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IMPACT OF DIVIDEND POLICY ON MARKET CAPITALIZATION OF LISTED MANUFACTURING FIRMS IN NIGERIA

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Abstract

This study examines the impact of dividend policy on the market capitalization of consumer goods companies in Nigeria. The design that was employed in this study is an ex-post facto design. The population of the study comprised twenty-one (21) listed consumer goods companies in Nigeria. Indeed, a secondary source of data was used for this study, which consists of annual reports and accounts of the sampled companies that were obtained for the analysis to assess the impact of dividend policy on the market capitalization of listed consumer goods companies. The secondary data came from the company's ten (10) years of annual financial reports and accounts, from 2012 to 2021. The study's methods for data analysis included the Ordinary Least Squares (OLS) regression model. According to statistics, the market capitalization of listed consumer goods businesses in Nigeria is favorably but not substantially correlated with the dividend payout ratio. The empirical finding further demonstrates that, at a 1% level of significance, dividend per share is statistically, positively, and substantially correlated with the market capitalization of Nigerian consumer goods companies that are publicly traded. It reveals that dividend yield is statistically negative but significantly associated with the market capitalization of listed consumer goods enterprises in Nigeria at a 5% level of significance. Consumer products businesses' boards of directors are urged to reassess their dividend policy in a way that would be advantageous to all parties involved, especially the capital suppliers (shareholders).

Keywords: Dividend Per Share, Dividend Policy, Dividend Yield, Market Capitalization, Manufacturing Firm

1. INTRODUCTION

Since the introduction of joint-stock firms, dividend policy has become a topic of interest in financial writing. A dividend policy is a deliberate strategy to keep

or increase dividends at a certain level, with the ultimate goal of preserving the share price on the stock exchange. This is because capital markets are so unreliable. Shareholders place a higher value on the dividend paid in the current year than they do on future payouts and capital gains, while being agnostic about dividends and retained earnings due to market imperfections and uncertainty (Ugwu *et al*., 2020). Dividend policies are influenced by investors' preferences for capital gains over income, their willingness to forego current payouts in exchange for future returns, and how much risk they perceive to be involved in deferring payments (Olatunji *et al*., 2022; Christopher *et al*., 2021). Any normative dividend policy approach must take into account the firm's ability to make investments and operate profitably in the real world. It is important to consider the similar preferences between dividends and capital gains as well as the distinction in "cost" between retained earnings and fresh equity offerings. The memorandum of association (in some cases), the organization's rules, and the overall state of the economy are taken into account when determining the dividend policy for various businesses. Some people earn a meagre salary, while others earn enormous salaries. While some only receive cash dividends, others also or alternatively receive stock dividends (bonus issues) in place of or in addition to cash dividends. All in an effort to increase shareholder wealth, which in this case refers to the market value of the stock (Bamanga & Kunle, 2020).

A dividend is the transfer of a portion of a company's income to its shareholders in accordance with their interests (Saadu *et al*., 2020). Dividend payments are usually part of a company's strategic plan to return a portion of its profits to shareholders. The dividend ratio provides analytical data on the company's or enterprise's financial health as well as insights into the expectations of the company's investors. The dividend might be paid out in cash or by capitalizing the profit as bonus shares, according to Saadu *et al*. (2020). A company's ability to invest shareholder money rather than distribute it may also seem obvious. Should the company give its shareholders money? According to Olatunji *et al*. (2022) and Yahaya (2019), the fundamental concern with dividend policy Or should the company use the money to make future investments that will bring in more money for its shareholders?

The goal with regards to dividends should be to maximize shareholders' returns and increase the return on investors' capital. Investors buy equity shares in the company in the hopes of eventually earning a profit share and benefiting from capital growth. Equity shares are issued by the company to raise ownership

capital. Market capitalization is described as the cost of equity multiplied by the quantity of shares that are currently outstanding by Biswas *et al.* (2022) and Oniyama *et al.* (2021). The market capitalization of all the firms listed on a particular stock exchange is determined by multiplying their prices by the total number of outstanding shares on that market. When the share price of the company's common stock is higher, the firm is considered to have a high value (Oniyama *et al.*, 2021). Better-performing companies are anticipated to have higher share prices and be able to obtain additional cash (both debt and equity) under more favourable terms from the capital market than their rivals. According to Bernard *et al.* (2020), the finance management decides whether the company should distribute all profits, keep some of them, or distribute a portion while keeping the rest.

At this point, it must be emphasized that while many prior studies, including those by Koleosho *et al.* (2022), Biswas *et al.* (2022), Oniyama *et al.* (2021), Saadu *et al.* (2020), and Lucky & Onyinyechi (2019), among others, have been successful in establishing empirical pieces of evidence regarding the association between dividend policy and market capitalization, others, including those by Bello and Lasisi (2020), investigated the variables affecting listed firms in Nigeria's dividend policies. Investigating how dividend policies impact the market capitalization of Nigeria's listed consumer product companies is vital. If done well, it will contribute to the corpus of knowledge while restoring investors' (equity owners') faith in the efficient use of their financial resources.

From the practical point of view, the global scenario is that companies are finding it difficult to pay dividends due to the global financial predicament that started in August 2007 and has been causing chaos in the markets. This was caused by an asset price bubble mixed with risk-mimicking financial innovations and new forms of financial innovation, as well as regulators and supervisors who failed to rein in excessive risk-taking. The financial crisis has brought about major uncertainty; however, financial directors of companies are still required to make decisions concerning payout policy with absolute certainty (Bernard *et al.*, 2020). Furthermore, it was claimed that Americans are becoming less inclined to pay dividends. The proportion of corporations paying dividends among all companies listed on the New York stock exchanges declined from 78.0% to 22.3%, a short-term reversal of the downward trend. 40% of the observations came from British businesses, followed by 16% from France, 13% from Germany, 5% from the Benelux countries, 13% from "other economies" like Austria, Denmark, Finland, Ireland, and Sweden, and 14% from South Europe (Greece, Spain, Portugal, and Italy). to name only a handful (Biswas *et al.*, 2022).

However, the majority of African nations have implemented policies to draw direct foreign investment and to entice investors to fund already-established businesses around the continent. 13 African nations, including Botswana, the Ivory Coast, Egypt, Ghana, Kenya, Morocco, Namibia, Nigeria, South Africa, Tanzania, Uganda, Zambia, and Zimbabwe, have made decisions about their corporate dividend policies on how to implement strategies to entice direct foreign investment and to get investors to fund existing African businesses (Yensu & Adusei, 2016). Paying businesses is due to the fact that they are more likely to pay dividends in nations with low GDP per capita. For dividend evaders, corruption is at a high level. Egypt's propensity to pay dividends is 65.8%, and South Africa's is 72.1%. Nigeria 24.6%, The Central Bank of Nigeria's new policy directive on dividend distribution is an initiative to fortify and safeguard the financial system, consumers, and industry in the economy to create a more effective economy. (Oniyama *et al.*, 2021).

The relationship between dividend policy and market capitalisation has been the subject of numerous research. Taking into account the researched industries, historical period, and economic nature, they came to various conclusions. Between dividend policy and market value, some research found a favorable association, while others found a negative relationship. Dividend policy is favorably connected with share price volatility, according to Ajayi & Seyingbo (2015), Aribaba *et al.* (2017), and Zainudin *et al.* (2018), whereas dividend policy is inversely correlated with price volatility, according to Akram *et al.* (2018), and Prasad and Anuradha (2018). Due to the discrepancies, they recommended that a follow-up study be done to corroborate their findings.

The overall conclusion from the review of earlier works of literature indicates that empirical evidence has not yet been tested on the accuracy and consistency of the dividend policies instituted by corporate entities vis-à-vis dividend payments to their shareholders because findings have been grossly inadequate, conflicting, and unresolved. By conducting research to examine Miller and Modigliani's theory—which holds that dividends are irrelevant—this study hopes to close the gap. Although other studies indicate that there are high flotation costs, high transaction costs, additional taxes, and uncertainty when markets are unreliable, Thus, dividend policy is relevant, and this is true for Nigeria, as in the study of Koleosho *et al.* (2022), which argues that a reduction in dividends or the failure to pay dividends could convey an incorrect impression to the shareholders, which would have an impact on the market value of the company's shares due to the high expenses of floatation and transactions as

well as other market concerns. The study also seeks to cover the current time frame, control for differences between the ages of listing and size of the sampled companies, and provide a general control for GDP growth, interest rates, and inflation. Based on the problem statement, it was formulated; thus, what effects does the dividend policy have on the market capitalization of Nigerian consumer products companies?

This study's main objective is to investigate how dividend policy affects the market capitalization (MKTC) of consumer goods companies in Nigeria. Various objectives are:

(i) Analyze how Nigerian consumer goods businesses' market capitalization (MKTC) is affected by their dividend payout ratio (DPR);

(ii) Investigate how Nigerian consumer goods businesses' market capitalization (MKTC) is impacted by dividend yield (DY)

(iii) Examine how dividend per share (DPS) affects the market capitalization (MKTC) of Nigerian consumer goods businesses.

Consistent with the objectives, null hypotheses are developed for the following:

H_{01}: The market capitalization of consumer products companies in Nigeria is not significantly affected by the dividend payment ratio;

H_{02}: The market capitalization of consumer products companies in Nigeria is not significantly affected. by dividend yield;

H_{03}: The market capitalization of consumer products companies in Nigeria is not significantly affected by dividends per share.

The findings of this study are expected to serve as a source of information for students and other academics who wish to expand it by conducting further research in the same area, particularly concerning how the relationship between dividend policy and market capitalization will be accounted for by factors such as inflation rate, interest rate, and GDP growth. It will be helpful for regulatory bodies like the Securities and Exchange Commission (SEC) and the Nigerian Exchange Group (NGX) to create solid investment policies and stock market laws, among other things. The findings of this study would also be helpful to the Nigerian Investment Promotion Council (NIPC) in creating a stable investment environment, which will encourage both domestic and foreign investors to invest their surplus funds in the consumer goods sub-sector of the Nigerian economy.

2. REVIEW OF RELATED LITERATURE

2.1. Concept of Market Capitalization

The market value of all of a company's outstanding shares is added to determine market capitalization (Yu-Shan Chen *et al.*, 2019). The current share price is divided by the total number of outstanding shares to arrive at the calculation. Due to its importance in several stock market indices, market capitalization is commonly used by market analysts to highlight a company's size. Market capitalization can vary significantly from month to month, or even day to day, because it is a result of share price (Yu-Shan Chen *et al.*, 2019). According to Yu-Shan Chen *et al.* (2019), "outstanding shares" refers to the stock that a firm currently possesses, which includes share blocks held by institutional investors and restricted shares held by its insiders and executives. Because it educates investors about the relative sizes of several companies, market capitalization is commonly reviewed when deciding which stock to buy. As a result, stock was classified into three groups by investors: large-cap, mid-cap, and small-cap.

Market capitalization can be used to quickly and typically efficiently measure risk. As a result of their established reputation and stability, large-cap firms are thought to provide long-term profits and lower risk. Mid-cap companies have good growth potential, even though they are often riskier than large-cap stocks but less risky than small-cap ones. Small-cap firms are consistently viewed as high-risk investment possibilities due to factors like their limited financial resources (Ibrahim, 2019). While there are many benefits to considering market capitalization when selecting which company to purchase, there are some disadvantages as well. For instance, market capitalization only displays stock value, not the true value of a corporation (its enterprise value). Share prices may be inflated or undervalued since they only reflect what the market is willing to pay.

Concept of Dividend

Many authors and researchers have defined the term "dividend." It is described as what follows after deducting taxes and fixed interest commitments on loan capital: an appropriation of earnings to shareholders by Baker *et al.* (2002) and Baker (2002). Dividends are sums of money given to shareholders from an organization's profitability. A dividend is a cash payout from a company's earnings that is distributed to stockholders and is announced by the board of directors. In other words, according to the owners of the company, dividends represent a

shareholder's distribution of the company's profits (Arif *et al.*, 2011). According to Hoje and Pan (2009), the payment of dividends may let investors know that a corporation is abiding by sound corporate governance principles. The annual profit is often used to pay dividends; however, occasionally general reserves are also used. The term "cash dividend" refers to the type of dividend payment that is typically made in cash (Adefila *et al.*, 2013).

Dividend payments make up a sizable amount of equity return to shareholders, claim Zakaria *et al.* (2012). Dividend payout, dividend yield, and policy have typically been regarded as substitutes (Ramadan, 2013; Asghar *et al.*, 2011). According to Ramadan (2013), the dividend payment (Ratio) is calculated by dividing the total cash dividends paid to common stockholders by the net income that is accessible to them. By dividing the cash dividend per share for common stocks by the share price or the dividend per share by the share price, on the other hand, one can compute the dividend yield, a measure of profitability.

Dividend Policy

A dividend can be paid out in the form of cash, merchandise, or fresh equity shares. Stock dividends generally cause a decline in share prices and an increase in the number of outstanding shares. Dividends may be designated as a recurring payment schedule or a one-time special dividend. Liquidating dividends are dividends paid to resolve all or a portion of a firm that exceeds earnings. Dividend policy, which entails selecting how much should be paid to shareholders and how much should be held in the company for future reinvestment in successful projects or other reasonable needs, is one of the major issues in financial management (Oyinlola & Ajeigbe, 2014).

The importance of dividend policy in the corporate sector cannot be overstated. It is used by a range of stakeholders, including financial analysts, consultants, managers, and investors, to aid in their decision-making. Given the significance of dividend policy from an investor's perspective, dividends serve as both a source of income and a tool for evaluating a firm from an investment standpoint. In other words, when they invest in the stock market, they want to maximize expected profits while minimizing risk. Capital gains or dividends may make up this return. Because these shareholders' spending and consumption patterns will be satisfied, the dividend policy of the corporation ultimately determines how to maximize shareholder value (Habib, Kiani, & Khan, 2012). A company's dividend policy determines whether earnings will be distributed

as dividends or reinvested back into the business. It is the allocation of profit between dividends to shareholders and corporate investments. As a result, dividend policy plays a crucial role in the company's long-term financing strategy (Okafor *et al*., 2011). Dividend policy is defined by Nissim *et al*. (2001) as the rules and principles that a firm employs to determine whether to pay dividends to shareholders. Corporate finance policy is mostly determined by the dividend policy choices made by companies (Uwuigbe & Godswill, 2012). The trade-off between dividend distribution and retained earnings is, of course, the dividend policy's main flaw. Dividend policy shows an optimistic perspective because it is a deliberate policy to maintain or increase dividends at a predetermined level with the ultimate goal of sustaining the price of common shares on the stock exchange.

(Masum, 2012) claims that. The dividend policy, which entails compensating shareholders in accordance with their investment returns, is a crucial financial choice. Every business that operates in a certain industry has a fixed dividend payment schedule or dividend policy, which undeniably reflects the company's financial health. As a result, the company's dividend policy ought to have some impact on investor demand for its shares. The payment of dividends is a significant cash outlay for many organizations, making dividend policy an important component of corporate finance. Although occasionally general reserves are also utilized, the revenues from the current year are frequently used to pay dividends. Due to the fact that these dividend payments are often given in cash, they are known as cash dividends. A firm has the choice of disbursing its profits via a bonus issue of stock in addition to paying cash dividends. Paying a cash dividend to shareholders hurts the company's reserves and liquidity situation because it tends to lower both of them (cash and reserves). Contrary to cash loans, stock dividends capitalize owners' equity; as a result, they have no impact on the firm's network as a whole.

2.2. Review of Empirical Studies

2.2.1. Dividend Payout Ratio and Market Capitalization

Koleosho *et al*. (2022) conducted a study to determine the impact of dividend policy on the share price volatility of a few chosen businesses listed on the Nigerian Exchange Group (NGX). The study's research methodology was ex post facto. A forty-nine (49) sample of firms was used in the study from a total of 162 businesses, using the filter sampling technique. The study was carried

out from 2010 to 2020 across ten years. The dividend payment ratio has a positive and significant impact on the share price volatility of listed businesses in Nigeria, according to the Generalized Least Squares (GLS) regression technique's findings. Even though the survey was conducted recently, it was limited to Nigeria's listed industrial products companies, leaving out other industries like consumer goods, construction, healthcare, agro-allied, financial services, and oil and gas. Consequently, more trustworthy and distinctive empirical data may have been recorded.

Additionally, for a period of eleven (11) years, from 2010 to 2020, the dividend policy and corporate performance of consumer products businesses listed on the Nigerian Exchange Group (NGX) were examined (Olatunji *et al*., 2022). The study's key premise was social contract theory. Ex-post facto design was used in conjunction with secondary data taken from the accounts and annual financial reports of the listed consumer products businesses during the time. The performance of the company was gauged using three (3) financial performance indicators: return on assets (ROA), return on equity (ROE), and financial leverage. The analysis used a sample size of eight consumer goods companies, and the panel data least squares multiple regression results show a positive and significant correlation between the dividend payout ratio and return on assets (ROA) and return on equity (ROE), respectively. The relationship between the dividend payout ratio and the financial leverage of Nigerian listed consumer goods companies is negative yet significant. However, despite their critical importance, additional financial performance metrics such as market capitalization, share price, dividend per share, earnings per share, and dividend yield, among others, were not included in the study. As a result, many distinctive empirical findings may have been made.

It looked into the dividend policy and market performance of listed manufacturing enterprises in Nigeria for ten (10) years, from 2008 to 2017, inclusive. The annual reports and financial statements of the listed manufacturing enterprises were used at the time to collect secondary data. Ten (10) businesses were used as the sample size for the analysis. The results of the combined ordinary least squares regression analysis show that there is a negative and insignificant correlation between dividend payment ratios and share market performance. However, the market analysis came to an end in 2017, and the aforementioned study could not adequately account for the negative effects of the COVID-19 epidemic as well as the recent local and worldwide economic shocks. As a result, various empirical results could have been found.

2.2.2. Dividend Yield and Market Capitalization

In order to investigate the impact of Nigeria's listed industrial products businesses' dividend policy on the market share price, Christopher *et al.* (2021) employed correlation as the research design. The population and sample sizes of the study are 18 and 10, respectively, of Nigerian listed industrial products enterprises. The study was conducted from 2014 to 2018 over a five-year period, and the sample size was determined by using a filter as the sampling approach. The results of the Ordinary Least Squares (OLS) regression technique showed that the market share price of Nigeria's publicly traded industrial products enterprises and dividend yield have a positive but negligible relationship. Nevertheless. As the analysis was undertaken between 2014 and 2018 (a temporal gap), the negative impact of the COVID-19 pandemic, which adversely affected both local and global capital market performance, has not been recorded in the study. As a result, the study lacks regency since it was unable to capture contemporary facts, particularly the events of 2019–2021. As a result, distinct and more trustworthy empirical findings may have been reported.

Oniyama *et al.* (2021) investigated the dividend policy and market performance of listed manufacturing companies in Nigeria for a period of ten (10) years spanning (2008–2017), both inclusive. The mentioned manufacturing companies' annual reports and accounts were used as a source of secondary data during the period. Ten (10) businesses were included in the sample size for the analysis. The results from the pooled ordinary least squares regression analysis show that dividend yield has a negative but significant relationship with the market performance of shares. Nevertheless, the analysis of the market stopped in 2017, and the adverse effects of the COVID-19 pandemic as well as the current local and global economic shocks were not effectively captured in the aforementioned study. Hence, different empirical findings could have been obtained.

In a study conducted by Bernard *et al.* (2020) over a period of eleven (11) years, from 2006 to 2016, Bernard *et al.* examined the impact of dividend policy on stock market price volatility on the Nigerian Stock Exchange. Ex-post facto was used as the research methodology, and the annual reports and financial statements of the listed firms were used as a secondary source of data collection for the study over the relevant time period. Sixty (60) organizations were included in the sample size when 19 financial services companies in Nigeria were compared to 41 non-financial services companies. One method for data analysis in the study that was used was panel data regression. Results indicated that dividend yield had a negative and negligible impact on stock market price

volatility for companies offering financial and non-financial services in Nigeria. However, the analysis's time frame ended in 2016, and since then, a number of socioeconomic and political events, like the COVID-19 pandemic epidemic, the economic slump from 2016 to 2017, and the 2019 general elections, have occurred. These occurrences might have an impact on stock market actions that have been foregone by the aforementioned study, both directly and indirectly. Therefore, a critical evaluation and effective inclusion of such events could increase the study's dependability and recentness.

2.2.3. Dividend Per share and Market Capitalization

The effect of dividend policy on the share price volatility of a select group of businesses listed on the Nigerian Exchange Group (NGX) was examined by Koleosho *et al.*(2022). Ex post facto research was used for the study. Using the filter sampling technique, 49 firms out of a total of 162 enterprises served as the study's sample. The study was conducted over a ten-year period, from 2010 to 2020. The Generalized Least Squares (GLS) regression technique's findings indicate that dividend per share has a small but detrimental impact on the volatility of share prices for listed companies in Nigeria. Despite the study's recentness, it was only limited to Nigeria's listed industrial goods companies; other industries such as consumer goods, construction companies, healthcare organizations, agro-allied businesses, oil and gas companies, and financial services organizations were not taken into account. More reliable and distinctive empirical evidence may have been gathered as a result.

Another empirical study examined the relationship between the dividend policy and return on equity (ROE), a metric of corporate financial success (Ugwu *et al.*, 2020). The study employed correlational and ex post facto research methods. Ten (10) publicly traded consumer product businesses made up the sample. Secondary data was gathered via the Central Bank of Nigeria's (CBN) bulletin and the audited annual reports of Nigeria's listed consumer goods businesses. Five years, from 2015 to 2019, were used for the research. Descriptive statistics and multiple regression were used to test the study's hypotheses. The results of the regression analysis demonstrate a statistically significant and favourable correlation between the dividend payout ratio and the financial performance of the company, as shown by the return on equity (ROE). Unfortunately, the finding is regressed using ROE versus company financial performance. As a result, alternate empirical data may be supported by utilizing a different financial performance metric, such as market capitalization.

During a ten-year period, from 2009 to 2018, Madubuko *et al.* (2020) conducted a study on the effect of dividend policy on the financial performance of Nigerian enterprises that make consumer goods. Through the annual reports and accounts of the listed consumer goods manufacturing firms in Nigeria, data were collected from secondary sources using an ex-post facto design. In order to assess the study's hypotheses, the data analysis techniques Pearson Product of Moment Correlation (PPMC) and Pairwise Granger Causality (PWGC) analysis were used. The financial performance of the listed consumer goods manufacturing companies in Nigeria, as determined by return on assets (ROA) and return on equity (ROE), was found to be positively and significantly impacted by dividend per share. Financial performance rather than the market performance of the listed consumer products corporations was considered, although there is a time lag as the analysis period ended in 2018. As a result, other and more trustworthy empirical findings may have been made.

2.3. Theoretical Framework

2.3.1. Fundamentalist Theory

Stock prices are scientifically evaluated utilizing data from sales figures, balance sheets, dividend records, audit reports, profit and loss statements, etc. to forecast future company conditions. By evaluating the core financial and economic data about the issuing company, fundamental analysis determines a security's intrinsic value. The present value of anticipated future dividends or earnings is an asset's intrinsic value. Next, the intrinsic value is evaluated and compared to the current market value. If the current market value is less than the intrinsic value, a buy recommendation is given because it is anticipated that the price of the share will rise in the future to meet the intrinsic value. To put it another way, when a share's market price exceeds its intrinsic worth, the investor is advised to sell the share since it may be overvalued. (Okafor *et al.*, 2011) assert that fundamentalists anticipate inherent values using three fundamental performance measures. The profit history, risk index, and fund conversion rate are those.

2.3.2. The Efficient Market Theory

One of the fundamental tenets of investment analysis, according to Ibenta (2005), is the existence of efficient capital markets. According to the investor, they must play by the rules of a fair game (Aribaba *et al.*, 2017). The Efficient Market Hypothesis' (EMH) theoretical underpinning is the Random Walk

Theory. According to the EMH, the market is sometimes efficient because share prices reflect the information that is readily available in the market. In this scenario, the market price is the sole trustworthy and accurate indicator for selecting shares.

It should be emphasized that markets are deemed efficient if prices appropriately reflect all available information. No individual's plan to increase returns in such a market should be successful because all investors should see the same rate of return for a given level of risk. The following assumptions are provided by Sekera (2018), who quoted Samuelson (1965) as follows: Securities trading has no transaction costs; all market players have equal access to information, the same time horizon, and the same expectations, particularly with regard to the effects of recent occurrences on the present price and the expected price distribution. Weak form efficiency, semi-strong form efficiency, and strong form efficiency are the three levels of market efficiency testing that have been done.

Investors cannot generate excessive or anomalous profits based on historical prices in a market with low efficiency since the information available only includes trading volumes, returns, and prior share transactions. As a result, it is impossible to predict future prices using the facts and information currently available. According to Okafor *et al.* (2011), a strong sort of efficiency exists when current prices reflect both published and historical knowledge about the companies whose securities are being assessed. When the market price accurately represents all pertinent information, whether it is public or private, this is a powerful type of efficiency (Ibenta, 2005). This proves that nobody can make money off of information, not even insiders.

The fundamentalist theory is considered important in this study's investigation of how dividend policy affects the market capitalization of Nigerian consumer goods companies. Due to the study's emphasis on a security's intrinsic value, which is the present value of anticipated future dividends or earnings from the share, and analysis of key economic and financial data regarding the business issuing the security, this theory is thought to be more applicable to the study's findings.

3. RESEARCH METHODOLOGY

This section involves the methods used in collecting, analyzing, and interpreting the data for the study. The design that was employed in this research is ex-post

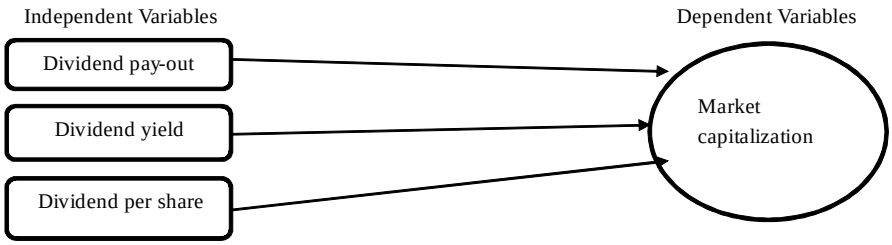

Figure 1: Conceptualization of Variables

Source: Compiled by the Author, (2023)

facto in nature because the Nigerian Exchange Group's (NGX) listed consumer products companies' annual reports and financial statements were used in the study. The twenty-one (21) listed consumer goods companies in Nigeria make up the study's population. After eliminating one company from the population because it did not match the aforementioned criteria, the entire sample was used. For this study, which sought to ascertain the impact of dividend policy on the market capitalization of listed consumer goods companies, the accounts and annual reports of the sampled companies were used as a secondary source of data. The company's ten (10) years of financial statements and accounts, from 2012 to 2021, served as the source of the secondary data. The closing share price for each year of the study was taken from the daily list of stocks published by the Nigerian Exchange Group (NGX) to calculate the outcome variable (market capitalization).

Variable Measurement and Definition

Table 1: Variables and their Measurement

Variables		*Measurement*
Dependent variable (DV)	Market Capitalization	Market capitalization is calculated by dividing the total number of outstanding shares by the common share price. This is collected from the Nigerian Stock Exchange website as used by (Ordu *et al.,* 2014a) and (Ajayi & Seyingbo, 2015).
Independent variables (IVs)	Dividend Payout ratio (DPR) Dividendper share DPS	DPR is measured as DPS/EPS as used by (Asghar et al., 2011) and (Ordu et al., 2014b),; (Ajayi & Seyingbo, 2015) DPS is measured by the total number of ordinary shares divided by the ordinary dividend as used by (Ordu et al., 2014a)

Variables		*Measurement*
	Dividend yield (DY)	This ratio shows the return on investment (in the form of dividends) for shares. Since it is computed by subtracting the dividend per share from the average share price, it is also known as the dividend-price ratio as used by (Ordu *et al.,* 2014a); (Ajayi & Seyingbo, 2015).
Controlvariables CVs	Age, Size, INTR, INFR, and GDP	Age is defined as the interval between the current year and the previous year of Listing, to gauge size, utilize the whole assets' natural log. while the inflation rate's absolute value, interest rate, and GDP growth will be used as additional control variables.

Source: Compiled by the Author Based on Literature, (2023).

With the aid of STATA version 16.0—which will be utilized as the statistical instrument of data analysis—the Ordinary Least Square (OLS) regression model was used as the procedure for data analysis in the study for presentation and discussion of the results. The characteristics, ease of use, accuracy, and variety of options for conducting various empirical tests were taken into consideration when choosing the analysis technique and instrument. In this study, the link between multiple regression and conventional least squares was used to predict the variables. Hence, the model will be expressed or specified as follows:

$$MKTC = f\ (DPOR, DPS, DYL, FSZ, FAG, INTR, INFR, GDP) \quad (1)$$

$$MKTCit = \beta 0 + \beta 1DPOR + \beta 2DPS + \beta 3DYL + \beta 4FSZ + \beta 5FAG + \beta 6INTR + \beta 7INFR + \beta 8GDP + eit \quad (2)$$

Where: MKTC = Market Capitalization; DPOR = Dividend payout ratio; DPS = Dividend per share; DYL = Dividend yield; FSZ = Firm Size; FAG = Firm Age (Date of listing or quotation in the Stock Exchange); INTR = Interest Rate; INFR = Inflation Rate; GDP = Gross Domestic Product (Growth Rate); â0 = Constant (i.e. the intercept); â1 - â8 = coefficient of the independent variable (i.e. the slope, gradient or derivative of the IVs); e = Stochastic Error Term.

4. RESULTS AND DISCUSSSION

4.1. Descriptive Statistics

This section describes the direction, nature, and quality of the statistical data employed in the study. It describes the mean, standard deviation, minimum and

maximum values as well as the firm-year observations of the study. This is captured under table 2:

Table 2: Descriptive Statistics

Variables	*Minimum*	*Maximum*	*Mean*	*Std. Deviation*	*No. Observation*
MKTC	5.18	9.10	7.4933	0.9791	160
DPOR	-935.63	696.96	44.3106	113.9708	160
DPS	0	68.20	2.8985	9.7209	160
DYL	0	30.58	3.2455	3.6155	160
FSZ	5.42	8.74	7.5725	0.7933	160
FAG	4	57	33.2125	13.7737	160
INTR	4.21	9.70	7.9360	1.8817	160
INFR	8.06	16.95	12.6783	3.1036	160
GDP	13.86	14.25	14.0480	0.1219	160

Source: STATA Output Results, (2023).

The MKTC's minimum and highest values are 5.18 and 9.10, respectively, according to table 2, and the corresponding means and standard deviations are 7.4933 and 0.9791, respectively. It shows that the standard deviation from the average mean value is approximately 0.98. It indicates that there were not many changes in the market capitalization values of Nigeria's listed consumer products companies over the study period.

In respect of DPOR, with a corresponding average value (mean) of 44.3106, it has the lowest value of -935.63 and a high value of 696.96, respectively. The difference from the mean was discovered to be 113.9708. As a result, the lowest (minimum) and greatest amounts of DPOR in the listed consumer goods businesses in Nigeria are 935.63k and 696.96k, respectively. The average amount of DPOR was N44.31k approximately, while the change from this average value was N113.97k approximately. Hence, it implies that there were reasonable and strong variations in the DPOR of listed consumer goods firms in Nigeria during the period of the study.

The minimum and highest values for Dividend Per Share (DPS) are 0 and 68.2, respectively, while the mean and standard deviation values were statistically determined to be 2.8985 and 9.7209, respectively. It means that the Nigerian consumer goods businesses that are publicly traded have received no dividends from their shares, with the highest dividend paid per share during the relevant

period being 68.20k. In fact, over the study's time period, the average DPS was approximately N2.90k, whereas the change from the DPS was roughly N9.72k. It suggests that there were acceptable variances in the DPS of the publicly traded consumer goods companies over the research period.

The outcome can be seen in terms of dividend yield (DYL), with the minimum and maximum values being 0 and 30.58, respectively, and a mean and standard deviation of 3.2455 and 3.6155, respectively. This means that during the study period, the listed consumer goods companies reported no value for their DYL, and the maximum dividend yield was close to N30.58k. It also demonstrates that the shares of the listed companies have an average dividend yield of N3.25k. This is confirmed by the changes in the N3.62k average dividend yield. This shows that there is some value in the DYL of Nigeria's listed consumer products companies.

4.2. Normality Test

The normality test of the data used in the study is presented in this section. The Shapiro-Wilkson test was used to determine whether the data were normal. This is shown in table 3 as follows:

Table 3: Normality Test

Variables	*W*	*V*	*Z*	*Prob>Z*
MKTC	0.96815	3.917	3.106	0.00095
DPOR	0.56647	53.317	9.045	0.00000
DPS	0.32142	83.455	10.064	0.00000
DYL	0.77470	27.709	7.556	0.00000
FSZ	0.94405	6.880	4.387	0.00001
FAG	0.89731	12.630	5.769	0.00000
INTR	0.81305	22.992	7.132	0.00000
INFR	0.94866	6.314	4.192	0.00001
GDP	0.98203	2.210	1.804	0.03559

Source: STATA Output Result, (2023).

The null hypothesis principle is used to test variables in Table 3 that come from a population with a normally distributed distribution. The null hypothesis of the Shapiro-Wilk (W) test for normal data is that the data are normally distributed. None of the study's variable data, as shown in Table 3, complied with the axiom of normal distribution. This is because, with the exception of

MKTC, FSZ, INFR, and GDP, which are significant at the 5% level of significance, all test statistics (P-values) are statistically significant at the 1% level of significance. As a result, at significance levels of 1% and 5%, respectively, the null hypothesis (i.e., that the data are normally distributed) is rejected. The evidence did not imply that the assumption of a normal distribution was true. Since the estimate of the inferential statistics is unaffected by whether the data are normal or not, it is covered by Gaussian theory (1929) and Shao (2003).

4.3. Correlation Matrix

From table 4, it reports the relationship between independent and dependent variables is described as depicted respectively (MKTC = Market Capitalization, DPOR = Dividend Payout Ratio, DPS= Dividend Per Share, DYL = Dividend Yield, FSZ= Firm Size, FAG = Firm Age, INTR = Interest Rate, INFR= Inflation Rate, GDP = Gross Domestic Product). This is illustrated in table 4 as follows:

Table 4: Matrix of Correlations

Variables	*(1)*	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*
MKTC (1)	1.0000								
DPOR (2)	0.2157	1.0000							
	0.0062*								
DPS (3)	0.4056	0.1541	1.0000						
	0.0000*	0.0517*							
DYL (4)	0.0302	0.1989	0.0271	1.0000					
	0.7050	0.0117*	0.7339						
FSZ (5)	0.7974	0.2072	0.2116	0.1792	1.0000				
	0.0000*	0.0086*	0.0072*	0.0234*					
FAG (6)	0.3112	-0.0868	0.1422	-0.2371	0.2525	1.0000			
	0.0001*	0.2753	0.0728*	0.0025*	0.0013*				
INTR (7)	0.0209	0.0655	-0.0254	-0.0077	0.0262	-0.1149	1.0000		
	0.7934	0.4106	0.7498	0.9229	0.7424	0.148			
INFR (8)	0.0391	0.1157	0.0537	0.0309	0.0308	-0.0141	-0.0744	1.0000	
	0.6235	0.1452	0.4997	0.6985	0.6992	0.8597	0.3495		
GDP (9)	-0.0542	0.0260	0.0673	0.0184	0.0801	0.2058	0.5625	0.0209	1.0000
	0.4961	0.7444	0.3978	0.8173	0.3141	0.0090*	0.0000/*	0.7933	

Source: STATA Output Result, (2023).

Table 4 displays the correlation coefficients between each independent variable and the dependent variable. All the variables are significant and perfectly correlate with the result variable, except for the other variables, according to

the pattern of correlations between dependent and independent factors, which exhibit insignificant correlations. Specifically, DPOR, DPS, FSZ, and FAG were found to be statistically significant and correlated with market capitalization. However, DYL, INTR, INFR, and GDP were statistically found to be insignificant and, hence, were not correlated with the market capitalization of the manufacturers of consumer goods listed in Nigeria. Most importantly, the absence of a variable with a correlation coefficient value greater than 0.49 except for FSZ was found to have 0.7974, signifying the presence of high correlation as it is greater than 0.49, which is the maximum benchmark for perfect correlation (Benneish, 1997).

4.4. Regression Results

This section examines the relationship between the independent variables and the dependent variable of the study. Hence, the regression analysis was conducted to test the model of the study. Thus, $MKTCit = \beta 0 + \beta 1DPOR + \beta 2DPS + \beta 3DYL + \beta 4FSZ + \beta 5FAG + \beta 6INTR + \beta 7INFR + \beta 8GDP + eit$

Table 5 : Summary of Regression Results

Variables	*Coefficients*	*T-Values*	*P-Values*
Constant	24.29243	4.15	0.000
DPOR	0.00056	1.49	0.138
DPS	0.02391	5.54	0.000
DYL	-0.02559	-2.13	0.035
FSZ	0.91766	16.28	0.000
FAG	0.00746	2.27	0.024
INTR	-0.05349	—2.04	0.043
INFR	-0.00095	-0.07	0.943
GDP	-1.67786	-4.10	0.000
R^2		0.7424	
Adjusted R^2		0.7391	
F-Statistics		226.26	
F-Sig.		0.0000	

Source: STATA Output Result, (2023).

Table 5 clearly shows the value for R2 to be 0.7424 with an adjusted R2 value of 0.7391. It signifies that the coefficient of determination (adjusted R2) explained about 73.91% (which is equivalent to approximately 74% of the total

degree of association between the independent variables and the dependent variable). By implication, dividend policy as proxied by DPOR, DPS, and DYL, as well as the control variables viz., FSZ, FAG, INTR, INFR, and GDP, jointly explained approximately 74% of the total changes in the market capitalization (MKTC) of the listed consumer goods companies in Nigeria. It implies a substantial statistical correlation between the market capitalization of Nigeria's listed consumer products firms and their dividend policies. It also suggests that additional factors outside the scope of the study's model are responsible for the remaining 26% of the total changes in MKTC. The p-value of 0.0000, which denotes that it is statistically significant at the 1% level of significance, supports this. The model stated in the study is good, adequate, and well-fitted for the study, according to the F-statistics result, which displays a value of 226.26. Thus, the independent variables are properly chosen, merged, and employed in the research.

4.4.1. Dividend Payout Ratio and MKTC

Table 5 shows a coefficient value of 0.00056, along with t and p values of 1.49 and 0.138. It suggests that there is a statistically positive, but not highly significant, association between the MKTC of the listed companies and the dividend payout ratio of their consumer goods operations in Nigeria. It implies that a small percentage of the dividend payout ratio has little impact on the market capitalization of Nigerian consumer goods companies. The market capitalization of Nigerian consumer goods companies would undoubtedly be impacted by this, especially given the likelihood that a higher dividend payout will induce more prospective shareholders to purchase the company's shares. A higher dividend payout ratio can also be viewed as a sign of outstanding corporate success and may persuade more investors to purchase the company's stock. This finding supports the study's first hypothesis (H01), according to which the dividend payout ratio has no effect on the market capitalization of Nigerian consumer products companies. As a result, H01's hypothesis was not disproved.

4.4.2. Dividend Per share and MKTC

Table 5 shows a coefficient value with respect to dividend per share of 0.02391 with corresponding t and p values of 5.54 and 0.000, respectively. It signifies that DPS is statistically, positively, and significantly associated with the MKTC of consumer product manufacturers in Nigeria, which is 1% significant. It suggests that a rise in the dividend paid out per share by consumer goods

companies corresponds to a rise in the market value of the country's publicly traded consumer goods companies. Thus, the market capitalization increases with the dividend per share of the consumer product manufacturers listed, as it tends to attract a larger number of investors. However, the finding is not in line with hypothesis two (H02) in the study, which revealed that the MKTC of Nigeria's listed consumer products companies is not significantly impacted by dividend per share. Thus, for hypothesis two, H02 is rejected.

4.4.3. Dividend yield and MKTC

Regarding Table 5, -0.02559 is the coefficient value, and -2.13 and 0.035 are the associated t and p values. This is not surprising, especially because declining dividend yields could scare potential investors and even existing shareholders away from the company. The results are incongruous. It indicates that DYL is statistically negatively yet significantly associated with MKTC, one of Nigeria's publicly traded consumer goods companies, at the 5% threshold of prominence. It suggests that a decline in dividend yield is more likely to result in a decline in the market capitalization of Nigeria's publicly traded consumer goods companies. Hypothesis three (H03) of the study states that dividend yield has no significant influence on MKTC on the list of publicly traded consumer products firms in Nigeria. Thus, for hypothesis three, H03 is rejected.

4.4.4. Discussion of Findings and Policy Implications

This research was done to find out how dividend policies affected the market value of Nigerian consumer goods businesses. The inferential conclusions of the investigation have been discussed in length but precisely based on the empirical data. Making educated decisions is the main goal here, according to the appropriate policymakers. Accordingly, the statistical relationship between the dividend payout ratio and the MKTC of the listed publicly traded consumer products companies in Nigeria is positive but not particularly significant. The study's lack of significance was consistent with that of Oniyama *et al.* (2021), who found that the market share impact of the dividend payout ratio is negligible. The report of the study by Wajid *et al.* (2014), which found that the dividend payout ratio has a considerable impact on market per share, is in direct conflict with the study's insignificant relationship. In a similar vein, Chenechene and Mensah's (2015) study on the impact of dividend policy on shareholders' wealth in the UK rental industry from 2004 to 2008, which used 25 firms from the UK rental industry as the sample, discovered that a year-lag dividend payout ratio

has a significant impact on shareholders' wealth. It should be understood that a tiny dividend distribution percentage may, in fact, have a minimal effect on the market capitalization of Nigerian consumer products companies.

On the other hand, the empirical finding additionally shows that dividend per share (DPS) is statistically, favourably, and significantly connected with the MKTC of Nigeria's publicly traded consumer goods companies at the 5% threshold of prominence. The significant effect of DPS in this study is consistent with the findings of Wajid *et al.* (2014), Omoregie and Eromosele (2016), and Ojeme *et al.* (2015), who discovered a significant positive relationship between DPS and shareholders' wealth of banks in Nigeria for a time period spanning from 2010 to 2014. Similar findings were made in Ordu *et al.*'s (2014) study on the impact of dividend payments on share prices of quoted companies in Nigeria employing 17 quoted companies. Therefore, an increase in dividend payouts per share for consumer product companies increases their market value on the Nigerian stock exchange.

At a threshold of significance of 5%, dividend yield analysis demonstrates that DYL is statistically negatively but significantly associated with the MKTC of publicly traded consumer goods businesses in Nigeria. The findings of Oniyama *et al.* (2021), Aribaba (2017), and Hunjira *et al.* (2014), who discovered that dividend yield has a negative association with share prices, are consistent with the conclusions of this study. It implies that the market capitalization of publicly traded consumer goods companies in Nigeria is more likely to decrease as dividend yields decline.

5. CONCLUSIONS AND RECOMMENDATIONS

5.1. Conclusions

Based on the analysis and discussion that came before it, the study concludes that the dividend payout ratio has a favorable but insignificant effect on the market capitalization of listed consumer products corporations in Nigeria. Therefore, it is argued that a higher percentage of DPOR is likely to have an impact on the market capitalization of Nigeria's listed consumer products companies. From a different angle, dividend per share has a favorable and considerable impact on the market value of consumer goods firms in Nigeria. Accordingly, the study came to the conclusion that a higher dividend per share has an impact on the market value of listed consumer goods companies in Nigeria. Last but not least, dividend yield has a negative and considerable impact

on the market capitalization of publicly traded consumer products companies in Nigeria. Consequently, it is possible to conclude that dividend yield affects the market capitalization of Nigerian consumer goods companies.

5.2. Recommendations

According to the study's findings, the following suggestions are given:

(a) Consumer goods businesses' boards of directors should review their dividend policy in a way that could benefit all parties involved, especially the capital suppliers (shareholders);

(b) The management of consumer goods businesses should enhance business operations from the perspective of dividends per share while fostering an environment that will help them draw in more potential investors. The dividend yield and dividend per share of all consumer product companies may be impacted by this.

(c) In order to ensure strict compliance with stock market regulations, prevent insider abuses and other dishonest practices, and foster a sound and secure investment environment in the stock market and throughout Nigeria, the Securities and Exchange Commission (SEC) should ensure close supervision and monitoring of consumer goods companies.

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Declaration of Conflict of Interest

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