EFFECTS OF DIVIDEND DECISIONS ON PERFORMANCE OF LISTED FOOD AND BEVERAGES FIRMS IN NIGERIA

Oke Michael Ojo[1], Akinfolarin Modupe Odunayo[2], Alaketu Akeem Abidemi [3]
[1,2]Department of Finance, Faculty of Management Sciences Ekiti State University, Ado-Ekiti, Ekiti State, Nigeria.
[3]Department of Banking and Finance, School of Business Studies, Federal Polytechnic Ado-Ekiti, Ekiti State, Nigeria.
Correspondence Author: *Email: odunfola85@gmail.com*

ABSTRACT

This study examined the effect of dividend decision on performance of listed food and beverages firms in Nigeria. Panel regression estimate which involved pooled regression, fixed effect estimate and random effect estimate as well as Hausman tests were employed as the analytical techniques. Data from 10 selected food and beverages firms on financial decision (proxied by firm size, dividend payout ratio and cashflow from operating activities of firm); performance (proxied by return on capital employed) were obtained from secondary source, namely, Annual Financial Statement of respective firms over a period of twelve (12) years from 2011 to 2022). The result revealed that cashflow from operating activities has positive and significant effect on return on capital employed (0.048168; P = 0.04 < 0.05); dividend payout ratio has negative and significant effect on return on capital employed (-0.158348; P =0.02 <0.05); firm size has positive and significant effect on return on capital employed (0.130383; P = 0.02 <0.05) respectively of listed food and beverages firms in Nigeria. Therefore, the study concluded that dividend decision has negative and significant effect on performance of corporate firms in Nigeria.

KEYWORDS: *Dividend decision, Dividend payout ratio, Performance, Nigeria.*

1.0 INTRODUCTION

The strategy a business employs or adopts to determine the amount and timing of dividend payments to its shareholders is known as its dividend policy. Dividends are portions of a company's earnings given to directors and shareholders as compensation for their investment in the business (Ejike, 2024).

Making educated choices on how to distribute profits to stakeholders is the duty of financial managers.

In the business world, corporate managers' adoption of dividend policies is crucial as these choices have a legitimate impact on the company's valuation and the wealth of its stakeholders. The decision to pay dividends, along with financial and investment decisions, is a crucial aspect of corporate financial management that may have a big impact on the company's total worth. Making the choice to sustain revenues or pay dividends is frequently challenging, though, because of the complexity of this decision-making process and the numerous conflicting influences (Obayagbona & Akinuli, 2024). In this context, a number of elements are taken into account, including the firm's size, cash flow from investments, dividend cover, price-earnings ratio, earnings per share, dividend payout, and business valuation (Akinfolarin, 2024; Muhammad & Muhammad, 2016).

A dividend policy affects the company's growth rate, share price, and reputation. It also relies on the company's cash or debt availability, investment requirements, and earnings. A firm with different share classes may have different dividend policies. Generally speaking, the firm's worth may be affected by three different kinds of financial actions. These include choices on dividends, finance, and investments.

These three choices are connected to one another in a sequence. A company's investments impact its prospective dividend amount and future profits. Capital cost is also impacted by the dividend distribution policy, which establishes the equity capital rate inside the company's capital structure. The goal of these interconnected choices is to maximize stockholder wealth (Ejike, 2024).

Reinvestment financed by retained earnings limits a company's capacity to transfer profits to shareholders. yet, Nigerian consumer goods companies are requesting large investment funds to improve their performance in the future; yet, the company's debt level is now quite high, and debt reduction is necessary. Lower financial performance has resulted from a number of consumer goods companies offering debt restructuring to their lenders. Recently, another challenge has emerged as stock prices tend to decline. Instead of capital gains, investors want dividends. Therefore, while deciding on dividend policy, management and shareholders must prioritize increasing the company's worth over all other considerations (Endri et al., 2020). One crucial component of the company's financial choice is its dividend policy. Therefore, the decision to pay dividends and the company's capacity to turn a profit are inextricably linked. Profitability may be used to measure a company's ability to distribute dividends in a manner that satisfies the expectations of its shareholders (Harahap et al., 2020). Cash flow from operations, firm size, dividend payout ratio, liquidity, activity, leverage, and profitability all influence a company's dividend payment decisions (Akinfolarin, 2024; Roj, 2019).

Given the pivotal role of dividend decisions in shaping overarching business strategy and creating new business value, this study specifically explores the effect of dividend policy decision (dividend payout ratio, cashflow from operating activities and firm size) on the financial performance of listed food and beverages companies in Nigeria. The main question raised in the study is how do dividend decision variables (cash flows from operating activities (CFO), size of the firm (SIZE), and dividend payout ratio (DPR) affect the financial performance of listed food and beverages?

Research Hypotheses

The study hypothesized that:

i. cash flows from operating activities does not have any significant effect on firm performance in Nigeria;
ii. dividend payout ratio has no significant effect on firm performance in Nigeria;
iii. size of firm has no significant effect on firm performance in Nigeria.

The study focused on ten prominent foods and beverages companies listed on the Nigerian Stock Exchange (NSE) from 2011 to 2022, comprising (BUA Foods, Cadbury Nig Plc., Nestle Nigeria, Nigerian Breweries, Dangote Sugar, Flour Mills of Nigeria, Guinness Nigeria, Unilever Nigeria, Honeywell Flour Mills Plc and PZ Cussons Nigeria. The

remaining of the section is divided into literature review, methodology, result and discussion, as well as conclusion and recommendation.

2.0 LITERATURE REVIEW

One of the most important aspects of the financial manager's job is deciding how much of the firm's profit should go to the shareholders and how much should be kept as retained earnings to support the firm's long-term growth (Njuguna & Jagongo, 2015). Therefore, determining a dividend poly is crucial for financial management. The two key ideas that comprise dividend choice are based on the connection between the decision and the firm's worth. In this regard, the distribution of earnings, which is a significant factor in determining the total amount needed, is intimately linked to the problem of raising capital and should be considered when making dividend selections. While both growth and dividends are desired, they are at odds with one another. A higher dividend rate results in fewer retained earnings, which slows the development of earnings and stock prices. The financial management must find a good balance between the two in order to maximise shareholder value; A responsible financial management determines the dividend to pay out based on a number of factors, including investor preferences, the firm's cash situation, the stability of its profits, the need to service debt, contractual limitations, and access to capital markets etc; A crucial component of finance decisions is choosing a dividend policy (Geetanjali & Shailesh, 2019).

This study is anchored on dividend irrelevant theory and bird in hand theory. In the 1960s, Miller and Modigliani put up the dividend irrelevance argument. In light of these idealised conditions of a flawless capital market and rational behaviour, a new wave of finance stated that the dividend payment had no bearing on the firm's value (Miller & Modigliani, 1961). Since it was previously believed that a firm's value is determined by its investment choices, the Miller and Modigliani model argues that in a perfect market, a firm's dividend policy has no influence on its share price or shareholder wealth. Put another way, a firm's worth is unaffected by the method used to determine its dividend policy. The underlying assumptions of Miller and Modigliani's hypothesis were that of an ideal capital market with no assessment differences between capital increases and profits, no exchange costs, balanced data, that is, data that is freely available to all parties: no organisation costs, no conflict between administrators and investors, and the potential that all financial backers are merely cost takers with no control over protection costs.

Based on the Miller and Modigliani (1961) model, an organization's investment remains constant as all initiatives with favourable Net Present Values (NPVs) are supported, irrespective of the firm's dividend decision-making approach. Profits are therefore the firm's remaining revenue less expenses. As a result, it was widely advised that dividend payments are essential to the firm's worth and that shareholders should care about the dividend policy as it would have an impact on both their wealth and the share price. According to Frankfurter and Wood (1997), when investors are presented with false information about a firm's performance, they typically utilise dividend distributions as a signal. In summary, in an ideal capital market, future cash flow from investment decisions determines a firm's value alone, as highlighted by Lease *et al*. (2000). The optimal dividend choice policy should take into consideration taxes, agency costs, transaction costs, and asymmetric knowledge. Four primary hypotheses of dividends relevance have been proposed throughout the course of years of research. These consist of the agency cost theory, tax preference theory, signalling theory, and bird-in-hand theory.

Gordon (1959) and Lintner (1962) proposed the hypothesis of the bird in hand. The idea put out a link between dividend payments and the value of a corporation. Because firms must establish a greater dividend payment ratio in order to maximise the share price, it has been observed that investors regard dividends less riskily than capital gains. Put differently, (Robinson, 2006) claimed that large payouts raise the value of stocks. Taking into account the fact that a firm's risk is determined by the risk of its cash flows, dividend choice policy has no impact on it. As such, the explanation of the bird in hand could not be accurate. In general, the majority of financial economics literatures reject the "bird in hand" argument for dividend significance.

Plethora studies exist on dividend decision and firm performance in Nigeria. For instance, Akinfolarin (2024) considered the efficacy of financing, investment, dividend and liquidity effects to determine the impact of financial decision on performance of listed food and beverages firms in Nigeria over a period of twelve (12) years from 2011 to 2022. Evidence from Panel regression estimate revealed and concluded that investment and liquidity decisions have positive and significant effect while financing decision and dividend decisions have negative and significant effect on return on capital employed of listed food and beverages firms in Nigeria. Hence, financial decision has significant effect on performance of listed food and beverages firms in Nigeria. The effects of dividend payout ratio, dividend yield, and dividend per share on the financial performance of four chosen consumer goods companies in Nigeria (2014–2023) were explicitly investigated by Ejike (2024). Through the use of panel least squares, the study discovered that the financial performance of consumer goods companies in Nigeria was significantly impacted by dividend yield, negatively by dividend payout ratio, and positively by dividend per share. Inferring that consumer goods companies are not effectively managing their dividend policy; the study indicated that dividend policy has a negative and negligible impact on company performance.

Chijuka and Hussein (2023) investigated how Nigerian dividend policy was impacted by internal consumer goods determinants between 2017 and 2021. The results of panel regression showed that neither growth nor the debt-to-equity ratio nor the current ratio have an impact on the dividend payout ratio. Return on equity and collagenization have a positive impact on dividend policy. This research indicates that consumer goods companies that are profitable and have a sizable pool of collateral to support their claims are more likely to distribute sizable dividends to shareholders. According to both theoretical and empirical research findings, businesses in Nigeria's consumer goods sector prefer to pay out sizable dividends to shareholders because profits are high and collateral is readily available. Olaoye and Adesina (2022) delved into the effects of capital mix on manufacturing enterprises listed on the Nigerian Exchange from 2009 to 2020. Utilizing descriptive and inferential statistics, they unearthed a negative influence of debt-to-equity ratio on return on assets, juxtaposed with a modest positive impact of total debt to total assets ratio on financial performance metrics. In their study, Olaoye and Olaniyan (2022) looked at how dividend policies affected the performance of consumer goods companies listed on the Nigerian exchange group. They specifically looked at how dividend payouts affected return on assets, retained earnings, and debt to equity for eight (8) consumer goods companies listed in Nigeria between 2010 and 2020. To test the hypothesis, panel data least square multiple regression was employed. The results showed that necessary retained earnings and dividend payment have a negative and statistically significant impact on debt on equity, whereas dividend payout has a positive and substantial link with return on asset.

Omotola et al., (2021) scrutinized the influence of capital structure on telecom businesses in Nigeria. Leveraging fixed effect regression analysis and data from five listed telecom companies (2016–2020), the study illuminated a significant positive association between capital structure and performance.

Ayange *et al*. (2021) conducted an investigation into the effects of capital structure indicators on manufacturing enterprises in Nigeria from 1999 to 2018. Focusing on non-financial entities, their study revealed varying impacts on financial performance metrics, notably significant relationships between Tobin's Q and certain capital structure indicators. Tanko *et al.* (2021) explored the moderating role of board financial literacy on the nexus between capital structure and firm performance in non-financial enterprises in Nigeria. Analyzing data from annual reports, their research showcased a significant positive correlation between long-term debt and return on assets, indicative of the augmenting effect of an informed board. Ngwoke (2021) scrutinized the impact of dividend policy on the financial performance of Nigerian manufacturing firms. Analyzing data from 13 firms over a four-year period, the study identified a marginal positive impact of dividend payout ratio and dividend per share on return on assets, suggesting an overall inconsequential influence on financial performance.

The study conducted by Nguyen *et al* (2021) examined the impact of dividend policy on a firm's profitability. The study first looked at the research gap before creating a research model using dependent variables like ROA as well as independent ones like dividend rate and dividend payment choice. The study collected data and financial records from 450 firms listed on the Vietnamese stock market between 2008 and 2019. The analysis's conclusions show that the dividend payment option has a detrimental effect on Vietnamese firms' accounting-based performance, but this also enhances market expectations for firms. The study also finds that Vietnamese businesses provide small dividend rates, that positively impacts accounting-based performance but negatively impacts consumer expectations.

Suleman and Sumani (2021) examined the effects of capital structure, earnings, business size, and decisions regarding investments on the worth of the corporation using samples from real estate, development, and industrial firms quoted on the Indonesia stock exchange for the years 2014 - 2017. E-view version was used for panel data technique hypothesis testing. The study's conclusions demonstrated that business value was not significantly impacted by capital structure, profitability, or investment choice. On the other hand, the firm's scale significantly detracts from its overall worth.

Accordingly, results showed that firm's value is simultaneously influenced by the investment choice, capital structure, earnings, and business size in this study.

Wasike and Ambrose (2017) conducted a study to identify the factors that influence dividend policy in Kenya. The annual reports of the corporations provide the statistics. Panel regression techniques were employed in the census research to examine data from all 60 firms that were listed on the Nairobi Securities Exchange (NSE) between 2004 and 2017. The study's findings demonstrated that dividend policy had negative correlations with risk, institutional ownership, growth, and book value, while it had positive correlations with profitability, cash flow, and tax. The signalling hypothesis of dividend policy is supported by this study.

3.0 METHODOLOGY

The ex-post facto research was applied to structure the study. The model specification followed the model of Ejike (2024). With modifications, the model is stated as: performance (represented by return on capital employed) is a function of dividend decision. The proxies of dividend decision are cash flows from operating activities (CFO), size of the firm (SIZE), and dividend payout ratio (DPR).

ROCE = f (CFO, SIZE, DPR) 3.1

In an explicit form, the model is stated as an equation thus
ROCE= B_0 + B_1CFO + B_2SIZE + B_3DPR + μt 3.2

Panel data regression analysis which comprises a pooled, fixed, and random effect panel and the Hausman test are among the estimation techniques used in this work.

Pooled effects Model

A general linear model for panel data permits the intercept and slope coefficients to vary over both individual and time, with

$Y_{it} = A_{it} + X'_{it}\alpha_{it} + U_{it} i = 1, \ldots, N, t = 1, \ldots, T$ …….…..... (3.3)

Where Y_{it} is a scalar dependent variable, X_{it} is a kx1 vector of independent variable, U_{it} is a scalar disturbance term, I index individual is the cross sections and t indexes is time.

Fixed Effects Model

The fixed effects model was specified as:
$Y_{it} = A_i + X'_{it}\alpha + U_{it} i = 1, \ldots, N, t = 1, \ldots, T$ …….…….. (3.4)

Where the individual specific effects A_1, A_2…… A_N kook into any hidden variability related to the regressors., X_{it} and α are k x1 vectors and to start with the errors U_{it} are iid (0, σ^2)

The rise in N individual specific effects as N gets big is the main estimation problem. The slope or predicted parameters α will be of importance for this investigation. The N parameters A_1, A_2…… A_N are nuisance parameters or incidental parameters that are not of intrinsic interest.

The fixed effect model used for this analysis is thus expressed as:

$Y_{it} = A_i + \alpha' X_{ijk} + U_{it} i = 1, \ldots, N, j = 1 \ldots, M, t = 1, \ldots, T$ ……..... (3.5)

Random Effects Model

The random effects model is predicated on the idea that variation is random and uncorrelated, as opposed to the fixed effects model, which believes that variation across entities is independent of the predictor or other independent variables in the model. The key contrast between fixed and random effects is not whether these effects are stochastic, but rather whether the elements of the unobserved individual effect are connected to the model's

regressors. If it is believed that the differences between entities have an impact on your dependent variable, then you should employ random effects.

One benefit of random effects is that they allow time-invariant variables to be introduced into the model, like gender. The intercept in the fixed effects model absorbs these factors.

$Y_{it} = A + \alpha_i X_{it} + U_{it} + E_{it}$ …….. (3.6)
Y_{it} = the dependent variables
X_{it} = this represents the explanatory variables
α_i = the coefficient of the explanatory variables
A = the unknown intercept for each n specific entity
U_{it} = this represents between-entity error
E_{it} = this represents the within-entity error

Random effects presuppose that the predictors and the entity's error term are uncorrelated. This implies that time-invariant variables are permitted to serve as significant explanatory factors. It is necessary to identify the specific traits in random effects that could or might not have an impact on the predictor variables. Bias in the model arises from issues with missing variables that could or might not be accessible. We may also extrapolate the conclusions from the model's sample size thanks to the model.

Where:
X_{ijk} = k x j vector of regressors and $\alpha' = (\alpha_1, \alpha_2, \alpha_3)$ 3.7
$X'_{it} = (\text{CFO}, \text{DPR}, \text{SIZE})_{it}$ 3.8
$Y_{it} = ROCE_{it}$ 3.9
That is:
$ROCE_{it} = \alpha_0 + \alpha_1 CFO_{it} + \alpha_2 DPR_{it} + \alpha_3 SIZE_{it} + U_{it}$ 3.10
U_{it} = error term in matrix form.

Measurement of the Variables

Variables	**Coding**	**Measurements**
Return on capital employed	ROCE	$\frac{Earning\ before\ interest\ and\ tax}{Capital\ Employed}$
Cash flows from operating activities	CFO	$Operating\ Income + Investment + Financing + Depreciation - - Changes\ in\ working\ capital$
Dividend payout ratio	DPR	$\frac{Dividend\ per\ share}{Earning\ per\ share}$
Size of the firm	SIZE	Log of total assets

Source: *Author's Compilation, 2024.*

Source of Data Collection

Ten (10) food and beverage firms listed on the Nigeria Stock Exchange provided financial statements, or annual reports and accounts, which served as the secondary source of data for this study. The extraction process was used to get the data.

4.0 RESULTS AND DISCUSSION

4.1 Descriptive Analysis

Table 4.1: Descriptive Statistics of Variables

Variables	Mean	Std. Dev.	Minimum	Maximum
ROCE	-0.176836	0.171000	-0.677781	0.278754
FS	0.725292	0.240249	-0.749824	0.997853
CFO	5.549480	0.889387	3.514858	7.960680
DPR	0.436971	0.255374	-0.37366	0.768638

Note: *ROCE =Return on capital employed equity, FS = Firm size, CFO = Cashflow from operating activities, DPR = Dividend payout ratio,*
Source: *Author's Computation, (2023) from E-view 9*

Table 4.1 reveals the mean, standard deviation, minimum and maximum values of the variables employed in this study. The mean values of firm size, cashflow from operating activities and dividend payout ratio are positive and this means that the stated variables have increasing tendency throughout the sampling period. On the other hand, return on capital employed has negative mean value. This connotes that return on capital employed displays a decreasing tendency within period of coverage. The value of CFO ranges from 3.51 to 7.96 which implies that the stated variable maintained steady increases within the period of investigation. In addition to this, the minimum and maximum values of ROCE, FS and DPR ranges from -0.67 to 0.27, -0.74 to 0.99 and -0.33 to 0.76 respectively. This shows that these variables are stable and increase at some point but decrease and fluctuate at point within the period of investigation. In spite of the average value, the minimum and maximum values, standard deviation was used to describe the variables. After the description of the variables, the study proceeds to estimate the correlation among the variables and the result was reported in Table 4.2.

4.2 Correlation Result

The correlation analysis which is conducted through the use of correlation matrix shows the association among the explanatory variables used in the study. The correlation matrix was conducted and confirmed among the explanatory variables. Thus, the result of the correlation matrix for the explanatory variables is presented in Table 4.2.

Table 4.2: Correlation statistics

	ROCE	FS	CFO	DPR
ROCE	1.000000			
FS	0.002754	1.000000		
CFO	-0.466967	-0.089082	1.000000	
DPR	0.171346	0.310117	0.663979	1.000000

Source: *Author's Computation, (2023) from E-view 11*

The output of the correlation matrix reveals correlation coefficients in-between each pair of the variables used as explanatory variables- return on capital employed, firm size, cashflow from operating activities, dividend payout ratio. The result shows that FS and DPR move in the same direction with return on capital employed while CFO move in the opposite direction with return on capital employed.

Thus, there was evidence of low correlation coefficients which invariably suggested that each pair of the variables is not perfectly correlated, and, as such, the assumption of multicollinearity or perfect collinearity was refuted. Thus, there is absence of multicollinearity problem in the model.

4.3 Analysis of the Effect of Dividend Activities on Performance of Listed Food and Beverages Firms

This section presented analysis of the effect of investment decision measured in terms of cashflow from operating activities, dividend payout ratio and size on performance (return on capital employed) of listed food and beverages firms in Nigeria.

Table 4.3 Pooled OLS Estimation Result of Dividend Activities on Performance of Listed Food and Beverages Firms

Series: *CFO, DPR, FS*

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C (ROCE)	0.559783	0.105407	5.310680	0.0000
CFO	-0.155077	0.019135	-8.104444	0.0000
DPR	-0.086442	0.058924	-1.467020	0.1451
FS	0.158348	0.067975	2.329483	0.0216
R-sq.	0.371033	F-stat.		22.80981
Adj. R-sq.	0.354767	Pro.(F-stat.)		0.000000
S.E. of reg.	0.158288	DWT		0.777945

Source: *Author's Computation, (2023) from E-view 11*

The results of the pooled estimation, which are displayed in Table 4.3, indicated that the dividend payout ratio has a negative and insignificant effect (coefficient = -0.086442; p = 0.14 >0.05), the cashflow from operating activities has a negative and significant effect (coefficient value = -0.155077; p = 0.00 < 0.05), and the firm size has a positive and significant effect (coefficient = 0.158348; p = 0.00 < 0.05). The explanatory factors together account for about 35.47% of the systematic variance in return on capital employed, according to adjusted R-square values presented in Table 4.3. Given that the likelihood of the F-statistics value is 0.00 < 0.05 and the F-statistics value is 22.80981, it may be concluded that the fitted regression model is statistically significant, suitable, and acceptable for evaluating the impact of dividend choice on performance.

Table 4.4: Fixed Effects Estimates (Cross-sectional and Period specific) of Dividend Decision and Performance of Food and Beverages Firms

Series: *ROCE CFO, DPR, FS*

CROSS-SECTIONAL SPECIFIC EFFECT			**TIME SPECIFIC EFFECT**		
Variables	**Coefficients**	**Prob**	**Variables**	**Coefficients**	**Prob**
C	-0.230228	0.1038	C	0.663310	0.0000
CFO	0.001511	0.9555	CFO	-0.164960	0.0000
DPR	-0.200222	0.0162	DPR	-0.119364	0.0563
FS	0.118829	0.0451	FS	0.111011	0.1325
R-sq. = 0.699249 Adj. R-sq. = 0.665520 F-stat. = 20.73133 Pro.(F-stat.) = 0.000000			R-sq. = 0.688805 Adj. R-sq. = 0.629979 F-stat.=5.186168 Pro.(F-stat.)= 0.000000		

Source: *Author's Computation, (2023) from E-view 11*

Fixed effect cross-sectional specific estimation result presented in Table 4.4 showed that cashflow from operating activities has positive and insignificant effect with co-eff. of 0.001511 (p=0.955), dividend payout ratio has negative and significant effects with co-eff. of -0.200222 (p=0.0162<0.05) and size having a positive and significant effect on performance of firms measured by return on capital employed (ROCE) with coeff. of 0.118829 (p=0.045). Adjusted R-square value reported for cross-sectional specific estimation presented in Table 4.4 stand at 0.665520, which reflects that about 66.55% of the systematic variation in return on capital employed can be explained jointly by the explanatory variables.

Result of fixed effect period-specific estimation presented in Table 4.4 shows that cashflow from operating activities has negative and significant effect with a coeff. of -0.164960 (p=0.000 <0.05), dividend payout ratio has negative and insignificant effect with a coeff. of -0.119364 (p =0.056 > 0.05) and firm size has positive and an insignificant effect on return on capital employed with the coefficient of 0.111011 (p=0.132 > 0.05). Reported Adjusted R-square statistics shows that about 62.99% of the systematic variation in return on capital employed can be explained jointly by cashflow from operating activities, dividend payout ratio and firm size.

Table 4.5 Random Effect Estimation of Dividend Decision and Performance of Food and Beverages Firms

Series: *ROCE CFO, DPR, FS*

Variable	**Coefficient**	**Standard Error**	**T-Test Values**	**Probability**
C	0.005165	0.130148	0.039685	0.9684
CFO	0.048168	0.023648	2.036864	0.0439
DPR	-0.158348	0.069269	-2.285986	0.0241
FS	0.130383	0.057504	2.267369	0.0252
R-sq. = 0.671107; Adj. R-sq. = 0.647084; F-stat. = 12.95995; Pro.(F-stat.) = 0.000223; DWT = 1.818255				

Source: *Author's Computation, (2023) from E-view 11*

Random effect estimation result presented in Table 4.5 revealed that cashflow from operating activities, dividend payout ratio and firm size significantly affect return on capital employed of listed food and beverages in Nigeria with a Coeff. of 0.048168 (p = 0.04 < 0.05), -0.158348 (p = 0.02) and 0.130383 (p = 0.02 < 0.05). The coefficient of adjusted R-square is

64.70 which implies that the systematic variation in return on capital employed can be explained by cashflow from operating activities, dividend payout ratio and firm size of the sampled food and beverages firms in Nigeria. The F-statistics value of 12.95 with the probability value of 0.000 < 0.05 showed that the random regression model is statistically significant to determine the effect of dividend decision on performance of food and beverages firms in Nigeria.

Table 4.6 Hausman Test of Dividend Decision and Performance of Food and Beverages Firms

Null hypothesis	**Chi-square stat**	**Probability**
Difference in coefficient not systematic	5.234880	0.1142

Source: *Author's Computation, (2023) from E-view 11*

Table 4.6 reports chi-square statistic of 5.23 and probability value of 0.1554 indicating the superiority of random over effect test. Hence, random result is acceptable and applicable in this report.

4.4 Test and Validation of Hypotheses

The random effect estimation is presented for validation in this section.

Hypothesis: Dividend decision (Cash flow from Operating Activities, dividend payout ratio and size of the firm) has no significant effect on performance of listed food and beverages firms.

Table 4.7: Coefficient Significance t-test Result of Dividend Decision (Cash flow from Operating Activities, dividend payout ratio and size of the firm) and Performance of Firms

Null hypothesis (Investment Decision)	**Coefficient estimate**	**t-test stat**	**Probability**	**Remark**
CFO is not statistically significant	0.048168 (ROCE)	2.03	0.04 < 0.05	Reject H_0
DPR is not statistically significant	-0.158348 (ROCE)	2.28	0.02 < 0.05	Reject H_0
FS is not statistically significant	0.130383 (ROCE)	2.26	0.02 < 0.05	Reject H_0

Source: *Author's Computation, (2023) from E-view 11*

Table 4.7 unequivocally showed that with the exception of FS on ROE in Nigeria, dividend decisions (DPR) have negative and significant effect as well as direct and substantial impact of CFO on performance of firm food and beverage enterprises when evaluated by ROCE, therefore rejecting the null hypothesis.

4.5 Discussion of Findings

The study examined the significant effect of dividend decisions on performance of food and beverages firms in Nigeria. The results of the investigation demonstrate that, among a subset of Nigerian food and beverage firms, operational cash flow and firm size both positively and significantly correlate to higher performance rates. According to this outcome, ROCE rose by 4.81%, with a large increase in cashflow from operational operations. Furthermore, ROCE was severely reduced by dividend payout ratio by 15.83%. Additionally, it revealed that firm size has a considerable effect (13.03%) on return on capital employed. This finding led the study to draw the conclusion that dividend policy negatively and significantly affected the performance of Nigerian businesses.

Businesses that boost their dividend payments are typically seen by investors as an indication of better business success. A dividend payment is preferable to potential capital gains. Gordon's (1963) assertion that investors prefer substantial dividends over untouched gains in the form of earnings that are retained since those kinds of earnings are less uncertain and hazardous serves as the basis for this contention.

A large dividend distribution is interpreted by some investors as a sign of the firm's incapacity to control free cash flow. Profitable firms, according to Myers and Majluf (1984), have little motivation to pay dividends in order to have a sizable amount of internal money available to support investment projects. The rise in dividends may not be good news for the firm's growth since it may indicate that the firm is cutting back on its investment strategy, which will lower the firm's valuation. A high dividend payout ratio does not always mean that the business is doing well. Investors may view a firm's high dividend distributions as an indication that it is not managing its free cash flow efficiently. Such investor perceptions have the potential to reduce the firm's value (Lumapow & Tumiwa, 2017). As a result, the analysis refutes the insignificant result found by Akinleye and Ademiloye (2018) and Ejike (2024) but supported Akinfolarin (2024) and Nguyen *et al*. (2021) findings that dividend decisions have negative and significant effect on Nigerian firms' performance.

CONCLUSION

The study investigated the dividend decisions on the performance of listed food and beverages firms in Nigeria, panel regression was used to analyze the data and the result revealed that there is a significant negative relationships on dividend decisions. Premised on the discoveries, the study concludes that as much as important it is for firm to pay dividend, investment should not suffer from such act. It was recommended that consumer products firms, especially those in Nigeria, should carefully evaluate whether to adopt a dividend policy based on the individual conditions of the business, rather than relying only on long-standing customs that are frequently developed by academics. As a result, Nigerian food and beverage firms should not rush to pay out dividends.

Therefore, the study recommended that Nigerian food and beverage companies consider how to finance their investment projects and manage cash flow before considering dividend distribution.

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