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EFFECT OF DIVIDEND POLICY ON THE FINANCIAL PERFORMANCE OF CONSUMER GOODS FIRMS IN NIGERIA.

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ABSTRACT

The study examined examine the effect of dividend policy on the financial performance of Consumer goods firms in Nigeria (2014-2023). The specific objectives include to: determine the extent of dividend per share on profit for the year of Consumer goods firms in Nigeria, ascertain the effect of dividend payout ratio on profit for the year of Consumer goods firms in Nigeria and examine the effect of dividend yield on profit for the year of Consumer goods firms in Nigeria. The study employed secondary sources of data from the annual report of the selected consumer goods firms in Nigeria. Ex-post facto research design was adopted. The study employed multiple regressions of Panel Least Squares method. The result revealed that dividend per share have positive (coefficient-1884438) and non-significant (P-value 0.7714) effect on profit for the year of Consumer goods firms in Nigeria, dividend payout ratio has a negative (coefficient -7633658) and non-significant (P-value 0.3307) effect to Profit for the year of Consumer goods firms in Nigeria and dividend yield has a negative (coefficient -503347.9) but significant (P-value 0.9184) effect on Profit for the year of Consumer goods firms in Nigeria.. From the findings, recommendations were made; Consumer goods firms in Nigeria should adopt diverse strategies aimed at improving their dividend per share as it shows how much money a company makes for each share of its stock. Consumer goods firms in Nigeria should improve their dividend yield as it is used by investors to show how their investment in stock is generating either cash flows in the form of ***dividends*** *or increases in asset value by stock appreciation.*

Introduction

A dividend policy is the policy or plan that a company uses or adopts to structure or decide how much and when to distribute dividends to its shareholders. Dividends are shares of company profits that reward shareholders and directors for their investment in the company. A dividend policy has consequences for the share price, growth rate, and goodwill of the company. It also depends on the profits, investment needs, and cash or debt availability of the company. A dividend policy may vary if a company has multiple share classes. In general, there are three types of financial decisions that could have an impact on the value of the firm. These are investment decisions, financing decisions and dividend decisions. These three decisions are linked to each other in series. Investments made by a firm determine the future gains and potential dividend amount of the firm. The policy of dividend distribution determines the equity capital rate within the capital structure of the firms; therefore, capital cost is being influenced as well. The aim of these interrelated decisions is maximizing the wealth of the stock holders.

Literature Review

Finance literature continues to discuss the subject of whether dividend distribution policy influences firms' market values and if any, what kind of influence it has. In terms of measurability, nevertheless, some assessment models related to the influence dividend distribution policy has on firms' market values have been developed.

There are two main approaches in this issue. The first one is the unrelated dividend approach argued by Miller and Modigliani in 1961. They asserted that the value of the firm is not influenced by the dividend policy in ideal conditions. Olowe (2022) argued that investors would not pay high prices for stocks with higher dividends when they do not need dividend to obtain cash. According to him, in short, the market price

of the stocks does not change after the investment and dividend payment. Since, the decrease in the stock price by way of borrowing or new stock export provides for the dividend payments. The second approach, on the other hand, is the dividend relation developed by Myron Gordon and John Lintner (GL) (2023). According to this approach which can be summarized as "a bird in the hand is worth three in the bush," dividend policy has an influence on the business value depending on the choices of the investors. Having said that, the investors usually prefer to get dividend today rather than wait for their future capital gains. The reason for that is that the dividend gains are more risk-free than the capital gains from the perspective of the investors.

Dividend has been adjudged to be the catalyst for the financial performance of firms/companies. The issue of dividend payout is a very important one in the current business environment and more especially on the performance evaluation of firms/companies. Dividend payout according to Hart and John, (2022) is the regulations anad guidelines that a company uses to decide whether to make dividend payments to shareholders or not. The dividend payment decisions of firms are the primary element of any corporate policy which is basically the benefit of shareholders in return for investing their money in the organization. These factors include financing limitations, investment chances and choices, firm size, pressure from shareholders and regulatory regimes. The dividend payout of firm's is not only the source of cash flow to the shareholders but it also offers information relating to firm's current and future performance. The dividend policy remains one of the most important financial policies not only from the view point of the company, but also from that of the shareholders, the consumers, employees, regulatory bodies and the government. Shareholders wealth is margin influenced by growth in sales, improvement in profit margin, capital investment decisions and capital structure decisions.

Akuezuilo, (2023) sees dividend policy as a company's policy which determines the amount of dividend payments and the amounts of dividend payout ratio for reinvesting in new projects. The philosophy of dividend is that the investors would not want any dividend less than the expected except they have the conviction that the investment to which the dividend payout ratio are committed would yield returns over and above what they could be opportune to elsewhere. An over view of dividend payout pattern shows that profitable mature firms pay higher dividend than younger rapidly growing ones. This is because the former use capital market for financing while the latter use intermediated financing. The study attempt to unravel the extent dividend policies indices such as dividend per share, dividend payout ratio and dividend yield affect the profit for the year of Consumer goods firms in Nigeria.

Statement of the Problem

A dividend policy is a policy a company uses to structure its dividend payout. Put simply, a dividend policy outlines how a company will distribute its dividends to its shareholders. These structures detail specifics about payouts, including how often, when, and how much is distributed. There are three different types of dividend policies—stable, constant, and residual-each with its own benefits. Dividend policies aren't mandatory, as some companies choose not to reward shareholders with dividends. There are many problems that a company face when it comes to dividend payments to its investors. A smaller growing company usually does not pay dividends. All the funds it generates are required to support the growth. As the growth slows, you and the other owners tend first to reward yourselves with higher salaries, taking your compensation in the most tax-efficient manner, however, some owners may retire. This research is set to bring a lasting solution to the above problem.

Investors are particularly interested in the dividend policies of firms. This is based on the fact that the dividend policy determines the dividend payout ratio. The dividend payout ratio measures the percentage of net income that is distributed to shareholders in the form of dividends during the year. In other words, this ratio shows the portion of profits the company decides to invest in its operations and the portion of profits that is given to shareholders. Investors have much interest in the dividend payout ratio because they want to know if the company or companies are paying out a reasonable portion of net income to investors. Investors can see that these dividend rates cannot be sustained very long because the company will eventually need money for its operations. If a company fails to pay dividend, investors can withdraw their stake and can lead

to going concern problem of the firm, it shows the performance and assessing the performance of the firm etc. It therefore implies that a Manufacturing firm that has high dividend payout ratio may invariably have lesser investment capacities thereby having a deleterious effect on the return on assets of the company.

A company's dividend yield can help potential shareholders decide whether to invest or not. Investors can use a company's dividend yield to determine if it can continue to pay shareholders using the money it earns from revenues.

A high dividend payout suggests that the company might be paying out more than it can comfortably afford. Not only does this leave just a small percentage of profits to plow back into the business, but it also leaves the firm highly susceptible to a decline in future dividend payments. In some cases, a company will even pay out more than it earns, thus yielding a dividend payout in excess of 100%. Such extremely high payouts are rarely sustainable and should warn investors that a dividend cut may be on the horizon. Because the act of reducing dividends is usually interpreted as a sign of weakness, when a dividend cut announcement is made, it also usually triggers a decline in the share price. It is based on this premise that this study is been designed to study the effect of dividend policy on the profitability of Consumer goods firms in Nigeria.

Objectives of the Study

The broad objective of this study is to examine the effect of dividend policy on the financial performance of Consumer goods firms in Nigeria.

The specific objectives are to:

i. Determine the extent of dividend per share on profit for the year of Consumer goods firms in Nigeria.
ii. Ascertain the effect of dividend payout ratio on profit for the year of Consumer goods firms in Nigeria.
iii. Examine the effect of dividend yield on profit for the year of Consumer goods firms in Nigeria.

Significance of the Study

This study will be of immense benefit to the following groups:

Researcher: The study will benefit the researcher as it will widen her scope on the concepts of dividends policy as well as how it affects the profit for the year of organizations.

Management of Consumer goods firms

Management of the Consumer goods firms will benefit from this study as it will enlighten them on the concept of dividend policies as well as its effect on firms' performance. This research will help the management of Consumer goods firms to understand that dividend policies can help potential shareholders decide whether to invest or not. Investors can use a company's dividend yield to determine if it can continue to pay shareholders using the money it earns from revenues.

Investors

This research will help the management of Manufacturing firm to understand that dividend policies can help potential shareholders decide whether to invest or not. Investors can use a company's dividend yield to determine if it can continue to pay shareholders using the money it earns from revenues.

Conceptual Review

Dividend policy

A dividend policy is a policy a company uses to structure its dividend payout. Put simply, a dividend policy outlines how a company will distribute its dividends to its shareholders. These structures detail specifics about payouts, including how often, when, and how much is distributed. There are three different types of dividend policies—stable, constant, and residual-each with its own benefits. Dividend policies aren't mandatory, as some companies choose not to reward shareholders with dividends. A company's dividend policy dictates the amount of dividends paid out by the company to its shareholders and the frequency with which the dividends are paid out. When a company makes a profit, they need to make a decision on what to do with it. They can either retain the profits in the company (retained earnings on the statement of financial position), or they can distribute the money to shareholders in the form of dividends. A dividend is the share of profits that is distributed to shareholders in the company and the return that shareholders receive for their

investment in the company. The company's management must use the profits to satisfy its various stakeholders, but equity shareholders are given first preference as they face the highest amount of risk in the company

Dividend refers to a reward, cash or otherwise, that a company gives to its shareholders. Dividends can be issued in various forms, such as cash payment, stocks or any other form. A company's dividend is decided by its board of directors and it requires the shareholders' approval. However, it is not obligatory for a company to pay dividend. Dividend is usually a part of the profit that the company shares with its shareholders. Michael (2023)

A dividend is a share of profits and retained earnings that a company pays out to its shareholders. 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. The annual dividend per share divided by the share price is the dividend yield.

A dividend is a payment made by a corporation to its shareholders, usually as a distribution of profits (Abelly, 2022). When a corporation earns a profit or surplus, the corporation is able to re-invest the profit in the business (called dividend payout ratio) and pay a proportion of the profit as a dividend to shareholders. Distribution to shareholders may be in cash (usually a deposit into a bank account) or, if the corporation has a dividend reinvestment plan, the amount can be paid by the issue of further shares or share repurchase.

A dividend is allocated as a fixed amount per share, with shareholders receiving a dividend in proportion to their shareholding. For the joint-stock company, paying dividends is not an expense; rather, it is the division of after tax profits among shareholders (Ade, 2022). Dividend payout ratio (profits that have not been distributed as dividends) are shown in the shareholders' equity section on the company's balance sheet – the same as its issued share capital. Public companies usually pay dividends on a fixed schedule, but may declare a dividend at any time, sometimes called a special dividend to distinguish it from the fixed schedule dividends. Cooperatives, on the other hand, allocate dividends according to members' activity, so their dividends are often considered to be a pre-tax expense.

Akingbola, (2021) highlighted the forms of dividend payment as thus;

Cash dividends;

They are the most common form of payment and are paid out in currency, usually via electronic funds transfer or a printed paper check. Such dividends are a form of investment income and are usually taxable to the recipient in the year they are paid. This is the most common method of sharing corporate profits with the shareholders of the company.

Stock or scrip dividends;

They are those paid out in the form of additional stock shares of the issuing corporation, or another corporation (such as its subsidiary corporation).

Stock dividend distributions;

They are issues of new shares made to limited partners by a partnership in the form of additional shares. Nothing is split, these shares increase the market capitalization and total value of the company at the same time reducing the original cost basis per share.

Property dividends or dividends **in specie;**

They are those paid out in the form of assets from the issuing corporation or another corporation, such as a subsidiary corporation. They are relatively rare and most frequently are securities of other companies owned by the issuer, however they can take other forms, such as products and services.

Interim dividends;

They are dividend payments made before a company's Annual General Meeting (AGM) and final financial statements. This declared dividend usually accompanies the company's interim financial statements.

Dividend policy is concerned with financial policies regarding paying cash dividend in the present or paying an increased dividend at a later stage. Whether to issue dividends, and what amount, is determined mainly on the basis of the company's unappropriated profit (excess cash) and influenced by the company's long-term earning power. When cash surplus exists and is not needed by the firm, then management is expected to pay out some or all of those surplus earnings in the form of cash dividends or to repurchase the company's stock through a share buyback program. Dividend decision is one of the fundamental financial decisions which corporate organizations, Consumer goods firms inclusive have to make on continuous bases. This involves the determination of the proportion of earnings to be retained and the proportion to be distributed to shareholders (Abell, 2020). This concern has prompted many studies on dividend policy. These studies focused on the nature of dividends and such areas as the relevance or irrelevance of dividend policy to the value of a firm; theories and the determinants of dividend yield and dividend payout rate. Despite extensive debate and research, the actual motivation for paying dividends remains a puzzle (Ade, 2021).

Dividend per share

Dividend per share (DPS) is the sum of declared dividends issued by a company for every ordinary share outstanding. The figure is calculated by dividing the total dividends paid out by a business, including interim dividends, over a period of time, usually a year, by the number of outstanding ordinary shares issued, onyeze (2020). A company's DPS is often derived using the dividend paid in the most recent quarter, which is also used to calculate the dividend yield.

DPS is an important metric to investors because the amount a firm pays out in dividends directly translates to income for the shareholder. It is the most straightforward figure an investor can use to calculate their dividend payments from owning shares of a stock over time. A consistent increase in DPS over time can also give investors' confidence that the company's management believes that its earnings growth can be sustained.

Dividends per share (DPS) is an accounting ratio used to evaluate the total number of dividends declared for each share of issued stock. The issued stock taken into account is common stock. Declared dividends are the portion of the company's profit that is to be paid to the shareholder. However, declared dividends are not the equivalent of paid dividends. The amount that is not paid to the shareholders is considered retained earnings. So, in a nutshell, dividends per share is important because it shows returns to the shareholders.

Dividends per share shows the percentage of the profit earned by a public company that is to be given to the shareholders. This amount is important to both the shareholders and investors. Shareholders care about this figure because dividends are one way they can gain a financial return after buying shares in a company. Investors use this ratio as one method of analyzing the financial capabilities of a company. Dividends per share only accounts for dividends that are to be distributed regularly, rather than one-time payments to shareholders. The term dividends per share (DPS) refers to the total dividend a company pays out over a 12-month period, divided by the total number of outstanding shares. A company uses this calculation to share profits with its shareholders. DPS can indicate how profitable a company is over a fiscal period and it can tell an investor about the company's past financial health and its current financial stability.

DPS is an important metric to investors because the amount a firm pays out in dividends directly translates to income for the shareholder, and the DPS is one of the most straightforward figures an investor can use to calculate his or her dividend payments from owning shares of a stock over time. Meanwhile, a growing DPS over time can also be a sign that a company's management believes that its earnings growth can be sustained.

Dividends per share tells the investors about profit growth.

When the DPS decreases, it shows that a company may not have the best financial health. As a result, some investors might reduce their investment in the company. All organizations have financial performance measures as part of their performance management, although there is debate as to the relative importance of financial and non-financial indicators. Evaluating the performance of a business allows decision-makers to judge the results of business strategies and activities in objective monetary terms. Firm's performance can be measured in many ways. These include: Profitability which describe how much wealthy a company is

making after paying for all the expenses and other charges. Firm's performance can also be measured using; Cash flow which is the difference between the amount of cash at the end of the period and the amount of cash at the beginning of the same period. In addition several ratios can be calculated from the balance to measure financial performance e.g Return on Assets, Return on Investments, Return on Equity (Carolyne, 2022)

Dividend pay-out ratio

A company's dividend policy is its long term financial strategy with regards to deciding how much earnings to pay out as against retaining them for investment in the company. It leads to division of profits between dividend payment to shareholders and reinvestment in the company (Chen and Mahajan, 2019). There are no transaction and bankruptcy costs associated with retained profits. Thus, dividend payout ratio constitutes a major source of finance for companies. Investors prefer capital gains over dividends, because capital gain taxes can be deferred into the future and are taxed at a minimum rate while taxes on dividends must be paid as soon as they are received and are taxed at a relatively higher rate. Whenever there is an increase in personal income tax of the shareholders, companies tend to retain and reinvest more of their earnings. Payment of earnings as dividend is associated with agency cost and an opportunity for existing shareholders is lost to reinvest their earnings for growth of the company. Allman-Ward and Sagner, (2022) says that investors benefit more from reinvested earnings than dividends in the long-run.

Campello and Weisbach, (2023) opine that dividend payout ratio are profits that were not distributed to shareholders or owners of capital. The concept of dividend payout ratio gives a perfect understanding of what may be called "saving for the rainy day". These funds may either be paid at a later date or be reinvested in the same business (expansion) or in another kind of venture. The purpose is simply to earn more money through reinvestment and to increase the total assets of the organization (Akuezuilo, 2021).

Dividend payout ratio are company's profit, which left after deducting all expenses and paying dividends, and it retained in the company for future growth (Agu, 2022). The purpose of retention is that expansion chances of growth increases of retaining the profit into the company.

Al-Malkawi, Rafferty and Pillai, (2020) is of the view that in corporate sector, generally a finance manager deals with three main decisions. (1) Investment decision/ capital budgeting decision (2) Payout decision (3) Financing decision. Investment decision deals with management of real assets which a firm hold. Financing decision states how assets of firm should be financed. While a payout decision arises when a firm starts generating profit. At this profit stage, he stated that a firm faces two problems in making a good adjustment. Should a firm distribute all of its earned profit to its shareholder or investing back the profit into business? While taking any decision regarding the above scenario, finance mangers focus on wealth maximization of shareholders which is the core objective of a firm. Management should not only concentrate on investment and financing need of business, being fulfilled by firm's earnings, but also consider how implication of this decision can affect the share price (Bishop and Crapp, 2022).

Patterns of Dividend Payments

a. Constant Dividend Pay-out Ratio: In this policy, the percentage of earnings paid out in dividend is held constant. Although, the dividend to earnings ratio is stable, but the Naira amount of the dividend naturally fluctuates from year to year as profit vary.

b. **Stable naira dividend per share payout:** This policy maintains a relatively stable Naira (N) dividend over time (Pandey, 2020).

An increase in the Naira dividend usually does not occur until management is convinced that the higher dividend level can be maintained in the future. Management also will not reduce the higher dividend level can be maintained in the future. Management also will not reduce the Naira dividend until the evidence clearly indicates that a continuation of the present dividends cannot be supported.

c. **Small regular dividend plus year-end extra dividend payout:** A corporation following this policy pays a small regular dividend plus a year end extra dividend in prosperous years. The extra dividend is declared toward the end of the fiscal year, when the company's profit for the period can be estimated. The main aim of the management is to avoid the connotation of a permanent dividend. However, this purpose may be

defeated if remaining extra dividends came to be expected by investors (Companies and Allied Matters Act 2020).

Hence, the stable Naira dividend is by far the most common of the three dividend policies, as findings made it known that corporate managers are fond of being reluctant to change the Naira amount of the dividend in response to temporary fluctuations in earnings from year to year (Eno, 2016).

Constraints of Dividend Growth Pattern

The constraints of dividend growth Pattern according to Gordon (2021) include the following:

Cash Flow Constraints: Consumer goods firms pay dividends in cash. Consumer goods firms without available cash cannot pay dividends, no matter what their earnings. This emphasizes again the superiority of cash flow over earnings in most financial contexts. Even if Consumer goods firms do not have cash on hand, they may borrow funds to pay dividends. However, this requires incurring the costs of borrowing therefore, may be unwise.

Legal constraints: Law governs permissible dividend practices and may constrain the bank's dividend policy. The dividend policy of the bank has to evolve within the legal framework and restrictions.

Access to the capital market: A bank that is not sufficiently liquid can still pay dividends if it is able to raise debt or equity in the capital markets. If it is well established and has a record of profit for the year, it will not find much difficulty in raising funds in the capital markets (Hart, and John, 2022). Easy accessibility to the capital market provides the management flexibility in paying dividends as well as in meeting the corporate obligations.

Contractual constraints: Bondholders know fully the bag of tricks that management might use to transfer their wealth to shareholders. To avoid this, bond indentures often restrict the kind of dividends firms can pay (Kehinde and Abiola 2021).

Ability to borrow and repay loans: Dividends are usually paid in cash if a bank's contractual obligation often tampers its ability to pay cash dividend. These obligations may be in the form of term loan agreement bond, preferred stock agreement or lease contracts. Generally, these constraints either hinder the payment of cash dividend until a certain level of earnings has been achieved or limit the amount to be paid (Miller, and Franco, 2022).

Profit for the year and Growth Prospects: Since cash dividends are usually paid out of the earnings of the bank it follows that the more profitable the firms is, the greater its ability to pay and sustain a reasonable dividend bearing in mind that enough funds should be retained for re-investment to generate more profit in future. It is possible for a firm to borrow funds to pay dividends but if borrowing were necessary the minimum amount of dividend would most likely be paid. It looks more like dividend policy would depend on profit for the year and stability of earning than any other single factors.

On the other hand, growth prospect must be evaluated in formulating a dividend policy (Olowe 2021). The firms must plan its needed financing in line with its forecasted growth. This greatly affects the need for dividend payout ratio to finance growth.

Shareholders preference: In formulating a dividend policy, the primary concern should be how to maximize shareholder's wealth over the long run. Although it is impossible to satisfy each and every shareholder, the bank must try to establish a policy that has a favourable effect on the wealth of the majority of the owners, some factors to be considered are: -

a. **Tax status of the owners:** Some shareholders especially those in the lower income group will logically prefer regular dividend payment to capital appreciation. They might need to use the proceeds from dividend to supplement their income so as to service obligation as they fall due or to finance consumption and meet immediate expenses. Examples are,

b. **Investment opportunities:** A firm should not retain funds or when investment opportunities do not abound or where returns are not encouraging. It is unjustifiable to retain earnings in such companies because doing so will have an adverse effects on shareholders wealth on such a situation the firms should pay the earning out as dividend so that shareholders could reinvest in other viable business outside.

c. **Dilution of ownership control:** A firm whose shareholders group wishes to maintain control of the company may be reluctant to pay higher dividend because to do so might force it go to the capital market to

raise funds to undertake new and viable investment shareholders become dissatisfied when their existing control is being diluted.

Market consideration and resolution of uncertainty: -A consistent dividend policy reduces uncertainty in the mind of shareholders and investors at the margin, who perceive stable and consistent dividend payment to mean that the company has brighter prospects in future (Ugwuanyi, 2006). Since the wealth of shareholders is reflected in the market price of the firm's share, an awareness of the market probable response to certain types of dividend policy is necessary in formulating a suitable dividends policy. This help to reduce uncertainty about future success.

Dividend Policies of Similar Companies: -The Board of
Directors of a company must take into cognizance the dividend policies pursued by other firms in the same industry and ensure that its own policy is not too different from those in its group. Shareholders will oppose any attempt to effect dividends.

Liquidity: The payment of dividend means cash out flows.
Although, a firm may have adequate earnings to declare dividend, it may not have sufficient cash to pay dividends.
Thus, the cash position of the firms is an important consideration in paying dividends. The higher the cash and overall liquidity position of the company the higher the ability to pay dividend. A mature company is generally liquid and is able to pay large amount of dividends. Such a company does not have much investment opportunities, the funds are usually not tied up in permanent working capital. Hence, they usually have a sound cash position. On the other hand, a growing firm faces the problem of liquidity even when it makes good profits. This is because it needs funds for the expanding activities and permanent working capital. As a result of the insufficient cash or pressures on liquidity in case of a growing firms, Management may not be able declare dividend.

Inflation: In an indirect way, inflation can be a constraint to paying dividends. Our accounting system is based on historical cost. Depreciation is charged on the basis of original cost of which assets were acquired. As a result, when price rises, funds generated by depreciation would not be adequate to replace assets or maintain the capital intact. Consequently, to maintain the capital intact and preserve the earnings power of the firms, earnings would be retained.

Forms/Types of Dividend that Companies Payout

There are various types of dividends that company's payout. They include (Van Horne, 2022);

Cash Dividend

Most companies pay dividends in cash. A company should have enough cash in its bank account when cash dividends are declared. To make this possible, the firm would have taken adequate measures to ensure the availability of cash. Some firms take the precaution of holding their reserves in cash and marketable securities. When they declare dividends they dispose those securities to enable them have enough cash to meet their obligations to the shareholders. The cash account and the reserve account of a company will be reduced when the cash dividend is paid. Thus, both the total assets and the net worth of the company are reduced when the cash dividend is distributed (William and Fredrick, Russ; 2021). The market price of the share and the value of the firms will drop in most cases by the amount of the cash dividend distributed.

Bonus Shares

An issue of bonus shares is the distribution of shares free of cost to the existing shareholders. Issuing bonus shares increases the number of outstanding shares of the company. The bonus shares are distributed proportionately to the existing shareholders. The declaration of the bonus shares will increase the paid-up share capital and reduce the reserves and surplus (dividend payout ratio) of the company. The total net worth is not affected by the bonus issue. In fact, a bonus issue represents a recapitalization of reserves and surplus. It is merely an accounting transfer from reserves and surplus to paid-up capital.

Stock Dividends

There are times when firms consider it expedient to retain most or all of its earnings in order to facilitate growth and respond to corporate needs. When this happens the company will not want to distribute cash to shareholders, rather it will declare stock dividend to shareholders. There will of course be no change in the total capitalization of the firm as the assets and liabilities remains unchanged but there is going to be a drop in the dividend per share. Also there is going to be drop in the market price of the stock, while there is going to be a corresponding rise in the volume of equity shareholdings, the reserved or dividend payout ratio is going to drop.

Share Splits

A share split according to Abell, (2023) is a method to increase the number of outstanding shares to a proportional reduction of the per value and the number of outstanding shares. The shareholder's total funds remain unaltered.

Reasons for share split:

The following are reasons for splitting of a firm's ordinary shares:

- To make trading in shares attractive.
- To signal the possibility of higher profits in the future.
- To give higher dividends to shareholders.

Script Dividend: It is the dividend given in the form of promissory note to pay the amount at a specific future date (Ade, 2020). The promissory note is known as Scripts or Dividend Certificate. When a company is a regular dividend paying company temporary, its cash position is affected due to lack of funds. Which are likely to be released shortly, the opinion is preferred. Script may or may not be interest bearing.

Bond Dividend: In case the company does not have sufficient funds to pay dividend in cash it may issue bonds for the amount due to the shareholders by way of dividends, it has longer maturity date than Script dividend, it always carries interest thus, bond holders get regular interest on their bonds besides payment of bonds money on the due date but its practice is not seen in Nigeria nor legally allowed.

Property Dividend: In case of such dividend the company pays dividend in the form of asset other than cash. This may be in form of company's product; this type of dividend is not popular in Nigeria.

The implication of dividend payout on companies is however complex. A high dividend payout policy means more current dividends and less dividend payout ratio, which may consequently result in slower growth and perhaps lower market price per share (Akingbola, 2022). Low payout policy means less current dividends, more dividend payout ratio and higher capital gains. Therefore, it is plausible that that some investors will prefer high-payout companies while others may prefer low-payout companies.

It is important to note that paying dividends involves outflows of cash; the cash accountable for the payment of dividend is affected by the companies' investment and financial decision. Akuezuilo, (2021) stated that a decision for inquired capital expenditure means that less cash would be available for the payment of dividend. Given firm's capital expenditure that do not have sufficient internal funds to pay dividends can raise funds by issuing per share. In this case, a dividend decision is not separable from the firms' decisions. The firm will have a given amount of firm fort paying dividend given its investment and financial decisions. A dividend decision involves a trade-off between the dividend payout ratio and issues of new shares. A higher dividend payout attracts more investors and when there is a rush for the company's stock, the price of the stock will move up, this is known as regular effects. But, a lower dividend payout on the other hand will discourage many investors from investing and this intent can lead to reduction in the price of shares of that particular firm.

Dividend Yield

The dividend yield is a **financial ratio that tells you the percentage of a company's share price that it pays out in dividends each year.** The dividend yield is an estimate of the dividend-only return of a stock investment. Assuming the dividend is not raised or lowered, the yield will rise when the price of the stock

falls (Akingo 2018). And conversely, it will fall when the price of the stock rises. Because dividend yields change relative to the stock price, it can often look unusually high for stocks that are falling in value quickly. New companies that are relatively small, but still growing quickly, may pay a lower average dividend than mature companies in the same sectors. In general, mature companies that aren't growing very quickly pay the highest dividend yields. Consumer non-cyclical stocks that market staple items or utilities are examples of entire sectors that pay the highest average yield.
The dividend yield can be calculated from the last full year's financial report. This is acceptable during the first few months after the company has released its annual report; however, the longer it has been since the annual report, the less relevant that data is for investors. Alternatively, investors can also add the last four quarters of dividends, which captures the trailing 12 months of dividend data. Using a trailing dividend number is acceptable, but it can make the yield too high or too low if the dividend has recently been cut or raised.
Because dividends are paid quarterly, many investors will take the last quarterly dividend, multiply it by four, and use the product as the annual dividend for the yield calculation. This approach will reflect any recent changes in the dividend, but not all companies pay an even quarterly dividend. Some firms, especially outside the U.S., pay a small quarterly dividend with a large annual dividend. If the dividend calculation is performed after the large dividend distribution, it will give an inflated yield.
Finally, some companies pay a dividend more frequently than quarterly. A monthly dividend could result in a dividend yield calculation that is too low. When deciding how to calculate the dividend yield, an investor should look at the history of dividend payments to decide which method will give the most accurate results.

Historical evidence suggests that a focus on dividends may amplify returns rather than slow them down. For example, according to analysts at Hartford Funds, since 1970, 84% of the total returns from the S&P 500 are from dividends. This assumption is based on the fact that investors are likely to reinvest their dividends back into the S&P 500, which then compounds their ability to earn more dividends in the future. For example, suppose an investor buys $10,000 worth of a stock with a dividend yield of 4% at a rate of a $100 share price. This investor owns 100 shares that all pay a dividend of $4 per share (100 x $4 = $400 total). Assume that the investor uses the $400 in dividends to purchase four more shares. The price would be adjusted on the ex-dividend date by $4 per share to $96 per share. Reinvesting would purchase 4.16 shares; dividend reinvestment programs allow for fractional share purchases. If nothing else changes, the next year the investor will have 104.16 shares worth $10,416. This amount can be reinvested into more shares once a dividend is declared, thus compounding gains similar to a savings account.
While high dividend yields are attractive, it's possible they may be at the expense of the potential growth of the company. It can be assumed that every dollar a company is paying in dividends to its shareholders is a dollar that the company is not reinvesting to grow and generate more capital gains. Even without earning any dividends, shareholders have the potential to earn higher returns if the value of their stock increases while they hold it as a result of company growth.
It's not recommended that investors evaluate a stock based on its dividend yield alone. Dividend data can be old or based on erroneous information. Many companies have a very high yield as their stock is falling. If a company's stock experiences enough of a decline, it may reduce the amount of the dividend, or eliminate it altogether. Investors should exercise caution when evaluating a company that looks distressed and has a higher-than-average dividend yield. Because the stock's price is the denominator of the dividend yield equation, a strong downtrend can increase the quotient of the calculation dramatically.
The dividend yield is a financial ratio that tells you the percentage of a company's share price that it pays out in dividends each year. For example, if a company has a $20 share price and pays a dividend of $1 per year, its dividend yield would be 5%. If a company's dividend yield has been steadily increasing, this could be because they are increasing their dividend, because their share price is declining, or both. Depending on the circumstances, this may be seen as either a positive or a negative sign by investors.

Profit for the year

Profit is the money a business pulls in after accounting for all expenses. Whether it's a lemonade stand or a publicly-traded multinational company, the primary goal of any business is to earn money, therefore a business performance is based on profitability, in its various forms. Some analysts are interested in top-line profitability, whereas others are interested in profitability before taxes and other expenses. Still others are only concerned with profitability after all expenses have been paid. The profit for the year is considered the best measure of the ability of an entity to generate a return, since it incorporates both operating income and income from other sources, such as interest income. The profit after-tax margin is closely watched by investors to see if the income-generating ability of a firm is changing over time. If so, this could be considered a valuation indicator that may result in a change in the stock price. If a company is publicly-held, it also reports profit after-tax on a per share basis. This information appears on the face of the income statement.

Profit is an absolute number determined by the amount of income or revenue above and beyond the costs or expenses a company incurs. It is calculated as total revenue minus total expenses and appears on a company's income statement. No matter the size or scope of the business or the industry in which it operates, a company's objective is always to make a profit. Profitability is closely related to profit – but with one key difference. While profit is an absolute amount, profitability is a relative one. It is the metric used to determine the scope of a company's profit in relation to the size of the business. Profitability is a measurement of efficiency – and ultimately its success or failure. A further definition of profitability is a business's ability to produce a return on an investment based on its resources in comparison with an alternative investment. Although a company can realize a profit, this does not necessarily mean that the company is profitable.

If a company is deemed to have a profit but is unprofitable, there are tools for increasing profitability and overall company growth. Failing projects can quickly bog down a company, which directly leads to sunk costs. Companies can explore a profitability index to determine whether a project is worth pursuing to reduce the occurrence of project failures. This metric provides company management with insight into the costs versus the benefits of a project, and it is calculated by dividing the present value of future cash flows by a project's initial investment. A company can also increase profitability through the theory of marginal returns. One of the first steps a company takes to increase profitability is to boost sales, which requires an increase in production. Marginal return, also known as marginal product, is a theory that states that the addition of workers up to a certain point increases the use of capital in an efficient way; exceeding that number of workers leads to diminishing returns and ultimately less profitability. To be profitable, it is necessary for a company to apply this theory to its specific business and production needs to experience growth in an efficient, cost-effective manner.

Theoretical Review

Several theories have been developed to explain the effect of dividend policy and financial performance of firms. These include: Residual theory of dividends, irrelevance, Signaling theory, Bird in the hand theory, Modigliani and Miller theory. The fours theories are discussed below.

Residual Theory of Dividends

The proposition of this theory is that the firm should only pay dividends from residual funds after all suitable investment opportunities have been financed. Theory emphasized that the firm's main focus is on investments and not dividends, which makes dividend policy irrelevant to finance decision. In this case, dividends are only paid when retained earnings exceed the funds required to finance investment projects, with this policy the need to raise fresh capital for investment is reduced, thus minimizing on floatation and signaling costs, hence minimizes the weighted Average cost of capital (Carolyne, 2015). This theory explains the second objective of the study which is on the effect of retention decision on performance of Consumer goods firms in Nigeria, which is that the wealth of its shareholders will be maximized by investing

the earnings in the appropriate investment projects, rather than paying them out as dividends to shareholders. This research was anchored on this theory because this theory was based on dividend policy and how dividend is distributed to the share holders.

However, divided policy developed from the need of investors getting an annual return other than capital gains (Olowe 2008). Leaving the decision on issuance of dividends to directors and company managers is a challenge because investors have diverse views on present cash dividends and future capital gains.

Therefore, investors would be inclined to pay a higher price for shares on which current dividends are paid. Current dividend payments (bird in the hand) reduce investor uncertainty and result in the high value of the firm. Investors would therefore prefer dividends to capital gains (Ugwuanyi, 2021). This is because, a higher current dividend reduces uncertainty about future cash flows to investors, a high payout ratio will reduce the cost of capital, and hence increase share value.

The study is anchored on the signaling effect of dividends theory due to the fact that is shows at a glance how investors can infer about the future or growth potentials of a firm from its dividends distribution.

METHODOLOGY

Research Design

A research design specifies the methods and procedures for conducting a particular study (Akinda, 2021). The study adopted an ex- post facto research design. The Ex-post facto adopted in this study sought to know the effect of dividend policy on profitability of Consumer goods firms in Nigeria. Ex-post facto **design** is a quasi-experimental study examining how an independent variable, present prior to the study in the participants, affects a dependent variable.

Area of Study

The area of study is Nigeria using evidence from the Consumer goods firms of the Nigeria economy listed on the Nigeria stock exchange.

Sources of Data

It is sourced through secondary method and is collected from annual reports and accounts of the selected Consumer goods firms listed in Nigerian Stock Exchange from 2014 to 2023.

Population of the Study

A research population refers to well-defined collection of individuals or objects known to have similar characteristics. Therefore, the population of this study consists of all quoted Manufacturing companies listed in Nigerian Stock market. They are listed in the appendix 1 of the study:

Determination of Sample Size

Judgmental sampling technique was adopted and the sample consists of 4 selected Consumer goods firms in Nigeria. The companies selected include: Nigeria brewery Plc, Champion Plc and Guinness Plc.

Model Specification

The model is specified as follows:

$PFY_{it} = \beta o + \beta_1 DPS_{it} + \beta_2 DPR_t + \beta_3 DY_t + \mathcal{E}_t$

Where:

PFY = Profit for the year

DPS = Dividend per share

DPR = Dividend payout ratio

DY = Dividend yield

βo = coefficient (Constant} to be estimated

β_1- β_3 = parameters of the independent variables to be estimated

$\mathcal{E}$ = Error Term

t = current period

Description of Variables in the model.

The variables used in this study are divided into dependent and independent variables. Profit for the year is the dependent variable whereas dividend per share, dividend payout ratio and dividend yield formed the independent variables

Table 1: Model Variables Description

Short Form	Details	Source of Data measurement
PFY	Profit for the year	Audited Annual Report & Accounts
DPS	Dividend per share	Audited Annual Report & Accounts
DPR	Dividend payout ratio	Audited Annual Report & Accounts
DY	Dividend yield	Audited Annual Report & Accounts

Source: Author's Compilation, 2024

Method of data analysis

Multiple regression technique was used for the data analysis

DATA PRESENTATION AND ANALYSIS

Data Presentation

The data were sourced from the annual report of the selected Consumer goods firms in Nigeria which comprised of Guinness Plc, Nigeria brewery Plc and Champion Plc. The data were sourced from the annual report of the selected Consumer goods firms tested and analyzed.

Table 2: show the values of dividend per share, dividend payout ratio, dividend yield and profit for the year of the selected Consumer goods firms in Nigeria.

years	Companies	DPS	DPR	DY	PFY
2014	GUINNES PLC	1.05	0.0452	0.0452	9,573,480
2015	GUINNES PLC	1.06	0.124	0.124	7,794,890
2016	GUINNES PLC	1.07	0.047	0.047	-2,015,886
2017	GUINNES PLC	1.03	0.027	0.027	31,923,720
2018	GUINNES PLC	1.04	0.034	0.03	6,717,605
2019	GUINNES PLC	1.05	0.047	0.111	5,483,732
2020	GUINNES PLC	2.21	0.27341	0.077	(12,578,818)
2021	GUINNES PLC	1.57	0.03629	0.062	1,255,338
2022	GUINNES PLC	1.09	0.099225	0.111	15,651,362
2023	GUINNES PLC	1.07	0.047316	0.083	(18,168,041)
2014	NB PLC	1.07	0.072368	0.081	42,520,253
2015	NB PLC	1.92	0.088778	0.57	38,049,518
2016	NB PLC	1.06	0.071936	0.09	28,396,777
2017	NB PLC	1.61	0.06422	1.07	33009292
2018	NB PLC	1.07	0.072368	0.081	19,401,169
2019	NB PLC	1.06	0.071936	0.09	16,104,763
2020	NB PLC	1.61	0.06422	1.07	7,525,621
2021	NB PLC	0.16	0.032653	1.07	12,927,163
2022	NB PLC	0.57	0.03299	1.92	13,925,086
2023	NB PLC	0.09	0.113122	1.06	14,867,923
2014	CHAMP. PLC	1.07	0.701754	0.61	1,512,687

2015	CHAMP. PLC	1.07	1.888889	0.16	1,169,753
2016	CHAMP. PLC	1.92	0.242991	0.077	1,119,199
2017	CHAMP. PLC	1.0452	0.081	0.113122	3,112,812
2018	CHAMP. PLC	1.024	0.27341	0.701754	1,858,972
2019	CHAMP. PLC	1.047	0.03629	1.888889	1,983,342
2020	CHAMP. PLC	1.027	0.099225	0.242991	2,121,342
2021	CHAMP. PLC	1.03	0.047316	1.392523	1,073,393
2022	CHAMP. PLC	1.077	0.072368	0.260417	1,585,978
2023	CHAMP. PLC	1.062	0.088778	1.245283	2,456,674

Source: Annual financial report of the selected consumer goods firms in Nigeria.
Where DPS = dividend per share
DPR = dividend pay-out Ratio
DY = dividend Yield
PFY = profit for the year

Panel Data Analysis.
Table 3 – Descriptive Statistics of the Industry Level

	PFY	DPS	DPR	DY
Mean	9678637.	1.127740	0.166568	0.483706
Median	6100669.	1.061000	0.072152	0.118561
Maximum	42520253	2.210000	1.888889	1.920000
Minimum	-18168041	0.090000	0.027000	0.027000
Std. Dev.	13942938	0.436566	0.350304	0.579412
Skewness	0.650293	0.154447	4.270048	1.189301
Kurtosis	1.208158	2.360859	21.04888	3.197760
Jarque-Bera	2.168565	2.434191	498.3691	7.121075
Probability	0.338144	0.296089	0.000000	0.028424
Sum	2.905808	33.83220	4.997053	14.51118
Sum Sq. Dev.	5.647615	5.527105	3.558669	9.735837
Observations	30	30	30	30

Source: Author's compilation using E-view 10.0 standard software

Table 4.3 above reveals the variable description of the 30 observations of the panel data for sampled mean firms. The normality of the distribution of the data series is shown by the coefficients of skewness, kurtosis and jarque-Bera probability. The probability of the jarque-Bera statistics from the above table shows that dividend payout ratio and dividend yield are significant with P-value lower than 0.05. DPR (0.000000) and DY (0.028424), The significant P-value shows that the variables are normally distributed while the probability of the jarque-Bera statistics shows that dividend per share and profit for the year are non-significant with P-value greater than 0.05. DPS (0.296089) and PFY (0.338144). The significant P-value shows that the variables are abnormally distributed. Skewness will also be a second confirmation of the above normal distribution with skewness coefficient which have values > 1. (DPR 4.270048 and DY 1.189301) whereas the Skewness of profit for the year 0.650293 and dividend per share 0.650293 are < 1 which shows abnormal distribution.
The kurtosis coefficient provides a s third level of confirmation that the dividend payout ratio 21.04888 and dividend yield 3.197760 are normally distributed with the coefficients above 3 while profit for the year 1.208158 and dividend per share 2.360859 are below 3 which showcases abnormal distribution.
Dividend yield is found to have a non-significant (P-value 0.9184) with negative effect (coefficient -503347.9). The adjusted R-squared indicated that
77% of the changes in profit for the year are accounted for by the explanatory variables (dividend per share,

dividend payout ratio and dividend yield). The remaining 23% could be explained by other factors capable of influencing profit for the year in the industry. The probability of the F-statistics (0.00194) is non-significant which indicates the statistical fitness of the multiple regression model. The Durbin-watson statistics ranges from 0 to 4. Since Durbin-Watson statistics 0.840145 is below 2, it shows that there is positive autocorrelation in the panel data extracted from audited annual reports.

Discussion of findings.

Dividend per share and profit for the year.

The result of the panel regression data shows that dividend per share have negative and non-significant effect on Profit for the year of Consumer goods firms in Nigeria. This implies that there is a negative relationship between dividend per share and profit for the year because their coefficient is positive whereas dividend per share has non-significant effect on profit for the year because increase in dividend per share will likewise decrease in profit for the year in a non-significant level and vice versa. This is true because dividend per share increase is sign that the company earnings has also increase. This result is in agreement with the finding of Ikpo (2021) whose studies shows a positive and non-significant effect of dividend per share on profitability of companies. This implies that dividend per share by the Consumer goods firms studied in Nigeria does not promote their performance. This result is also in agreement with the findings of Ugochukwu (2019) which establish that there is a positive and non-significant of dividend per share and profit for the year. This result is also in agreement with the findings of Okechukwu (2018) which also establish that there is a positive and non-significant effect of dividend per on the financial performance of companies.

Dividend payout and profit for the year.

Dividend payout ratio has a negative and non-significant effect on Profit for the year of Nigeria Consumer goods firms. This implies that when dividend payout ratio increase, profit for the year decreases in return. It also in agreement with the finding of Okonkwo and Agu, (2019) who studied the relationship between dividend payout ratio and Firms Profitability. The author found out that there is no association between dividend payout ratio and Firms Profitability indicating that null hypothesis was accepted. This result is in agreement with the findings of Okenwa (2016) which establish that there is a negative relationship between dividend payout and profitability of companies. The finding is also in agreement with the findings of okongwu (2021) whose study conclude that there is a negative relationship between dividend yield and financial performance of companies

Dividend yield and profit for the year

Dividend yield has negative and non-significant effect on Profit for the year of Nigeria Consumer goods firms. This result is in agreement with the findings of Ugwu and Akunnaya (2021) whose studies establish that dividend yield has a non-significant effect on the profitability of companies. This finding was also in agreement with the statement of Abigail (2019) which establish that dividend yield has a non-significant effect on company's financial performance.

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

Summary of Findings

The findings are summarized as follows:

1. Dividend per share have positive (coefficient-1884438) and non-significant (P-value 0.7714) effect on profit for the year of Consumer goods firms in Nigeria.
2. Dividend payout ratio has a negative (coefficient -7633658) and non-significant (P-value 0.3307) effect to Profit for the year of Consumer goods firms in Nigeria.
3. Dividend yield has a negative (coefficient -503347.9) but significant (P-value 0.9184) effect on Profit for the year of Consumer goods firms in Nigeria.

5.3 Recommendations

Following the result of the analysis of the study, the researcher mad e the following recommendations:

1) The study recommended that Consumer goods firms in Nigeria should adopt diverse strategies aimed at improving their dividend per share as it shows how much money a company makes for each share of its stock, moreover the study found out that dividend per share has non-significant effect on profit for the year of Consumer goods firms in Nigeria.
2) A policy or policies should be instituted by corporate bodies whereby a high percentage of net profit is retained in the business for investment purposes as the study found out that dividend payout ratio is non-significantly affect profit for the year of Consumer goods firms in Nigeria.
3) Consumer goods firms in Nigeria should improve their dividend yield as it is used by investors to show how their investment in stock is generating either cash flows in the form of **dividends** or increases in asset value by stock appreciation because dividend yield shows significant effect on profit for the year

Conclusion

The study examined effect of dividend policy on the financial performance of Consumer goods firms in Nigeria. From the data collected and analyzed, dividend per share has a negative and non-significant effect on profit for the year, dividend payout ratio has a negative and non-significant effect on profit for the year whereas dividend yield has a negative and significant effect on profit for the year. The adjusted R-squared (R^2) indicated that 77% of the changes in profit for the year are accounted for by the explanatory variables (dividend per share, dividend payout ratio and dividend yield). Hence the study concluded that among all variables studied, exerts a negative and non-significant effect on the financial performance of Consumer goods firms in Nigeria. This shows that the Consumer goods firms should manage their dividend policy properly.

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