Dividend Policy and Financial Performance of Listed Conglomerate Companies on the Nigerian Stock Exchange

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The dividend policy of any company usually brings conflict between shareholders and management because the shareholders may be interested in receiving more dividends while the managers prefer retention of the profit for expansion. This study looked into the relationship between dividend policy and the ROCE by quoted conglomerate on the Nigerian Stock Exchange. An *ex-post facto* research design was adopted using the annual reports of all the six listed conglomerates as at 31st December 2017. Multiple regression was employed for data analysis. The probability of the t- statistic for dividend payout, retention ratio, firm size, and leverage were (0.806 > 0.05), (0.124 > 0.05), (0.814 > 0.05) and (0.000 < 0.05) respectively. Hence, leverage had a statistically significant relationship with ROCE and dividend payout, retention ratio and firm size had statistically insignificant relationships with ROCE. In conclusion, companies should improve on their retention ratio and dividend payout policies as the study showed a negative relationship between these and their financial performance.

Keywords: *Dividend Policy, Financial Performance, Listed Conglomerate, Companies and the Nigerian Stock Exchange*

1.0 Introduction

While there are many ways to invest funds, investing in a company is among the most profitable ways to earn income for investors and corporate organisations. Investing in a company can be a good idea for a potential investor for a number of reasons, whether it takes the form of a stock purchase or an investment in the shares of a company. It makes them part owners of the company, gives them additional income by way of dividends and other benefits. David (2016)

believed that businesses provide various means for investors to make a return on their stocks and bonds. He believed that bonds provide investors with some security but a lower return, while stocks provide them with little security, but a higher return. Shekar (2016) posited that investing in businesses allows investors to be a part of a company of their choice. If investors invest in a company, they buy its shares and become a shareholder of it and start to enjoy its dividend when declared. Without investment in business, the world will be a very boring one without goods and services to meet the needs of the populace. The primary objective of businesses is to make profit. According to Sanni, (2006) the basic requirement to recognise profit is that the income and the expenses must occur during the same period of time to afford matching concept and the income must be a direct result of the expenses. Shisia, Sang, Sirma and Maundu, (2015) posited that profits can be applied in two ways, either to pay back to its investors as dividends or retain it within the business as additional funds to shareholders' equity. It may however decide to apportion the surplus to both. Anjana and Balasubramanian (2017) believed that dividend policy relates to a firm's dividend payout policy that managers follow in deciding the pattern and size of cash distribution to shareholders over time. When a firm makes a decision on whether to pay dividends or not, it may decide on a dividend policy to adopt, which may have an impact on the investors and the perceptions of the firm in the financial markets will bring impact on the firm's value. Morrison and James (2017) believed that dividend policy can be referred to as the decision that affects earnings payable to shareholders after all cost and taxes have been removed by the firm from its total earnings.

Firms can choose the form of dividend policies that suit their purpose. Musyoka (2015) posited that firms should choose a dividend policy that suits their purpose and stay by it as frequent changes can give current shareholders negative feelings of dividend instability in the firm's share prices. He believed that companies must also meet their debt obligations to their creditors by paying interest to them on borrowed funds irrespective of whether gains were made or not and that the shareholders expect a reward from the company for investing in it. Morrison, Ajoku, Nwikiabeh and Leekaaga, (2016), posited that dividend decisions were important because they determine what funds flow to investors and what funds were retained by the firm for investment purposes. However, Gwaya and Mwasa (2016) believed that dividend policy is of two types, residual and managed. They posited that managed dividend policy is adopted when the manager believes dividend policy is important to their investors and that it positively influences share price valuation. The amount of dividend in residual dividend policy is the cash left after the organisation has made desirable investments using the Net Present Value rule. Firms normally adopt a dividend policy that best fits the stage of their life. In Nigeria today, as announced by the Securities and Exchange Commission (SEC) through the Central Bank of Nigeria (2016) circular, the investing public can now deposit their dividend warrants into savings accounts as against the old method of depositing it only to their current accounts. By this exercise, investors were enjoined to take immediate steps to deposit dividend warrants in their possession into their bank accounts, which was a problem before this reform.

There have been debates as to whether the dividend policy of a company can negatively affect its financial position and if there was any relationship between the dividend policy of a company and its financial performance. Afolayan (2015), Gwaya and Mwasa (2016), Khan and Shamim (2017), Shisia, Sang, Sirma and Maundu (2015) found that there was a positively significant relationship between the dividend policy of a company and its financial performance. Morrison and James (2017) found a mixed relationship between the dividend policy and financial performance of firms. Ayodeji and Lukmon (2014), and Ugwuegbe, Ugochukwu, and Ezeaku (2016) found that there was an insignificant relationship present between dividend policy and the financial performance of firms. No universal agreements have been reached on these debates.

On the other hand, Amidu, (2007) asserted that most firms find it difficult to determine the relationship between their dividend policy and the return on capital employed because of inadequate measurement of their financial performance indicators in Nigerian firms. This was as a result of the methods used by some firms in computing their profits. Some companies prefer to use profit before tax (PBT) over profit after tax (PAT) in computing their profits because it removes the tax effect as part of profit of the firm. This has brought discrepancy in financial reports and form a problem in the presentation of financial reports by firms.

The high rate of taxes paid by firms in Nigeria can also have negative effect on their profits which they should have retained in business for further investments or distributed as dividends to shareholders. Ocheni (2015) posited that tax burden was a major problem to many business organisations in Nigeria as they are not favoured by the tax systems and the government policies in place. He believed that some businesses were already collapsing; while the majority are still struggling to meet high tax rates to ensure their businesses continue as a going concern. This has made some financial managers window dress their firm's profit in order to pay less taxes to the government, thereby making it difficult for them to determine the relationship between their dividend policy and their firm's financial performance. Few studies have been done on the relationship between financial performance and dividend policy of conglomerate companies operating in Nigeria.

2.0. Literature Review

A. Conceptual Review

The conceptual review of this study covered dividend policy, determinants of performance, and the study variables.

i. Dividend Policy

It is believed that a firm's performance can be determined by its ability to pay dividends, the timing of dividend payments and the mode in which it pays those dividends to shareholders.

On the other hand, dividends have been seen differently by different researchers. Ozuomba and Ezeabasili (2017) assert that firms were not eager to change their dividend policy and avoid reducing their dividends even when their profits reduce.

The increasing significant role of finances in the firm's total retention plan is important in dividend decisions and cannot be ignored. In this vain, it means that when a company makes profit, that money can be put to two uses: it can either be reinvested in the business, or it can be distributed to shareholders. In research conducted by Abiahu and Amahalu (2017), they believe that dividend policy was the difference between retained earnings and paying out cash or issuing new shares to shareholders. They believe that divided varies from one corporate organisation to the other depending on various factors. One such factor that has been identified was taxation - taxes the corporate organisation must pay to the government from their profitability either directly as tax on the corporation or indirectly as withholding tax on dividends paid out to shareholders. Financial managers were advised to avoid reductions in dividends because it may send the wrong signal to the investors and shareholders.

Conglomerate companies have different dividend policies or plans that may vary from time to time and country to country among developing economies. According to Khan, Nadeem, Islam, Salman, and Gill (2016), dividend policy directly affects a company's cost of investment. Dividends are paid from the current year's profit and most of the time from general reserves. They are normally paid in cash, and this form of dividend payment is known as cash dividends. Another way a company can distribute its earnings to shareholders is by stock dividend (bonus issue) which is supplementary to cash dividends. When cash dividends are paid to shareholders, it has an adverse effect on the liquidity position and the reserves of the firm as it tends to reduce both cash and reserves. Unlike cash dividends, stock dividends do not affect the total net worth of the firm, as it is a capitalisation of owners' equity portion.

Also, in the research of Anjana and Balasubramanian (2017) dividend policy relates to firm's dividend payout policy that managers follow in deciding the pattern and size of cash distribution to shareholders over time. They believe that a company may be forced to borrow or to issue additional shares to generate funds. However, the dividend payout of conglomerates is not only the source of cash flow to the shareholders, but it also gives information relating to firm's current and future performance. According to the views of Kathuo and Kimoro (2017), dividend policies are the regulations and guidelines that firms develop and implement as means of splitting their earnings between distributions to their shareholders and the retained earnings. Conglomerates, which continually make profits, are in a better position to pay dividends to their shareholders.

ii. Dividend Payout Ratio

This is the cash inflow indicator that verifies the rate of net income that is distributed to shareholders in the form of dividends during the year (Abiahu and Amahalu 2017). This ratio gives the portion of profits the company wants to keep as capital and the portion of profits that will be given to its shareholders as dividends. The dividend payout ratio formula is derived by dividing total dividends by the net profit of the conglomerate companies.

Dividend Payout Ratio = $\dfrac{\text{Total Dividends}}{\text{Net Income}}$

iii. Retention Ratio

Retention ratio is the proportion of earnings kept back in the business as retained earnings. It is the percentage of net income that is retained to grow the business, rather than being paid out as dividends. Retention ratio is the opposite of the dividend payout ratio. Abiahu and Amahalu (2017) assert that retention ratio verifies the rate of net income that is retained back in the business. Retention ratio plus payout ratio is equal to one. This means that the amount of dividend paid out plus the amount of retained earnings by the firm is made up of all the net income of the firm. Nuhu (2014) asserted that companies that have limited free cashflow have a positive retention opportunity and are more likely to pay lesser dividends as they may want to reduce the effects of external financing on the company. The high retention companies pay lesser dividends to their shareholders as they need more funds to finance investment opportunities. The residual theory suggests that dividends were paid after all investment opportunities have been financed. Hence, a negative relationship between dividends and external financing is expected.

Retention ratio = $\dfrac{\text{Retained Earnings}}{\text{Net income}}$

iv. Firm Size

Bigger companies are believed to pay more dividends than smaller companies and have a lower likelihood of folding up. This means that an inverse relationship exists between the company size and reliance on internal funds. This shows that bigger companies can pay more dividends than smaller companies. Nuhu (2014) believes that bigger companies have less interest in internal funds as they can easily raise external funds from capital markets. Firm size in this study was used as control variable to reduce specification bias.

Firm size = the logarithm of its total assets.

v. Leverage

Companies that depend more on debt equity financing put more pressure on their company's liquidity. Nuhu (2014) asserted that interest and debt principal payments make a company have less income to guarantee that dividends were paid. Debt always has negative effect on the amount of dividend paid for a given period.

Leverage = <u>Total Debt</u>
             Total Assets

B. Theoretical Framework

The study adopted the agency theory because it was relevant in solving conflict that may come up between managers and shareholders of companies. Its empirical evidence in the studies conducted by several scholars on dividend policy and ownership structure of capital market in Nigeria and patterns of Nigeria's companies captures the key elements of agency theory, which serves as basis for the adoption. Jensen and Meckling (1976) propounded the agency theory. They improved on the earlier progress in the theory of property rights, agency and finance to develop a theory of ownership structure for the firm. Issues such as the means of the firm, the social responsibility of business, the definition of a corporate objective function, the theory of organisations, the determination of an optimal capital structure, the supply side of the completeness of market problems and the specification of the content of credit agreements and the ownership structure for a firm were improved through the agency theory.

Javaid and Javid (2017) divided agency cost into two types such that agency cost arises in the conflict between managers and shareholders and agency cost which occurs between shareholder and debts holder conflict. Agency cost includes residual loss, bonding expenditure and monitoring expenditure which they included in the theory of the firms. The investors who desire long term performance of the firm may perhaps invest in those firms which were owned by insiders or containing an acceptable amount of debt, for the reason that such firms try to maintain and continue long term performance by agency cost minimisation and protection of shareholders' interests. Habbash (2010), asserted that the agency theory describes the relationship between principals and agents in business. Agency theory tries to resolve issues that can exist in agency relationships due to different goals and different levels of risk.

2.3 Empirical Review

Many scholars have studied various markets to know the factors that determine the dividend policy of the companies. Gordon (1963) has been seen as the earliest scholar who attempted to study dividend behaviour of companies through their study on American company in 1950s. Since his studies, there have been several ongoing debates on dividend policy in different economies resulting in inclusive, mixed and controversial results. Several researchers like

Afolayan (2015), Ehikioyab (2015), Gwaya and Mwasa (2016), Khan and Shamim (2017), Miko and Kamardin (2015), Monogbe and Ibrahim (2015), Nurul, Rozaimah and Nikoo (2016), Shisia, Sang, Sirma and Maundu (2015) found that there was a positively significant relationship between dividend policy of a company and its financial performance. Morrison and James (2017) found a mixed relationship between dividend policy and financial performance of firms, but there was no universal agreement. While Ayodeji and Lukman (2014), Muftau (2014) and Ugwuegbe, Ugochukwu, and Ezeaku (2016) found that there was an insignificant relationship present between dividend policy and financial performance of firms.

2.3.1 Dividend policy and Return on Capital Employed (ROCE)

Return on capital employed shows the profitability of a company which was the profits associated with its physical and financial capital employed in the running of conglomerate companies in Nigeria. Pradip (2017) asserted that ROCE was given as profit before tax divided by capital employed. ROCE was used to compare the conglomerate's earnings from its primary operations with the capital invested in the company and also to serve as a reliable measure of corporate performance of conglomerate companies in Nigeria. In measuring return on capital employed, two factors that stand out are profit before tax, which was the organisation's net profit before interest and tax. Pradip (2017) asserted that profit before tax is also known as earnings before interest and tax (EBIT). This is the profits the conglomerate companies have made from its business activities at a given point in time. Capital employed is the amount of money employed by the conglomerate companies for the production of further resources. Pradip (2017) believes that capital employed is equal to total assets or net assets minus current liabilities.

The major literature reviewed in this study showed that few studies have been done on the relationship between dividend policy and financial performance of listed conglomerate companies on the Nigerian Stock Exchange. Miko and Kamardin (2015) studied the impact of dividend policy and ownership structure of eight listed conglomerate companies in Nigeria for the period of ten years from 2001 to 2010 and discovered that dividend policy and stockholders were positively related. Afolayan (2015) investigated the impact of corporate ownership structure on dividend policy of listed conglomerate companies in Nigeria from 2003 to 2012. He found out that ownership structure has a positive influence on the dividend policy of listed conglomerate companies in Nigeria at a 99% confidence level.

The other literature reviewed in this study looked at the other sectors of the economy other than conglomerate companies quoted in the Nigerian Stock Exchange. Simon-Oke and Ologunwa (2016) evaluated the effect of dividend policy on the performance of corporate firms in Nigeria. Monogbe and Ibrahim (2015) looked at dividend policy on financial performance: A case study of selected registered firms in Nigeria. Olowe and Moyosore (2014) studied the factors that determine dividend payout in the Nigerian banking industry. Ugwuegbe, Ugochukwu, and

Ezeaku (2016) examined the effect of board interest on the dividend policy of the Nigerian manufacturing sector. Ozuomba, Anichebe and Okoye (2016) examined the effect of dividend policies on wealth maximisation of public companies in Nigeria. Ehikioyab (2015) looked at the impact of dividend policy on performance and the value of companies in emerging economies. Morrison and James (2017) studied dividend policy and corporate performance: A multiple model analysis. Muftau (2014) studied dividend policy and financial performance: A survey of selected quoted firms in Nigeria. Shisia, Sang, Sirma and Maundu (2015) examined dividend policy on financial performance of telecommunication companies listed on the Nairobi Securities Exchange.

Of all the literature reviewed in this study, none of them looked at the relationship between dividend policy and financial performance of listed conglomerate companies on the Nigeria Stock Exchange. This shows that a gap exists in the literature. This gap in literature, the fact that financial managers need to make dividend decisions and on the other hand, it is important for corporate investors to understand the conglomerate company's dividend policy, motivated the researchers to take a study on this topic: 'Dividend policy and financial performance of listed conglomerate companies on the Nigeria Stock Exchange' for eleven years, from 2007 to 2017, using ROCE as dependent variables, dividend payout ratio and retention ratio as independent variables while firm size and leverage were control variables.

3.0 Methodology

This research employed *ex- post facto*, which was a secondary analysis method. Data for the study was obtained from the quoted conglomerate companies audited annual financial reports. The method involved collecting information through available secondary data from the public domain and directly from the conglomerate companies. In this study, the data used was extracted from published financial statements of the six quoted conglomerate companies on the Nigeria Stock Exchange. The data that was gathered from these reports reflected the historical performances of the conglomerates companies under study. The population of the study is the six quoted conglomerate companies listed on the Nigerian Stock Exchange as at 31st December, 2017. The study was limited to the quoted conglomerate companies on the Nigerian Stock Exchange as readily available data among the non-quoted conglomerate companies may be difficult to obtain.

Table 3.1: List of conglomerate companies listed on the Nigerian Stock Exchange as at 31st December, 2017

	Name of Company	Year Incorporated	Year listed on the Nigerian Stock Exchange
1	A.G. Leventis Nigeria plc	1958	1978
2	Chellarams plc	1947	1977
3	John Holt plc	1961	1974
4	S C O A Nigeria plc	1969	1977
5	Transnational Corporation of Nigeria Plc	2004	2006
6	U A C N plc	1931	1974

Source: Researcher's Study, 2019

In carrying out this research, a total enumeration sampling technique was used as all the six quoted conglomerate companies on the Nigeria Stock Exchange as at 31st December 2017 was used. Secondary data was the main source of information in the research because it gives tested and reliable information about the subject matter. Secondary data information is already refined and is free from misinformation because it had undergone stages of processing and fine-tuning before it was published for users, as such it can be relied upon as a source of correct information.

4.0 Data Analysis, Results and Discussion of Findings

This section presents the analysis of various data used in the study and its interpretations. It deals with the analysis of data derived from the financial reports of the six conglomerate companies listed on the Nigerian Stock Exchange as at 31st December, 2017.

In carrying out this analysis, based on the models specified in the study, a multivariate ordinary least square regression was used to check the relationship between dividend policy and the financial performance indicator.

Method of Data Analysis

Multiple regression analysis was the principal method for the data analysis in this study. Multiple regression was used to ascertain the relationship that exists between dividend policy and the financial performance of listed conglomerate companies in Nigeria. Dividend policy was based on dividend payout, retention ratio, firm size and leverage while financial performance was measured by return on capital employed (ROCE). To identify the

determinants of firm performance, the model specified in the equation below was estimated. The variables used include dividend payout ratio, retention ratio, firm size and leverage. A multivariate regression equation was used as follows; The dependent and independent variables were practically measured through the definitions of concepts as used in the hypothesis.

The description below gave a summary of the objective:
$Y = f(X)$
Y = Financial Performance (FP)
X = Dividend Policy
$Y = f(ROCE)$
$X = f(x_1, x_2, z_1, z_2)$

Where: Y   = Returns on Capital Employed (ROCE)
                    FP   = Financial Performance

Where:
          x_1 = Dividend Payout (DP)
          x_2 = Retention Ratio (RR)
          z_1 = Firm Size (FZ)
          z_2 = Leverage (LV)

From th literature and hypothesis:

$ROCE = f(DP, RR, FZ, LV)$
Y = financial performance (ROCE).
$Y = \alpha_0 + \beta_1 x_1 it + \beta_2 x_2 it + \beta_3 z_1 it + \beta_4 z_2 it + \mu it$
$\beta_1, \beta_2, \beta_3, \beta_4,$ were slope coefficients multiplied by the growth in $x_1, x_2, z_1,$ and z_2 respectively.
a = constant (these are intercepts which were not affected by the changes in the predictor variables).
μ = error level incorporating omitted variables.
i = stands for the company
t = stands for period dimension

Decision criterion

The decision rule for testing these relationship and effects was: if the p-value was less than or equal to the alpha ($p < .05$), reject H_0 and accept H_1. If the p-value was greater than alpha ($p > .05$), accept H_0 and reject H_1.

4.1 Descriptive Analysis

This descriptive statistic provides historical background for the behaviour of the data. The maximum and minimum values provide indication of significant variation as shown by the differences between the values for the variables under consideration over the eleven year period of the study.

Table 4.1 Descriptive Statistic

	Min	Max	Mean	SD
ROCE	-0.260	0.670	0.068	0.165
FZ	6.120	8.310	7.337	0.551
LV	0.020	1.080	0.574	0.204
RR	-0.990	1.490	0.463	0.477

Source: Researcher's Study, 2019

The descriptive results in Table 4.1 gives the mean, minimum, maximum and the standard deviation. The mean values give details about the average size of return on capital employed, return on equity, return on assets, earnings per share, dividend payout, firm size, leverage and retention ratio. The standard deviations in the study are used to analyse the variations in explanatory variables. The average ROCE over the 11 years was .068. The maximum ROCE observed was 0.670 and the minimum -0.260. The average value for the dividend payout over the 11 years was .300 while the maximum dividend payout was 4.08 and the minimum was -5.300. The average firm size over the 11 year period was 7.337 while the maximum was 8.310 and the minimum was 6.120. The average leverage over the 11 year period was 0.574 while the maximum was 1.080 and the minimum was 0.020. The average retention ratio over the 11 year period was 0.463 while the maximum was 1.490 and the minimum was -0.990

4.2 Empirical Analysis

Different statistical evaluations were used to test for the significance of the research models and the research hypotheses using multiple regression analysis. Multiple regression analysis was used to generate equations which describe the statistical relationship between one or more independent (predictor) variables and a dependent (response) variable. These statistical tools included the significance test, the t-test, coefficient of correlation test, and the coefficient of determination (R^2) test.

4.2.1 Research Hypothesis

H_0: Dividend policy has no significant relationship with return on capital employed of listed conglomerate companies on the Nigerian Stock Exchange.

Table 4.2: Regression Analysis for model

Variable (ROCE)	Coeff	Std.Err	t-test	Prob
DP	0.0023338	0.0094855	0.25	0.806
RR	0.048594	0.0311747	1.56	0.124
FZ	-0.0064845	0.0275025	-0.24	0.814
LV	-0.5459522	0.0782413	-6.98	0.000
Constant	0.4057165	0.2089721	1.940	0.057
R^2	0.5150			
Adjusted R^2	0.4832			
F- statistic (Prob.)	0.0000			
Hausman Test	18.12, (0.0012)			
Breusch Pagan/Cook-Weisberg Heteroskedasticity Test	2.46, (0.1168)			
Wooldridge Serial Auto-Correlation Test	4.327, (0.0920)			

Significant @ 0.05

a. Predictors: (Constant), retention ratio, leverage, dividend payout, firm size

b. Return on capital employed

Source: Researcher's Study, 2019

4.2.2 Interpretation of Diagnostic Tests

To determine the robustness of the model, diagnostic test for Hausman test, Breusch and pagan Lagrangian multiplier test, heteroscedasticity, cross sectional dependence and autocorrelation test were carried out to choose and determine the appropriateness of the estimation technique employed for this model as well as the regression output for the model. The Hausman test was conducted to determine whether fixed effect, random or pooled ordinary least square estimation technique is appropriate for the model. It normally tests whether the unique errors are correlated with the regressors. The Hausman test results as shown in Table 4.2, with probability value of 0.0012 which is lower than the 0.05 level of significance acceptable for the study revealed that fixed random effect is the most appropriate model to use for the study. This result indicated that the null hypothesis of the Hausman specification test can be accepted by the study therefore, the fixed effect estimation technique was used for the model.

On the other hand, the Breusch and pagan Lagrangian multiplier test helps to decide whether random effect or OLS regressions models should be used. The null hypothesis in the Lagrangian multiplier test is that there is no significant difference across units. A significance of the test implies random effect model otherwise, OLS model will be used.

The result of heteroskedasticity test in model one showed a probability value of 0.1168 which is greater than 0.05 level of significance adopted for the study. This suggests that the study accepts the null hypothesis of constant variance, indicating that the variance of the residual is constant over time. This showed the presence of homoscedasticity which indicated that the standard errors of the model are constant over time. The test was also carried out using Wooldridge test of cross-sectional independence and the result showed probability value of

0.0920 which is greater than 0.05 level of significance adopted for the study. This result implies that the residuals are not correlated at 0.05 level of significance. The result accepted the null hypothesis of cross-sectional independence. The result showed a p- value of 0.000 which is less than 0.05 level of significance adopted for the study. The result indicated the rejection of the null hypothesis meaning the presence of autocorrelation in the model.

The overall results of the tests in Table 4.2 showed that the Hausman test value was 18.12 (p-value = 0.0012), Breusch and pagan Lagrangian multiplier test, Heteroskedasticity 2.46 (p-value 0.1168) and Auto correlation values 4.327 (p- value 0.0920). These results showed preference for fixed effect. Therefore, the study adopted a fixed effect model in the analysis of data in model one.

4.3 Model

$$ROCE = \alpha_0 + \beta_1 DPit + \beta_2 RRit + \beta_3 FZit + \beta_4 LVit + \mu it$$
$$Y = 0.4057165 + 0.0023338DP + 0.048594RR - 0.0064845FZ - 0.5459522LV + \mu it.$$

4.4 Findings

The regression analysis estimated in Table 4.2 showed that return on capital employed (ROCE) a has positive effect on dividend payout (DP) and retention ratio (RR). This is indicated by the sign of the coefficients, that is $\beta = 0.0023338 > 0$ for dividend payout and $\beta = 0.048594 > 0$ for retention ratio. These results are consistent with *a priori* expectation as it was expected that dividend policy would have a positive relationship with financial performance of listed conglomerate companies on the Nigerian Stock Exchange. The size of the coefficient of the independent variable shows that a 1% increase in return on capital employed (ROCE) will lead to a 0.002% increase in dividend payout and 0.048% increase in retention ratio. On the other hand, return on capital employed (ROCE) has a negative effect on firm size (FZ) and leverage (LV). This is indicated by the sign of the coefficients, that is $\beta = -0.0064845 > 0$ for dividend payout and $\beta = -0.5459522 > 0$ for retention ratio.

These results are inconsistent with *a priori* expectation as it was expected that dividend policy would have a positive relationship with the financial performance of listed conglomerate companies listed on the Nigerian Stock Exchange. The size of the coefficient of the independent variable showed that a 1% decrease in return on capital employed (ROCE) will lead to a 0.006% decrease in firm size and 0.545% decrease in leverage. Furthermore, the R-squared showed that 51.50% variations in dividend policy is caused by the ROCE, while the remaining 48.50% variations in dividend policy are caused by other factors not included in the model. Also, Table 4.2 showed that the probability of the t- statistic for dividend payout, retention ratio, firm size, and leverage were (0.806 > 0.05), (0.124 > 0.05), (0.814 > 0.05), (0.000 < 0.05) respectively. These results implied that leverage had a statistically significant relationship on return on capital employed of the listed conglomerate companies in Nigeria.

The results also implied that dividend payout, retention ratio and firm size had statistically an insignificant relationship on return on capital employed of the conglomerate companies under review.

Decision

From the regression analysis in Table 4.2, leverage has a significant effect on return on capital employed. Therefore, the null hypothesis was rejected for leverage while dividend payout, retention ratio and firm have an insignificant effect on return on capital employed. The null hypothesis was accepted for dividend payout, retention ratio and firm size. This implied that research question one and its objective of determining the relationship that exists between dividend policy and the return on capital employed by listed conglomerate companies on the Nigeria Stock Exchange has therefore been achieved since the level of significance of 0.806 for dividend payout, 0.124 for retention ratio and 0.814 for firm size were greater than the stipulated level of significance of 0.05.

4.5 Discussion of findings

The results from Table 4.2 shows that the probability values for dividend payout, retention ratio, firm size, and leverage were $(0.806 > 0.05)$, $(0.124 > 0.05)$, $(0.814 > 0.05)$, $(0.000 < 0.05)$ respectively. These results implied that leverage had a statistically significant relationship on return on capital employed of the listed conglomerate companies in Nigeria. This result aligned with the views of Afolayan (2015), Ehikioyab (2015), Gwaya and Mwasa (2016) who found that there was a positively significant relationship between dividend policy of a company and its financial performance. The results also implied that dividend payout, retention ratio and firm size had a statistically insignificant relationship on return on capital employed of the conglomerate companies under review. This result aligned with the views of Ayodeji and Lukman (2014), and Muftau (2014) who found that there was insignificant relationship present between dividend policy and the financial performance of firms.

The null hypothesis was rejected for leverage and accepted for dividend payout, retention ratio and firm size. This means that the research question and its objective of determining the relationship that exists between dividend policy and the return on capital employed by listed conglomerate companies on the Nigeria Stock Exchange has therefore been achieved.

5.0 Conclusion

This study looked at the relationship between dividend policy and financial performance of conglomerate companies listed on the Nigerian Stock Exchange over a period of eleven years between 2007 and 2017. Financial performance as a dependent variable was represented by return on capital employed. Dividend policy as an independent variable was categorised into dividend payout and retention ratio while firm size and leverage were control variables. The

results obtained from the study were not completely what was expected, namely, that dividend policy would always have a positive relationship with the financial performance of listed conglomerate companies in Nigeria.

The study concluded that dividend policy has a mixed relationship with the financial performance of listed conglomerate companies on the Nigeria Stock Exchange.

5.1 Recommendations

Based from the findings from this study, the following recommendations are made:
The management of the listed conglomerate companies should improve on their retention ratio and dividend payout policies as the study showed that a negative relationship exists between these and their financial performance.

Government and Policy Makers: Given the empirical evidence of the relationship between dividend policy and financial performance of listed conglomerate companies in Nigeria, the government should devise effective and efficient monitoring mechanisms that will ensure a minimum dividend policy standard is adopted by listed conglomerate companies in Nigeria. Financial analysts and investors should make efforts to include dividend policy criteria in their financial analyses and investment decisions. This will encourage the listed conglomerate companies in Nigeria to know that before they can have competitive advantage in the capital market they must have an operational dividend policy.

The major policy implication of this study is the fact that dividend pay-out is still an important determinant of financial performance of companies. This means that the management of listed conglomerate companies on the Nigeria Stock Exchange should use more of return on capital employed (ROCE) in the valuation of financial performance, as it improves the value of the conglomerate company's financial performance. The listed conglomerate companies should review their dividend policy in order to reduce agency cost and maximise the value of the company.

This study has contributed to the body of knowledge in establishing that a mixed but significant relationship exists between dividend policy and financial performance of listed conglomerate companies in Nigeria within the framework of agency theory. The mixed but significant relationship established in this study among the dimensions of dividend policy and financial performance of listed conglomerate companies in Nigeria should provide a template to researchers who are interested in improving their knowledge in the area of the relationship between dividend policy and financial performance of listed conglomerates in Nigeria.

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