

THE EFFECT OF OWNERSHIP STRUCTURE ON DIVIDEND POLICY OF LISTED CONSUMER GOODS FIRMS IN NIGERIA

Clement Oko Simon¹, Dr Murtala Abdullahi², Dr Nasirudeen Abubakar³,

^{1,2,3}*Department of Accounting, Kaduna State University, Kaduna*

Corresponding authors' emails/Mobiles: sirclemz45@gmail.com/+2348036001030¹,

Murtala.abdullahi@kasu.edu.ng/+2348069179552², nasirudeenabubakar11@gmail.com/+2348037580002³

Abstract

This study investigates the effect of ownership structure on the dividend policy of listed consumer goods firms in Nigeria. Ownership structure was represented by managerial ownership and foreign ownership while dividend policy was explained by dividend payout ratio. Employing panel data from 21 firms spanning from 2014 to 2023, the study utilizes descriptive statistics, correlation, and multiple regression analysis to examine the effect. Findings reveal that managerial ownership has an insignificant negative effect on dividend payout ratio (DPR), suggesting limited influence on dividend decisions. Conversely, foreign ownership positively and significantly affects DPR, indicating that higher foreign ownership leads to increased dividend payouts and which reflects foreign investors' preference for regular returns. Firm size, a control variable, shows a significant positive relationship with DPR, highlighting the propensity of larger firms to adopt generous dividend policies. The study underscores the role of ownership dynamics and firm characteristics in shaping dividend policy and recommends that firms consider foreign investors' preferences and leverage on their size to enhance shareholder returns. Regulatory frameworks promoting transparency and shareholder rights are also suggested to foster investor confidence.

Keywords: ownership structure, managerial ownership, foreign ownership, dividend policy, listed consumer goods

1. Introduction

Dividend policy is a crucial aspect of corporate finance that determines how a company allocates its profits between reinvestment and payouts to shareholders (Brealey et al., 2020). It varies across industries, regions, and economic conditions. From a global standpoint, dividend policy can range from a pure retention strategy, where all profits are reinvested, to a high payout ratio, where a significant portion of earnings is distributed to shareholders (Damodaran, 2015). Factors influencing dividend policy include growth opportunities, access to capital markets, tax considerations, shareholder preferences, and industry norms (Lease et al., 2000).

In Nigeria, the dividend policy landscape has unique characteristics, including industry dynamics, economic conditions, ownership structure, regulations and governance, and shareholder expectations (Olayinka, 2020). The highly competitive consumer goods industry in Nigeria may lead to a greater emphasis on reinvesting profits to maintain a competitive edge. The country's volatility can influence the risk appetite and dividend policies of consumer goods companies.

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The dividend payout policy is implemented to resolve agency conflicts between the shareholders and managers of a company. The dividend policy of consumer goods businesses refers to the financial or economic decision regarding the amount of dividend to be distributed to the firm's owners and the amount to be retained for sustaining the shareholder's fund (Daadaa & Jouini, 2018). Managers are responsible for determining the allocation of profit between dividend distribution and reinvestment of accumulated earnings or profit.

According to Franc-dąbrowska et al. (2018), a dividend is the payment made by a firm to its equity shareholders as a reward for their investment in the company. The primary duty of the financial manager is to optimize the utilization of shareholders' funds. It is crucial for the financial manager to possess a thorough understanding of dividends and dividend policies, since any prudent or imprudent decision regarding dividends can significantly impact the shareholders' wealth. The dividend policy is a crucial aspect of corporate finance that aims to maximize shareholder wealth.

Ownership structure plays a significant role in determining the corporate governance structure, which in turn influences company financial decisions, including distribution decisions such as dividend payments (Hoang et al., 2020). Dividend policy is the phrase used to describe the practice of management in making decisions about distributing cash to shareholders over time. In addition, the ownership structure is viewed as the comparison between the number of shares held by internal parties or firm management and the number of shares held by external parties or investors (Rasyid, 2015).

Ownership structure is a crucial component of the corporate governance structure and significantly influences company financial decisions, including distribution decisions such as dividend payments (Hoang et al., 2020). Ownership structure pertains to the arrangement of a company's ownership interests in another company within a specific timeframe. The ownership structure in this study incorporates both managerial ownership (ownership by the chairman of the board of directors) and foreign ownership, specifically focusing on listed consumer goods companies that have gone public.

Ownership structure of a corporation plays a crucial role in the decision-making process regarding dividends. It is determined by the distribution of equity in terms of votes and capital, as well as the identity of the equity owners (Ali et al., 2018). The relationship between ownership structures and dividend pay-out policies in Nigerian enterprises is intricate due to the diverse range of owners. The common types of ownership diversity in organizations are managerial ownership, institutional ownership, ownership concentration, and foreign ownership. However, this paper only focuses on managerial and foreign ownership structure. These forms of ownership are reflected and quantified in the financial reports of companies.

Managerial ownership refers to the equity stake held by a company's managers and executives (Demsetz & Lehn, 1985). The level of managerial ownership can influence a firm's decision-making and alignment of interests between managers and shareholders (Jensen & Meckling, 1976).

Foreign ownership is viewed as the percentage of shares that are held by investors from other countries. The ownership of these shares is held by foreign corporations or individuals (Abdulfatah1 et al., 2020). Foreign ownership is only a portion of the total investment made by foreign nationals in the accumulated capital shares of a company. Foreign ownership refers to the equity stake held by investors or entities from outside the company's country of origin (Douma et al., 2006). Foreign ownership can bring access to international capital, expertise, and resources, but may also introduce additional challenges related to cultural and regulatory

differences (Djankov & Hoekman, 2000). According to Al-Najjar and Kilincarslan (2016), foreign investors who own a significant portion of shares in companies in emerging countries closely oversee the activities of these firms. They do this in order to incorporate their extensive expertise and skills into the company, with the goal of establishing improved global standards and practices.

This study is motivated by the need to understand how ownership structure influences dividend policy in the Nigerian consumer goods sector, particularly given the control effect of firm size. Ownership structures such as managerial and foreign ownership affect corporate decisions differently based on shareholder priorities and control mechanisms. For instance, foreign investors may demand higher dividend pay-outs as a return on investment, while managerial ownership could result in retained earnings to finance future growth. In the context of Nigeria's evolving economic environment and unique corporate governance landscape, understanding these dynamics offers valuable insights for investors, regulators, and corporate managers. This study thus aims to provide empirical evidence on how firm size interacts with different ownership types to shape dividend policy, contributing to more informed financial decision-making and potentially guiding regulatory policies for enhanced corporate governance in Nigeria.

Dividend policy of consumer goods companies in Nigeria has experienced lack of consistency and predictability. Many companies in this sector such as Unilever Nigeria Plc tend to adopt a flexible or erratic dividend policy with regular and unpredictable dividend payments (Onyuma, 2015). Dividend payout varies significantly from one year to the next, making it difficult for investors to anticipate and plan their investment strategies accordingly (Ezenwakwelu & Ananwude, 2022). Companies like Nestle Nigeria Plc prioritize reinvesting their profits to fuel growth and advancement rather than distributing high dividend (Olayinka, 2020). Others, due to consecutive financial losses, lack the ability to distribute any dividends to their shareholders.

According to Ripples Nigeria (2021), International Breweries has not paid dividends to shareholders since 2015. Similarly, Olushola Bello (2024) also stated that Cadbury Nigeria Plc did not distribute dividends in 2017. Nevertheless, some consumer goods firms were reported to be among 54 listed companies in Nigeria that failed to pay dividend in five (5) years. These firms include DN Tyre & Rubber (2002), Champion Breweries (1986), Golden Guinea Breweries (1997), Multi-Trex Integrated Foods (2010), and Union Dicon Salt (2002), (Leadership Newspaper, 2024).

The agency conflict between ownership and management has generated potential concerns on the amount of dividend to be paid out. Ordinarily, managers may be inclined to retain a larger portion of the company's profits for reinvestment or expansion, while shareholders may prefer a higher dividend payout to maximize their returns. Therefore, the attempt of both parties to achieve organisational objectives creates a lack of alignment to the overall strategic financial objective of the firm. Consequently, this concern can ultimately impact the company's performance and shareholder value (Akinrinmade & Abiodun, 2020).

Empirical studies on the relationship between ownership structure and dividend policy payout reveal contradictory findings, highlighting the complex dynamics that justify examining firm size as a control variable. While Ahmed and Javid (2022) suggest that high institutional ownership leads to increased dividend payouts to satisfy investors' demand for regular returns, Ali et al. (2023) indicate that firms with substantial institutional ownership may retain earnings to fund long-term growth, especially in environments with high market volatility. Moreover, in

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firms with significant leverage, dividend policies might be constrained as debt obligations take precedence, limiting the ability to distribute profits to shareholders (Chang et al., 2022).

While there is existing research on the relationship between ownership structure and dividend policy in the Nigerian context, the majority of the studies have focused on the broader Nigerian stock market or specific industries other than the consumer goods sector (Adegbite & Amaeshi, 2010; Ujunwa et al., 2012; Olayinka, 2020). From the studies reviewed, more studies on examining the effect of ownership structure on the dividend policy of listed consumer goods companies in Nigeria need to be conducted in order to establish a consistent finding to ownership structure and dividend payout.

In addressing these gaps identified, the following research questions are raised:

- i. To what extent does managerial ownership affect dividend pay-out policy of listed consumer goods companies in Nigeria?
- ii. To what extent does foreign ownership affect dividend pay-out policy of listed consumer goods companies in Nigeria?

To ensure that the study addresses these questions raised, the study examined the effect of managerial ownership and foreign ownership on dividend payout policy of listed consumer goods firms in Nigeria. Other specific objectives of the study include the following:

- i. To examine the effect of managerial ownership on dividend payout policy of listed consumer goods companies in Nigeria.
- ii. To assess the effect of foreign ownership on dividend payout policy of listed consumer goods companies in Nigeria.

To substantiate the study objectives and support valid findings, the following hypotheses were formulated and expressed in null form:

H₀₁: Managerial ownership has no significant effect on dividend payout policy of listed consumer goods companies in Nigeria.

H₀₂: Foreign ownership has no significant effect on dividend payout policy of listed consumer goods companies in Nigeria.

The scope of the study considered a period of 10 years from 2014 to 2023 as these periods were characterised by economic recession experience in Nigeria. One significance of this study is the contribution to a deeper understanding of the dynamics between ownership structure and dividend policy within the Nigerian consumer goods industry.

2. Literature Review

Dividend policy remains a critical aspect of corporate finance, offering insights into the firms' financial health and governance practices. In Nigeria, the consumer goods sector is a vital component of the economy, characterized by growing competition and evolving ownership structures. The interplay between managerial and foreign ownership adds another layer of complexity to dividend policy making. When both managerial and foreign ownership levels are high, it is posited that the presence of foreign investors can compel management to adopt more aggressive dividend policies due to enhanced monitoring and governance structures (Makhija & Yang, 2000). However, conflicting interests may arise when managers prioritize non dividend policies that align with personal benefits over shareholder interests.

Empirical Studies

Managerial Ownership and Dividend Payout Policy

Yi-Hua et al. (2010) and Lacey et al. (2013) stated that as the managerial ownership (insider ownership) increases there will be low conflicts of interest between managers and outside shareholders, consequently reducing the agency costs and the need for high dividend payout. Also, Sáez & Gutiérrez (2015) and Kulathunga & Azeez (2016) argued that when a large percentage of the shares is in the hands of insiders, they will have the incentives to reduce the dividend payout to retain the cash inside the firm to generate private benefits to themselves, such as enhancement of salaries and bonuses, at the expense of outsiders. In addition to the period gap created by this study, the current study fills the environmental gap by domesticating the study in Nigeria, particularly the consumer goods sector of the Nigerian economy.

Al-Qahtani and Ajina (2017) believed that the high percentage of managerial ownership leads to an opportunistic behavior among the board of directors that will result in high dividend levels to control this behavior. Widiatmoko et al. (2021) investigate the impact of share ownership structure on dividend policy. Managerial ownership is used as a proxy for ownership structure. Also, Johanes et al. (2021) conducted a study to examine the impact of managerial ownership on the dividend policy of consumer goods companies listed on the Indonesia Stock Exchange between 2013 and 2018. The population for this study consists of the complete company within the Consumer Goods category that is listed on the Indonesia Stock Exchange. The research samples comprise 12 companies selected using purposive sampling approaches. In addition to the period gap created by this study, the current study fills the environmental gap by domesticating the study in Nigeria, particularly the consumer goods sector of the Nigerian economy.

Balogun et al. (2023) examined the role of dividend payout in moderating the relationship between foreign and managerial ownership on value of listed manufacturing companies in Nigeria. The study sampled thirty-five (35) manufacturing companies listed on Nigeria Exchange from 2010-2021 making it a period of twelve (12) years. The study adopted panel model technique, while, data used were extracted from the audited financial statements and accounts of the sampled companies. Descriptive statistic and GLS regression technique was used for data analysis. The results from the study shows that foreign ownership, the interaction variable between foreign ownership and dividend pay-out as well as dividend payout were significant with a direct effect on firms' value; while, managerial ownership and the interaction variable between managerial ownership and dividend payout were significant and indirectly related to firm's value. This implies that companies that consistently and regularly pay dividend from their annual net earnings to their existing shareholders will encourage and attract foreign and managerial ownership in listed manufacturing companies in Nigeria. However, the present study seeks to fill the sectorial gap created by the study.

Foreign Ownership and Dividend Payout Policy

In their study, Mishiel et al. (2020) analyze how the ownership structure of manufacturing businesses listed on the Amman Stock Exchange (ASE) during the period of 2013-2015 affects their dividend pay-out policies. The study population consisted of 72 manufacturing enterprises that were listed, and a sample size of 58 companies was selected. The study employed correlation and multivariate regression models for analysis. The study's findings indicate that foreign ownership has a detrimental and statistically negligible effect on the dividend payment policy. In addition to the period gap created by this study, the current

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study fills the environmental gap by domesticating the study in Nigeria, particularly the consumer goods sector of the Nigerian economy.

Abdul Fatah et al. (2021) investigated the impact of ownership structure on the distribution of dividends by deposit money banks that are publicly listed in Nigeria. The study's population comprises the eleven (11) deposit money banks that are listed on the Nigerian Stock Exchange from 2011 to 2018. The data acquired from the audited annual reports and accounts of sampled firms was analyzed using the robust ordinary least square (OLS) estimation technique in multiple regression. In addition, Bataineh (2020) examines the influence of ownership structure on the dividend distribution strategy of industrial and service companies that are publicly traded on the Amman Stock Exchange in Jordan during the period of 2014-2017. For a representative sample of 66 Jordanian industrial and service enterprises. The study employed tobit panel regression to examine the hypotheses. In addition to the period gap created by this study, the current study fills the environmental gap by domesticating the study in Nigeria, particularly the consumer goods sector of the Nigerian economy.

Idris (2023) examined the effect of foreign ownership on dividend payout of listed consumer good firms in Nigeria by using profitability as a mediator. The study employed panel data that is extracted from secondary sources, through the annual report and account of sample companies. The population of the study is twenty-one and sample size is sixteen listed consumer good firms from 2012 to 2021. The study adopted a convenience sampling technique because sample companies use base on the availability of data. The adopted Panel Corrected Standard Errors model was used for model one and three, and Feasible General Least Square was adopted for model two.

Theoretical Framework

Agency Theory

Agency theory, introduced by Jensen and Meckling (1976), explores the conflicts of interest that arise between principals (shareholders) and agents (managers) in a firm. The theory posits that managers, who control the firm's resources, may prioritize personal goals over the interests of shareholders, leading to agency costs. Dividends are often used as a mechanism to mitigate these conflicts by reducing free cash flow available to managers, thus limiting the potential for opportunistic behaviours. In the context of this study, agency theory provides a framework for understanding how ownership structures, such as managerial and foreign ownership, influence dividend policy decisions.

Higher managerial ownership is theorized to align the interests of managers with those of shareholders, thereby reducing agency conflicts (Jensen & Meckling, 1976). Conversely, Ullah et al. (2020) argue that higher managerial ownership can lead to lower dividend payouts, as managers prefer to retain earnings for reinvestment or personal incentives, demonstrating context-dependent variations.

Foreign ownership introduces an external monitoring mechanism that can reduce agency costs, as foreign investors often demand greater transparency and accountability. The preference for dividends can be linked to the monitoring challenges faced by foreign investors in emerging markets, making dividends a reliable tool for reducing information asymmetry and agency conflicts. On the other hand, Desai et al. (2007) note that foreign investors may prioritize capital appreciation over dividend payouts in markets with strong governance systems, highlighting the role of institutional factors.

Signalling Theory

Signalling theory, as proposed by Spence (1973), posits that firms use certain observable actions to convey information about their quality and prospects to stakeholders in situations of asymmetric information. In corporate finance, dividend payments are viewed as a signal of a firm's financial health, stability, and future profitability. Managers use dividends to communicate positive performance to shareholders and other market participants, especially when internal operations and profitability are not fully transparent. This study draws on signaling theory to understand how ownership structures, such as managerial and foreign ownership, and firm size influence dividend policy as a signaling mechanism.

Managerial ownership reflects the extent to which managers are invested in the firm. From a signaling perspective, managers with substantial ownership stakes may have less need to rely on dividends as a signal since their financial interests align closely with those of other shareholders (Jensen & Meckling, 1976). In contrast, Rozeff (1982) suggests that in cases of low managerial ownership, dividends might be employed more actively to signal financial stability to outside shareholders.

3. Methodology

The study employed ex-post facto and correlational research designs. The ex-post facto research design uses historical secondary data extracted from past financial statements and analysed while correlational research seeks to identify associations between two variables (dependent and independent). The design was selected because of its suitability for analysing the correlations and causal effects of several variables. Therefore, the layout is appropriate for the study's primary purpose.

The population of this study consist of all the twenty-one (21) consumer goods firms listed on Nigeria Exchange Group (NGX) as at 31st December 2023. The census sampling technique is employed as all the 21 consumer goods firms were considered for the study. In addition, this technique allows for greater inference to be made on the entire population of the study. Hence the sample size of the study is twenty-one (21).

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Variables, Definition and Measurement

The dependent variable of the study is dividend pay-out policy, while the independent variables are managerial ownership and foreign ownership.

Table 1

Variables Measurement

Variable	Type	Definition	Measurement	Sources
Dividend Pay-out Ratio (DPR)	Dependent	The proportion of earnings distributed to shareholders as dividends.	Measured as the ratio of divided per share to earnings per share.	(Kamanguya,2020)
Managerial Ownership (MGO)	Independent	The proportion of shares owned by the firm's management.	Measured as the proportion of the company's shares owned by the management.	(Said & Lubna, 2020)
Foreign Ownership (FOWN)	Independent	The percentage of a firm's shares owned by foreign investors, who may prefer higher dividends to repatriate profits.	Measured as the proportion of shares held by foreign investors to issued share capital.	(Guo, Huang, Zhang, & Zhou, 2014)
Firm Size (FSZ)	Control	The size of the firms' investments in assets	Natural logarithm of total assets	Chang et al. (2022), Ahmed & Javid (2022)

Source: Compiled by Researcher from Empirical Literatures, 2024

Model Specification

In bid to examine the effect of managerial and foreign ownership structure on dividend pay-out policy of consumer goods firms in Nigeria, a linear model is built. The model encapsulates the contribution of managerial ownership and foreign ownership on dividend payout policy and the model is expressed as;

$$DPR_{it} = \beta_0 + \beta_1 MGO_{it} + \beta_2 FOWN_{it} + \beta_3 FSZ_{it} + \varepsilon_{it} + \mu_{it} \text{-----} (1)$$

Where: DPR is Dividend Pay-out Ratio; MGO is Managerial Ownership; FOWN is Foreign Ownership; FSZ is Firm Size; i is Cross section; t is Time series; μ is Stochastic error term; β_0 is Intercept of the model "Constant"; and $\beta_1 - \beta_3$ is parameters to be estimate.

4. Results and Discussion

Descriptive Statistics

The descriptive statistics for the variables in the study provide valuable insights into their characteristics, central tendencies, and variability across the sample of 210 observations.

Table 2

Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Minimum	Maximum
DPR	210	.7108054	.902371	-.54	8.29
MGO	210	.3896286	.5822873	.0016	3.0429
FOWN	210	3.223333	2.995712	.028	9.954
FSZ	210	24.73343	1.831774	19.7512	27.8027

Source: STATA 16 output file (Appendix) 2024

The Dividend Payout Ratio (DPR), the dependent variable, has a mean value of 0.7108, indicating that, on average, firms distribute approximately 71.08% of their net earnings as dividends as shown in table 2. The standard deviation of 0.9024 suggests a high level of variability in dividend policies among the firms. The minimum value of -0.54 indicates some firms have experienced negative dividend payout ratios, potentially due to net losses or other adjustments, while the maximum value of 8.29 reflects outliers or firms with exceptionally high payout ratios.

Managerial Ownership (MGO), an independent variable, has a mean of 0.3896, implying that, on average, managers of listed consumer goods firms in Nigeria during the study period own less than 1% of the equity shares of the sample consumer goods firms. The standard deviation of 0.5823 highlights significant variations in managerial ownership levels across the sample. Suggesting that, the average of about 1% does not apply across all the firms. The minimum value of 0.0016 indicates firms where managers have negligible ownership, while the maximum value of 3.0429 reveals instances of considerable managerial stakes in the firms.

The second independent variable, Foreign Ownership (FOWN), exhibits a mean of 3.2233, showing that on average listed consumer goods firms in Nigeria had foreign ownership as it relates to equity shares of at least 3.22% of the firms' shares. However, given a standard deviation value of 2.9957 which suggest a marginal deviation from the mean value, the average of 3.22% applies across sampled consumer goods firms in the study. The minimum value of 0.028 suggests firms with very limited foreign ownership, while the maximum of 9.954 represents firms with significant foreign investor participation.

The control variable, Firm Size (FSZ), measured by the natural logarithm of total assets, has a mean of 24.7334. This indicates the typical scale of operations for the firms in the sample. The standard deviation of 1.8318 shows relatively consistent firm sizes within the sample, with values ranging from a minimum of 19.7512 to a maximum of 27.8027. The narrow spread reflects that the sample likely consists of relatively large firms with substantial total assets.

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Correlation Matrix

Table 3

Pearson Correlation

Variable	DPR	MGO	FOWN	FSZ
DPR	1.0000			
MGO	-0.0224 0.7468	1.0000		
FOWN	0.1144 0.0982	0.2968*	1.0000	
FSZ	0.2846* 0.0000	0.0072 0.9172	0.0168 0.8083	1.0000

Source: STATA 16 output file (Appendix) 2024

The correlation results reveal the relationships between the variables of the study. The Dividend Payout Ratio (DPR) has a weak and statistically insignificant negative correlation with Managerial Ownership (MGO) ($r=-0.0224$, $p=0.7468$), suggesting minimal influence. Conversely, DPR shows a weak positive correlation with Foreign Ownership (FOWN) ($r=0.1144$, $p=0.0982$), though this relationship is not statistically significant. However, DPR has a positive and statistically significant correlation with Firm Size (FSZ) ($r=0.2846$, $p=0.0000$), indicating that larger firms are more likely to have higher dividend payouts. Additionally, there is a statistically significant positive correlation between MGO and FOWN ($r=0.2968$, $p=0.0000$), suggesting that firms with higher managerial ownership also tend to have substantial foreign ownership. FSZ has negligible and insignificant correlations with MGO ($r=0.0072$, $p=0.9172$) and FOWN ($r=0.0168$, $p=0.8083$), highlighting limited direct associations. Overall, the results suggest that while some relationships exist, firm size significantly impacts dividend policy, warranting further analysis.

Diagnostic Tests

Table 4

Multicollinearity and Heteroskedasticity Tests

Variable	VIF	1/VIF
MGO	1.10	0.911930
FOWN	1.10	0.911718
FSZ	1.00	0.999711
Mean VIF	1.06	
Breusch-Pagan / Cook-Weisberg test	Chi2	Prob>chi2
	43.22	0.0000

Source: STATA 16 output file (Appendix) 2024

The results of the multicollinearity test, assessed using the Variance Inflation Factor (VIF), indicate no significant multicollinearity among the independent variables in the study. Managerial Ownership (MGO) and Foreign Ownership (FOWN) each have a VIF of 1.10, while Firm Size (FSZ) has a VIF of 1.00. The mean VIF of 1.06 is well below the commonly accepted threshold of 10, suggesting that the variables are not highly correlated and can

independently explain variations in the dependent variable. This confirms the reliability of the regression model in estimating the effects of the independent variables on the Dividend Payout Ratio (DPR).

The heteroskedasticity test, conducted using the Breusch-Pagan/Cook-Weisberg test, reveals evidence of heteroskedasticity, with a Chi-squared value of 43.22 and a p-value of 0.0000. The significant result indicates that the variance of the residuals is not constant across observations, violating the assumption of homoscedasticity in classical regression analysis. This suggests that the regression model may yield inefficient estimates.

Regression Results

The regression analysis provides insights into the influence of each variable on dividend policy, specifically the Dividend Payout Ratio (DPR).

Table 5

Summary of Regression Results (Random Effect Model)

DPR	Coef.	Std. Err.	Z	P> Z
MGO	-0.0266	0.1028	-0.26	0.796
FOWN	0.0454	0.0217	2.10	0.036
FSZ	0.1706	0.0469	3.63	0.000
_cons	-3.6456	1.1673	-3.12	0.002
R-sq	0.0943			
Wald chi2	18.08			
Prob>chi2	0.0004			
Hausman test:				
Chi2	2.43			0.4890
LM test:				
Chi2	46.51			0.0000

Source: STATA 16 output file (Appendix) 2024

The R-sq value of 0.0943 suggests that approximately 9.43% of the variation in DPR is explained by the model, indicating a relatively modest explanatory power. The Wald Chi-squared statistic of 18.08 (p=0.0004) confirms that the model is statistically significant overall, implying that the independent variables jointly explain variations in the dependent variable.

The Hausman test yields a Chi-squared value of 2.43 (p=0.4890), indicating that the Random Effects model is appropriate for the data, as the differences between Fixed and Random Effects estimators are not statistically significant. The LM test for random effects produces a Chi-squared value of 46.51 (p=0.0000), further validating the use of the Random Effects model. Overall, the regression results highlight the significant role of foreign ownership and firm size in shaping dividend policies, while managerial ownership has an insignificant impact.

Discussion of Findings

The regression analysis provides insights into the influence of each variable on dividend policy, specifically the Dividend Payout Ratio (DPR). Below is a discussion of each variable in relation to dividend policy:

Managerial Ownership (MGO) and Dividend Payout Policy

The coefficient for managerial ownership is negative (−0.0266) but statistically insignificant (p=0.796). This result suggests that the proportion of shares owned by managers

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has no substantial impact on dividend policy among the sampled firms. The finding aligns with agency theory, which posits that higher managerial ownership can reduce the need for dividend payouts as a mechanism to mitigate agency conflicts. However, the insignificant relationship may indicate that managers prioritize internal investments or other strategic goals over dividend payouts, regardless of their ownership stakes. This finding therefore aligns with Yi-Hua et al. (2010) and Lace et al. (2013) but contradicts those of Al-Qahtani and Ajina (2017).

Foreign Ownership (FOWN) and Dividend Payout Policy

Foreign ownership positively influences dividend policy, with a significant coefficient of 0.0454 ($p=0.036$). This result indicates that an increase in foreign ownership is associated with higher dividend payouts. Foreign investors often favour firms with consistent and substantial dividend payments as a signal of financial stability and profitability. This finding supports signalling theory, which suggests that dividends convey important information about a firm's health to investors. Foreign investors' preference for dividends may also reflect the limited ability to monitor firm activities closely, making dividends a preferred means of securing returns on investment. The findings of this study align with those of Mishiel et al. (2020) but contradict those of Abdul Fatah et al. (2021).

Firm size has a strong positive and statistically significant impact on dividend policy, with a coefficient of 0.1706 ($p=0.000$). Larger firms tend to have more stable cash flows, better access to capital markets, and higher profitability, enabling them to sustain regular and higher dividend payouts. This finding is consistent with the maturity hypothesis, which suggests that larger and more established firms are more likely to distribute earnings as dividends. Moreover, larger firms may use dividends to build a positive reputation and attract investors by signalling their financial stability.

Test of Hypotheses

From the regression results, the coefficient for managerial ownership (MGO) is -0.0266, with a p-value of 0.796. Since the p-value exceeds the 5% significance level ($\alpha=0.05$), this therefore provides sufficient evidence for failing to reject the null hypothesis of one of the studies. The insignificant effect aligns with agency theory, which posits that higher managerial ownership aligns the interests of managers with shareholders, reducing the need for dividends as a monitoring mechanism.

The regression results also reveal a coefficient of 0.0454 for foreign ownership (FOWN) with a p-value of 0.036, which is below the 5% significance level. Thus, the null hypothesis is rejected, indicating that foreign ownership has a significant positive effect on dividend payout policy. This finding is consistent with signalling theory, which suggests that firms with significant foreign ownership use dividends to signal financial stability and profitability to investors.

Summary of Findings

The study's findings reveal key insights into the determinants of dividend policy among listed consumer goods firms in Nigeria. Managerial Ownership (MGO) has an insignificant negative effect on the Dividend Payout Ratio (DPR), suggesting that managers' shareholdings do not significantly influence dividend decisions. In contrast, Foreign Ownership (FOWN) exerts a significant positive effect on DPR, indicating that higher foreign ownership leads to increased dividend payouts, likely reflecting foreign investors' preference for regular returns.

Firm Size (FSZ) also has a significant positive relationship with DPR, highlighting that larger firms are more likely to pay higher dividends due to their stable cash flows and financial capacity. The regression model demonstrates modest explanatory power, with an R^2 of 0.0943,

and is statistically significant overall, as indicated by the Wald Chi-squared test. These findings contribute to the understanding of how ownership structure and firm characteristics influence dividend policy, while highlighting areas for further research to include additional factors that may impact dividend decisions.

5. Conclusion And Recommendations

The study concludes that ownership structure and firm characteristics significantly influence the dividend policy of listed consumer goods firms in Nigeria. Specifically, foreign ownership is positively associated with the Dividend Payout Ratio (DPR), indicating that firms with higher levels of foreign ownership are more likely to pay substantial dividends. This supports the notion that foreign investors demand consistent returns, using dividends as a tool to mitigate agency problems and ensure transparency. Overall, the study underscores the role of ownership dynamics and firm characteristics in shaping corporate dividend policies while revealing potential areas for further investigation.

Based on the findings, the study recommends maintaining a stable and attractive dividend policy, by consumer goods firms as this is capable of attracting foreign investors such as foreign directors into investing in Nigerian consumer goods firms. In addition, their appeal to foreign investors and strengthen investor confidence.

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