
Dividends Policy and Firm Performance of Manufacturing Firms in Nigeria: A Moderating Effect of Foreign Ownership

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Abstract

Company performance is crucial for a company's success, benefiting stakeholders like creditors, consumers, and employees. In Nigeria, the challenging business environment has led to large corporations leaving, with many adopting low payout strategies. The effects of dividend payouts vary, with high payouts resulting in slower growth and lower market prices. This study aims to investigate the moderating effect of foreign ownership on the relationship between dividend policy and firm performance in Nigerian manufacturing companies listed on the Nigerian Stock Exchange (2018-2022), using secondary data collected from foreign-owned companies. An ex post facto research design was adopted as it entails the use of annual reports and accounts of 21 consumer goods companies. The sample size includes nine selected firms, obtained using filtering criteria. The study employs STATA version 17 to run for descriptive and inferential statistics. The results discovered a statistically insignificant relationship between dividend pay-out ratio (DPR), dividend yield (DY), dividend coverage ratio (DCR) and ROE. The finding also reveals a statistically insignificant moderating effect of foreign ownership on the relationship between DPR, DY, DCR and ROE. Therefore, the study concluded that there is no significant relationship between dividend policy and firm financial performance. In like manner, foreign ownership does not have a significant moderating effect on the relationship between dividend policy and firm financial performance of the manufacturing companies in Nigeria. The study recommends that managers should consider factors affecting firm financial performance, promote transparency, and maintain a strong dividend policy. Executing policies that boost financial accountability and transparency can build investor confidence and support sustainable economic growth.

Keywords: Foreign ownership, Dividends Policy, Firm Performance, Manufacturing firms, Nigeria

1. Introduction

A company's performance, or its work performance, demonstrates its ability to generate a return on company ownership in the form of assets, capital, and debt. Good control and synergy between the management functions—that is, the ownership and management functions—are necessary to obtain company performance. Good company performance is also said to increase firm performance. Suppliers of funds (creditors), consumers,

communities, and employees will all benefit from good company performance. (Christian & Dewi, 2022). The difficult business environment in Nigeria triggered many large corporations to depart recently; Unilever, GlaxoSmithKline (GSK), and other companies are just a few examples. The businesses mentioned how macroeconomic conditions impacted dollar-denominated businesses. (Iwayemi, 2023). Even though the majority of consumer goods companies in Nigeria use a low payout strategy, it is still difficult for most of them to record profits at a steady, growing rate, and some are still struggling to maintain the interest of their shareholders in the company through dividend payments. (Udoka et al., 2022).

However, the effects of dividend payments on businesses are complicated. More current dividends and less retained earnings are the results of a high dividend payout policy, which could lead to slower growth and possibly a lower market price per share. Retained earnings, capital gains, and current dividends are all higher in low payout policies. Certain investors will likely favour high-payout businesses, while others might favour low-payout businesses. It is significant to keep in mind that paying dividends requires cash outflows, and the cash available to pay dividends is influenced by the investment and financial decisions made by the companies. (Adeiza et al., 2020). Essentially, any management would like to please its investors for entrusting it with their funds. In contrast, a corporate firm's ability to pay dividends to its shareholders depends on its level of profitability. Interestingly, the majority of publicly traded consumer goods companies in Nigeria that offer cash dividend payments use a low dividend payout strategy. Some companies use shares to pay dividends, while others don't pay any dividends at all. These tactics are all intended to help the company perform better by keeping and preserving cash for operations and growth. (Udoka et al., 2022).

A dividend has been identified as the reason for the shift in how businesses or firms are evaluated for their financial performance. In the current business environment, dividend payout is a critical issue, particularly with regard to how firms are evaluated for performance. The primary reason why people invest in businesses is because they anticipate receiving a return on their investment. A dividend is a sum of money that a business pays to its owners, typically as a distribution of profits. A corporation can reinvest its profits (retained earnings) and distribute a portion of its profits as dividends to shareholders when it generates a profit or surplus. If the company has a dividend reinvestment plan, the amount can be distributed to shareholders as cash (typically deposited into a bank account) or by issuing additional shares or repurchasing shares. (Adeiza et al., 2020)

Conversely, ownership structure is a tool of corporate governance that assesses a company's productivity and ensures that shareholders' interests are taken into account while achieving organisational objectives. Various ownership patterns, including those held by governments, individuals, foreign entities, institutions, families, and managers, can have a positive or negative impact on a company's performance. (Ali et al., 2022). However, it is on this basis the present study aims to investigate the moderating effect of foreign ownership on the relationship between dividends policy and firm performance of manufacturing companies in Nigeria. The correlation between dividend policy and firm performance has attracted significant attention worldwide, with numerous studies examining this relationship in diverse settings. Diverse theoretical frameworks, including agency, relevance, pecking order, bird-in-the-hand, residual, and signalling theory, offer valuable perspectives on the impact of dividend policy decisions on firm value and performance in both developed and developing economies (Adeiza et al., 2020; Christian & Dewi, 2022; Nguyen et al., 2021; Perera, 2020; Udoka et al., 2022; Ugwu et al., 2020).

On the other hand, studies conducted on the relationship between dividends policy and firm performance in developed countries were mostly found to be inconsistent (Christian & Dewi, 2022; Jatoi et al., 2023; Nguyen et al., 2021; Perera, 2020; Shah, 2023; Theiri et al., 2023) likewise the developing economies (Adeiza et al., 2020; Bossman et al., 2022; Udoka et al., 2022; Ugwu et al., 2020; Ukpog & Ukpe, 2023). In addition, this study has not come across any of its kind from the previous studies that used dividend payout ratio, dividend yield and dividend coverage ratio as proxies for dividend policy in a single study. Little is known, nevertheless, about how this relationship is affected by the particular business environment in Nigeria, with its characteristics and challenges. Considering how intricate and quickly evolving the Nigerian market is. In addition, if the proxies of dividends policy could lead to firm performance (Jatoi, et al. 2023; Perera, 2020) in like manner ownership structure too leads to performance (Rashid, 2020; Salema, 2023; Younus, et al. 2021; Zandi, et al. 2020). In addition, none among the studies mentioned above had use both agency and dividend irrelevance theory to test the effect of foreign ownership on the relationship between dividend policy and firm financial performance. Therefore, based on the aforementioned and the recommendation by Theiri, et al., (2023), this study sees the pressing need to investigate the moderating effect of foreign ownership on the relationship between dividends policy and firm performance in Nigerian manufacturing companies.

The main objective of this study is to investigate how foreign ownership affects the relationship between dividend policy and firm financial performance of manufacturing companies in Nigeria between 2018 to 2022.

2. Literature Review

This segment is organised into three frameworks: conceptual, empirical and theoretical. The study received theoretical support, concepts were made clear, and the gap that served as the basis for the research problem statement was identified.

2.1 Firm Performance

Firm performance is a crucial concept for academic researchers and managers, but its definition remains unclear, despite its widespread use in academic literature. (Alsurayyi & Alsughayer, 2021). Rahel and Serkalem (2010) defined performance as profitability, a firm's financial objective for expansion and future stability. Profitability ensures solvency, enabling future investments, and business success is achieved when it runs smoothly. Researchers view firm performance as one of the methods for measuring in real-time how effectively a firm is performing in relation to its total assets or investor equity. (Phan & Duong, 2021). A company's performance is evaluated by its efficient operations and functions. Effective corporate governance (CG) manages resources, improving firm performance and maximizing investor returns, while ineffective CG can lead to resource mismanagement. (Ahmed & Duellman, 2007).

2.2 Dividends Policy

A company's dividend policy influences stock price fluctuations, as the public reacts favorably to announcements about dividend distribution. The community believes the business has sufficient funds for growth and maintains a profit margin, potentially benefiting investors from increased stock prices and improved performance (Christian & Dewi, 2022). A dividend policy is an announcement that a shareholder will receive dividends (DP). A dividend is the payment made to owners from profits. Dividends are given to shareholders as payment for their risk. The amount of return on investment that shareholders will receive is decided by management. Factors other than DP primarily

impact the company's performance. One of the four most important factors in finance is the distribution of dividends. (Jatoi et al., 2023).

2.3 Ownership Structure

Ownership structure refers to the distribution of equity among shareholders, including individuals, financial institutions, directors, and votes and capital, of an entity. (Ali et al., 2022). ownership structure is made up of ownership concentration, individual ownership, institutional ownership (block holders), managerial ownership (insider ownership), state ownership (governmental ownership), and family ownership. (Ali et al., 2022).

This study investigates whether ownership structure, including foreign ownership, impacts the relationship between a company's performance and its dividend policy, a topic extensively studied in corporate governance literature. Nonetheless, attracting foreign investments is crucial for developing nations like Nigeria, as it provides local businesses with new resources and technologies, enabling them to meet global standards (Al-Janadi, 2021). Since foreign ownership brings new capital and technology to the market, it is regarded as one of the main sources of resources particularly in developing nations. (Benfratello & Alessandro, 2002; Pfeffer & Salancik 2003). Foreign ownership can lead to improved company performance, but it can also result in poor business performance due to foreigners' unfamiliarity with the investment environment. (Barbosa & Helen 2005).

2.4 Relationship Between Dividend Policy and Firm Performance

Studies conducted in this context include Jatoi et al. (2023), who assess whether dividend policies affect the performance of publicly traded non-financial companies in Pakistan, by employing regression analysis and descriptive correlation. The dividend policy is proxied by the dividend payout ratio, dividend payout ratio, earnings per share, and financial leverage in the study. The firm performance is measured by ROA and ROE. The findings indicate a significant positive relationship between dividend policy and ROE. Furthermore, a strong positive correlation was discovered between ROA and Dividends Policy, which takes into account all of the variables FL, EPS, DPS, and DPOR. As a result, this study offers proof that dividend policies significantly affect the company performance.

Similarly, Theiri et al. (2023) investigate the relationship between performance and financial constraints to ascertain how such a fit affected dividends policy during the French crisis using a sample size of 106 SBF-listed companies. They do this by using system generalised methods of moments (SGMM) and financial constraints theory to assess the impact of the Covid-19 pandemic crisis on dividends policy and performance. The study measures dividend policy, financial constraints, and performance using dividend payout per share, the KZ index, ROA, and ROE, respectively and debt, growth, firm size, and age as control variables. The findings demonstrated that the only variables that negatively correlated with dividend payment levels were the crisis and financial constraints. There was no consideration of performance at this dividend level. The only control variables that had a positive impact on dividend levels were debt, growth, and size. Furthermore, the DividPaid, KZindex, and Crisis variables had a negative impact on the performance of French companies.

In a comparable vein, Shah (2023) investigates the moderating effect of the pandemic-related crisis period on the association between the dividend policy and the firm performance of 433 Indian companies. Dividend policy and firm performance are proxied by dividend pay-out, ROA, and EPS. The study offered evidence of the moderating influence of crises on the relationship between dividend policy and performance. Furthermore, liquidity and leverage have a positive and significant impact on the firm's financial performance, while firm size and dividend payout have no significant effect on the company's performance.

Christian and Dewi (2022) investigated the effect of dividend policy, cash flow, and corporate governance (CG) on the performance of 31 manufacturing companies listed on the Indonesia Stock Exchange between 2016 and 2020 using a quantitative approach and Agency theory. Moreover, family ownership serves as a moderator. In addition to firm age serving as a control variable, the study uses CG, operating cash flow, dividend payout ratio (DPR), and Tobin's Q as measures of the variables in the study. The results show that cash flow boosts performance. CG and dividend policy have no effect on the performance in the meantime. This implies that since the majority of corporate governance members may not be family members, the family cannot impose regulations or dividend policies. Since family members can enforce regulations and processes, family ownership can then strengthen the link between CG and firm performance. However, since cash flow and dividend policy are dependent on the day-to-day operations of the company, family ownership has no effect on the strength or weakness on the relationship between the two variables and firm performance.

Moreover, Nguyen et al. (2021) examine the effects of dividend policies on the financial performance of 450 Vietnamese firms using signalling theory, pecking order, and relevance. The firm's financial performance and dividend payment were measured using the dividend rate, dividend decision, ROA, ROE, and Tobin's Q, respectively. The control variables include company size, leverage ratio, and growth rate (Growth). According to the results analysis, Vietnamese firms' accounting-based performance is negatively impacted by the dividend payment decision; however, this also raises market expectations for the firms. The study also discovers that low dividend rates are offered by Vietnamese companies, which has a significant effect on accounting-based performance but a negative effect on market expectations.

Furthermore, utilising the bird-in-the-hand, residual, irrelevance, and signalling, Pecking Order theory, Perera (2020) investigates how dividend policies affect the long-term financial performance of 305 Sri Lankan listed companies. DPR, ROA, debt-to-equity ratio, company growth, and EBITDA are used in the study as measures for dividend policy and the firm's financial performance respectively. The study's findings showed a significant relationship between the dividend payout ratio and revenue growth, return on equity, total debt-to-equity, and net debt to EBITDA. The behaviour of the dividend policy and performance for both past and future forecasting years has been demonstrated by trend analysis.

Ukpong and Ukpe (2023), also employ the bird-in-the-hand theory to examine the impact of dividend policy on the performance of 12 Nigerian firms from 2015 to 2019 based on ex post facto research design. The study uses EPS, ROA, timing of dividend payments (TDP), and forms of dividend payment (FDP), as proxies for firm performance and dividend policy, respectively. The results show a negative relationship between ROA and earnings per share (EPS) and timing of dividend payments (TDP), but a positive relationship between ROA and the type of dividend payment.

Equally, Bossman et al. (2022) investigate the relationship between the dividend policy and financial performance of 29 Ghanaian listed companies using system generalised methods of moments (SGMM). The study uses free cash flow, dividend capacity, payout, and savings from free cash flow as proxies for dividend policy and ROA, ROE, stock price, and Tobin's Q for firm performance, while control variables include capital structure, firm size, age, governance, and financial sector clean-up. The result demonstrates that dividend capacity has had a significant effect on return on equity and return on assets. It was discovered that free cash flow savings had an indirect relationship with Tobin's Q and stock price, but a direct and significant effect on ROE and ROA. The results showed that clean-

ups in the financial sector had a negative effect only on the performance of non-financial firms.

Udoka et al. (2022) evaluate the significance of dividend policy and recommend actions that could improve its efficacy on the performance of 26 consumer goods firms in Nigeria using an ex-post facto research design, dividends relevancy, and the bird-at-hand theory. Companies' dividend payout ratio (DPR), dividends per share (DPS), and dividend yield were used as proxies for dividend policy and ROE for firm performance along with the CG index as a moderating variable. The results of the analysis showed that the dividend payout ratio is not statistically significant over the long and short terms in the absence of the moderating variable, the corporate governance index.

Comparably, Ugwu et al. (2020) use ex-post facto research, correlation, agency, signalling, and bird-in-hand theory to assess the impact of dividend policy on corporate financial performance using data from ten carefully chosen listed consumer goods companies in Nigeria between 2015 and 2019. DPR and DPS was used to proxy dividend policy while ROE and EPS was used for financial performance. The findings indicate a positive correlation between DPR, DPS and ROE and EPS. It also showed that, during the study period, DPS was statistically significant with ROE, but DPR were statistically insignificant with ROE and EPS.

Additionally, Adeiza et al. (2020) employ ratio analysis and residual theory to investigate the effect of the dividend payout ratio (DPR) on the net profit margin of quoted oil and gas companies, the effect of the DPR on the ROA (return on assets) of these companies, and the effect of the DPR on the ROE (return on equity) of two quoted oil and gas companies. NPM, ROE and ROA were used as proxies for firm performance. The study discovered that the DPR had a negative and insignificant effect on Mobil Plc and Total Plc's firm performance in 2017 and 2018, but the results also revealed that Mobil Plc and Total Plc had significant effects in 2015 but insignificant effects in 2016.

From the foregoing, previous studies use agency, irrelevance, pecking order, bird-in-the-hand, residual, signaling theory, financial constraints theory to test the impact of dividend policy decisions on performance and reveal inconsistent results (Adeiza et al., 2020; Christian & Dewi, 2022; Nguyen et al., 2021; Perera, 2020; Udoka et al., 2022; Ugwu et al., 2020; Theiri et al. 2023). In measuring both dividend policy and financial performance, Jatoi et al. (2023) use DPR, EPS, financial leverage, ROA and ROE, Theiri et al. (2023) use dividend payout per share, the KZ index, ROA, and ROE, Shah (2023) employ dividend pay-out, ROA, and EPS, Christian and Dewi (2022) use DPR and Tobin's Q, Nguyen et al. (2021) use dividend rate, dividend decision, ROA, ROE, and Tobin's Q, Perera (2020) employ DPR, ROA, debt-to-equity ratio, company growth, and EBITDA, Ukpong and Ukpe (2023) use timing of dividend payments (TDP), and forms of dividend payment (FDP), EPS and ROA, Bossman et al. (2022) employ free cash flow, dividend capacity, payout, savings, ROA, ROE, stock price, and Tobin's Q, Udoka et al. (2022) employ dividend payout ratio (DPR), dividends per share (DPS), and dividend yield and ROE, Ugwu et al. (2020) use DPR, DPS ROE and EPS, while Adeiza et al. (2020) employ DPR, NPM, ROA and ROE. While most of the studies uses secondary data and the duration ended 2020. However, this study uses both agency and dividend irrelevant theory to test the relationship between DPR, DY, DCR and ROE.

2.5 Foreign Ownership as a Moderator

Boshnak (2023) investigates the effects of ownership structure on the performance of 70 Saudi listed firms between 2016 and 2021 using Resource Dependency and Agency Theory. For ownership structure, the study uses government, institutional, insider, foreign, and family ownership as proxies; for firm performance, it uses ROA, ROE, Tobin's Q, and

market-to-book ratio. The findings demonstrate that while family ownership has a negative effect on all models, government, institutional, insider, and foreign ownership all have positive effects on accounting and market-based performance measures. The results strengthen the arguments made for alignment effects, agency theory, and resource dependence.

Alkurdi et al., (2021) also employ the theories of agency, stakeholder, and resource dependence to investigate how the ownership structure affects the performance of 61 Jordanian companies using 427 observations from 2012 to 2018. Tobin's Q and ROA were used to assess firm performance and ownership structure was measured using managerial, institutional, and concentration ownership. The study's conclusions show a strong and positive correlation between institutional ownership and market and accounting measures Tobin's Q and ROA. ROA and TQ are also affected by other ownership structure types, such as concentration of ownership. Although there is no correlation with TQ, managerial ownership exhibits a negative relationship with ROA.

Using 432 observations from the 2008–2018 fiscal years, Ogabo et al. (2021) apply agency theory to investigate the effect of ownership structure on firm performance of the FTSE 48 companies in the United Kingdom. The study uses managerial and institutional ownership as proxies for ownership structure and Tobin's Q, ROA and ROE for firm performance. The findings showed that managerial ownership significantly affects firm performance without having a strong effect when managerial ownership rises above 5%. Regression analysis results showed that the percentage of independent directors on the board raises the performance of the firms, while the percentage of women on the board, as a control variable, lowers the performance of the firms.

Zandi et al (2020) investigate how ownership structure affected 200 Malaysian companies' performance between 2011 and 2015. Important ownership, managerial ownership, and Tobin's Q, accounting profit rate, were used to measure the ownership structure and firm performance, respectively. The findings show that the ownership structure—both insider and outsider or managerial ownership—positively affects the performance of the company. It suggests that there is a positive relationship between firm performance and both ownership structures.

Using a data set of manufacturing companies listed on the DSE of Bangladesh for the years 2015-2019, Salema (2023) empirically assesses the relationship between firm-level governance mechanisms and firm performance using an integrated theoretical framework that includes agency, stewardship, resource dependence, and stakeholder theory. The variables in the study include ownership structure (managerial, institutional, foreign, government, and public holding), board characteristics (board independence and competence), and firm performance (ROA and ROE). The paper's empirical findings provide insight into how ownership structure and board composition affect a company's performance as measured by its accounting rate of return on assets.

Aribaba et al., (2022) from 2011 to 2020, analyse the effect of ownership structure on the financial performance of four Nigerian building material companies that are quoted. The ownership structure (supervisory, institutional, and ownership concentration) as well as firm performance (ROE) are the study's variables. The findings show that ownership concentration had a negative ($r = -0.239 > 0.05$) but significant effect on the financial performance of quoted building material firms in Nigeria, while supervisory ownership, with a coefficient value of, and institutional ownership, with a (value of $r = -0.701 > 0.05$), demonstrated a positive and significant effect on the financial performance of the latter.

Younus et al. (2021) looks into how 50 non-financial Pakistani companies' business performance is affected by a concentrated ownership structure between 2015 and 2020. The ownership structure is measured in the study using concentrated ownership, and the

firm performance is measured using ROA, ROE, and Tobin's Q. The findings show that concentrated ownership has a significant positive effect on firm performance, while tax evasion has a negative moderating effect on accounting performance measures like ROA and ROE and no moderating effect on market performance measures like Tobin's Q.

El Nahas (2021) study the relationship between business ownership structure (Managerial Ownership, Institutional Ownership, Block Holding Owning 5% or More, and Free Float Ownership) and financial performance (ROA, ROE, and Tobin Q) in the top 50 Egyptian stock exchange companies using agency theory. The first hypothesis, which maintained a relationship between managerial ownership and financial performance (ROA, ROE, and Tobin Q), was found to be unsupported by the data. However, there was full support for the second hypothesis, which asserted a significant correlation between institutional ownership and financial performance (ROA, ROE, and Tobin Q). Additionally, there was full support for the fourth hypothesis, which states that free float ownership and financial performance (ROA, ROE, and Tobin Q) are related. Nevertheless, the third hypothesis—which proposed a relationship between block holder ownership and financial performance (ROA, ROE, and Tobin Q)—cannot be tested because of a multicollinearity problem.

Hossain et al. (2021) study looks at the relationship between ownership structure and company performance for 15 chemical and pharmaceutical companies that are listed on the Bangladeshi Dhaka Stock Exchange (DSE). The study's variables include ownership structure (managerial, institutional, inside, foreign, and ownership concentration) and firm performance (ROA and ROE). The study demonstrates that institutional ownership, ownership concentration, and foreign ownership have a significant effect on the financial performance of the sampled companies. In contrast, managerial ownership and insider ownership have a negative effect. The study found no evidence of a significant relationship between the performance of firms and the ownership of block holders.

Adamu and Haruna (2020) investigate the relationship between 40 listed non-financial firms in Nigeria's ownership structure and performance using agency theory. Tobin Q, ROA, ROE, and EPS were used to measure firm performance, while ownership concentration, ownership concentration in management, and foreign and institutional ownership served as proxies for ownership structure. The results show that the most common ownership structures are managerial and foreign ownership, and the most common performance measures are Tobin Q, EPS, and ROA. The study also discovered a negative relationship between managerial ownership and firm performance and a positive relationship between ownership concentration, foreign ownership, and institutional ownership.

Rashid (2020) applies the Agency, Stewardship, and Resource Dependence theory, to investigate the mediating role of corporate board characteristics in the relationship between ownership structure and firm performance of 527 annual reports of listed companies in Bangladesh for the years 2015-2017. The study's variables include firm performance (Tobin Q, Market-to-book ratio, ROA and ROE), board characteristics (board size and independence), and ownership structure (institutional, foreign ownership in equity, sponsor and director ownership). In terms of the mediating effect, the findings suggest that the association between ownership structure and firm performance is partially mediated by board independence and size. Institutional ownership only shows a positive effect on accounting-based performance (ROA), whereas foreign ownership and director ownership have a significant positive impact on the performance of both market-based and accounting firms.

However, previous studies had shown that dividend policy relate to financial performance, in like manner foreign ownership relate to financial performance. Likewise,

previous studies show that foreign ownership had been used to moderate between ROA, debt to equity ratio, asset growth, free cash flow, firm size and dividend payment ratios (Yahya & Fachrudin, 2018). Equally, Winter et al (2021) use foreign ownership to moderate between good corporate governance and board interlocking on financial performance. Anggara et al (2021) use foreign ownership to moderate between environmental management system, environmental performance and financial performance. Ali et al (2020) also use foreign ownership to moderate between ROA, ROE, EPS, dividend payout ratio and protection of minority shareholders with financial transparency and external auditors. This show that foreign ownership will be a good moderator between dividend policy and financial performance of manufacturing banks in Nigeria.

2.6 Theoretical Framework

2.6.1 Agency Theory

Jensen and Meckling (1976) in New York first applied agency theory, which serves as the foundational theory for this study. It said that because managers and shareholders have different objectives, conflicts of interest can occur. While managers may put their personal interests ahead of the interests of the shareholders, shareholders are interested in optimising their returns on investment. We call this the agency problem. Aligning management and shareholder interests through dividend payments is one way to address this issue. Since higher dividends result in higher share prices, managers are therefore motivated to take actions that increase shareholder value.

There might be other variables, though, that affect how ownership structure, dividend policy, and company performance relate to foreign-owned businesses. For instance, compared to locally owned businesses, foreign-owned businesses might have different financial goals and constraints. Moreover, they might be governed by various tax laws and rules in their home nations. These elements may have distinct effects on the connection between ownership structure, dividend policy, and company performance.

2.3.2 Dividend Irrelevance Theory

This theory was first proposed by Modigliani and Miller (1958), and it has been a topic of deliberation in finance ever since. According to the theory, a company's value is not impacted by the dividend it pays. This theory states that investors don't care if they receive capital gains or dividends as long as they get the same overall return on their investment.

According to Modigliani and Miller, a company's underlying cash flows determine its value, and paying dividends does not affect these cash flows. Furthermore, they maintained that shareholders have the freedom to set their own dividend policies by reinvesting their dividends or selling some of their shares in the event that they do not need the proceeds. Consequently, the overall return on their investment shouldn't be affected by dividend payments.

2.7 Conceptual Framework

This study analyses the moderating effect of foreign ownership on the relationship between dividend policy and financial performance manufacturing companies in Nigeria. The choice of DPR, DY, DCR and ROE in this study as proxies to determine the effect of the variables in the relationship to provide a comprehensive picture of the companies' dividend policy and financial health. By examining these measures, investors and analysts can better understand the company's dividend payout behaviour, the return on investment that shareholders can expect, and the company's ability to generate earnings and support its dividend policy over time. While ROE captures the company's ability to generate returns for shareholders, provides insights into the company's growth potential and future

profitability, and helps managers evaluate their performance and identify areas for improvement. For the purpose of to either strengthen or weaken the relationship between variables, foreign ownership is used as a moderating variable. The research concept, which is a logical relationship derived from the theoretical foundation and empirical study, is compiled based on the explanation provided. It can be summarised as follows:

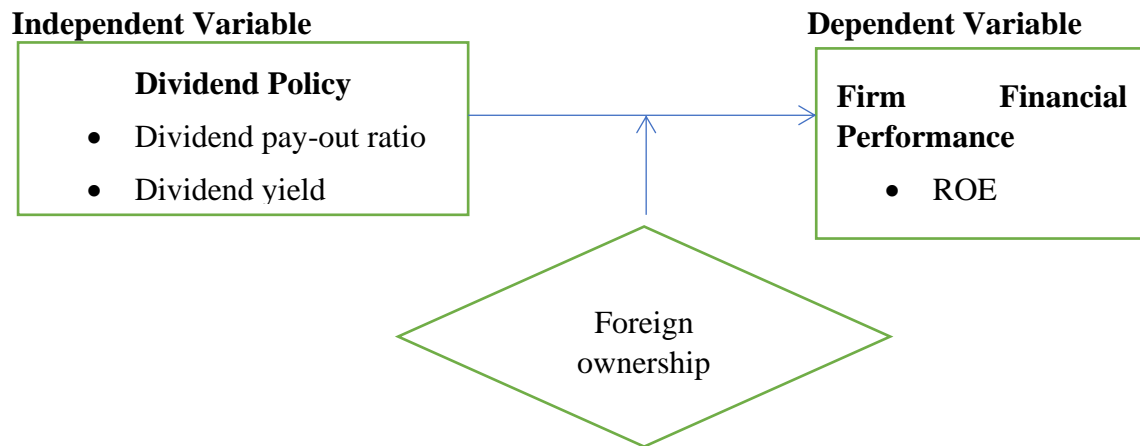


Figure 1 Research Model

The conceptual framework forms the basis of the following study hypotheses:

- H1. Dividend pay-out ratio affects firm financial performance of manufacturing firms in Nigeria
- H2. Dividend yield affects firm financial performance of manufacturing firms in Nigeria
- H3. Dividend coverage ratio affects firm financial performance of manufacturing firms in Nigeria
- H4. Foreign ownership affects firm financial performance of manufacturing firms in Nigeria
- H5. Foreign ownership moderates the relationship between dividend pay-out ratio and firm financial performance of manufacturing firms in Nigeria
- H6. Foreign ownership moderates the relationship between dividend yield and firm financial performance of manufacturing firms in Nigeria
- H7. Foreign ownership moderates the relationship between dividend coverage ratio and firm financial performance of manufacturing firms in Nigeria

3. Methodology

3.1 Data

The study is based on ex-post facto research design while the population include ten (10) manufacturing firms listed on the Nigerian Stock Exchange during the 2018-2022 period. The category of data used in the study is secondary with a quantitative approach. The secondary data collection method was done by observing the data sources of manufacturing companies in Nigeria that have foreign ownership obtained from (<https://ngxgroup.com/>), and company websites. The research sample size consists of nine (9) firms and was obtained by using filtering criteria, i.e. the method of selecting samples based on predetermined criteria. Criteria used for sampled manufacturing companies obtained from ngxgroup.com include: the company must have been listed on NSE as of 2018, there should be no change in the fiscal year during the period, there should be no transaction cease for more than six months, the required data should be available.

This study aims to determine the moderating effect of foreign ownership on the relationship between dividends policy and firm performance. To achieve this, three

hypotheses were formulated. Analysis of the relationship between these variables is shown through the following multiple linear regression model.

3.2 Model Specification

We discovered that the majority of studies have examined the effect of dividend policy on the financial performance of the company through a review of the literature on earlier research models. The following research model (Figure 1) is built on ROE as a measurement of the firm financial performance and dividend payout ratio (DPR), dividend yield and dividend coverage ratio (DCR) as proxies for dividends policy. This measure is consistent with the studies of previous scholars such as Bossman et al. (2022), Jatoi, et al. (2023), Trong and Nguyen (2020), Udoka, et al. (2022), Ugwu, et al. (2020). Foreign ownership together with firm size and firm age was used as moderating and control variables respectively. The study employs STATA version 17 to run both the descriptive and inferential statistics.

$$ROE = \alpha + \beta_1DPR_{it} + \beta_2DY_{it} + \beta_3DCR_{it} + \beta_8FS_{it} + \beta_9FA_{it} + \varepsilon_{it}..... (i)$$

$$ROE = \alpha + \beta_1DPR_{it} + \beta_2DY_{it} + \beta_3DCR_{it} + \beta_4FO_{it} + \beta_5DPR*FO_{it} + \beta_6DY*FO_{it} + \beta_7DCR*FO_{it} + \beta_8FS_{it} + \beta_9FA_{it} + \varepsilon_{it}..... (ii)$$

Where: ROE = Return on equity: α = Constant: β = Regression Coefficient: DPR = Dividend payout ratio : DY = Dividend yield: DCR = Dividend coverage ratio : FO = Foreign ownership FS = Firm size : FA= Firm age : ε = error term

Table 1 Measurement of Variables

Variable	Type of Variable	Abbreviation	Formula
Return on Equity	Dependent	ROE	Ratio of net income to shareholder’s equity
Dividend payout ratio	Explanatory	DPR	Ratio of dividend per share to earnings per share
Dividend yield	Explanatory	DY	Ratio of annual dividend per share to stock price per share
Dividend coverage ratio	Explanatory	DCR	Ratio of earnings per share to dividend per share
Foreign ownership	Moderator	FO	Percentage of shares owned by foreign investors
Firm size	Control	FS	Natural logarithm of total assets of the selected companies
Firm age	Control	FA	Age of the selected firms

4. Discussions of Results

This section presents the data analysis and interpretation of the results of the dependent, independent and moderating variables. It presents the descriptive statistics, correlation, and regression results of the study.

4.1 Descriptive Statistics

Table 2 Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
ROE	45	.301	.338	-.112	.992
DPR	45	1.025	.508	.366	2.087
DY	45	.136	.279	.003	1.28
DCR	45	1.26	.689	.22	2.75
FO	45	.313	.226	.048	.691
FS	45	7.571	1.046	4.764	8.59
FA	45	44.889	4.432	39	57

Source: STATA OUTPUT

The company's average ROE, as shown in Table 2, is 0.301, which indicates that it is profiting 30.1% on its equity investment. The standard deviation of 0.338 shows that the ROE values are widely dispersed around the mean value. As shown by their minimum and maximum ROE values of -0.112 and 0.992, respectively, some companies are losing money on their equity investment, while other companies are significantly profitable, demonstrated by their high ROE of 99.2%.

Similarly, the standard deviation of DPR is 0.508, and its mean is 1.025. Some companies pay a low dividend, as indicated by the minimum DPR value of 0.366, and some pay very high dividends, as indicated by the maximum DPR value of 2.087. The mean of DY is 0.136, and the standard deviation is 0.279. While some companies pay very high dividends, as indicated by the maximum DY value of 1.28, some companies pay very low dividends, as indicated by the minimum DY value of 0.003. Also, the mean of DCR is 1.26, and its standard deviation is 0.689. While some companies have a high ability to cover their dividend payments, as indicated by a maximum DCR value of 2.75, some have low capacity, as indicated by a minimum DCR value of 0.22.

The mean of FO is 0.313, while the standard deviation is 0.226. The FO value ranges from 0.048 at the minimum, indicating low foreign ownership in some companies, to 0.691 at the maximum, indicating high foreign ownership in some companies.

In addition, the mean of the firm size is 7.571, and the standard deviation is 1.046. 7.764 is the minimum and 8.59 is the maximum value for firm size. This indicates the companies are moderately sized on average, with a narrow range of variation. The mean for Firm Age is 44.889, and the standard deviation is 4.432. 39 is the minimum and 57 is the maximum value for Firm Age. This shows that there is a significant range in the companies' ages, with an average age that is moderate.

4.2 Diagnostic Test

A. Normality Test

Table 3 Skewness/Kurtosis tests for Normality

Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	adj_chi2(2)	Prob>chi2
ei	45	0.297	0.0008	10.170	0.006

The data has an approximately normal distribution, as shown by the skewness value of 0.297 and kurtosis value of 0.0008 in Table 3, and the data of the independent variables relates linearly to the dependent variable. According to Brown's (2006) suggestion, the measured values of skewness and kurtosis less than 3 are generally acceptable in most

cases. Similarly, the probability of chi-square (Prob>chi2) and adjusted chi-square (adj_chi2) values indicate a significant deviation of the data from the normal distribution. This suggests that the normality assumption might not be met despite the skewness and kurtosis values being within acceptable limits.

B. Heteroskedasticity Test

Table 4 Heteroskedasticity Test

	chi2(1)	Prob > chi2
Variables: fitted values of roe		
Breusch-Pagan / Cook-Weisberg	10.13	0.0015
Ho: Constant variance	Do not reject	Reject

The Breusch-Pagan and Cook-Weisberg tests were used in this investigation to identify the heteroskedasticity problem. Table 4 shows that the chi-square 10.13 from the Cook-Weisberg and Breusch-Pagan tests for heteroskedasticity has a p-value of 0.0015, which is less than 0.01 (1%) in the ROE model and indicates the presence of heteroscedasticity on the model's residuals.

C. Multicollinearity Test

Table 5 Variance inflation factor

	VIF	1/VIF
DPR	6.640	.151
DCR	6.110	.164
DY	2.150	.465
FO	1.908	.524
FS	1.764	.567
FA	1.736	.576
Mean VIF	3.385	.

Source: STATA OUTPUT

The VIF for the variables varies, as Table 5 above demonstrates, and all of the variables are less than ten. Additionally, the tolerance values are either significantly greater than 0.1 or significantly lower than one. The outcome demonstrates that there is substantial evidence that the independent variables in the study do not negatively multicollinearly relate to one another. This demonstrates that the study's model fits the data properly.

4.3 Correlations Analysis

Table 6 Matrix of correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1) ROE	1.000						
(2) DPR	-0.078	1.000					
(3) DY	-0.264	0.366	1.000				
(4) DCR	0.125	-0.905	-0.226	1.000			
(5) FO	-0.486	0.202	0.289	-0.263	1.000		
(6) FS	0.070	0.112	0.168	-0.036	-0.416	1.000	
(7) FA	-0.307	0.443	0.704	-0.355	0.399	0.302	1.000

Source: STATA OUTPUT

The study established the correlation coefficient to discover the influence of foreign ownership on the relationship between dividends payout ratio, dividends yield, dividends coverage ratio and ROE together with firm size and firm age as control variables. The correlation test is highly significant because it establishes the presence or absence of a correlation between the research variables before undergoing regression analysis. The

fundamental parameters of the correlation coefficient matrix are as follows: coefficient values of 0.70 and above indicate high correlations, 0.40 to below 0.50 indicate low correlations and 0.00 to below 0.40 of the variables indicate poor correlations (Chen & Popovich, 2002).

Subsequently, from Table 6, DPR has a poor negative correlation with ROE, with a correlation coefficient of -0.078. This means that companies with a higher DPR tend to have lower ROE. DY has a low and negative correlation with ROE, with a correlation coefficient of -0.264, which shows that companies with a higher dividend yield tend to have lower ROE.

Similarly, DCR has a low and positive correlation with ROE, with a correlation coefficient of 0.125, which suggests that companies with a higher DCR tend to have higher ROE. FO has a low and negative correlation with ROE, with a correlation coefficient of -0.486, which indicates that invariably companies with a higher FO tend to have lower ROE. Also, firm size has a positive but poor correlation with ROE, with a correlation coefficient of 0.070, which also shows that larger companies tend to have higher ROE. While, firm age has a negative correlation with ROE, with a correlation coefficient of -0.307, which indicates that older companies tend to have lower ROE.

In summary, the correlation results show that the variables of DPR, DY, FO, and firm age are negatively related to ROE, while DCR and firm size are positively related to ROE.

4.4 Regression Result

Table 7 Multiple Linear regression

ROE	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Decision
DPR	.324	.331	0.98	.334	-.347	.996	Reject
DY	-.613	.516	-1.19	.242	-1.66	.434	Reject
DCR	.19	.235	0.81	.423	-.287	.667	Reject
FO	-.291	1.088	-0.27	.791	-2.5	1.919	Reject
DPR*FO	-.215	.35	-0.61	.543	-.925	.495	Reject
DY*FO	1.664	1.684	0.99	.33	-1.755	5.084	Reject
DCR*FO	-.196	.511	-0.38	.704	-1.233	.841	Reject
FS	-.028	.07	-0.39	.696	-.17	.115	Reject
FA	-.021	.025	-0.83	.41	-.072	.03	Reject
Constant	1.115	1.068	1.04	.304	-1.053	3.283	

Mean dependent var	0.301	SD dependent var	0.338
R-squared	0.306	Number of obs	45
F-test	1.714	Prob > F	0.123
Akaike crit. (AIC)	32.763	Bayesian crit. (BIC)	50.829

*** $p < .01$, ** $p < .05$, * $p < .1$

Source: STATA OUTPUT

4.5 Hypothesis Testing:

Based on Table 7, results, the coefficient of determination (R²), which measures the model's fitness, is 0.306. This indicates that explanatory variables account for approximately 30.6% of the variation in the dependent variable, while unspecified variables, like the error term, account for approximately 69.4% of the variation in the manufacturing companies' firm return on equity (ROE) during the period.

H₀₁: Dividend pay-out ratio affects firm financial performance of manufacturing firms in Nigeria

The test result between DPR and ROE, the coefficient is 0.324 with a t-value of 0.98 and p-value of $0.334 > 0.05$, this shows that the relationship is statistically insignificant. This means DPR does not affect ROE. Therefore, this study failed to accept the first hypothesis. This result is in line with Udoka et al., (2022), Ugwu et al., (2020) and not in line with Adeiza et al., (2020) and Bossman et al. (2022).

H₀₂: Dividend yield affects firm financial performance of manufacturing firms in Nigeria

Similarly, the test result between DY and ROE, the coefficient is -0.613 with a t-value of -1.19 and p-value of $0.242 > 0.05$ level of significance, which is statistically insignificant. Therefore, this study failed to accept the second hypothesis. This depicts that DY does not affect ROE. This result is consistent with Nguyen et al. (2021) and Udoka et al. (2022).

H₀₃: Dividend coverage ratio affects firm financial performance of manufacturing firms in Nigeria

In like manner, the test result between DCR and ROE, the coefficient is 0.19 for with a t-value of 0.81 and p-value of $0.423 > 0.05$ level of significance, which is statistically insignificant and also means that DCR does not affect ROE. Therefore, this study failed to accept the third hypothesis. This result is not in line with Bossman et al. (2022).

The first, second, and third hypothesis tests' findings demonstrate that the dividend policy does not affect the performance of the companies under study. The study's findings support the dividend irrelevant theory put forth by Modigliani and Miller in 1958, which holds that a company's capacity to generate income and contribute to income—which can be used to fund operations or distribute dividends to shareholders—is more important to investors when purchasing shares than its ability to pay dividends. The performance of the company will ultimately improve if a large number of investors are interested in purchasing shares, which will raise the share price. This at the same time contradict the position of Jensen and Meckling (1976) that shareholders are interested in optimising their returns on investment.

H₀₄: Foreign ownership affects firm financial performance of manufacturing firms in Nigeria

The test result between FO and ROE, the coefficient is -0.291 with a t-value of -0.27 and p-value of $0.791 > 0.05$ level of significance, which is statistically not significant. This means that FO does not affects ROE. Therefore, this study failed to accept the fourth hypothesis. This result is not consistent with Boshnak (2023), Hossain et al., (2021) and Rashid (2020).

H₀₅: Foreign ownership moderates the relationship between dividends pay-out ratio and firm financial performance of manufacturing firms in Nigeria

The test result between DPR*FO, the coefficient is -.215 with a t-value of -0.61 and p-value of $0.543 > 0.05$ level of significance which is statistically not significant. This indicates that foreign ownership does not moderates the relationship between DPR and ROE. Therefore, this study failed to accept the fifth hypothesis.

H₀₆: Foreign ownership moderates the relationship between dividend yield and firm financial performance of manufacturing firms in Nigeria

The test result between DY*FO, the coefficient is 1.664 with a t-value of 0.99 and p-value of $0.33 > 0.05$ level of significance which is statistically insignificant. This indicates that foreign ownership does not moderates the relationship between DY and ROE. Therefore, this study failed to accept the sixth hypothesis.

H₀₇: Foreign ownership moderates the relationship between dividend coverage ratio and firm financial performance of manufacturing firms in Nigeria

The test result between DCR*FO, the coefficient is -0.196 with a t-value of -0.38 and p-value of 0.704 > 0.05 level of significance which is statistically insignificant. This indicates that foreign ownership does not moderate the relationship between DCR and ROE. Therefore, this study failed to accept the seventh hypothesis.

However, since the relationship between DPR*FO, DY*FO, DCR*FO and ROE are found to be statistically insignificant at 0.05 level of significance. This shows that the relationship could be due to chance and not a true relationship between the variables. This further negates the assertion made by Udoka et al., (2022).

The results of the fifth, sixth and seventh hypotheses test above prove that foreign ownership was not able to strengthen nor weaken the relationship between dividend policy and firm financial performance. This is because of the following reasons first, despite the possibility that both domestic and foreign investors in the sampled companies had similar expectations regarding dividend payouts, the effect of dividend policy on firm performance did not differ significantly between the two groups. Second, since a company's dividend policy may be influenced by other factors like tax laws, cash flow demands, or investment opportunities, foreign investors did not significantly affect it. Third, additional factors like the host nation's institutional development level, political stability, and economic growth influence how foreign ownership affects a company's financial performance.

The test result between firm size and ROE, the coefficient value is -0.028 with a t-value of -0.39 and p-value of 0.696 > 0.05 level of significance which is statistically insignificant, meaning that the firm size does not affect ROE. This suggests that when investors make investments, they do not take into account the size of the company, as determined by the natural log of total assets. Moreover, management's asset management has not been optimised, which prevents the companies from reaching their target of high ROE. Therefore, there is no confidence that businesses with substantial assets will turn a profit greater than those with smaller total assets. Thus, ROE is unaffected by firm size.

In addition, the test result between firm age and ROE, the coefficient value is -0.021 with a t-value of -0.83 and p-value of 0.41 > 0.05 level of significance, therefore the relationship is statistically insignificant. This may indicate that older companies have lower ROE. This means that the financial performance of a company is not significantly influenced by how long the company has been in operation. This could be due to several factors, such as the ability of the company to adapt to changes in the market, the efficiency of its operations, or its ability to innovate and stay competitive.

5.1 Conclusion

This study attempts to investigate the moderating effect of foreign ownership on the relationship between dividend policy and firm financial performance. Therefore, while testing the direct relationship, the results of the analysis discovered a statistically insignificant relationship between dividend payout ratio (DPR), dividend yield (DY), dividend coverage ratio (DCR) and ROE. Therefore, this study concluded that dividend policy does not influence firm financial performance of manufacturing companies in Nigeria. In the same manner, looking at the indirect relationship, the result reveals a statistically insignificant relationship between foreign ownership and ROE. Therefore, this suggests that foreign ownership does not influence firm financial performance of the manufacturing companies in Nigeria. Additionally, the study reveals a statistically insignificant moderating effect of foreign ownership on the relationship between DPR, DY, DCR and ROE. Therefore, this study concluded that foreign ownership does not have a significant moderating effect on the relationship between dividend policy and firm

financial performance of manufacturing companies in Nigeria. Consequently, the findings on the relationship between dividend policy and firm financial performance further support the position of dividend irrelevance theory rather than agency theory on the assertion that a company's ability to generate income and contribute to income is more imperative to investors when purchasing shares than its ability to pay dividends. These findings suggest that managers and policymakers should not focus specifically on foreign ownership as a factor that influences the relationship between dividend policy and ROE.

5.2 Recommendations

Managers should consider a range of factors that may affect firm financial performance, including the financial health of the company, market conditions, and regulatory environment. They should promote transparency and accountability in financial reporting and dividend policy to ensure that investors have access to accurate and timely information. Managers should focus on maintaining a strong dividend policy while also pursuing other growth-oriented strategies that can help to drive long-term profitability. Additionally, they could consider implementing policies that encourage greater financial transparency and accountability, which can help to build investor confidence and support sustainable economic growth. By taking a comprehensive approach to promoting firm financial performance, managers can help to create a more resilient and sustainable organization.

Besides, they need to consider the preferences of both domestic and foreign investors when determining their dividend policy. While foreign investors may not have significantly different expectations regarding dividend payouts, they may have other preferences regarding risk management, transparency, or corporate governance.

Furthermore, they need to consider the broader economic and political environment when making decisions about dividend policy and other aspects of corporate finance. For example, changes in tax policies, regulatory frameworks, or economic conditions may have a significant impact on a firm's financial performance and its ability to pay dividends.

Agency theory suggests conflicts of interest may arise between managers and shareholders, particularly in dividend policy. Managers may be reluctant to pay dividends, as it reduces investment funds and limits growth opportunities. This study suggests foreign shareholders have limited influence over managers' dividend policy decisions due to lack of control or prioritization of growth or risk management. Dividend irrelevance theory suggests dividend policy has little impact on firm value or financial performance, as investors focus on underlying earnings and growth potential. However, foreign investors do not view dividend policy as a significant factor in their investment decisions.

The study reveals that foreign ownership doesn't significantly influence the relationship between dividend policy and Nigerian manufacturing firms' financial performance. Instead, policymakers should focus on improving the business environment, reducing regulatory barriers, and investing in infrastructure and human capital. The study also emphasizes the need for strategic and context-specific management of dividend policy decisions and financial performance measures.

It is suggested that future studies examine additional potential moderators, such as individual or governmental ownership, on the relationship between dividend policy and ROE in light of these findings. It's also critical to take into account additional financial measures like financial leverage and liquidity that could have an impact on the relationship between DPR and ROE. Researchers and practitioners can better understand the variables that affect a firm financial performance by adopting a more thorough approach to comprehending the relationship between DPR and ROE.

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