



FINANCIAL LEVERAGE AND DIVIDEND POLICY OF LISTED INDUSTRIAL GOODS FIRMS IN NIGERIA

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Abstract

This study investigated the impact of financial leverage on dividend policy of quoted industrial goods firms in Nigeria. This paper examined the influence of debt-to-equity ratio (DER), debt-to-asset ratio (DAR), and interest coverage ratio (ICR) on dividend per share. Correlational research design was adopted and employed secondary panel data obtained from the audited financial statements of ten (10) firms listed in the Nigerian Exchange (NGX) Group. The purposive selected industrial goods firms listed on the NGX over a ten-year period from 2015 to 2024. The random effect model was used to analyse the data. The findings revealed that DER positively impacted DPS but was insignificant. In addition, DAR negatively impacted DPS but was insignificant. ICR had an insignificant but negative impact on DPS. The study concluded that financial leverage does not significantly affect the dividend policy of quoted industrial goods companies in Nigeria. Therefore, the study recommends that firms should opt for a balanced capital structure, invest debt-financed assets in productive ventures and run their operations efficiently to maintain dividend payments.

Keywords: financial leverage, dividend policy, debt-to-equity ratio, debt-to-asset ratio, interest coverage ratio

1. Introduction

The decision of dividend policy and financial leverage is one of the most studied decisions in corporate finance in this present age. This is attributed mainly to their importance in the determination of the firm value, corporate financial sustainability, and shareholder wealth. A firm's dividend payments and its debt financing is a matter of debate among academics and practitioners around the globe. This conversation has developed alongside changes in financial theory, corporate governance standards, and the capital markets, especially in emerging markets where the institutional setup is markedly different from advanced economies.

The centrality of dividend policy in corporate finance makes it a link between management decisions and shareholder expectations. Several empirical studies have shown that there is a sensitive negative relationship between leverage and dividend payouts, especially in a weak law enforcement, high agency costs and low market liquidity environment. Dividend policy is a key area of corporate financial management in Nigeria. According to Ajayi et al. (2025), it is important in valuation, investor behaviour and market operations.

In Nigeria, where capital markets are often volatile and asymmetrical information commonplace, dividend policies can shape perceptions about shareholder confidence and firm performance. The studies in question show that firms' earnings,



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market share prices and investment behaviours are elastic to dividend payout (Olayiwola & Apanisile, 2022).

Furthermore, by adopting a dividend policy, the companies are able to provide financial strength and attractiveness to both local and international investors. The importance of this is more pronounced in Nigeria's emerging market where capital access and investor confidence is vital for sustainability (Asaolu, 2024). Consequently, an understanding of dividend policy will help enhance strategic corporate governance and improve capital market efficiency in Nigeria.

The degree of financial leverage matters in defining firms' capital structures, which influence their risk-return relationship. As Aripin and Abdulmumuni (2020) stated, using debt up to a point improves firm profitability according to agency theory. The usefulness of debt would stop at some level. Over-leveraging puts a company's finances at higher risk, and that could damage its value. In developed economies, firms tend to use debt because of the tax advantage and flexibility it brings. However, with that, the risk will also increase.

On the other hand, in less developed economies like Nigeria, the relationship between the variables under study is more complicated because of unstable macroeconomic environments and limited credit infrastructure. Research suggests that some Nigerian businesses attain optimum performance with moderate leverage (Ibrahim et al., 2024). However, excessive debt leads to dwindling profitability and market value for others (Aregbesola et al., 2024; Abubakar, 2021).

Using dividend per share as a proxy allows the measurement of the return to shareholders, as well as the stability of the dividend paid by the firm over time. According to agency theorists and the pecking order theorists, when financial leverage is high, managers prioritize debt payments over shareholders' payments (Alrabba et al., 2025). In Nigeria, investors are keener to invest in firms that pay dividends. It suggests the trustworthiness of the firm.

In modern corporate finance, adjusting capital structures to shareholder payout policies continues to be a major problem in developing countries. The use of financial leverage as a means of financing and expanding or increasing returns has been a matter of concern for theorists and practitioners alike especially because of its effects on dividend policy. The unresolved issue regarding the effect of debt on dividends continues to produce contradictory empirical results, leaving managers, investors, and policymakers in the dark.

The issue becomes more pronounced when financial leverage is disaggregated into specific proxies, such as debt-to-equity ratio, debt to asset ratio, and interest coverage ratio, all of which may affect differently the ability or willingness of the firm to pay dividends. Research has revealed study findings to be uncertain. According to some studies, the higher the leverage, the less likely the firm is able to pay dividends due to obligations to creditors (Musallam, 2022; Salsabila et al., 2024). Other researchers, however, argue that firms try to maintain dividends as a signal to support investors' confidence even with high debt (Bello & Jimoh, 2023).

In addition, most existing studies generalize leverage without separating their component, and thus there is a considerable gap in the literature on how DER, DAR, and ICR independently influence dividend per share (DPS). Accordingly, it is necessary to dissect financial leverage into its proxies and to determine their individual and joint impact on dividend policy.

The broad objective of this study is to determine the impact of financial leverage on dividend policy among listed industrial goods firms in Nigerian. Therefore, the specific objectives are to:

- i. investigate the effect of debt-to-equity ratio on dividend per share of listed industrial goods firms in Nigeria.
- ii. determine the impact of debt-to-asset ratio on dividend per share of listed industrial goods firms in Nigeria.
- iii. evaluate the influence of interest coverage ratio on dividend per share of listed industrial goods firms in Nigeria.

The study hypotheses are stated in Null Form to include the following:

H₀₁: There is no significant effect of debt-to-equity ratio on dividend per share of listed industrial goods firms in Nigeria.

H₀₂: There is no significant impact of debt-to-asset ratio on dividend per share of listed industrial goods firms in Nigeria.

H₀₃: There is no significant influence of interest coverage ratio on dividend per share of listed industrial goods firms in Nigeria.

2. Literature Review

Conceptual Review

Concept of Financial Leverage

Financial leverage is when a firm uses all of its borrowed capital to increase the return on the investor's money. The optimal capital structure is one of the most essential concepts of corporate finance. Around the world, leverage is seen as a double-edged sword. It can make profits bigger. It can also amplify financial risk if management is lacking.

As noted by Norhani and Ogirima (2020), financial leverage affects firm performance and moderate level of debt will boost profitability. Likewise, according to Ehiedu and Ukueku (2025), it is possible for firms to finance their operations and increase production through debt financing. The use of leverage in financing activities in the capital-intensive sectors is very important. Since the internal funds of majority of the organization are not enough for growth (Monday, Dopemu and Ademola, 2024).

Financial leverage is an important determinant of firm resilience among listed industrial firms in Nigeria owing to restricted access to equity. Nigerian firms are often forced to resort to debt in light of the inadequacy of our capital markets and irregularity of equity flows. Subsequently leverage became a dominant element of corporate financing.

Financial leverage is usually measured with various measures based on accounting ratios such as debt to equity, debt to the asset and interest coverage ratio. The proxies provide insights into the financial structure and risk tolerance of the firm (Ferdinand et al., 2023).

Concept of Debt-to-Equity Ratio

The debt-to-equity ratio (D/E) is a useful measure of the overall financial risk of a firm. For example, a D/E ratio of two means that the firm's debt is twice that of the owner's equity. In financial management, it is an important indicator of the leverages position and risk of a firm. The debt-equity ratio informs you how much debt a company uses to finance its assets relative to shareholders' value. The D/E ratio of oil and gas firms (especially in Nigeria) impacts operational decisions and market strategy



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because it affects the cost of capital and exposure to financial risk (Lawal & Iliyasu, 2024).

In the same fashion, Saborogha and Agbam (2023) state that asset tangibility and firm size influence changes in the D/E ratio of selected quoted firms in Nigeria. In Nigeria, the debt-to-equity ratio of firms indicates their strategic intent and financial discipline. Firms with high D/E ratios may gain tax shields from debt but are subject to financial distress, evidence shows that D/E ratios are harmful. For example, findings by Ayunku and Timipere (2019) suggest that the positive effects of D/E ratio on return on equity indicate that leverage can create value. Oladunjoye et al. (2021) hold the view that overuse of debt can negatively affect share prices. Thus, firms must ensure they do not take on excess debt.

Concept of Debt-to-Asset Ratio

The debt-to-asset ratio measures the solvency of a firm by assessing how much of its assets are debt financed. The firms' view is that a high debt to asset ratio can the firms affect the financial instability that will occur. In developed economies, firms use debt-to-asset ratio to optimize capital structure to enhance flexibility. In Nigeria, Bello and Jimoh (2023) argue that high debt-to-asset ratio is being commonly practiced due to limited options of equity funding and the dominance of collateral-based bank loans.

Manufacturing firms in Nigeria, in particular, encounter high debt-to-asset ratio levels and as a result adopt cautious dividend practices (Omankhanlen & Olayiwola, 2022). According to Duru and Okafor (2021), the debt-to-asset ratio sheds light on the liabilities backed by assets, which alters stakeholder perceptions and dividend expectations.

Concept of Interest Coverage Ratio

The interest coverage ratio (ICR) measures how well a firm can service its interest obligations using its operating profits. It serves as a critical indicator of financial health, particularly in assessing whether a firm can sustain its debt repayment costs without compromising its liquidity position or overall operational efficiency. The calculation of ICR entails earnings before interest and taxes (EBIT), divides by total interest expenses. Higher ratios suggest a stronger capacity to service debt, which may increase the confidence of investors and creditors.

According to Akinleye and Olanipekun (2024), ICR is an important element for understanding the efficiency of Nigeria manufacturing firm's operations and the security of its capital structure of the manufacturing firms in Nigeria as economically; it is the ability of the firm to service its debt. In Nigeria, there has been a growing use of ICR due to a high reliance on debt financing.

According to Ibrahim et al. (2024), it was found that the ICR offered a major inverse association with profitability that was gross profit margins. In addition, Edidiong et al. (2024) emphasize that the ICR is undoubtedly relevant in financial stability determination as firms with higher ICR can weather financial shocks while maintaining steady performance.

Concept of Dividend Policy

Dividend policy is concerned with the decision-making procedure of how much of company incomes should be distributed as dividends, and how much should be reserved for reinvestment. Corporate finance managers have widely researched the concept and it is important in the company. According to Ajayi et al. (2025), decisions made concerning dividend policy are important because they affect shareholder wealth, stock price changes, as well as the perception of the steadiness of the firm.

Dividend policies in Nigeria are influenced by numerous factors which include profit level, cash flow, tax policy, ownership structure, and macro-economic volatility. According to Olayiwola and Apanisile (2022), dividend policy is a major signal in Nigeria, as consistent dividend payout signal financial soundness and correctness of management action. According to theories used for this study, dividend policy is more theory oriented than practice. Yet, empirical evidence from Nigeria contradicts the dividend irrelevance arguments.

According to Ugwu et al. (2020), dividend decisions have a positive and significant effect on return on equity. The study feedback dividend decision is a residual decision, and not a good dividend policy. According to Asaolu (2024), dividend policy is often used to align investor expectations and reducing the agency problem between management and shareholders.

Theoretical Review

Agency Cost Theory

The Agency Cost Theory by Jensen and Meckling (1976) is based on the principal-agent model. It provides that when the ownership and control are separated, the stakeholders (Principals) and Managers (agents) have conflicts. The costs involved lead to agency costs those are monitoring expenditure and bonding cost which reduces firm value. In the absence of any mechanisms, managers could pursue personal objectives at the expense of shareholders. According to Jensen and Meckling (2019), one way to restrict managerial discretion is by using debt as a means of control.

According to the agency cost theory under dividend policy, dividend payment will reduce the agency problems as it will cut the free cash flow in the hands of managers. If firms commit themselves to paying regular dividends, they will limit their internal funds so that there is lesser scope for wasteful expenditure. Furthermore, the need for external finance rises, which attracts the scrutiny of capital markets (Belisti, 2015; Muhammad, 2022).

According to this rationale, agency costs and dividend payouts are positively related if ownership is dispersed and there is a high level of managerial discretion. Moreover, agency conflicts are being curtailed through agents' use of financial leverage instead of dividend policy. A high level of leverage enhances the duty of the firm to service debt and instills financial discipline among managers. This, thus, indicates that firms with higher leverage may pay lower dividends as debt could play a similar governance role (Ahmed, 2010).

The Agency Cost Theory has limitations in that it assumes managerial behaviour is rational, but some institutions in the market don't accept that. Even so, the theory gives a strong way to study how leverage and dividends perform as ways to align managers with owners. Consequently, the existing research probes into the connection between financial leverage and dividend policy.

Residual Dividend Theory

The Residual Dividend Policy was introduced by Modigliani and Miller, in 1961. They stated that dividend policy is irrelevant if all other things are equal sans taxes, transaction costs, and asymmetric information. The Residual Dividend Theory however argues that only residual earnings (earnings left after sufficient funds have been provided for profitable investment opportunities) should be paid out as dividend. The firm's objective in this framework is to maximize shareholder wealth by investing in all positive NPV projects before any surplus is declared as a dividend (Modigliani & Miller, 2019).

In an operational sense, it states that dividend payout varies with business requirements for investment and availability of internal funds. Companies with many investment opportunities are likely to hold their earnings and pay little to no dividend. On the other hand, companies with fewer attractive investment opportunities are expected to pay larger dividends. This scenario has been seen in developed and developing markets alike, including Nigeria where firms in their growth stages tend to not pay their profits while mature firms pay up (Ahmed, 2020; Labhane & Das, 2015).

The Residual Dividend Theory is very helpful in explaining the dividend behaviour of firms under financial constraints. When a firm has not enough internal funds, it borrows to finance the investment. In such situations, firms may reduce or stop dividends altogether. A significant drawback of this theory is that it overlooks signaling and the preferences of clients. Investors of the firm attach opinions about the firm's future due to change in dividends. Nonetheless, the Residual Dividend Theory is a significant tool for analyzing dividend policy, especially when the two factors of financial leverage and capital budgeting decision are taken into account. Hence, the current framework relevant to the Nigerian industrial sector is an efficient approach.

Empirical Review

Njoku and Lee (2025) analysed strategies that affect performance of Nigerian manufacturing companies during a recession. "The study examines the effect of financial leverage and dividend policy on a firm value during the recession 2016-2020 in Nigeria. This research made use of panel data derived from 26 firms and used OLS and fixed-effect models. Results revealed that long-term debt signals financial difficulty which reduces firm value, while dividend payments lessen the negative effect of leverage by signaling financial stability. Nonetheless, the dividend policy serves as a strategic mechanism for managing the risk associated with debt and stockholders' assurance.

Akpadaka et al. (2024) explored the moderating influence of profitability on the relationship between leverage and dividend policy among manufacturing firms in Nigeria and South Africa. The study sought to determine whether profitability shapes the leverage and dividend payout nexus across the two countries. Panel data comprising 915 firm-year observations spanning 2013 to 2022 were utilized. The analysis employed Tobit regression to account for the censored characteristics of dividend data, while logistic regression served as a robustness test. Findings indicated a strong inverse association between leverage and dividend payout among Nigerian firms, whereas South African firms exhibited an insignificant relationship. In Nigeria, profitability greatly moderated the relationship by supporting payment of dividends despite leverage. The research found that countries like Nigeria hold more binding capital structure decision making. They suggested alterations to policy that ease access to credit and promote profitability-enhancing strategies.

Ugwu et al. (2020) investigated dividend policy and corporate financial performance of selected listed consumer goods firms in Nigeria. As per the findings of the study, the dividend per share positively influences the return on equity of the selected companies. Also, the payout ratio also impacts the return on equity but to a lesser extent. The conclusion highlights that dividend policy is a key factor in performance measures and reducing agency costs. The study recommended aligning dividend payments with firms' capital profitability objectives.

Chukwuebuka and Okegbe (2020) examined financial leverage and dividend policy of Nigerian oil and gas firms. An ex-post facto structure was implemented, and financial statements of listed companies from 2011 to 2018 were used for panel data

extraction. According to the results it was found that the long-term debt and the total debt ratios were significantly negatively related to dividend payout. Further analysis revealed that the short-term debt was having a significant impact. The findings of the study proved that capital structure decisions play an important role in the formulation of dividend policy.

3. Methodology

This study used a correlational research design, which is one of the types of research designs that was ideal for the study as the events were in the past and cannot be manipulated. All the thirteen (13) industrial goods companies listed under Nigerian Exchange Group constituted the population. A total of ten (10) companies has been purposively selected for this study. These are Beta Glass Plc., Dangote Cement Plc., Premier Paints Plc., Grief Nigeria Plc., CAP Plc., Austin Laz Plc., Lafarge Plc., Bua Cement Plc., Meyer Plc., and Berger Paint Plc. For a period of 10 years (2015 to 2024) financial annual reports (published) of selected firms were used as source.

Overall, the study covers 100 firm-year observations. Thus, study relied on panel data. The data that obtained are the financial leverage construct depreciation ratio, debt to asset ratio and interest coverage ratio and dividend policy proxy dividend per share. Using panel data regression techniques, the analysis was carried out. This involved estimating both fixed effect and random effect models using E-Views (Version 13). The more applicable model was determined using the Hausman test.

The study model is specified as: $DPS_{it} = \alpha + \beta_1 DER_{it} + \beta_2 DAR_{it} + \beta_3 ICR_{it} + \mu_i + \varepsilon_{it}$;

Where DER = debt-to-equity ratio, DAR = debt-to-asset ratio, ICR = interest coverage ratio, DPS = dividend per share, α is the constant term, β_1 - β_3 are coefficients of independent variables, μ_i is the unobserved individual-specific effect, and ε_{it} is the idiosyncratic error term.

4. Results and Discussion

Descriptive Analysis

Table 1

Descriptive Statistics

	DPS	DER	DAR	ICR
Mean	141.5830	0.341200	0.309900	178.5486
Median	28.70000	0.230000	0.125000	10.43500
Maximum	1116.000	8.110000	4.210000	4176.480
Minimum	-75.00000	-3.130000	-0.290000	-24.32000
Std. Dev.	238.3672	1.023825	0.599994	622.5519
Skewness	2.365184	4.065757	4.196747	4.497694
Kurtosis	8.153718	36.31458	23.53927	23.98056
Jarque-Bera	203.9049	4899.929	2051.302	2171.254
Probability	0.0000	0.0000	0.0000	0.0000

Source: Researchers' Extraction from EViews 13

Table 1 revealed the descriptive statistics for the study variables. The mean value of DPS stood at 141.58, with a wide dispersion as indicated by a standard deviation of 238.37. The range was substantial, from a minimum of -75.00 to a maximum of 1116.00, showing sharp variations in payout levels. Skewness (2.36) and high kurtosis (8.15) revealed non-normal distribution, confirmed by the Jarque-Bera probability of 0.000.

The mean DER was 0.34, reflecting a low average leverage level across the firms, while values ranged from -3.13 to 8.11. The mean DAR stood at 0.31, revealing that on average, firms finance about 31% of assets with debt. The mean ICR was 178.55, although the standard deviation of 622.55 and wide range (-24.32 to 4176.48) revealed very high fluctuations in firms' ability to meet interest obligations. All variables exhibited non-normal distribution as confirmed by the Jarque-Bera test.

Correlation Result

Table 2

Correlation Analysis

	DPS	DER	DAR	ICR
DPS	1.000000			
DER	0.033449	1.000000		
DAR	-0.116100	-0.024188	1.000000	
ICR	0.080797	0.083937	-0.003566	1.000000

Source: Researchers' Extraction from EViews 13

Table 2 revealed the correlation results among the variables under study. The results revealed that DPS had a very weak positive correlation effect with DER ($r = 0.0334$, $p = 0.7411$) and ICR ($r = 0.0808$, $p = 0.4242$), but a weak negative correlation with DAR ($r = -0.1161$, $p = 0.2500$). Since all the correlation coefficients are close to zero and statistically insignificant, the analysis confirms the absence of multicollinearity among the independent variables.

Regression Result

Table 3

Random Effect Model (Dependent Variable: DPS)

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Hypothesis Decision
C	148.4432	78.26648	1.896638	0.0609	Accept Null Hypothesis
DER	9.118688	15.07382	0.604935	0.5466	Accept Null Hypothesis
DAR	-31.30633	36.88506	-0.848754	0.3981	Accept Null Hypothesis
ICR	-0.001510	0.033144	-0.045563	0.9638	Accept Null Hypothesis
R-squared	0.010860	F-statistic	0.351334		
Adj. R-squared	-0.020051	Prob(F-stat)	0.788264		
Durbin-Watson	1.239168				

Source: Researchers' Extraction from EViews 13

The outcome for the Random Effect Model with DPS as dependent variable can be seen from Table 3. The coefficient for the debt-equity ratio was 9.12 with t-statistic of 0.605 and probability value 0.5466. As a result of this, a one unit increase in DER

causes a 9.12 increase in DPS. A positive coefficient implies directional influence. However, the very high p-value suggests it is insignificant.

The Debt-to-Asset Ratio showed a coefficient of -31.31 with a t-statistic of -0.849 with a probability of 0.3981. An increase of one unit in DAR decreases DPS by 31.31 units. The negative relationship indicates that more debt-financed assets reduce dividends distribution. Nevertheless, the outcome is statistically insignificant as the p-value is above .05.

The Interest Coverage Ratio (ICR) records a coefficient of -0.00151 with a t-stat of -0.046 and a probability of 0.9638. An increase by 1 unit in ICR results in a decrease by 0.00151 unit in DPS. The present R^2 that is coefficient of determination was 0.0109 and the adjusted R^2 was -0.0201 showing the explanatory variables collectively only explains about 1% variations in the DPS. The F-statistic was significant at 0.3513 with a P-value being 0.7883 which implies the model is not significant.

Table 4

Correlated Random Effects, Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.251594	3	0.9689

Source: Researchers' Extraction from EViews 13

Based on the Hausman Test, Table 4 revealed the outcome that identifies the suitable model between fixed effect and random effect estimations. The Chi-square is 0.251617, 3 df and the probability is 0.9689 (well above the 5% level). Since we cannot reject the null hypothesis, it can be concluded that the random effect model is the appropriate and consistent estimator for hypothesis testing.

Discussion of Results

The research findings provide insight into the relationship between financial leverage and dividend policy of quoted industrial goods companies in Nigeria. As for the specific impact of the independent variables on dividend policy, the result shows that DER has a positive but negligible effect on dividend per share, revealing that changes in capital structure through debt financing did not materially affect dividend payouts.

Debt-to-asset ratio (DAR) had a negative but insignificant relationship with dividend per share, indicating that increasing debt reliance for asset financing tends to suppress dividend payouts, though the effect lacked statistical support.

Interest coverage ratio (ICR), on the other hand, had a negligible and insignificant negative effect on dividend per share, meaning that the ability of firms to cover interest obligations did not influence their dividend distribution policies.

These findings collectively show that leverage indicators, as modeled in this study, do not significantly predict dividend policy among listed industrial firms in Nigeria. This outcome aligns with the acceptance of all three null hypotheses of the study and suggests that factors outside financial leverage may play a stronger role in determining dividend policies within the Nigerian Exchange Group.

5. Conclusion and Recommendation

The aim of the study is to investigate the impact of financial leverage on dividend policy. The study uses dividend per share (DPS) to measure dividend policy with RO leading other major independent variables. The study specifically examines



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three proxies of financial leverage, including Debt to Equity Ratio (DER) and Debt to Asset Ratio (DAR) and Interest Coverage Ratio (ICR).

Data spanning ten years from ten firms were used for fixed and random effect regression using panel data, which were analyzed using the Hausman Test to choose accurate estimator. As per the results, it was found that DPS is affected serenely by DER, DAR, and ICR although a different direction but not significant. Consequently, despite its theoretical importance, financial leverage does not explain the dividend policy of the industrial goods sector in Nigeria.

In particular, DER has a positive coefficient, which signifies that a unit increment in DER would result in an increase in DPS. However, it was found to be insignificant. The negative coefficient of DAR revealed that asset financing through debt effectually reduces the DPS but not significantly. The coefficient of ICR was negative and insignificant and practically small.

In short, financial leverage, as measured by DER, DAR, and ICR, has no significant effect on dividend policy of quoted industrial goods firms in Nigeria. Although some theories and studies have suggested that leverage is a determinant of dividend payout, the findings of this research study suggests that other firm-specific and external factors can better explain dividend decisions in Nigeria.

Based on the findings, firstly, regarding the debt-to-equity ratio, financial managers should adopt a balanced approach in structuring capital. Although DER revealed a positive but insignificant effect on DPS, firms should not rely excessively on debt financing, as this could expose them to risk without guaranteeing higher dividends.

Secondly, in terms of debt-to-asset ratio, managers should ensure that debt-financed assets are strategically deployed into productive investments that can generate sufficient earnings to sustain dividend payouts.

Thirdly, for interest coverage ratio, firms should prioritize improving operational efficiency and earnings quality rather than focusing solely on interest coverage, since the ratio was found to be insignificant in influencing DPS. Strengthening core profitability may indirectly support dividend sustainability.

Fourthly, as a general recommendation, policymakers and regulators should provide frameworks that encourage sustainable dividend practices and reduce overreliance on debt in the industrial sector. By enhancing access to equity financing and strengthening corporate governance, firms can align better with investor expectations while maintaining financial stability.

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