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Impact of Dividend Policy on Financial Performance of Listed Food and Beverages Companies in Nigeria

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Abstract

The study investigated the influence of dividend policy on the financial performance of publicly traded food and beverage companies in Nigeria. The study utilised an ex-post facto research design and collected data from the annual reports and accounts of the selected organisations during a nine-year period (2010-2018). Through multiple regression analysis, it was discovered that there is a positive and statistically significant relationship between dividend policy and returns on assets for food and beverage companies listed in Nigeria. The dividend policy ratio has a significant impact on the asset returns of food and beverage firms that are listed in Nigeria. The investigation revealed that the dividend per share had a negative and statistically insignificant effect on the returns on assets of food and beverage companies listed in Nigeria. The study suggests that corporations should prioritise the interests of shareholders when developing dividend policies. This can be achieved by distributing a significant portion of their earnings as dividends, which helps to address the agency problem and ensure that shareholders receive their fair share. Food and Beverage companies in Nigeria should enhance their dividend policy, as it serves as a metric for investors to gauge the returns on their stock investments, either through cash dividends or improvements in asset value due to stock appreciation. Nigeria's food and beverage companies should carefully evaluate adopting a dividend policy, considering the company's specific conditions. It is important to avoid relying solely on traditional considerations that academics have traditionally developed.

***Keywords**: Dividend Policy, Financial Performance and Food and Beverage Company*

1. INTRODUCTION

Food and beverage firms have always focused on new areas to gain a significant portion of the market. This market is being targeted due to the scarcity of competitors and the presence of potential purchasers who are readily available because of the rapid growth in the middle-class population and the increase in per capita income. Nigeria, a developing market, has become the focal point and residence for prominent international food and beverage corporations worldwide. Regrettably, the country's primary revenue is derived from the oil and gas business, leading to a disregard for other industries, including the manufacturing industry, which encompasses the food and beverage sector (Magaji, Abubakar, and Temitope, 2022). Due to insufficient government funding, many food and beverage companies in the country have implemented various strategies to enhance their performance. These include closely monitoring their cash flow statements, developing unique products, forming strategic alliances, establishing dividend policies, and implementing other measures. (Adeagbo, 2017).

The implementation of dividend programmes has gained widespread acceptance among food and beverage companies, particularly those operating in developed markets with established infrastructures to support such strategies. The principle of dividend policy is based on the idea that food and beverage companies need external financing to operate efficiently. The financiers are then given dividends as remuneration for their investment. However, to ensure equitable distribution of the dividends, it is necessary to establish a policy that guarantees fairness and freedom in the sharing process. The dividend policy is a fundamental element of a company's comprehensive financial strategy. It consists of a sequence of determinations concerning the allocation of earnings to shareholders, primarily encompassing the selection of dividend policy, dividend payment ratio, and payout route. The dividend policy plays a crucial role in deciding whether to distribute earnings to shareholders or

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reinvest them as retained earnings. As a result, it has become a significant topic of interest for scholars and professionals in recent times (Alii & Ramirez, 2021).

Dividend policy refers to the strategies and regulations the management implements to compensate the company's shareholders for their investment in the business (Nissim & Ziv, 2019). According to Kehinde and Abiola (2020), dividend policy is a strategic plan that directs management in distributing a company's profits to its familiar stock owners through various types of dividends over a specific timeframe. The firm's income distribution strategy is designed to achieve specified objectives. As per Litner (2019), management consistently adjusts the frequency of dividend payments until it reaches an ideal level of dividend policy in the long term. Therefore, the dividend policy may be categorised into three aspects: the magnitude of the payment, the regularity of dividend distributions, and the payment method, which can be either in cash or non-cash.

A consistent dividend policy is anticipated to increase share prices due to the heightened investor confidence in the company's prospects (Magaji, Abubakar, and Tahir, 2015). However, it is essential to consider this within the broader context. After each financial year, companies evaluate their performance by determining whether a profit has been generated. The dividend policy is a highly significant financial policy that impacts the company, shareholders, consumers, employees, regulatory agencies, and the government (Uwuigbee, 2020). Typically, it is represented as a percentage of the nominal value of the company's ordinary share capital or as a fixed amount.

According to Leah (2018), financial performance refers to the quantifiable evaluation of a company's strategy, policies, and operations in terms of money. The firm's return on assets and investments accurately demonstrates these results. Adams and Mehran (2021) defined financial performance as using a company's assets to create revenue through regular business activities. Financial performance can be a comprehensive indicator of a company's financial status over a specific period. It can also be utilised to compare the overall performance of several companies operating within the same industry (Musa, Magaji, and Adewale, 2023). Financial performance measures an organisation's overall financial production within a specific period. It allows for comparisons with other organisations in the same sector. Moreover, the degree of financial performance elucidates the level of success a corporation achieves (Waweru, 2020).

Researchers have engaged in a prolonged and ongoing debate regarding the relationship between the financial performance of corporations and their dividend policy. Extensive literature has confirmed that a firm's ability to pay dividends heavily depends on its profitability during a specific period. According to Amidu (2019), dividend policy is a crucial financial decision for corporate managers. It is a micro-prudential factor that affects a firm's profitability and helps achieve organisational goals, such as maximising shareholders' wealth (Gombe, Balami, Magaji, and Musa, 2022). The finance management must devise a dividend policy that benefits the company and its shareholders. The primary goal of dividend policy should be to optimise the shareholder's return to maximise the investment's value (Akinsulire, 2021). This study aims to analyse the influence of dividend policy on the financial performance of food and beverage companies listed in Nigeria.

A constant dividend policy indicates that the company usually operates, instilling investors' trust. It also serves as a source of income for those investors who rely on dividends to cover their daily costs (Ahmad, Musa, and Magaji, 2024). Even with these advantages, several investors express dissatisfaction with the relatively few dividend payments they receive. Additionally, if a more considerable dividend amount is paid, it could impact the company's future capital (El-Yaqub, Musa, and Magaji, 2023).

Nevertheless, if the company needs to distribute dividends to its shareholders due to insufficient profits, it can harm its reputation among investors. As a result, investors may choose to sell their shares. Conversely, if the company continues to pay dividends consistently despite its financial limitations, it can have detrimental consequences for the company in the long term. This could potentially result in the company's downfall. This trade-off indicates to the researchers that there may be a discrepancy between the real profit created and the share of profit allotted as dividends.

Various studies have examined the relationship between dividend policy and the financial performance of banks, particularly in Nigeria. One such study conducted by Bolaji (2017) found evidence supporting the impact of dividend policy on the financial performance of banks in Nigeria. However, the relationship between dividend policy and the financial performance of food and beverage companies has been challenging to determine. The study aimed to analyse the influence of dividend policy on the financial performance of listed food and beverage companies in Nigeria. Dividend policy (DP), dividend policy ratio (DPR), and dividend per share (DPS) were included as independent variables, while return on assets (ROA) was the dependent variable.

The primary aim of this study is to analyse the influence of dividend policy on the financial performance of food and beverage companies listed in Nigeria. More precisely, the goals are:

2.0 Literature Review

2.1 Conceptual Review

The literature review serves as the fundamental basis around which research is constructed. This chapter provides a comprehensive analysis of the current body of literature about the specific subject matter of this study. This chapter includes a conceptual review, theoretical review, and empirical review. The review was conducted to revise and enhance the current knowledge on the topics related to the study, serving as a basis for this investigation.

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2.1.1 Dividend Policy

As defined by Nwude (2019), Dividend policy refers to the guiding concept of determining the proportion of a company's post-tax net profit to be distributed as dividends to the remaining shareholders in a specific fiscal year. According to him, the objective of dividend policy should be to optimise the wealth of shareholders, which is determined by both current dividends and capital gains. According to Banerjee (2020), dividend policy is a significant aspect of financial management. He expressed that the final decision would ultimately rely on the choice's impact on maximising the firm's value or the value of its shares. Financial managers are primarily focused on the impact of our long-term decisions on the value of common stock (Magaji and Musa, 2023). The decision about dividends is a crucial aspect of this concern. It is necessary to understand the explicit and implicit trade-offs when examining the effects of dividends.

According to Chandra (2020), dividend policy refers to the decision-making process determining the percentage of a company's earnings that are distributed to shareholders as dividends and the percentage the company retains for reinvestment. Lasher (2019) defined dividend policy as the decision-making process by which a company chooses the amount it will distribute to shareholders as dividends. It includes the total payment and how the payment amount changes over time. It involves achieving a harmonious equilibrium between the expansion of future business and the distribution of present dividends to the company's shareholders. Dividend policy primarily focuses on determining how much of a company's earnings should be distributed to shareholders as dividends and how much should be retained for future use. This choice involves determining the portion of profits that will be kept by the company and the portion that will be paid to the company's shareholders (Watson & Head, 2019).

As per Uwuigbe (2020), a company's dividend policy refers to the rules it follows in deciding the amount of money it will distribute to its shareholders as dividends. An alternative term for this policy is the dividend payout policy. However, both terms are considered acceptable. Azhagaiah and Priya (2018) define the dividend policy of a corporation as a mechanism for distributing the company's post-tax net income among its shareholders. This is achieved by the allocation of dividends to the shareholders. Calculating the optimal number of dividends given to the company's shareholders is crucial to developing a dividend strategy. Dividends are a critical method through which firms distribute profits to their shareholders. The primary dilemma related to dividend policy is assessing whether the company's retained earnings will generate greater returns for shareholders in the future through funding of investment opportunities or if distributing the earnings to shareholders as cash dividends or share repurchases would be more beneficial. Both alternatives can solve the underlying dilemma that is linked to dividend policy.

Omerhodi (2018) states that while a direct dividend payout benefits shareholders, it also restricts the firm's ability to retain earnings for investment opportunities. Hence, the company's objective is to optimise value for all stakeholders, including shareholders, and financial management must consider this when determining the amount of money to distribute to shareholders. This illustrates that the dividend policy of a firm impacts various stakeholders, including the company's management, lenders, and investors. The question of what motivates firms to make dividend payments has been the subject of ongoing debate for years, with no definitive conclusion reached (Uwuigbe, 2020). Hence, a comprehensive understanding of the various aspects that influence a company's dividend policy can aid investors and portfolio managers in choosing businesses whose policies align most closely with their dividend preferences for specific investment objectives. Dividend Policy is a highly complex aspect of economics. Dividend Policy primarily distributes prosperity rather than generates money (Priya & Nimalathasan, 2018). However, Dividend Policy is a highly captivating topic in contemporary monetary economics.

2.1.2 Financial Performance

The managerial role of an organisation revolves around its financial performance. The citation for the source is Ghosh & Subrata 2018. Organisational performance refers to an organisation's tangible outcomes or achievements, which are evaluated compared to its planned outputs, aims, and objectives. Various researchers hold varied perspectives on performance. Researchers commonly employ "performance" to denote transactional efficiency and input and output efficiency measurements (Eke, Osi, Magaji and Musa, 2023). Karanja (2019) categorises performance into two fundamental types: those that pertain to results, output, or outcomes, such as competitiveness and profit, and those that concentrate on factors that influence results, such as prices or products. According to Gambo, Ahmad, and Musa (2016), performance is the output or outcomes of actions conducted in connection to the objectives being pursued. The aim is to enhance the extent to which organisations accomplish their objectives.

According to Nwankwo (2020), financial performance refers to evaluating a company's ability to use its main business assets and generate income effectively. A corporation's financial status over a specific period is assessed using metrics such as Return on Assets, Return on Investments, Earnings Per Share, and Acid Ratio. These measurements assess the degree to which the firm's resources are effectively utilised to achieve a satisfactory financial position. Financial performance refers to evaluating a company's ability to use its significant business assets and create income effectively. It is a subjective measure that assesses the company's success in these areas. "financial health" is a broad indicator of a company's overall financial condition over a specific time frame. It can be used to compare similar companies within the same industry, industries, or sectors (Okeke, 2018).

Financial performance analysis primarily focuses on developing a modelling technique to diagnose historical performance. This methodology serves as a framework for analysing the impact of changes in operating parameters, guiding future planning. Ghosh and Subrata (2018) argue that

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the performance of an organisation is determined by the management's decision on how to allocate and hold money. When an organisation performs well, there will be minimal or no conflict between the management and the shareholders.

Public and private limited corporations face the challenge of determining the optimal level of dividend to distribute to shareholders and deciding whether to provide non-cash alternatives such as scrip dividends. Davidson (1990) suggests that specific changes in stock prices following the declaration of dividends necessitate an examination of the evidence regarding both groups of shareholders and the potential impact of a company's payout policies on essential activities like internal investments. The theory of dividend policy suggests that the allocation of control between managers and investors is a critical factor influencing variances in dividend policy across different companies. The distribution of controls between the manager and investors is significant not due to agency or private information issues but because of the potential differences in their beliefs, which can result in a disagreement regarding the value of the project accessible to the company. The fundamental determinant is the "Financial Performance".

Scholars in business and strategic management have devoted considerable attention to Financial Performance. Financial performance has been a significant focus for business professionals in all types of organisations because it directly affects the organisation's well-being and long-term viability (Igwe, Magaji, and Darma, 2021). High performance indicates the effectiveness and efficiency of management in utilising a company's resources, which positively impacts the country's overall economy (Kumari, 2018).

Financial Performance is a crucial concept that pertains to an organisation's efficient utilisation of financial resources to accomplish its overall business objectives. It ensures the organisation's sustainability and enhances the potential for future opportunities (Abor, 2018). Strong financial performance is directly correlated with effective business performance management. Business performance management encompasses three primary activities: goal selection, consolidation of measurement information about an organisation's progress towards these goals, and managerial interventions based on this information to enhance future performance in alignment with these goals. Effective management of business performance holds significant importance.

2.2 Theoretical Review

2.3 Social Contract Theory

The Social Contract Theory, presented by Guthrie and Parker (2001), posits that there are contractual agreements between businesses and the larger society. These contracts involve the corporation committing to socially desirable actions in exchange for approval of its purpose, further advantages, and ongoing existence. This viewpoint was formulated based on the concept that contractual agreements exist between businesses and the wider society, as seen in the preceding statement. This statement posits that an organisation's reputation and achievement can be influenced if society perceives the institution has violated its social agreement (Ibrahim and Sule, 2023).

If the society is displeased with the organisation's business practices, it will terminate its contract, preventing it from continuing its operations. This correlation aligns with Guthrie and Parker's social contract theory, which posits that exceptionally prosperous companies are inclined to distribute dividends to their shareholders to indicate their superior financial achievements. The authors assert that the evidence presented in this study substantiates this theory. This indicates to the market that the company's competitors with weaker financial positions cannot match the company's dividend payment, which serves as a signal to the market of the company's success.

2.3 Empirical Review

Kioko (2020) did a study to examine the impact of dividend policy on the financial performance of firms listed on the Nigeria Stock Exchange (NSE). The research was carried out between 2010 and 2016 and involved a sample of 21 companies. He utilised a casual research design in the study. The study findings indicated that implementing a policy of consistent dividend payouts per share was the optimal strategy for the organisations being examined.

In a research conducted by Nash (2020), the impact of dividend policy on the financial performance of the pharmaceutical industry in Nigeria was analysed. The study lasted for a period of five years, specifically from 2006 to 2010. The examined criteria were the return on equity (ROE) and the dividend payout ratio. The study employed the regression methodology. The study revealed a clear correlation between the dividend policy and the generation of wealth for shareholders of Pharmaceutical enterprises in Nigeria.

Uwalowa and Ajayi (2019) examine the correlation between the financial performance and dividend policy of publicly traded companies in Nigeria. The regression study done between 2006 and 2010 utilised size and market capitalization as the independent variables. The study discovered a substantial and favourable correlation between the financial success of corporations and the dividend payments of the chosen firm in Nigeria. Furthermore, studies have found that the magnitude of a company's size has a substantial and advantageous influence on the percentage of profits allocated as dividends. As a result, larger companies have more extensive access to the financial market. This study solely utilises size as the independent variable. Hence, it is imperative to incorporate additional components. Nevertheless, the study has made substantial contributions to the existing corpus of literature and intellectual discourse.

Jonathan (2019) conducted a study to examine the correlation between dividend policy and profitability in hotels and restaurant companies registered on the Colombo Stock Exchange (CSE). The study utilised existing data and employed statistical regression analysis. The statistics suggest

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that dividend policy is of significant consequence. Hence, it is crucial for the manager to allocate priority and dedicate sufficient time to develop a dividend policy that would improve the company's profitability and increase shareholder value. The study highlights the significance of the Dividend policy and the effective implementation of this policy by managers to enhance the organization's performance. The research has made significant contributions to theory, practice, and literature.

Adesina and Alade (2013) investigated the association between Dividend Policy and the financial performance, investment, and earnings per share of a company. Regression analysis was employed to assess the 2010 financial report. The investigation uncovered a significant association between dividend policy and earnings per share, as well as a remarkable correlation between investment and dividend policy.

Onanjiri and Karankye (2019) investigated the impact of dividend policy on the financial performance of manufacturing companies in Ghana between 2004 and 2017. The data has undergone regression analysis, revealing a significant adverse effect on the financial performance of industrial businesses in Ghana.

In Charles' (2019) study, the correlation between dividend policy and the performance of companies listed on the Nigerian Stock Exchange (NSE) was examined. The study utilised primary data collected through the distribution of questionnaires over a period of seven years (2006-2015). association and regression analyses were performed, indicating a noteworthy association between dividend policy and firm performance. This implies that dividends have a significant impact on a company's performance.

Velnamphy, et al. (2018) conducted an analysis on the correlation between Dividend Policy and financial performance. The study encompassed a duration of five years, especially from 2008 to 2012. The researchers utilised correlation and linear regression analysis to assess the relationship between variables such as return on equity, return on assets, net payment after tax, and dividend policy. The findings indicate that the dividend policy has a favourable and substantial impact on the financial success of the firm.

In their study conducted in Pakistan, Hassan, et al. (2018) examine the correlation between dividend policy and the financial performance, specifically profitability, of businesses over a span of 13 years from 1996 to 2008. The study utilised preexisting data and explicitly analysed three variables: earnings per share (EPS), return on assets (ROA), and dividend payout ratio (DPO). Logarithmic regression analysis was employed to examine the relationship between a divided payment policy and the company's profitability in the following year. The findings indicated that a divided payout policy had a detrimental effect on the company's profitability.

A study on the factors influencing dividend policy in Pakistan was carried out by Ahmad and Murtaza (2018). The researchers examined the impacts of alterations in Pakistan by closely examining financial reports spanning from 2003 to 2011. The parameters utilised were return on equity, liquidity leverage, growth, business size, and earnings per share. The analysis utilised descriptive statistics and the pooled least square approach to examine the relationship of liquidity, earnings per share, leverage, and firm size on dividend distribution. The data reveal a significant link between these variables. Additionally, a significant association was demonstrated between the dividend policy and the company's growth. The study also found a positive association between changes in dividends and future profitability.

Stephen (2018) investigated the impact of the Dividend Policy on the valuation of companies listed on the NSE from 2011 to 2015. The methodology utilised correlation and regression analysis, applying the statistical software SPSS. The study found that both the dividend payout ratio and business size positively affect the firm's value. On the other hand, the dividend ratio has a negative effect on the value of the company. The study determined that dividend policy is a pivotal determinant that has a beneficial impact on a firm's worth. To be more specific, an increase in dividend payments leads to a proportional increase in the company's overall value, whereas a decrease in dividend payments has the reverse effect.

Anandasa, et al. (2018) conducted an econometric analysis to investigate the correlation between dividend policy and financial profitability in publicly listed companies in Sri Lanka. The researchers performed a regression study to evaluate the impact of dividend policy on financial success by examining financial data from 2009 to 2014. The results indicated a substantial influence of a company's dividend policy on its financial performance. The study suggests that organisations should adopt a robust and reliable dividend policy in order to improve their profitability and attract investment.

Olarewaju, et al. (2018) investigated the causal correlation between dividend distribution, retention strategy, and financial performance in commercial banks across 30 countries in Sub-Saharan Africa. The survey encompassed 250 commercial banks located in Sub-Saharan African countries throughout the period from 2006 to 2015. The empirical data from the vector error correction block homogeneity Wald test and paired Granger causality test indicates that only retention policies have a causal impact on performance, specifically on return on assets (ROA). The estimate from the Vector Error Correction Model demonstrates a positive connection between performance (ROA) and both significant policies.

Adesina, et al. (2017) did a study to evaluate the impact of dividend policy on the value of share prices in Nigerian banks. The study mainly focused on four prominent banks in Nigeria: Access Bank, First Bank, United Bank for Africa, and Guarantee Trust Bank. The study utilised the Ordinary Least Square (OLS) regression method to determine a substantial positive correlation between earnings per share and the market price of Nigerian banks.

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Agyemang-Badu (2017) analysed the factors that influence the dividend policy of financial firms listed in Ghana between 2005 and 2009. The data obtained from the annual reports of the evaluated companies was analysed using the random and fixed effect approach. The study revealed that both the age and liquidity of a corporation had a favourable and substantial impact on dividend payouts. Nevertheless, the allocation of dividends could not be rationalised only based on profitability and collateral.

Eniola and Akinselure (2017) conducted a study to analyse the impact of dividend policy on the profitability of selected publicly traded companies in Nigeria. The secondary data was acquired from an online database of a stock brokerage firm via the Internet. This study utilised multiple regression analysis and Durbin-Watson statistics to examine the hypothesis. The investigation uncovered a substantial correlation between dividends and market value. However, this correlation was limited exclusively to the connection between earnings per share and dividend yield. No significant correlation was discovered between dividend policy and other variables.

Salehnezhad (2017) examines the relationship between the financial performance of publicly traded companies on the Tehran Stock Exchange and their dividend policies from 2010 to 2012. The utilisation of fuzzy regression analysis reveals a clear and advantageous correlation between financial prosperity, namely in terms of stock returns and dividends. The investigation, utilising regression models, demonstrates that there is no statistically significant correlation between dividend policy and performance. It is necessary to demonstrate a more robust association between dividend policy and the four main explanatory variables: free cash flow, financial leverage, company risk, and tax paid on dividend payout ratio.

Velnampy (2016) conducted a research on the relationship between dividend policy and corporate performance. The study focused on a sample of 28 manufacturing businesses in Bangladesh from 2007 to 2011. The results demonstrated that there was no correlation between the dividend strategies implemented by these companies and their overall business performance. The regression model indicated that dividend policies do not affect the return on equity (ROE).

Anandasayanan and Velnampy (2016) performed an econometric analysis to investigate the correlation between dividend policy and the performance of industrial companies listed in Sri Lanka. The study aims to analyse the impact of dividend policy on the financial performance of 23 firms that are publicly listed from 2009 to 2014. The utilisation of dividend payout ratio and dividend yield serves as indicators for assessing dividend policy, while return on equity and return on assets are utilised as metrics for evaluating corporate profitability. The study found that dividend policies significantly impact the financial performance of the selected companies, as evaluated using regression analysis. Hence, the study proposes that corporations should ensure that their dividend policies are sufficiently robust to enhance their profitability.

Dada, et al, (2016) conducted a comprehensive evaluation of the factors that impact the dividend policy of banks in Nigeria. The researchers employed panel data from a specific cohort of banks that were listed on the Nigerian Stock Exchange (NSE) throughout the period of 2008 to 2013. The data were analysed using the approach of least squares regression analysis. The results suggest a direct relationship between dividend payment and parameters such as leverage, performance, corporate governance, and the payout from the prior year. Nevertheless, there exists an inverse relationship between the distribution of dividends and the financial solvency of the company.

Abdul and Muhibudeen (2015) investigated the correlation between dividend distribution and the performance of oil companies in Nigeria during the period from 1999 to 2013. The researchers gathered data from the companies' annual reports and employed statistical methods such as correlation and regression analysis to make estimations. The study's findings revealed a significant association between the allocation of dividends and the performance of the chosen companies.

2.4 Gap in the Literature

Impact of Dividend Policy on Financial Performance of Listed Food and Beverages Companies in Nigeria have attracted significant attention from researchers. Historically, most of the research has concentrated on the topic of dividend policy.

Over the years, a multitude of studies on hypotheses regarding dividend policy have been published. Walter (1963) proposed his Dividend Relevance Model to address the issue. The firm's dividend policy is contingent upon the presence of investment prospects and the correlation between its internal rate of return (r) and its cost of capital (k). Mayon Gordon, known for his Bird in the Hand Theory, created a prominent model that directly connects the market value of financial performance with dividend policy. Modigliani and Miller proposed the Dividend Irrelevance Hypothesis, which asserts that a company's dividend policy has no impact on the firm's value. Investigations into this issue are ongoing. Adesola (2018) conducted a study on dividend policy behaviour in Nigeria, utilising Lintner's model as modified by Brittain from 1996 to 2000. Adesola's findings align with the perspective of Oyejide and Nyong, indicating strong and unambiguous support for Lintner's model.

The present study on divided policy aims to address the gap by investigating the influence of dividend policy on the financial performance of food and beverage companies listed on the Nigerian Stock Exchange. The study will focus on five companies registered with the Nigerian Stock Exchange.

3.0 RESEARCH METHODOLOGY

3.1 Research Design

Research design is a comprehensive structure of a study that outlines the approach and methodology for gathering the

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required information. This study utilised an ex post facto research design.

3.2 Model Specification

The study utilises descriptive statistics and multiple regression analysis to establish the relationship between dividend policy and financial performance of listed food and beverage companies in Nigeria. The model incorporates both dependent and independent variables. The study use Dividend Policy (DP), Dividend Policy Ratio (DPR), and Dividend per Share (DPS) as independent variables to represent dividend policy variables in the model. The firm's financial performance is quantified in terms of Return on Asset (ROA). Therefore, the model to be utilised for this investigation is explicitly defined in the linear format presented below:

Y = f (X1, X2, X3) --(i)

These are represented as;

ROA = f (DP, DPR, DPS) ---Eq. (ii)

Where:

DP = Dividend Policy

DPR = Dividend Policy RatioDPS = Dividends per Share

The model is expressed in operational form as:

$ROA_{it} = \beta0 + \beta1DP_{it} + \beta2DP_{it} R + \beta3DPS_{it} + \mu t$ -------------------------------- Eq. (iii)

Where β0 = Constant Intercept;

B1- β3 = Partial derivatives or the gradient of the independent variables;i = firm;

t = time series μt = Error term.

3.3 Variable Measurement and Discussion

ROA is a metric that measures financial performance. Return on Assets is a comprehensive metric of profitability that encompasses an institution's profit margin and efficiency. It quantifies the efficiency with which companies utilise their entire range of assets. The Return on Assets (ROA) ratio is a metric expressed as a percentage that quantifies the profitability of a company by measuring the net income generated from its assets. The independent variable of dividend policy was assessed by utilising the dividend policy ratio and dividend per share. A dividend policy refers to a firm's strategy of distributing earnings to shareholders in the form of dividends, rather than reinvesting them in the company. The profit section refers to the amount of money left after deducting expenditures to investors and investments in the Company (Lashgari & Ahmadi, 2019).

The dividend policy ratio measures the proportion of funds that a firm distributes to shareholders compared to the amount it retains for purposes such as reinvestment, debt repayment, or building up cash reserves (retained earnings). The Dividend Policy Ratio quantifies the amount of earnings allocated to each individual share. Simultaneously, Dividend per share (DPS) refers to the total amount of declared dividends distributed by a firm for each outstanding share. The calculation of the figure involves dividing the entire amount of dividends distributed by a corporation, which includes interim dividends, over a specific period of time, by the number of ordinary shares that are currently in circulation (Radid & Wiame, 2016).

S/NO	Category Of Variables	Variables	Label	Measurement
1	Dependent Variable	Financial Performance	ROA	Net Profit after Tax / Total Assets
2	Independent variable	Dividend Policy	DP	Annual Net Income change in Retained Earnings
3	Independent variable	Dividend Policy Ratio	DPR	Annual Dividend per Share/ Earning per Share
4	Independent variable	Dividend Per Share	DPS	Total Dividends Paid out over a period-any special dividends /Shares Outstanding

Source: Researchers' computation, 2022.

3.4 Nature and Sources of Data

This study acquired secondary data from the published audited financial statements and accounts of specific publicly traded corporations. The companies examined in this study include Cadbury Nigeria PLC, Nigerian Breweries PLC, International Breweries PLC, Guinness Breweries PLC, and Nestle Nigeria PLC. The dataset consists of a chronological sequence of data points that range from 2010 to 2018.

3.5 Estimation and Evaluation Techniques and Procedure

The data obtained for this research will undergo analysis. The study utilised time series data, a sequential collection accumulated over time. The data will be analysed using descriptive analytic techniques, including mean, standard deviation, minimum and maximum values, skewness, and kurtosis. Descriptive analysis will be conducted as it is an effective method for evaluating and summarising huge

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quantities of unprocessed data. The purpose of descriptive analysis is to provide data sets in their simplest form to communicate essential information about the variables in the dataset. This study will use a unit root test to determine the stationarity of the time series. The objective is to ascertain whether the variables are stationary or non-stationary. If they are non-stationary, further test analysis will be conducted. The data analysis will involve regression analysis using E-Views 10 software as the statistical tool to test the hypothesis.

4.0 RESULTS.

4.1 Data Presentation

4.1.1 Descriptive Statistics of Data

Estimated Parameters	ROA (%)	DP(kobo)	DPR (%)	DPS (%)
Mean	10.73600	778.7000	2.094600	11.96800
Median	9.950000	363.5000	2.145000	1.670000
Maximum	26.52000	5426.000	4.110000	78.36000
Minimum	-15.21000	-134.0000	0.090000	0.180000
Std. Dev.	9.415077	1174.120	1.113845	20.71028.
Skewness	-0.266798	2.171752	-0.125017	2.068347
Kurtosis	2.711373	7.598275	1.984993	6.133940
Jarque-Bera	0.766730	83.35449	2.276575	56.11210
Probability	0.681564	0.000000	0.320367	0.000000
Sum	536.8000	4981257.	104.7300	598.4000
Sum Sq.Dev.	4343.540	67549313	60.79184	21016.88
Observations	55	55	55	55

Source: Researcher computation (2023) using E-views 10.0

Table 4.1.1 presents a descriptive analysis of the data for the selected variables in the study. Based on the descriptive statistics, it was determined that the variables exhibit volatility and instability throughout the observed period, making them difficult to predict with confidence. The average ROA of the selected enterprises was 10.74%, with DP at 778 kobo. The average DPR and DPS were 2.09% and 11.97% respectively. Based on the analysis of the data series using distribution metrics such as Skewness and Kurtosis, the researcher concluded that the ROA and DPR series exhibit negative skewness. In contrast, the DP and DPS series are positively skewed. Nevertheless, each series's minimum and maximum values are equally displayed, demonstrating fluctuations over the years.

Table 4.1.2 Unit Root Test

Augmented Dickey-Fuller (ADF)				
Variable	Level		First difference	
	Constant	Constant& Trend	Constant	Constant& Trend
ROA	5.101419	3.143263	-0.629807	-3.820020**
DP	-1.878311	-2.878973	-4.545375***	
DPR	-1.789043	-0.897323	-4.756467***	-4.928374
DPS	-0.847654	-1.456763	-6.342221***	-6.096754

*****, ** and * significance at 1%, 5% and 10% respectively.Source: Researcher computation (2023) using E-views 10.0**

The ADF unit root test results in Table 4.1.2 indicate that Dividend Policy (DP), Dividend Policy Ratio (DPR), and Dividend per Share (DPS) when measured using their natural logarithm, exhibit stationarity at the first difference intercept. However, when measuring the firm's financial performance using the natural logarithm of return on asset (ROA), it is observed that there is stationarity in both the trend and intercept when considering the first difference. Therefore, the basic linear regression estimate is considered inappropriate because the series have different orders of integration. Consequently, a limits cointegration test and pairwise Granger causality analysis were performed, and the results are provided below.

Table 4.1.2.1: Bounds CCointegrationTests Result

Test Statistic	Value	K
F-statistic	25.8688	5

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Critical Value Bounds		
Significance	I0 Bound	I1 Bound
10%	2.09	3
5%	2.48	3.36
2.5%	2.9	3.81
1%	3.07	4.17

Source: Researcher computation (2023) using E-views 10.0

The limits test result in Table 4.1.2.1 indicates that the f-statistic value of 27.97 exceeds the Critical Value limits for the upper bound I(1) at a 10% significance level. Therefore, evidence of cointegration suggests a long-run link between the dependent and independent variables.

Table 4.1.2.2: Pair wise Granger Causality

Null hypothesis	Obs	F-statistic	P. Value
ROA_______________DP	55	0.58556	0.5622
DPR_______________ROA	55	0.11711	0.4037
DPS_______________ROA	55	1.61535	0.2133

*****, ** and * significance at 1%, 5% and 10% respectively**

Source: Researcher computation (2023) using E-views 10.0

To validate the nature and magnitude of the relationship between the variables in the study, a pairwise Granger causality test was conducted using a lag period 2 for each series. The pairwise Granger causality test results indicate no causal relationship between dividend policy (represented by DPR and DPS) and the chosen food and beverage company's financial performance attributes. However, there is a one-way relationship where the firms' return on assets (ROA) influences the dividend payout ratio (DPR).

4.1 Data Analysis and the Results

4.1.1 The Impact of Dividend Policy on Financial Performance of Listed Food and Beverages Company

The objective of this study is to analyse the influence of Dividend Policy (DP), Dividend Policy Ratio (DPR), and Dividend per Share (DPS) on the Financial Performance of a publicly traded Food and Beverages Company. A regression analysis was conducted to determine the primary purpose of this study.

Table 4.2.1.1: Regression Results

Variables	THE MODEL			
	Coefficient	Std. Error	t-statistics	Prob.
C	171.4802	176.9892	0.968874	0.0011
DP	1.560725	3.065947	0.509052	0.6163
DPR	49.62867	22.63692	1.192378	0.0404
DPS	-1.479441	1.603979	-5.922357	0.3673
R-squared	0.256643			
Adjusted R-squared	0.107972			
S.E. of regression	181.3728			
F-statistic	1.726243			
Prob(F-statistic)	0.183742			
Obs	55			

* indicates significance at 5% (i.e. p<0.05) Source: Researcher's computation using Eviews 10.0

The model

$ROAit = \beta0 + \beta1DP_{it} + \beta2DPRit + \beta3DPS_{it} + \mu t$

$ROAit = 171.4802 + 0.6163DP_{it} + 0.0404DPR_{it} + 0.3673DPS_{it}$

From the above model adopted for the regression, the R-Square value at 0.256643 was approximately 26%. This means that the three independent variables, the dividend policy (DP), dividend policy ratio (DPR), and dividend per share (DPS), explain one-third of the variations of the dependent variable, which is financial performance. Also, the model is significant as the R-square value is far less than the average probability values. However, the decision rules say that if the p-value exceeds 5%, we should accept the null hypothesis; otherwise, we reject and accept the alternative hypothesis.

4.2 Interpretation and Discussion of Results

This study examines the impact of dividend policy on the financial performance of food and beverage companies that are publicly traded in Nigeria. The ADF unit root test in Table 4.1.2 shows that Dividend Policy (DP), Dividend Policy Ratio (DPR), and Dividend per Share (DPS) when assessed using their natural logarithm, demonstrate stationarity at the first difference intercept. Conversely, the company's financial performance, which is assessed by calculating the Return on Asset (ROA) using the natural logarithm, shows stability

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when observed at the first differential trend and intercept. This implies that estimating the series requires more than just the simple linear regression estimate, as the series have varying levels of integration.

The multiple regression analysis in Table 4.2.1.1 revealed that the t-statistics value of 1.192378 is less than the t-tabulated value of 2.064. Furthermore, the p-value of 0.040 is below our predetermined significance criterion of 0.05 or 5%. Thus, we confirm the null hypothesis that asserts a significant influence of the dividend policy ratio on returns on assets of listed food and beverage firms in Nigeria and reject the null hypothesis that proposes no significant impact. The discovery is consistent with the findings of Akani and Sweneme (2016), who found a positive link between dividend policy and returns on assets, but the association was not statistically significant. The multiple regression analysis in Table 4.2.1.1 revealed that the t-statistics value of 1.192378 is less than the t-tabulated value of 2.064. Furthermore, the p-value of 0.040 is below our predetermined significance criterion of 0.05 or 5%. Hence, the dividend policy ratio has a substantial influence on the asset returns of food and beverage companies listed in Nigeria. The null hypothesis, which suggests that the dividend policy ratio has no meaningful effect on the returns on assets of listed food and beverage companies in Nigeria, is rejected. This discovery is consistent with Narang's (2018) claim that there is a significant correlation between the dividend policy ratio and the return on assets. The researcher utilised the return on assets as a proxy to measure financial performance.

The investigation has conclusively identified a negative correlation of 5.922357 between dividend per share and return on assets. However, the impact did not have a statistically significant effect due to the t-statistics, which measured 5.92235, surpassing the t-tabulated value of 2.064. In addition, the p-value of 0.3673 is statistically significant at a higher level than our predefined significance level of 0.05 or 5%. Therefore, we reject the hypothesis proposing a significant effect of dividend per share on returns on assets of listed food and beverages companies in Nigeria and instead conclude that there is no noteworthy impact of dividend per share on returns on assets of listed food and beverages companies in Nigeria. This is consistent with the findings of Ubesie, Emejulu, and Emejulu (2020).

4.3 Implications of Findings

Based on the findings, both the dividend policy and dividend policy ratio have a favourable and substantial influence on the returns on assets of publicly traded food and beverage companies. This suggests that a rise in profits from both approaches will enhance the financial performance. Conversely, it has been shown that the Dividend per Share negatively impacts the returns on assets of food and beverage companies listed in Nigeria. An analysis of the dividend per share can improve the company's financial performance. The study suggests that the performance of a company significantly influences the dividend policy and dividend policy ratio of food and beverage firms listed in Nigeria.

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Major Findings

The study analysed the influence of dividend policy on the financial performance of listed food and beverage companies in Nigeria between 2010 and 2018. Nevertheless, the primary discoveries derived from the study are summarised as follows:

1. Dividend policy positively and significantly impacts the returns on assets of a listed food and Beverage Company in Nigeria.
2. Dividend policy ratios significantly impact returns on assets of listed food and beverage companies in Nigeria.
3. Dividend per share has a negative and insignificant effect on the returns on assets of a listed food and Beverage Company in Nigeria.

5.2 Conclusion

The study revealed that the dividend policy and dividend policy ratio have a positive and significant influence on the financial performance of food and beverage companies listed in Nigeria. This suggests that an increase in the profits created by these tactics will enhance the overall financial outcomes. In contrast, the dividend per share has a negative and insignificant impact on the financial performance of food and beverage companies listed in Nigeria. This implies that the dividend per share has a negative effect on the companies' returns on assets. Examining the dividend per share can contribute to the company's financial prosperity.

5.3 Recommendations

According to the findings and conclusions of this study, the following recommendations are put forward:

1. Food and beverage companies in Nigeria should strive to consistently increase their earnings and dividend payments to attract a wide range of investors in the capital market.
2. Managers should prioritise establishing a robust dividend policy for their businesses that promotes a greater dividend per share and a reduced dividend policy ratio to achieve optimal financial performance.
3. Companies should consider shareholders' interests when formulating dividend policies. Paying a high dividend on their earnings mitigates the agency's problem by giving shareholders their shares.
4. Food and beverage companies in Nigeria should enhance their dividend policy since it serves as a measure for investors to gauge the returns on their stock investments, either through cash dividends or growth in the value of their stocks.
5. The Food and Beverages Company in Nigeria should carefully evaluate the adoption of a dividend policy, considering its specific circumstances. It is important to analyse

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elements relevant to the company's situation rather than relying solely on traditional considerations created by academics over a long period.

6. Financial performance should improve if a lesser amount is paid as dividends and more dividends are placed per share of the sampled companies in Nigeria, which can achieve a higher and significant profit.

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