1.2 Purpose of the Study

The main objective was to examine the effect of dividend policy variables; dividend payout ratio (DPR), dividend yield (DY), dividend per share (DPS), on financial performance of the listed consumer goods companies in Nigeria.

1.3 Research Hypothesis

H_{O1} dividend payout ratio does not significantly affect performance of the listed consumer goods companies in Nigeria.

H_{O2} dividend yield does not significantly affect performance of the listed consumer goods companies in Nigeria.

H_{o3}dividend per share does not significantly affect performance of the listed consumer goods companies in Nigeria.

2) Literature Review

2.1 Theoretical Review

Residual theory of dividend policy

The essence of the residual theory of dividend policy is that the firm will only pay dividends from residual earnings, that is, from earnings left over after all suitable (positive NPV) investment opportunities have been financed. Retained earnings are the most important source for internal financing for most companies (Baker, Powell, &Veit, 2002). A residual approach to the dividend policy, as the first claim on retained earnings will be the financing of the investment projects. With the residual dividend policy, the primary focus of the firm's management is indeed on investment, not dividends. Dividend policy becomes irrelevant, it is treated as a passive rather than an active, decision variables.

According to Baker et al. (2002), the view of management in this case is that the value of firm and 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. Thus managers will actively seek out, and invest the firm's earnings in, all acceptable (in terms of risk and return) investment projects, which are expected to increase the value of the firm. Dividends will only be paid when retained earnings exceed the funds required to finance the suitable investment projects. Conversely when the total investment funds required exceed retained earnings, no dividend will be paid.

Dividend signaling theory

The signaling theory by Ross (1977), who created a theoretical model, had its root from the information asymmetry existing between managers as fund users and shareholders as fund providers. The theory assumes that managers have access to more information relating to the value of the firm's assets than other outside agents and investors. Therefore managers seek to use dividend pay-out policies to signal to the shareholders about the financial performance of their firms. In addition, the firms could also reveal the strategies adopted in pursuing their vision and attaining their mission.

Baker et al. (2002) states that the signaling models for paying dividends, developed by Bhattacharya, John and Williams (2000), and Miller and Rock (1985) suggest that managers as insiders choose dividend payment levels and increases, to signal private information to investors. According to them, managers have an incentive to signal this private information to the investment public when they believe that the current market value of their firm's shares is below its intrinsic level. The increased dividend payment serves as a credible signal when other firms that do not have favorable inside information cannot copy the dividend increase without unduly increasing the chance of later incurring a drop in dividends. The theorists therefore conclude that the dividend signaling hypothesis confirms that increased (decreased) cash dividends should experience positive (negative) price reactions. Dividend announcements signaling future profitability have also been established through empirical research (Baker et al., 2002). Most share price changes took place immediately following the announcement of a dividend, especially positive or negative dividend changes, through findings of empirical studies conducted by Aharony and Swary (1990), Asquith and Mullins (1983), and Kalay and Lowenstein (1996) as noted in Baker et al. (2002). However, consistency in findings in respect of dividend signaling models, have not been achieved over the years.

The bird-in-the-hand theory

According to Kapoor (2009), the essence of the bird-in-the-hand theory of dividend policy (advanced by John Lintner in 1962 and Myron Gordon in 1963) is that shareholders are riskaverse and prefer to receive dividend payments rather than future capital gains. Shareholders consider dividend payments to be more certain than future capital gains Thus a “bird in the hand is worth more than two in the bush”. Gordon (1963) contended that the payment of current dividends “resolves investor uncertainty”. Investors have a preference for a certain level of income now rather than the prospect of a higher, but less certain, income at some time in the future.

2.2 Empirical Review

Murekefu and Ouma (2011) sought to establish the relationship between dividend payout and firm performance among 41 listed firms in the Nairobi Securities Exchange, the findings indicated that dividend payout was a major factor affecting firm performance. Their relationship was also strong and positive. Yegon, Cheruiyot and Sang (2014) ascertaining the relationship between dividend policy and firm’s profitability Econometric Analysis of nine (9) Listed Manufacturing Firms in Kenya the findings indicate that; there is a significant positive relationship between dividend policies of organizations and firm’s investment and profitability Also Monogbe and Ibrahim (2015) ascertained the relationship between dividend policy and corporate profitability, Investment and Earning per Shares among twenty five (25) Selected Registered Firms in Nigeria, it was discovered that the dividend policies of organizations have a significant positive relationship with profitability, investments and Earnings Per Share of corporate organizations Furthermore of Rabet and Boujjat (2016)examine the relationship between dividend policies and financial performance of 44 selected listed firms in Moroccotheir findings indicate that Dividend policy is an important factor affecting firm performance and Innocent, Uchechukwu and Ikechukwu (2015) investigated the effect of dividend payout on performance evaluated four listed cement companies in Nigeria over the past twelve (12) years the results suggest that dividend payout ratio (DPR) is statistically significant with Return on Capital Employed (ROCE) and Return on Asset (ROA) while DPR is statistically insignificant with Return on Equity (ROE) of listed cement companies in Nigeria.

Amidu (2007) examine corporate dividend policies of 25 publicly traded companies in Ghana show positive relationships between return on assets, dividend policy, and growth in sales the results also reveal negative associations between return on assets and dividend payout ratio, and leverage Also Okafor and Mgbame (2011) examined the relationship between dividend policy and share price changes on 10 companies listed in the Nigerian stock market Of the two measures of dividend policy, dividend yield showed a general negative impact on share price risk. The other measure of dividend policy, dividend payout ratio, showed negative influences in some years and positive influences on others though all were at lower significant levels in the same vein Velnampy ,Nimalthasan and Kalaiarasi (2014) sought to find out the relationship between dividend policy and firm performance of twenty five (25) listed manufacturing companies in Sri Lanka found that determinants of dividend policy are not correlated to the firm performance measures of the organization. Regression model showed that dividend policy do not affect companies' ROE and ROAAlso Onanjiri and Korankye (2014) ascertained the impact of dividend payout on the financial performance of 7 manufacturing firms which trade on the Ghana Stock Exchange reveals that dividend payout significantly but negatively impacts on quoted manufacturing firms' financial performance in Ghana, moreover Yusuf (2015) of examine the impact of performance on dividend payout ratio of 4 selected deposit money banks in Nigeria his findings revealed that dividend payout ratio is negatively related to banks' leverage and profitability and Khan,Nadeem, Islam, Salman, Muhammad and Gills (2016) investigate how the dividend policy affects the performance of the firms which are listed in the Pakistan stock exchange Findings show that there is a positive relation between return on assets, dividend policy, and growth in sales, also show that dividend payout ratio and leverage have significant negative relation with the return on equity, According to the results all variable coefficients with respect to TOBIN'S q are insignificant.

3) Methodology

3.1 Population and Sample of the Study

The population of this study consists of all the twenty three (23) listed consumer goods companies in Nigeria as at December 2017,This study select eleven (11) sample out of the twenty three (23) listed consumer goods companies based on data availability and complete financial records for the period of the study.

3.2 Definition of Variables

Concept	Variable	Indicator	Measurement
Dividend policy	**Dividend Payout**	**Dividend payout Ratio**	**Dividend Paid/PAT x 100**
	Dividend Yield	**Dividend Yield**	**Dividend Per**

		Ratio	**Share/Market Price per Share x 100**
	Dividend per share	**Dividend per share Ratio**	**Dividend paid/numberof Shares issued**
Firm performance	**Performance**	**Return on Equity**	**Profit after Tax/Total Equity x 100**

3.3 Research Model

The dependent variable for this study is financial performance (ROE) and Dividend policy as the independent variable. Also, this study employs regression model to assess the level of the effect and relationship of the independent variables measured by dividend Payout Ratio (DPR), Dividend Yield (DY) and Dividend Per Share (DPS) have on the dependent variable performance measured by Return on Equity (ROE). The model is specified below:

Yi= a+βiXi-----------------βnXn+ei

Yi indicate the dependent variable and Xi denote the number of the independent variables. Where:

Yi = Financial Performance (ROE)

X1 = Dividend Payout Ratio (DPR)

X2 = Dividend Yield (DY)

X3 = Dividend Per Share (DPS)

a= Constant value

βi= the co-efficient of variable

ei= error term

Therefore, the regression equation would be:

ROE=a+βDPR +βDY +DPS + ei______________I

Where; FS and FA are Firm Size and Firm Age will be used as control variables.

4) Result and Discussion

The data were analyzed using STATA. This part provides descriptive statistics, correlation analysis, regression analysis and Diagnostic Tests which includes the results of VIF test, Lagrange Multiplier (LM)-test and Hausman Specification test.

4.1 Correlation Analysis

Table 4.1 Correlation Matrix

	ROE	DY	DPR	DPS
roe	1.0000			
dy	0.1528	1.0000		
dpr	0.5187	0.3252	1.0000	
dps	0.4541	0.7020	0.3652	1.0000

Source :computed by researcher using data extracted from annual reports of companies(2008-2017).

The above table 4.2 shows, the level of relationship that exist between the independent variable dividend policy on the dependent variable that is financial performance measured by the return on equity (ROE) of the companies.Thus, it can be observe thatdividend payout ratio (DPR) and dividend per share (DPS) has a positive relationship of 0.5187 (51%) and 0.4541 (45%)respectively with the financial performance, while dividend yield has a weak relationship of 0.1528 (15%) with the return on equity(ROE).

4.2 Regression Analysis

For appropriate conclusion to be drawn about the regression analysis output, according to (Hair, Black, Babin& Anderson, 2010) assumptions of normality, collinearity, linearity, homoscedasticity and independence of the residual need to be examined and met.

Multi- collinearity/Collinearity

This has to do with the degree of high correlation among independent variables. Hair et. al (2010) stated that variance inflation factor(VIF) and tolerance statistics are two important statistical tool that can be used to check for multi collinearity. According to them any VIF that exeeds 10 and a tolerance value that is lower than .10 are indication of a problem of multi collinearity. Thus, this study shows a VIF that is less than 10 and a tolerance value of more than 10(see table 4.40. Its means that there is no harmfull correlation among independent variables.

Table 4.2 Test for Multi-Collinearity

. vif

Variable |	VIF	1/VIF
DPS |	2.11	0.473934
DY |	1.74	0.574713
DPR |	1.33	0.750650
Mean VIF|	1.73	

Source :computed by researcher using data extracted from annual reports of companies(2008-2017).

Normality

According to Hair et el. (2010) the assumption of normality is met when the residual fall along diagonal with no substantial departures and can be examined from the histogram of the standardized residuals. From the result, the normality test result is 0.0000, showing no problem of normality.

TABLE 4.3 Normality Test Result

. sktest e

Skewness/ Kurtosis tests for Normality

Variable |	Obs	Pr(Skewness)	Pr(Kurtosis)	adj chi2(2)	Prob>chi2
e |	110	0.0000	0.0000	.	0.0000

TABLE 4.4 Summary of Regression Result

Number of obs = 109

F (5, 103) = 3.59

Prob> F = 0.0050

roe |	Coef.	Std. Err.	t	P>|t|	[95% Conf. Interval]	
DY|	-.0881051	.592386	-0.15	0.882	-1.262963	1.086753
DPR|	-.0252959	.0112735	-2.24	0.027	-.0476542	-.002937
DPS|	.0526764	.0215892	2.44	0.016	.0098592	.0954936
_cons |	.8310098	.3359171	2.47	0.015	.1647974	1.497222

Source : computed by the researcher using data extracted from the annual reports of companies(2008-2017).

Table 4.4 regression result above shows the coefficients and the level of significance of the independent variables (dividend yield, dividend payout ratio and dividend per share) on the dependent variable (Financial performance proxies (ROE). It can be observed that, among the independent variables, Dividend payout ratio (DPR) has a p value of 0.027 (3%) dividend per share (DPS) has a p value of 0.016 (2%) which are all less than (5%). This means that dividend payout ratio and dividend per share are statistically significant in predicting performance of the company (ROE) with the exception of dividend yied that has a p value = 0.882(88%) which is insignificant.

4.3 Result and Discussion

In relation totable 4.4, dividend payout and dividend per share has a positive impact on the ROE, Hence Ho1 and Ho3 is rejected while Dividend yield is not significant with ROE thus Ho2 is accepted.

The study finds a positive effect of dividend payout ratios of the consumer goods companies with financial performance measured by return on equity. This simply means that the continued payment of dividend out of their earnings to the shareholders tend to have more confidence and willingness to invest more on the companies which increases the equity, the more the equity the more funds available for the company to exploit investment opportunities that can a direct impact on their capital growth hence influences their financial performance, the findings therefore support the theory of relevancy of dividend payment like the bird in hand theory by Gordon (1963) that contended that the payment of current dividends resolves investor uncertainty. Investors have a preference for a certain level of income now rather than the prospect of a higher, but less certain, income at some time in the future.

Also the study prove that dividend yield to be insignificant in predicting the financial performance of the company based on the statistical result, thus has insignificant effect on return on equity. Dividend yield means the degree to which dividend payment impact on the market price of the company's stock. In relation to the study dividend does not have any impact on the stock price of the stock.

Moreover, it was found that dividend per share is significant in predicting the financial performance of the companies, this means that the amount paid by the companies in relation for every ordinary share issued is relevant for individuals and potential investors who are evaluating various stocks to invest and would prefer companies who pay higher dividends. Thus the management will try to increase the dividend per share to make their shares more attractive and in turn raise more capital for the company's growth and investment, as a result of anticipation of more payment.

5) Conclusion

The aim of thestudy is to examine the effect of dividend policy on the performance of eleven (11) listed consumer goods companies in Nigeria for the period of Ten (10) years, from 2008 to2017.The study adopted Expost-Facto research design. Data was collected from the annual financial statements of the eleven 11 companies and was analyzed using correlation and regression with aid of Stata version 14.

With reference to the study findings, this study concludes that dividend payout ratio is important and significant in predicting the financial performance of the consumer goods companies, thus it is necessary for the companies not to ignore the payment of dividends because it sends signals of good performance and the effective utilization of the companies resources, wealth maximization of the shareholders and also attract investors.

Also dividend yield was found to be insignificant in the study,The Management should try to trim their dividend payment or stop them altogether during hard economic times or when the company is experiencing hard times of its own, so one can rarely rely on consistent dividends on permanent basis

It also revealed that dividend per share is an important indicator that influences financial performance of the company, therefore it is concluded that the company should maintained reasonable stability in regards to the amount paid per share so as not to send a bad signal that can distort the market prices of the stock and the public image of the company.

Future researchers can exploit other Financial performance measurement apart from the return on equity (ROE) used for this study like return on asset (ROA) or Economic value Added (EVA) etc

6.0) Recommendation

Based on the conclusion of the study it is recommended that the companies should adopt a dividend policy that will suit their individual company's economic reality and characteristics, a policy that creates a balance between the current dividend and the company's growth in the future, so as to maximize the company's stock price and ensure high performance. Specifically?

1. The study recommends that the management of the listed consumer goods companies should pay dividend as it sends good signals to the investors and attract potential investors.
2. There should be consistent dividend policy that will maximize shareholders wealth without mortgaging the profitability and the objectives of the company. That is by considering the important of both aspect of dividend payment and capital growth of the company. As it can affect the companies negatively if optimality is not achieved.

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