2016 to 2022. Panel data was used to analyse the data sourced from the individual financial reports of the listed consumer goods firms. The study employed panel regression model to estimate the key relationship between dividend policy and firm value. The result shows that dividend pay-out ratio has positive significant effect on firm value while retained earnings had no significant effect on firms' value of listed consumer goods firms in Nigeria. The study recommends that the management of the consumer goods firms should be more focused on high-profit making in order to maintain steady dividend payment to shareholder. In addition, this will enable the firms to expand and attract more investors to buy the company's shares because the increase in the company's value is reflected in the stock price of the company. Furthermore, the study recommends that consumer firms should properly utilize retained earnings because of absence of cost of capital.

*Keywords:* dividend policy, Tobins' Q, firm value, Listed Consumer Goods Firms, Nigeria

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**1. Introduction**

Firm value can be said to be a long and desirable corporate standard for firms globally. As a result, it became increasingly challenging as owners and managers are forced to make appropriate financial decisions that contribute to the management of operations that create value and also identify activities that destroy value. Managers strive to achieve this objective by making rational financing and investment decisions regarding a combination of finances that would minimise its cost of funds. In addition, it is necessary to implement effective instruments which can evaluate real value created. Creating wealth for shareholders requires firms to make investment decisions (which could be risky) that they believe could positively impact firm value (Nelson & Peter, 2019).

Dividend policy is one of the most important financial decisions that corporate managers encounter because of its potential implications on share prices, the financing of internal growth and the equity base through retentions. Dividend policy clearly predicts the efficiency of management and its ability to create the earnings for the firm. Firms with more investment opportunities tend to adopt a low dividend pay-out policy because the profits that will be used up for investment as retain earnings (Andiema & Atieno, 2016). However, some consumer goods firms in Nigeria are currently facing a dividend payment dilemma due to a plunge in retained earnings, which is an equity account that represents the amount of net income left over for the business after it has paid out dividends to its shareholders.



## ***DIVIDEND POLICY AND FIRM VALUE OF LISTED CONSUMER GOODS FIRMS IN NIGERIA***

A recent analysis by NGX (2023) has shed light on the consistent dividend payments made by some Nigerian-listed companies over the past five years, which includes approximately 32 companies hailing from diverse sectors, including financial services, manufacturing, telecoms, and consumer goods. These steadfast dividend-paying companies collectively distributed N3.47 trillion in dividends during the five-year period, reflecting an average 5-year compound annual growth rate of 14.74%. Subsequently, the decision to retain earnings or distribute them among shareholders is usually left to company management. Thus, when a company has positive profits, it will give some of it out to shareholders in the form of dividends, but it will also reinvest some of it back into the company for growth reasons. Retained earnings decrease when a company either loses money or pays dividends and increase when new profits are created. The consumer goods business that increases or decreases net income will impact retained earnings, including revenue, sales, cost of goods sold, operating expenses, depreciation, and additional paid-in capital (Ugwu et al, 2021).

In Nigeria, the consumer goods firms recorded a plunge of 86 percent in the past year raising concerns about the sustainability of their dividend payments. With negative retained earnings of N37.79 billion in the first half of 2023, contrasting with positive retained earnings of N277.37 billion recorded in the same period of 2022. International Breweries, a significant player in the brewing industry, reported negative retained earnings of N81.89 billion in the first half of 2023 an increase from negative N36.34 billion recorded in 2022, with the sugar manufacturer recording a decrease in retained earnings to N112.64 billion in the first half of 2023. Nestle Nigeria Plc also recorded negative retained earnings of N49.14 billion in the first half of 2023, diverging from the positive retained earnings of N28.37 billion in the same period of 2022. Negative retained earnings often serve as indicators of prolonged financial losses. Therefore, managing retained earnings effectively can contribute to a company's growth and long-term success (NGX, 2023).

Also, in a recent report by Meristem (2024) the naira devaluation which has taken a toll on consumer goods firms in Nigeria with significant losses in value with consumer goods firms including Cadbury, Guinness Nigeria and Nestle collectively losing N472.3 billion to the depreciation in the first nine months of 2023. This was reflected in the loss per share of some of this firms such as; Unilever Nigeria recording loss per share of N0.19, Champion Brewery(-N0.99), International Breweries (-N1.06), Dangote Sugar(-N2.22), Nigerian Breweries(-N6.89), Nestle Nigeria(-N54.33) and Cadbury Nigeria(-N545.34). With these issues and problems been observed and raised, it has made it imperative for this study to investigate the effect of dividend management on firm value of listed consumer goods firms in Nigeria from 2016-2022.

In line with the main objective of the study, the following hypotheses was tested:

**H<sub>01</sub>:** Dividend pay-out ratio have no significant effect on firm value of listed consumer goods firms in Nigeria.

**H<sub>02</sub>:** Retained earnings have no significant effect on firm value of listed consumer goods firms in Nigeria.

## **2. Literature Review**

### **Concept of Dividend Policy**

Dividend policy is the ability of the firm to distribute a portion of the net income as dividend to shareholder and retain the other part of the net income for growth and expansion in a way that it satisfies the need of both parties. Dividend policy is the ability of the firm to manage the share of profits and



retained earnings that a company pays out to its shareholders and owners. When a company generates a profit and accumulates retained earnings, those earnings can be either reinvested in the business or paid out to shareholders as a dividend. According to Nas et al (2023), dividend policy relates to how much of the company's net profit is to be distributed to the shareholders and how much of it should be retained in the business for meeting investment requirements. This decision should be taken keeping in mind the overall objective of maximizing shareholders' wealth.

Nida et al (2022) argued that proper dividend policy is a signal that the company is very successful or that company managers are very committed to maximizing shareholder value, which then can improve company's value. Other than administrative costs for dividend, companies may also have to pay for transactional costs related to new equity issuance. With investment policy given and the capital structure, increases in dividend must be funded by new equity. On the other hand, investors traditionally would prefer dividend in cash. Positive influence on wealth may also be resulted from dividend pay-out that communicates valuable information to investors. Dividend can be a medium to communicate the of quality managerial decision making through company's current performance and possibly, future performance.

### **Dividend Pay-out**

Dividend pay-out is simply seen as the money that a company pays out to its shareholders from the profits it has made. Olaoye and Olaniyan (2022) also defined dividend as the amount payable to shareholders from profits. Usually these pay-outs are made in cash, but sometimes companies will also distribute stock dividends whereby additional shares are distributed to shareholders. Dividend is a part of net profits distributed to stockholders in proportion to their ownership of company shares. According to Bossman et al (2022), dividend is distribution of profits to shareholders and to the business as re-investment. Njoku and Lee (2024) stated that dividend pay-out is a decision whether the profits obtained by the company will be distributed to shareholders or will be retained in order to fund investment in the future.

According to Das (2020), distribution of dividends to shareholders can be in the form of cash or stock. Both forms can reduce the value of retained earnings for the business. Cash dividends represent a cash outflow and are recorded as reductions in the cash account. These reduce the size of a company's balance sheet and asset value as the company no longer owns part of its liquid assets. Stock dividends, however, do not require a cash outflow. Instead, they reallocate a portion of the retained earnings to common stock and additional paid-in capital accounts. This allocation does not impact the overall size of the company's balance sheet, but it does decrease the value of stocks per share.

### **Retain Earnings**

Retained earnings are the cumulative net earnings or profits of a company after accounting for dividends. Retained earnings are reported on the balance sheet under the shareholder's equity section at the end of the accounting period (Onkware, 2022). Retained earnings are an important component of a company's financial health, representing the cumulative profits or net earnings that a company has generated over time after dividends. They offer a more consistent and reliable indicator of the business's financial health and can guide businesses in making important investment decisions. Olusola et al (2022) postulated that retained earnings are one component of the corporation's net-worth and it increases the supply of cash that's available for acquisition and repurchase of outstanding shares. To this end, earnings retention can be utilized to create value for the shareholders. However, they posited that misapplication of capital when a manager notes that they have a lot of cash at disposal may arise; which



would instead destroy value.

Based on this study, retain earning referred to as retention ratio which contain the percentage of the retained earnings within the company. Retained earnings refers to a none- distributable profit portion which is preserved inside the business. However, it is the amount of the income retained to grow up the company instead of giving it out as a dividend to the shareholders. The indicator is taken on from the study of Motanya (2020) which is estimated as observe: Retained Earnings Ratio =  $\text{Net Income} - \text{Dividends} / \text{Net Income} \times 100$ .

### **Firm Value**

According to Aniefor and Onatuyeh (2019), the concept of firm value is a crucial issue to be observed by firm's management. The question that often arises is how shareholder value creation can be accurately measured and described. The measure that is considered capable of explaining shareholder value creation. They also noted that as owners of the firm, the equity shareholders expect a good and stable return on the capital they provide and are more concerned with the company's use of the funds. Faisal et al. (2023) argued that the shareholder perspective could affect how well a company's management articulates the development of shareholder value.

According to Dahmash et al (2023), firm value occurs when a company produces more income for shareholders than it can create for itself. This definition implies that the production of value involves much more than just controlling the performance of companies; instead, the management team should be actively involved in the process of generating value. Chancharat, et al. (2019) describe firm value as the term used for the difference between the wealth held by the shareholders at the end of a given year and the wealth, they held the previous year. In other words, the value here refers to the increase or decrease of shareholders wealth.

### **Empirical Review**

#### **Dividend Pay-out ratio and Firm Value**

Njoku and Lee (2024) investigated the effect of dividend pay-out on firm performance and value in the Korean market, considering the unique context of Chaebol ownership structures. Analyzing 5,478 observations from the Korean Composite Stock Price Index, the research employs multiple regression models to explore the effects of various dividend policy measures under alignment and entrenchment theories. The key findings revealed the significant impacts of cash dividend payment on firm value, while dividend yield and dividend policy exhibit varying associations. In the Chaebol and non-Chaebol context, mixed results suggest complex interactions between dividend policy and business outcomes. The findings are exclusive to the Korean market and may not be directly applicable to other contexts due to the distinctive characteristics of Chaebol conglomerates and the prevailing ownership arrangements in Korea.

Nas et al (2023) examined the impact of dividend pay-out and firm performance with a moderating effect of ownership structure. Many studies have been made to check the impact of dividend policy on firm performance but there is not a single study that has been made yet to check the impact of dividend policy and firm performance with moderating effect of ownership structure. This study was carried out on different non-financial sectors of Pakistan covering the firms of automobile assembler and parts manufacturing, cement and chemical manufacturing, fertilizer manufacturing, pharmaceuticals, and textile manufacturing etc. The data used in carrying out this research was taken from the companies that was paying dividends and were listen in KSE-100 index of Pakistan Stock Exchange. Ownership data of the firms were collected by the company's pattern of shareholding which



are published or mentioned in the company's annual report as per Securities and Exchange Commission of Pakistan (SECP) requirements that can be taken from the company's website. The study shows significant positive relationship between dividend policy and firm performance. The study also shows that there is positive significant relationship between dividend policy and firm performance with moderating effect of ownership structure.

Dividend policy can also have implications for a company's investment and growth prospects. In general, firms that retain more of their earnings for reinvestment are likely to have higher levels of capital expenditures and research and development spending. However, dividend payments can also signal to investors that a company has confidence in its future growth prospects. No evidence of post estimation test in the analysis. Olaoye and Olaniyan (2022) examined the effect of dividend pay-out on firm performance of listed consumer goods companies in Nigeria exchange group, it specially examined the effect of dividend pay-out on return on asset, it examined the effect of dividend pay-out on retained earnings, as well it examined the effect of dividend pay-out on debt on equity of listed consumer goods companies in Nigeria. The study was anchored on social contract. Secondary sources of information were employed to extract useful information from the Audited Annual Reports of the eight (8) consumer goods firms sampled for the investigation for the periods 2010-2020. Panel data least square multiple regression was used to test the hypothesis. Findings reveal that dividend pay-out have positive and significant relationship with return on asset, required retained earnings and dividend pay-out has a negative and statistically significant effect on debt on equity. This is necessary due to the fact that there is a robustly positive correlation between dividend pay-out and return on assets.

Bossman et al (2022) examined the dividend pay-out and financial performance nexus among listed firms in Ghana, having controlled for firm age, size, capital structure, governance, and financial sector clean-up. The study employed the system dynamic general method of moments (GMM) estimation technique with data from 2015 to 2019. In addition to dividend pay-out, new proxies of dividend policy (dividend capacity and free cash flow savings) were employed to ascertain their impact on firm performance in a period filled with financial sector reforms and clean-ups. The study found a significant effect of dividend capacity on Return on Assets and Return on Equity. Free cash flow savings was found to have a direct and significant effect on Return on Assets and Return on Equity but an indirect relationship with both Tobin's Q and stock price. The study indicated that dividend capacity and free cash flow savings are positively connected with firm performance, dividend pay-out detrimentally affects owners' wealth during crisis periods. The findings divulged a detrimental effect of financial sector clean-ups on the performance of non-financial firms only.

Nida et al (2022) investigated the variables that significantly affect dividend pay-out ratio of dividend paying firms listed on KSE-100 index. This research used purposive sampling method where criteria is set to select a sample. Secondary data is collected from non-financial companies using annual financial reports from Pakistan Stock Exchange through the official KSE data portal for examining panel data models using pooled OLS regression. The results showed profitability, firm's debt and sales growth positively significantly and asset growth, retained earnings to total equity and liquidity negatively significantly affected dividend pay-out ratio. This research report adds to the existing literature on dividend policy by utilizing the life cycle measure by segregating it with financial performance measure that has not yet done in the Pakistan as a developing market. The study was limited to Kenya, while the current study will focus on listed consumer firms in Nigeria.



Syofyan et al (2021) examined the effect of firm value, dividend policy, and capital structure on stock prices. Specifically, firm value is measured by Price-Book Value (PBV), dividends are measured by the Dividend Pay-out Ratio (DPR), the capital structure in this study is measured based on the Equity Ratio (DER), and stock prices are measured based on cumulative abnormal returns. This study uses secondary data from 43 manufacturing companies listed on Indonesia Stock Exchange. Data were analyzed using multiple linear regression. The results showed that dividend policy has a positive effect on stock prices, and capital structure has a negative effect on stock prices. However, the firm value does not affect stock prices. These finding underlines the fact that the large value of the company reflected by the PBV will indicate an expensive stock price so that investors have not fully considered the share purchase. As a practical contribution, manufacturing companies can apply dividend distribution incorporates actions periodically to increase the value of the company's shares. Besides, manufacturing companies can reduce the capital structure policy using debt because it will reduce the value of the company's shares. However, the author failed to carryout pre and post estimation test which would have made the study more robust for statistical decisions.

### **Retain Earnings and Firm Value**

Olaoye and Olaniyan (2022) examined the effect of retained earnings and dividend policy on firm performance of listed consumer goods companies in Nigeria exchange group, it specially examined the effect of dividend pay-out on return on asset, it examined the effect of dividend pay-out on retained earnings, as well it examined the effect of dividend pay-out on debt on equity of listed consumer goods companies in Nigeria. The study was anchored on social contract. Secondary sources of information were employed to extract useful information from the Audited Annual Reports of the eight (8) consumer goods firms sampled for the investigation for the periods 2010-2020. Panel data least square multiple regression was used to test the hypothesis. Findings revealed that dividend pay-out have positive and significant relationship with return on asset, required retained earnings, and dividend pay-out has a negative and statistically significant effect on debt on equity with p-value of 0.15. However, the authors failed to tie the findings made in the study to empirical reviews because appropriate empirical studies were not conducted inside the study.

Dahmash et al (2023) investigated the effect of the retention per share compared to the dividend per share by modelling the firm's market value as a function of the retention per share and the dividend per share for all firms in the Jordanian context using unbalanced panel data analysis for a sample of 2281 firm years covering the period from 2010 to 2021. The results of the pooled sample indicated a strong positive significant effect for dividends per share. However, the retention per share indicated a negative significant effect on the firm's market value. The other robustness analysis for the two sub-samples and the financial and non-financial sub-samples indicated the same results, inconsistent with the pooled sample for the two main explanatory variables.

Onkware (2022) determined the relationship between cost of retained earnings on the financial performance of manufacturing firms listed in Nairobi Security Exchange. The study was anchored of signalling and liquidity risk theory. The study adopted descriptive research design. The unit of observation was companies Listed in NSE (NSE). According to NSE there are 64 listed companies. The study purposively selected manufacturing firms that are listed at NSE. According to NSE there are 8 manufacturing firms that are listed at NSE. The researcher collected secondary data from the audited annual financial reports of 8 manufacturing firms listed in NSE. The study used data collection sheet to assist in data collection. Descriptive and inferential analysis was used in data analysis. The study



revealed that cost of retained earnings had moderate and significant relationship with financial performance of Manufacturing firms listed at the NSE, Kenya. The study concluded that most companies fell below average in terms of retaining net income among listed manufacturing firms listed in Nairobi security exchange. The study further failed to carry out pre-estimation tests such as heteroskedasticity tests necessary for data analysis using secondary data.

Ugwu et al (2021) appraised the effect of retained earnings on the operational performances of oil and gas firms in Nigeria. The study adopted the Simple Linear regression was adopted in analyzing the secondary data sourced from the financial statements and annual reports of the selected oil companies. Retained earnings are the variable that measured the independent variable while operational performance (dependent variable) was represented using Return on Asset (ROA) and Return on Equity (ROE). The study spanned a ten (10) year period, 2009- 2018. Four (4) oil companies quoted in Nigeria Stock Exchange were used as sample for the study. The study showed that retained earnings had positive and insignificant effect on both the Return on Asset and Return on Equity of oil and gas firms in Nigeria. This effect was however insignificant for all the sampled oil and gas firms with the exception of Mobil Nigeria Plc in which the retained earnings have a positive and significant effect on the Return on Equity. Simple linear regression adopted was not sufficient. A more robust method such as panel regression would have been more sufficient.

Pibowei et al. (2021) investigated the effect of retained earnings on financial performance of selected Nigerian breweries in times of crisis. The study reviewed extant literature, while shift-ability theory and anticipated income theory was adopted. The study adopted ex-post-facto research design with an interval scale of measurement and preceding year basis of sampling. The population of study was five (5) breweries quoted on the Nigerian Stock Exchange. The sample size was four (4) selected breweries in Nigeria with each having nine-year observations from 2012 to 2020. Secondary data was collected from published annual reports and accounts of the quoted breweries. The study employed OLS model, ANOVA, F-test and T-test statistics for data presentation, statistical analysis and hypothesis testing using NumXL 2020, MS Excel 2019 and SPSS 20. The study found that there is no significant relationship between retention index, and the return on assets at 0.107, no significant relationship between retention index and the return on equity at 0.142, and no significant relationship between retention index and the earnings per share at 0.776. The study concluded that the capital structure with retained earnings were not adequate to improve the return on assets, return on equity and earnings per share. The author failed to carryout appropriate empirical reviews in the body of the work. These reviews are necessary for research gaps identification.

### **Theoretical Framework**

#### **Modigliani and Miller (M&M) Dividend Irrelevance Theory.**

In 1958, Modigliani and Miller suggested that in a perfect world with no taxes or bankruptcy cost, dividend of a company has no effect on the stock price of a company. The two financial researchers Modigliani and Miller propounded the irrelevance of dividend theory which contributed widely to capital structure by Proposition I Theorem which showed that under certain restrictive assumptions the value of the firm is unaffected by the debt. Later they developed Proposition II that relaxed the assumptions under Proposition I and further considered corporate taxes. In 1977 Miller advanced the two propositions and developed a model that recognized personal taxes. Modigliani and Miller (1958), respect except for their leverage levels have equal cost of capital and therefore should not have different market values (Welch, 2009). Studies carried out thereafter concludes that these assumptions do not hold and have led to researchers to rationalize the MM proposition I and its underlying assumptions to



prove that capital structure affects firm value and performance.

Watson and Head (2007) argued that the theory had serious flaws based on their restrictive assumptions. Firstly, the assumption that individuals and companies can borrow at the same rate can be challenged, since borrowing by individuals are riskier and costly. Secondly, presence of no transaction cost is untrue since borrowing cost exists and eliminate risk free profit thus affecting arbitrage gain, Thirdly, investors have a variant in expectation and finally a perfect market do not exist. Later they developed a second paper, Proposition II also known as net income approach that relaxed the unrealistic assumptions under proposition I (Net operating income) and recognized that corporate tax exists and tax shield benefit associated with debt capital exists. They concluded that as companies take more debt, they shield more of their profit from corporation tax. They further argued that the value of a levered firm will always be higher than that of unlevered by an amount equal to the interest on tax shield (Pandey, 2010).

### **Signalling Dividend Theory**

Signalling theory was propounded by Michael Spence in 1973 and was brought forward by Stephen Ross and Solomon Ezra in 1977. The theory asserts that announcement of increased dividend payments by a company gives strong signals about the bright future prospects of the company. An announcement of an increase in dividend pay-out is taken very positively in the market and helps in building a very positive image of the company regarding the growth prospects and stability in the future. Companies use dividends to share profits with stockholders and when doing so, they can decide to issue a dividend when ploughing profits back into the company for development and growth is not the best option, is not necessary or not practical (Basoglu & Hess, 2014).

This theory revolves around the existence of imperfection information in a company. When the capital gains of a said company are then brought to analysis, they tend to have a lower rate as compared to cash dividends (Bhattacharya, 2012). In line with that, (Talmor, 2010) argues that signalling theory also plays a role in asymmetric information in a company. This asymmetric information works hand-in-hand with the signalling theory (imperfection of information) and financial decision makings both on short term or long-term basis. According to Al Amarneh and Yaseen (2014), they found out that this theory is manipulated by managers of a company to provide them with the future prices of shares and all the information with regards to shares to shareholders. Surprisingly, this information is neither collected nor relayed to the shareholders the same way as perceived by the management, thus, rendering the correlation of it to be totally negative. For the gap created by signalling theory, it is suggested that both the shareholders and the management should have an equilibrium platform of channelling and exchanging of information in a way that none is left biased to the other. This will maximally and ultimately improve on their relationship. Ouederni (2011) believes that this theory can bring about a modification along the way on dividend policy especially when the information regarding to this matter is received earlier enough for foreseeing of the future cash flow analysis. In doing so, it brings about balance between the inequality once created by the signalling theory among its shareholders and management.

### **3. Methodology**

The research design for this study was expo-facto research design. Expo-facto design involves describing the relationship between the past factors on the present trend or occurrence. The population of the study will adopt all the twenty (20) Consumer firms listed on the floor of Nigerian Exchange Group (NGX) 2024. These are, Cadbury Nigeria Plc, Champion Brew. Plc, Dangote Sugar Refinery, Dunlop, Flourmill, Gold brew, Guinness, Honey flour, International Breweries Plc, Mcnichols, Multitrex, Nig. Flour Mills Plc, Nascon, Nestle, Nigerian Brew. Plc, Enamel Ware, PZ Cussons Nigeria Plc, Unilever, Union Dicon, Vitafoam. Thus, eighteen (18) firms were sampled, with two (2) companies



been exempted from the sampled Consumer firms which are; Multitrex Plc, and Union Dicon Plc due to unavailability of complete data. This study used secondary method of data collection. The panel data was extracted from the published annual reports of listed consumer firms in Nigeria, from 2016 - 2022. The research data related to dividend pay-out and retained earnings was used as proxies for dividend management of quoted consumer firms in Nigeria, while Toboin's Q was used as proxy for firm value in this study. The panel data was analysed using STATA 16. Descriptive statistics, correlation matrix and regression analysis were carried out and post estimation analysis such as Heteroskedasticity test, serial correlation and Hausman test was also carried out. The specific model given below for the Hausman test describes a convenient version for regression applications that involves testing whether certain transformations of the original regressors have zero coefficients.  $H_n \equiv n(\theta_{1n} - \theta_{2n})' S' [S' V_n S]^{-1} S' (\theta_{1n} - \theta_{2n})$ .

### The Model Specification

The model adopted for this study is given as thus:  $TOQ_{it} = a_0 + a_1 DEA_{it} + a_2 EQA_{it} + e_{it} \dots \dots (1)$   
Where;  $TOQ_{it}$  = Tobin's Q of firms (dependent variable);  $DIP_{it}$  = Dividend pay-out ratio of firms  
 $REE_{it}$  = Retain earnings ratio of firms;  $a_0$  = Constant;  $e_{it}$  = Error term;  $a_1, a_2$ , = the slope or the coefficient of the independent variables.

### Decision Rule

The decision rule to test the hypothesis of the study is as follows: If the p-value of the t-coefficient is less than 5% (0.05), the null hypothesis is rejected, otherwise accept.

**Table 1**  
*Variables Measurement*

| S/N | Variable         | Nature               | Measurement                                                                   | Studies                                |
|-----|------------------|----------------------|-------------------------------------------------------------------------------|----------------------------------------|
| 1.  | Tobin Q          | Dependent variable   | Market Capitalisation + Total Liabilities - Cash flow divide d by Total asset | Olaoye et al (2022)                    |
| 2.  | Dividend pay-out | Independent variable | Dividend per share /earnings per share                                        | Ezu et al (2020)                       |
| 3   | Retain earning   | Independent variable | Net income-Dividends divided by Net Income                                    | Motanya (2020)<br>Pibowei et al (2021) |
| 4   | Leverage         | Control variable     | Total debt divided by the total assets                                        | Dahmash et al (2023)                   |

Source: Authors Compilation (2024)

## 4. Results and Discussions

### Tables 2

#### *Descriptive Statistics*

| Variables | Min.   | Max.  | Mean  | Std. Dev. |
|-----------|--------|-------|-------|-----------|
| TOQ       | 0.700  | 1.800 | 1.399 | 0.167     |
| DIP       | -0.120 | 8.290 | 0.743 | 0.708     |
| REE       | -6.350 | 2.560 | 0.286 | 0.989     |
| LEV       | 0.193  | 0.979 | 0.592 | 0.155     |

Source: STATA16, 2024



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The table 2 revealed the data used in the study with Tobin's Q, dividend pay-out ratio, retained earnings ratio and leverage having a mean value of 1.399, 0.743, 0.286 and 0.592 respectively. The deviation from the mean (standard deviation) was 0.167, 0.708, 0.989 and 0.155 respectively. This implies low level of dispersion in the data of the study.

**Table 3**

*Correlation Matrix*

| Variables | TOQ    | DIP   | REE   | LEV |
|-----------|--------|-------|-------|-----|
| TOQ       | 1      |       |       |     |
| DIP       | -0.089 | 1     |       |     |
| REE       | -0.062 | 0.074 | 1     |     |
| LEV       | -0.472 | 0.076 | 0.065 | 1   |

**Source: STATA 16, 2024**

Table 3 explained the correlation of dividend management and firm value of listed consumer firms in Nigeria where the TOQ was correlated with DIP to the value of -0.089 which signifies there is low correlation since the value is negative, While the TOQ were correlated with REE to the value of -0.062 which signifies there is low correlation since the value is negative. Similarly, TOQ were correlated with LEV with a beta coefficient of -0.472, which signifies negative association among the variables. Finally, the correlation of the independent variables among themselves shows that REE and DIP, LEV and DIP, LEV and REE has a beta coefficient of 0.074, 0.076 and 0.065 respectively. This implies positive association among the independent variable of the study.

**Table 4**

*Hausman and LM Tests*

| Hausman |       |
|---------|-------|
| Chi2    | 5.41  |
| P-Value | 0.144 |
| LM Test |       |
| Chi2    | 88.58 |
| P-Value | 0.000 |

**Source: STATA 16, 2024**

The result of the Hausman test in the table 4 shows a Chi<sup>2</sup> value of 5.41 with p-value of 0.144 which indicates that the random effect regression model is the most appropriate model to analyse the data of the study. Also, the Langrangian Multiplier test shows a Chi2 value of 88.58 with p-value of 0.000, which signifies and confirmed that random effect regression model is the most appropriate estimation model of this study. Therefore, the random effect estimator was used to run the regression.



**Table 5**

*Panel Result*

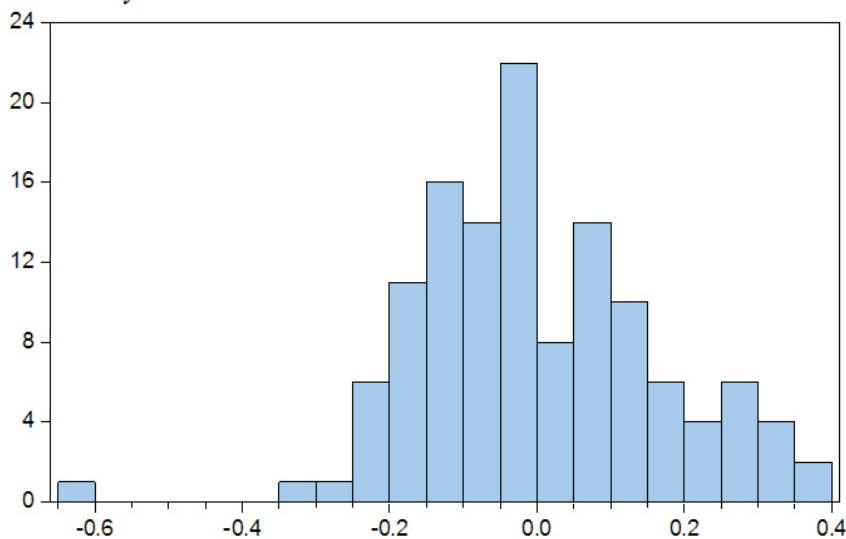
| Variables                   | Coeff.                 | Z-Value | P-Value |
|-----------------------------|------------------------|---------|---------|
| <b>Constant</b>             | 1.577                  | 11.21   | 0.000   |
| <b>DIP</b>                  | 0.008                  | 0.83    | 0.007   |
| <b>REE</b>                  | -0.007                 | -1.23   | 0.218   |
| <b>LEV</b>                  | -0.307                 | -1.46   | 0.043   |
| <b>R<sup>2</sup></b>        | 0.210                  |         |         |
| <b>Wald Chi<sup>2</sup></b> | 3155.30                |         | 0.000   |
| <b>VIF</b>                  | <b>Tolerance Value</b> |         |         |
| 1.01                        | 0.9893                 |         |         |
| 1.01                        | 0.9909                 |         |         |
| 1.01                        | 0.9905                 |         |         |

**Source: STATA 16, 2024**

From the table 5 above  $R^2$  has a coefficient of 0.210 which signifies that 21% of the total variation of firms' value of listed consumer goods firms in Nigeria is caused by dividend pay-out ratio, retained earnings and leverage while the remaining 79% change in the firms' value of the consumer goods firms in Nigeria is caused by other factors outside the model of this study. F-Statistics of the study shows a beta coefficient of 3155.30 with the corresponding p-value of 0.000, which is statistically significant at 1% level of significant. This implies that the model of the study is well fitted with the variables of the study. Also, jointly together dividend pay-out ratio, retained earnings and leverage are significantly impacting on the firms' value of listed consumer goods firms in Nigeria. Finally, the multicollinearity test of the study shows a variance inflation factor and tolerance value of less than 10 and 1 respectively. This signifies the absent of multicollinearity problem associated with the data of the study.

**Table 6**

*Normality Test*



|                                |           |
|--------------------------------|-----------|
| Series: Standardized Residuals |           |
| Sample 2016 2022               |           |
| Observations 126               |           |
| Mean                           | -1.68e-17 |
| Median                         | -0.024618 |
| Maximum                        | 0.371109  |
| Minimum                        | -0.631051 |
| Std. Dev.                      | 0.161878  |
| Skewness                       | -0.017485 |
| Kurtosis                       | 3.954442  |
| Jarque-Bera                    | 4.788954  |
| Probability                    | 0.091220  |

**Source: STATA 16, 2024**



Table 6 shows that since probability is 0.091220 and the series has fulfilled the pre-test required for the use of panel model, the study will go ahead and generate various relevant models. The test indicates that the data is skewed denoting that, the data was normally distributed. This is corroborated by the Jarque-Berra Statistic of 4.788954 and its corresponding P-value of 0.091220.

### **Discussion of Findings**

The result of the analysis on the relationship between dividend pay-out ratio and firms' value of listed consumer goods firms in Nigeria shows a beta coefficient of 0.008 with p-value of 0.007 which is statistically and positively significant at 1% level of significant. This indicates that dividend pay-out ratio is increasing the firms' value of listed consumer goods firms in Nigeria. This means for every increase in N1 dividend pay-out ratio, the firm value of consumer goods firms in Nigeria will increase by 0.008 other things remain constant. This finding is supported by signalling theory, which is in line the result of the work of Nida et al (2022), Olaoye and Olaniyan (2022), but contradicted the finding of Bossman, et al (2022).

The result of the analysis on the relationship between retained earnings and firms' value of listed consumer goods firms in Nigeria reveals a beta coefficient of -0.007 with p-value of 0.218 which is negatively insignificant. This implies that there is negative insignificant relationship between retained earnings and firms value of listed consumer goods firms in Nigeria. This result is in line with the findings of Dahmash et al (2023) and Njoku and Lee (2024), but contradicted the result of Onkware (2022). In the same vein, the result shows a negative significant relationship between leverage as control variable of the study with the firm value of listed consumer goods firms in Nigeria. This can be confirmed from the computed beta coefficient of -0.307 with the p-value of 0.043 which is significant at 5% level of significant.

## **5. Conclusion and Recommendations**

The paper evaluates the effect of dividend management on firm value of listed consumer firms in Nigeria. In agreement with prior evidence from developed countries that show significant linkage between dividend management and firm value. Thus, the study concluded that a unit increase in dividend pay-out ratio will have significant increase on firm value of listed consumer firms in Nigeria during the period under study. Drawing from our research findings, the recommendations are proffered as follows:

- i. The management of the consumer firms should be more focused on high-profit making in order to maintain steady dividend payment to shareholders, which will provide opportunities for the firms to expand and attract more investors to buy the company's shares, because the increase in the company's value is reflected in the stock price of the company.
- ii. The study recommends that consumer firms should properly utilize retained earnings, because retained earnings do not have any cost of capital attached to it.



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