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Effect of Accounting Fundamental Variables on Corporate Dividend Payout Policy Decisions of Consumer Goods Industry in Nigeria

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ABSTRACT

This research study examined the effect of accounting fundamental variables on corporate dividend payout policy decisions of consumer goods in Nigeria manufacturing industry. The objectives of the study include to: examine the effect of dividend per share on earnings per share of consumer goods in Nigeria manufacturing industry, investigate the effect of retained earnings on dividend per share of consumer goods industry and evaluate the extent to which return on equity is affected by dividend per share of firms in Nigeria manufacturing industry. The researcher adopted the ex-post facto research design, while the source of data was the secondary sources The population of the study were 23 consumer goods industry in Nigerian manufacturing sector, selected from the Nigeria Stock Exchange at the end of 2015, while the sample size of 3 corporate organizations was selected from the 23 consumer goods industry. The multiple regression analytical tool was used in the testing of hypotheses, while the findings show that dividend per share has a positive and significant effect on earnings per share; dividend per share has a negative and significant effect on retained earnings, and return on equity has a positive and insignificant effect on dividend per share of manufacturing firms in Nigeria. From the conducted data analysis, it revealed that dividend per share is affected positively by earnings per share, return on equity and return on assets. The effect of earnings per share and dividend per share have on share price is positive and significant. It was recommended that a higher Return on Equity should be enhanced and vigorously pursued to retain investors and improve their well being; a higher Return On Equity should be enhanced and vigorously pursued to retain investors and improve their well being; firms should source for factors that will increase their return on equity so as to keep improving on the quotation their shares get from the exchange and firms should vigorously identify the means in which their total assets is reduced so as to increase the ratio of operating profit to asset in the form of return on asset.

Keywords: Accounting, Variables, Dividend Payout and Multiple Regressions

INTRODUCTION

The dividend relevance theorists are of the view that dividend policy remains one of the most important financial policies not only from the viewpoint of the company, but also from that of the shareholders, the consumers, employees, regulatory bodies and the Government. For a company, it is a pivotal policy around which other financial policies rotate [1]. The dividend policy decisions of firms are the primary element of corporate policy. Dividend, which is basically the benefit of shareholders in return for their risk and investment, is determined by different factors in an organization. Basically, these factors include financing limitations, investment chances and choices, firm size, pressure from shareholders and regulatory regimes.

To determine the proportion of net earnings to [2] defines dividend as that portion of after tax profit that is shared out to the shareholders as reward for investment. According to him, dividend puts disposable income in the hands of shareholders. He therefore classified divided into three main types: Cash dividend, Stock dividend and Stock splits. Dividend could be viewed as the share of profit of a firm by the stockholders on a pro rata basis that is determined by number of shares held by each shareholder. In some firms, several statutory deductions are made before the residue of the profit is appropriated to the ordinary members of the company. Declaration of proposed dividend by the directors at the Annual General Meeting (AGM) is expected to serve as an indication that the firm is healthy and capable of sustaining and improving upon the current level of financial performance at both short and long run. This view is supported by the signaling theory.

To determine the proportion of net earnings to appropriate to shareholders as dividend is a major challenge faced by shareholders and the directors because of the alternative preferences and uses of such earnings. [3], stated that firms are faced with dilemma of sharing dividend to stockholders and retaining their earnings with a view to reinvesting it into the business so as to promote further growth. Retaining such earnings and reinvesting it for growth and expansion may seem to be a better option; especially to the directors. However, dividend could be a means of financial performance red flag which is a boost to the credibility of the directors. Investors that need to be assured that the future of the firm is bright and promises enhanced return on investment will be interested in such signal. Dividend is expected to be associated with accounting fundamentals which[4] listed as including earnings yield, book value of assets, equity capital, the change in profitability, growth opportunities and discount rate. [5] emphasizes on fundamental signals such as changes in inventories, accounts receivable, capital expenditures, gross profit, and macroeconomic variables such as taxes. [6] opines that the analysis on current and future earnings as well as dividend payout rate could also be enhanced when external environment, industry, interest rates and other economic performance indicators are taken into account. Therefore, dividend payout ratio could be dependent on transactions of external financing, financial constrains created by the financial leverage and the agency cost of outside ownership [7].

[8], states that in the first quarter of 2014, Nigeria's Nominal Gross Domestic Product , GDP (at basic prices) was estimated at ₦20,169,778.04 million, or ₦15,438,679.50 million in real terms. It stated that the corresponding quarter of 2013, nominal GDP was estimated ₦18,295, 631.91 or ₦14,535,420.95 million in real terms and as a result, the growth rate of real GDP was recorded at 6.21% in Q1 2014, higher than 4.45% recorded in the corresponding quarter of 2013, but lower than 6.77% recorded in the fourth quarter of 2013. Furthermore, the contribution of the manufacturing sector to the nation's

Gross Domestic Product rose to ₦6.616bn in the third quarter of last year, statistics from the National Bureau of Statistics indicated. An analysis of the nine month revenue showed that the sector added ₦2.141bn to the economy in the first quarter; ₦2.125bn in the second quarter; and ₦2.35bn in the third quarter.The figures also showed that the manufacturing sector surpassed the oil and gas industry by ₦1.93bn during the nine month period. For instance, while the report, which was obtained on Friday, indicated that the manufacturing sector contributed ₦6.616bn in the months under review, the oil and gas added ₦4.677bn to the economy.The manufacturing activities captured in the data are the oil refinery, cement, food, beverage and tobacco; textile, apparel and footwear; wood and wood products; pulp, paper and paper products; as well as chemical and pharmaceutical products.Others are the non-metallic products; plastic and rubber products; electrical and electronics; basic metal, iron and steel; motor vehicles and assembly among others. But the major revenue earners for the sector were given as food, beverage and tobacco, which contributed ₦3.15bn during the first three quarters of 2015. It was reported that the exploration of petroleum and natural gas was becoming unprofitable due by the declining price of crude oil in the international market, which was almost equal to the cost of production. Since the gradual fall in the price of crude oil in the international market from $114 in June 2014 to around $29 per barrel currently, the revenue generation ability of the industry has been in jeopardy (Businessnews and NBS, 2016:2015).

[9],states that Nigeria hosts Africa's largest economy, with 2013 Gross Domestic Product (GDP) estimated in the $500 billion range, as well as its largest population of over 170 million citizens. In addition, it emphasized that substantial market size, combined with consistent and strong GDP growth over the past decade, has attracted considerable investor interest. Furthermore, the Government of Nigeria (GON) actively seeks foreign investment and in 2012 Nigeria was the largest recipient in Africa, with over $7 billion in foreign direct investment (FDI) recorded. The statement reiterated that while Nigeria offers abundant natural resources and a low-cost labor pool, much of Nigeria’s market potential remains unrealized because of significant impediments to investment that include an inconsistent regulatory environment and poor reward system, amongst others.

There are other reasons as suggested by [10] why dividend should be paid such as (i) dividends provide certainty about the company’s financial well-being, (ii) dividends are attractive for investors looking to secure current income, and (iii) dividends help maintain market price of the share. This scenario might have informed [11] advice that firms should establish its dividend policy with a view to maximizing shareholders wealth, set its pay-out policy to keep with its investment opportunities and internal funds need, taking cognizance of the relative preferences of its shareholders for capital gains and dividends; liquidity preferences and the relative costs to the firm and to shareholders of selling shares to meet socio-economic needs when there is no dividend; and legal or policy restrictions on substantial shareholders that may create a preference for dividend income. The conventional wisdom is that a properly managed dividend policy had an impact on share prices and shareholders’ wealth [11]. The researchers’ opinion in line with [12] is that the higher these dividends, the satisfied are these owners who see such financial investments as rewarding, and thus attractive to non-owners to invest in; as payment of the reward, dividend, signals good prospects for firms. [11],states, while citing [13], that dividend payment are associated with firms with good corporate governance, concluding that firms in legal regimes that focus on protecting investors are more likely to pay even higher dividends than firms in legal regimes with less investor protection.

Statement of the Problem

Firms in the consumer goods industry are concerned about funding to procure the required equipments, automate their production lines and assemble the right manpower in order to remain profitable, competitive and relevant. However, the options available to the firms for fund raising include the stock market, borrowing from banks and retention of a percentage of their profit after tax for such investments. Determining appropriate level of dividend to be paid and deciding whether or not to offer non-cash alternatives,(such as scrip dividend) have been difficult decisions for all firms. In particular, dividend policy serves as a mechanism for control of managerial opportunism. Dividend policy is considered to be the most important financial decisions that corporate managers encounter [14]. The main responsibility of financial managers is to maximize shareholders wealth and it is very important for financial managers to have good understanding of dividends and dividend policy because any right or wrong dividend decision can affect the performance of a firm. Dividend policy signals a firm's progress because dividend itself signals towards firm stability and the long term attention of business [15], [16], [17]. Dividend policy decisions affect firm earnings, and in particular a change in dividend impinges on firm's earnings. Hence, understanding the effects of these accounting fundamental variables on dividend decisions is of paramount importance to corporate policy makers in order to entrench a countercyclical dividend policy.

Consequently, in order to solve the lingering problem of striking an appropriate balance between retention and dividend payout, directors need to critically understand the nature, magnitude and extent of effect which fundamental accounting variables such as retained earnings, earnings per share, return on equity exert on dividend policy decisions of firms in the manufacturing sector.

Objectives of the Study

The main objective of the study is to examine the effect of accounting fundamental variables on corporate dividend payout policy decisions of consumer goods industry. The specific objectives are as follows:

i. To examine the effect of dividend per share on earnings per share of firms in Nigeria consumer goods industry.
ii. To investigate the effect of retained earnings on dividend per share of firms in Nigeria consumer goods industry.
iii. To evaluate the effect of return on equity on dividend per share of firms in Nigeria consumer goodsindustry.

Research Questions

i. To what extent is dividend per share affected by earning per share of consumer goods industry in Nigeria.
ii. What is the extent to which dividend per share is affected by retained earnings of consumer goods industry in Nigeria.
iii. To what extent does dividend per share affect return on equity of consumer goods industry in Nigeria.

Statement of the Hypotheses

i. Dividend per share does not significantly affect Earnings Per Share of consumer goods industry in Nigeria.
ii. Dividend per share is not significantly affected by retained earnings of consumer goods industry in Nigeria.
iii. Return on equity of firms does not significantly affect dividend per share of consumer goods industry in Nigeria.

Significance of the Study

The study is intended to provide the management and other stakeholders consumer goods industry in Nigeria and beyond with a clear overview into the extent to which accounting fundamentals interact with annual proposed dividend per share, judging from selected firms within the Nigeria manufacturing industry. The managers will use the information in developing dividend policies.

Government and policymakers may use the results of the research to formulate polices that will create an appropriate environment in order to enhance the operations in the securities market. The findings of the study will help the brokers achieve a more effective and result oriented bargaining. other investors and firms in other industry will need the research findings in determining the level of influence which the selected indicators exert on dividend policy decisions. Universities, polytechnics, and other research institutes will find the outcome very necessary in the development of accounting literature and accounting based researches. The study will advance the knowledge of academicians about determinants of dividend policy its predictability and form a basis upon which further researches can be done.

Scope of the Study

The study covers a period of five years (2011 to 2015) and the researcher made use of three firms in Nigeria manufacturing industry which are listed on the Nigeria Stock Exchange as at 16th september, 2015, and still have their shares actively participating in trading activities on the floor of the Nigeria Stock Exchange. They include Unilever Nig Plc, Flour Mills Nig, Guinness Nig. Plc.

The choice of the period and the firms was based on availability and sufficiency of data for analysis, size of the firm, market capitalization and nature of the firms' production [15]. Earnings per share, retained earnings and return on equity are the selected explanatory variables while dividend per share is the dependent variable of the study.

METHODOLOGY

Research Design

The study is an ex post facto (after the facts) research. [5], opines that ex post facto research is expected to provide a systematic and empirical solution to research problems. This is because the research makes use of data which are in existence and available. It made use of time series data which were sourced from annual report and accounts of the firms from the library division of Nigeria Stock Exchange; as well as their Factbook for the relevant years and the internet.

Area of Study

The research will be focused on the Nigeria Manufacturing companies that are listed on the Nigeria Stock Exchange market (NSE).

Sources of Data

This work adopted the approaches of [14]; [3]; [18] and [19] in the studies. The research therefore, made use of secondary data. Time series data (2011-2015) is extracted from the annual reports and accounts of the selected listed manufacturing firms and CBN statistical bulletins. Data on fundamental acounting variables such as earnings per share, retained earnings and return on equity and that of the dividend per share is extracted from annual report and accounts of the three selected listed firms, Uniliver Nigeria plc, Flour Mills Nig. Guinness Nig. Plc.Historical details about the selected firms were obtained from the Nigerian Stock Exchange FactBook and their library division, from 2011 to 2016.

Population of the Study

The population for the study centered on the performance indices of the twenty three (23) firms in Nigerian consumer goods industry, selected from the Nigeria Stock Exchange at the end of 2015.

Sample Size and Selection Technique

The researcher judgmentally selected the following firms from the twenty three (23) registered consumer goods industry in Nigeria Stock Exchange, the firms includes; Uniliver Nig. Flour Mills Nig. Guinness Nig. Plc. The judgment of the researcher was guided by the size of the firm, the market capitalization, nature of production/output and availability of annual report and accounts [17] [18], [19]. The period covered by the study was years 2011 to 2016.

Analytical Technique

The analytical technique used in this study was the graphical representation of the movements in dependent and independent variables; descriptive statistics in terms of measures of central tendency, distribution and dispersion; unit root test of stationarity of data series using Augmented-Dickey-Fuller Test re-confirmed by Phillips-Perron Test; firm and industry wide regression analysis; estimated coefficients to evaluate the predictable power of each independent variable on the dependent; coefficient of multiple determination (R2) and adjusted coefficient of multiple determination.

Analytical Procedure

The objectives of the study is accomplished in the following manner

1. Graphical representation of the dependent and independent variables to show the trend of movement within the study period. This can be used for predictions.
2. Using the recomputed data series, a regression equation is estimated to evaluate the effect of the selected fundamental accounting variables and dividend per share which is the proxy for financial performance in Nigeria.
3. A correlation analysis is conducted to examine the relationship between selected fundamental accounting variables and dividend per share which is the proxy for financial performance. The result is used for predictions.

Model Specification

The model is specified in line with previous related literature in the area of the study. [20] as cited in [21], states that model specification involves the determination of the dependent and explanatory variables, which will be included in the model, the theoretical expectations about the sign and the size of the parameters of the function. The following multiple regression model will be used:

$DPS_{t.i} = B_o + B_1 EPS_t + B_2\ RETEARN_t + B_3 ROE_t\ E_t$

Where,

DPS = Dividend per share

EPS = Earnings per share

RETEARN = Retained Earnings

ROE = Return on Equity

E = Error Term

B_o = Coefficient (constant) to be estimated

$B_i - B_3$ = Parameter of the independent variables to be estimated

T = Current period

DATA PRESENTATION AND ANALYSIS

Table 1: Presentation of Raw Data

Guinness Nig. Plc	2011	825	995	45	1,908,444
	2012	1000	793	36	5,794,054
	2013	800	636	26	6,395,290
	2014	700	518	21	9,342,953
	2015	320	145	16	6,673,042
	2011	110	145	572	8,495,991
	2012	140	148	562	9,495,454
	2013	140	127	301	11,132,153
	2014	125	64	301	13,071,024
	2015	10	32	159	11,004,021
Flour Mills Nig. Plc	2011	200	452	189	2789,977
	2012	1,600	308	10	1,262,434
	2013	200	291	10	21,029
	2014	210	193	6,420	3,070,091
	2015	210	345	3	1,992,237

Table 2: Data Variable for the Companies Under Study

CAMPANY	YEARS	DPS	**EPS**	ROE	RETEARN(BN)
GUINNESS NIG. PLC	2011	8.25	12.16	0.45	**1,908,444**
	2012	10	9.95	**0.36**	**5,794,054**
	2013	8	7.93	**0.26**	**6,395,290**
	2014	7	6.36	**0.21**	**9,342,953**
	2015	3.2	5.18	**0.16**	**6,673,042**
UNILEVER PLC	2011	1.1	1.45	0.572	**8,495,991**
	2012	**1.4**	1.48	**0.562**	**9,856,454**
	2013	**1.4**	1.27	**0.501**	**11,132,153**
	2014	**1.25**	0.64	**0.301**	**13,071,024**
	2015	**0.1**	0.32	**0.159**	**11,004,021**
FLOUR MILLS NIG. PLC	2011	2	4.52	0.189	**2,789,977**
	2012	**1.6**	3.08	**0.1**	**1,262,434**
	2013	**2**	2.91	**0.1**	**21,029**
	2014	**2.1**	1.93	**0.0642**	**3,070,091**
	2015	**2.1**	3.45	**0.03**	**1,992,237**

Source: Company's Annual Reports and Accounts

The above tables are data series extracted from annual report and accounts of Guinness Nigeria Plc,Unilever Nigeria Plc and Flour Mills Nigeria Plc. These annual report and accounts were collected from Nigerian Stock Exchange Onitsha, Anambra State.

Industry Wide Analysis with Composite Data

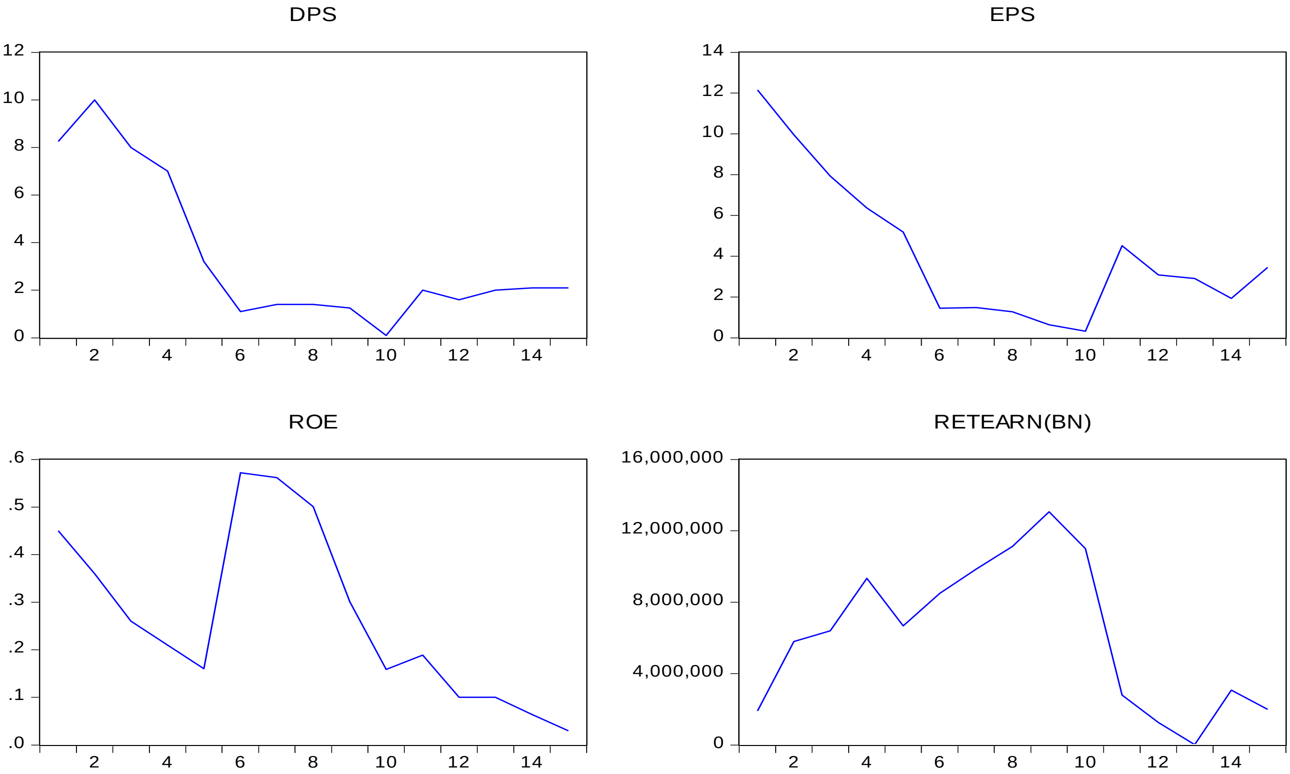

Figure 1: Line Graph

Source: Eviews 9.0 Software

Figure 1 indicates a similarity in the pattern of movement of earnings per share and dividend per share within the years under study. Retained earnings on its own has a zigzag form of movement. There recorded their highest stock exchange quotation in 2013. Nigeria consumer goods paid the highest dividend in 2014. The company also made the highest return on equity and return on asset in 2008 and 2010 respectively.

Table 3: Descriptive Statistic of the Companies

	DPS	EPS	ROE	RETEARN_BN_
Mean	3.433333	4.175333	0.267880	6187280.
Median	2.000000	3.080000	0.210000	6395290.
Maximum	10.00000	12.16000	0.572000	13071024
Minimum	0.100000	0.320000	0.030000	21029.00
Std. Dev.	3.168690	3.545258	0.181985	4171895.
Skewness	1.026576	0.970926	0.472210	0.077874
Kurtosis	2.452362	2.899534	1.884043	1.666670
Jarque-Bera	2.822090	2.363052	1.335806	1.126267
Probability	0.243888	0.306810	0.512783	0.569422
Sum	51.50000	62.63000	4.018200	92809194
Sum Sq. Dev.	140.5683	175.9640	0.463658	2.44E+14
Observations	15	15	15	15

Source: Eviews 9.0 Software

Table 3 shows that all the variables have skewness value that is less than one except DPS. This suggests that the data variables are normally distributed except the data for DPS. All the data series also has right skewness. The kurtosis of all the variables is approximately 3 except that of ROE which has a kurtosis value that is 1.884043 and Retained Earnings which is also 1.666670, which suggest normality in the distribution of the time series data of Nigeria manufacturing industry except the data forROE and RETEARN. The P-value for all the variables is significant for Jarque-Bera statistics except that ROE and RETEARN. This confirms a normal distribution for all the variables under study.

Coefficient of Determination (R^2)
Table 4: Correlation Analysis of the Companies

	DPS	EPS	ROE	RETEARN_BN_
DPS	1.000000	0.932702	0.126846	-0.176155
EPS	0.932702	1.000000	0.080211	-0.384706
ROE	0.126846	0.080211	1.000000	0.503165
RETEARN_BN_	-0.176155	-0.384706	0.503165	1.000000

Source: Eviews 9.0 Software

Table 4 indicates that a strong and positive relationship exists between EPS and DPS with a value of 0.932702. On the other hand, ROE have a positive and weak relationship with DPS in 0.126846 amounts, while RETEARN has a weak and negative relationship with DPS with the value of -0.176155. This implies that earnings per share is the variables among the three variables under study that is strongest in association with dividend per share in Nigeria manufacturing industry.

Table 5: Regression Result – Industry Level Analysis

Dependent Variable: DPS				
Method: Least Squares				
Date: 11/09/17 Time: 16:15				
Sample: 1 15				
Included observations: 15				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
EPS	0.934576	0.090616	10.31359	0.0000
ROE	-1.650575	1.885508	-0.875401	0.4001
RETEARN_BN_	2.081607	8.88E-08	2.341445	0.0391
C	-1.313419	0.724209	-1.813592	0.0971
R-squared	0.915015	Mean dependent var		3.433333
Adjusted R-squared	0.891837	S.D. dependent var		3.168690
S.E. of regression	1.042125	Akaike info criterion		3.143579
Sum squared resid	11.94627	Schwarz criterion		3.332392
Log likelihood	-19.57684	Hannan-Quinn criter.		3.141568
F-statistic	39.47796	Durbin-Watson stat		1.706475
Prob(F-statistic)	0.000004			

Source: Eviews 9.0 Software

Interpretation of Regression Coefficient Result

Table 5, indicates that a one unit change in EPS and RETEARN will increase DPS by 0.934576 and 2.081607respectively. While a unit change in ROE will result in a decrease of -1.650575. This implies that EPSand RETEARNhave influenced DPS positively while DPS is affected negatively by ROE. The table also depicts that EPS and RETEARN data variables have significant effect on dividend per share while ROE have insignificant effect on DPS of Nigeria manufacturing industry.

Interpretation of Durbin Watson-Statistic

The Durbin-Watson statistic is 1.706475 which is closer to 2 than 0. In this case, the Durbin Watson statistic indicates the presence of positive autocorrelation in the series. The result indicates the presence positive serial correlation in the time series data extracted from the annual report and accounts of Nigeria manufacturing industry.

The Adjusted R-squared is 0.891837. The adjusted R^2 reveals that about 89% of the variations in DPS could be explained by EPS, ROE and RETEARN while about 11% could be explained by other factors capable of influencing DPS in Nigeria manufacturing industry; such as government influence through price regulation, as well as the error term and the unexplained variables.

Test of Hypotheses

Hypothesis One

Ho: Earnings Per Share (EPS) does not significantly affect dividend per share of firms in Nigeria breweries industry.

Hi: Earnings Per Share (EPS) significantly affect dividend per share of firms in Nigeria breweries industry.

Table 6: Hypothesis One

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EPS	0.833633	0.089401	9.324618	0.0000
C	-0.047361	0.482803	-0.098097	0.9234
R-squared	0.869933	Mean dependent var		3.433333
Adjusted R-squared	0.859928	S.D. dependent var		3.168690
S.E. of regression	1.185921	Akaike info criterion		3.302482
Sum squared resid	18.28330	Schwarz criterion		3.396888
Log likelihood	-22.76861	Hannan-Quinn criter.		3.301476
F-statistic	86.94850	Durbin-Watson stat		1.587373
Prob(F-statistic)	0.000000			

Decision Rule: Reject H_0 if P-Value is less than a-value of 0.05.

Decision: Table 6 reveals a P-Value of 0.0000 which is less than a-value of 0.05; H_0 is therefore rejected in respect to earnings per share of Nigeria manufacturing firms. This implies that earning per share significantly affect dividend per share of Nigeria manufacturing firms.

Table 7: Hypotheses Two

Ho: Dividend per share is not significantly affected by retained earnings of firms in Nigeria breweries industry.

Hi: Dividend per share is significantly affected by retained earnings of firms in Nigeria breweries industry.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
RETEARN_BN_	-1.340007	2.07E-07	-0.645225	0.5300
C	4.261162	1.531210	2.782872	0.0155
R-squared	0.031031	Mean dependent var		3.433333
Adjusted R-squared	-0.473506	S.D. dependent var		3.168690
S.E. of regression	3.236884	Akaike info criterion		5.310665
Sum squared resid	136.2064	Schwarz criterion		5.405072
Log likelihood	-37.82999	Hannan-Quinn criter.		5.309659
F-statistic	0.416315	Durbin-Watson stat		0.246540
Prob(F-statistic)	0.000005			

Source: Eviews 9.0 Software

Decision Rule: Reject H_0 if P-Value is less than a-value of 0.05.

Decision: Table 7 reveals a P-Value of 0.0000 which is less than a-value of 0.05; H_0 is therefore rejected in respect to retained earnings of Nigeria manufacturing firms. This implies that retained earnings significantly affect dividend per share of Nigeria manufacturing firms.

Table 8: Hypotheses Three

Ho: Return on equity of firms does not significantly affect dividend per share of firms in Nigeria breweries industry.

Hi: Return on equity of firms significantly affect dividend per share of firms in Nigeria breweries industry.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ROE	2.208631	4.790168	0.461076	0.6524
C	2.841685	1.534875	1.851411	0.0870
R-squared	0.016090	Mean dependent var		3.433333
Adjusted R-squared	-0.059595	S.D. dependent var		3.168690
S.E. of regression	3.261743	Akaike info criterion		5.325966
Sum squared resid	138.3066	Schwarz criterion		5.420373
Log likelihood	-37.94475	Hannan-Quinn criter.		5.324961
F-statistic	0.212591	Durbin-Watson stat		0.252594
Prob(F-statistic)	0.652363			

Source: Eviews 9.0 Software

Decision Rule: Reject H_0 if P-Value is less than a-value of 0.05.

Decision: Table 8 reveals a P-Value of 0.652363which is more than a-value of 0.05; H_0 is therefore accepted in respect to dividend per share of Nigeria manufacturing firms. This implies that significantly affect share price of Nigeria manufacturing firms.

DISCUSSION OF FINDINGS

Hypotheses One: This hypothesis states that earnings per share does not significantly affects dividend per share of manufacturing firms in Nigeria.From the result of the regression analysis in Table 6, earnings per share affects dividend per share positively and significantly in the tune of 0.0000. It also reveals that about 85% of changes in dividend per share could be explained by earnings per share.

Hypotheses Two: This hypothesis states that retained earnings does not significantly affects dividend per share of manufacturing firms in Nigeria.From the result of the regression analysis in Table 7, retained earnings negatively and insignificantly affect dividend per share in the tune of 0.0000. It also reveals that about 47% of changes in dividend per share could be explained by earnings per shareas shown by -0.473506adjusted R-squared figure.

Hypotheses Three: This hypothesis states that return on equity does not significantly affects dividend per share of Nigeria manufacturing firms. The result of the regression analysis in Table 8 depicts that return on equity positively and insignificantly in the tune of 0.652363. It also reveals that abut 5% of changes in share price could be explained by return on equity as shown by -0.059595 adjusted R-squared figure.

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

After conducting the regression analysis and subsequent test of hypotheses, it was discovered that:

1. Dividend per share has a positive and significant effect on earnings per share of manufacturing firms in Nigeria.
2. Dividend per share has a negative and significant effect on retained earnings of manufacturing firms in Nigeria.
3. Return on equity has a positive and insignificant effect on dividend per share of manufacturing firms in Nigeria.

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CONCLUSION

In line with rational expectation theory, investors wish to invest their resources on firms with high expectancy ratio on returns on fund invested. This has propelled the management of firms to always ensure that such expectations of investors are met, through high rate of returns. According to efficient market hypotheses, if revenues and profits are continuously increasing, one can expect the share price to rise as investors bid to buy into the increasing fortunes of the company. On the other hand, if the profit is flat or declining with no change in sight, investors begin to abandon the stock and the price will fall.

From the conducted data analysis, it revealed that share price is affected positively by earnings per share, dividend per share, return on equity and return on assets. The extent of effect earnings per share and dividend per share have on share price is positive and significant.

RECOMMENDATIONS

The following are hereby recommended:

i. Factors that encourage a higher Return On Equity should be enhanced and vigorously pursued to retain investors and improve their well being. Other sources of earnings should be exploited to increase profitability and by extension, dividend per share, as many shareholders believe in Bird-in-Hand.
ii. They should zealously strive to increase their dividend payout. Dividend is one of the major factors to consider by any rational investor, hence, higher dividend payout ratio, the higher the demand and share price.
iii. Firms should source for factors that will increase their return on equity so as to keep improving on the quotation their shares get from the exchange. Based on the efficient market hypotheses, the more a firm gets financially better the higher its share price will become.
iv. Firms should firms should vigorously identify the means in which their total assets is reduced so as to increase the ratio of operating profit to asset in the form of return on asset. Any asset that is not used for business purposes should be offered for sale.

Contribution to Knowledge

The work contributes to existing body of knowledge by exploring the fundamentals that determine dividend payout policies of consumer goods industry in Nigeria. The key contribution is that earning per share is a key determinant and predictor of changes in dividend policies. The major contribution of the study is its revelation that earnings per share and dividend per share are the key financial factors that affects dividend per share of consumer goods in Nigeria. The work also contributes to the body of knowledge by identifying an insignificant effect return on equity and return on asset has on share price of manufacturing firms in Nigeria.

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