Dividend Policy and Corporate Performance of Listed Non-Financial Firms in Nigeria

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Abstract

Corporate performance entails attainment of both profit and wealth maximization goals of entities. The debatable issue on the proportion of earnings to retain for growth and to distribute as returns to the investors has gained interest over decades. Basically, it is a critical decision and quite challenging for the managers to decide on an appropriate and ideal dividend policy to adopt, that will improve earnings and transform the market in terms of value. In such decision dilemma, the managers are faced with the decision of whether to pay dividend or to plough back distributable earnings into the business. Therefore, this study examined the effect of dividend policy on return on asset of non-financial firms listed in Nigeria Stock Exchange. *Expost-facto* research design was adopted. Convenience sampling techniques was used to select ten (10) out of thirty-three non-financial companies listed on the Nigeria Stock Exchange as at 31st December, 2017. The study covered a period of ten (10) years from 2008 to 2017. Data obtained from published audited financial statements already validated by external auditors were used. Descriptive and inferential statistics (regression analysis) were adopted in testing the hypotheses. The study discovered that dividend policy had significant effect on return on asset (*Adj. R^2*=0.195, *Wald $Chi^2_{(4)}$*= 28.25, ρ = 0.00). Leverage had significant control effect in the relationship between dividend policy and return on asset (Δ*Adj. R^2*=0.1925, Δ*Wald $Chi^2_{(5)}$* = 28.74, ρ=0.00). This study concluded that dividend policy influenced return on asset. Managers should ensure that relevant factors are duly considered in taking optimal dividend decision as this is important in attaining its profit and wealth maximization objective.

Keywords: *Corporate performance, Dividend payout ratio, Dividend policy, Non-financial firms, Return on asset*

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Background to the Study

In recent times, firms are faced with high demand from investors and are expected to account to stakeholders. There has also been an increased demand on organizations to widen the focus of their business performance beyond financial. The major aspects of focus for organizations are profitability, while some performance organizations are interested in fast growth and attaining to long term objectives, others prefer gradual growth. A change in stock value of a firm which is below shareholder's expectations, will lead to existing shareholders reluctance to increase their share capital and might sell their shares while potential investors will be reluctant to invest making it hard for the firm to raise capital and still maintain its market share and remain profitable. The efficiency of an organization is evident in its level of profitability, and the quality of returns to its shareholders. Organizations play a major role in an economy which is equally the case in Nigeria.

The idea of dividend policy in the field of finance is not a new concept as every organization is required to have its own policy for the management of its financial assets. Dividend is a reward to equity shareholders on their investment in the company. Ezeabasili and Ozuomba, (2017), said that the issue of Dividend policy has been a complex one. Dividend policy is a strategic policy decision with respect to the payment of cash dividends to shareholders in a company (Sijol and Basit, 2016). Dividend policy is described as the set of guidelines a company uses to decide how much of its earnings will be paid to shareholders. Dividend policy is essentially concerned with financial policies about paying cash to investors in the present or paying an increased dividend at a later stage. When cash surplus exists and is not needed by the firm, then management is expected to pay out some or all of those surplus earnings in the form of cash dividends or to repurchase the company's stock through a share buyback program (Cuny, Martin, and Puthenpurackal, 2009).

Scholars have suggested that investors are not concerned with a firm's dividend policy since they can sell a portion of their portfolio of equities if they want cash. Unless boards of directors can guarantee higher returns on investment in the future, they would not retain earnings that shareholders could have earned returns on (Usman, Hamza, Rabiu, and Ph, 2016). Thus, dividend is the return on investment for the investors(Ahmed, 2014).

Corporate performance is the assessment of how well a firm executes its financial, market and shareholders performance. It involves the process of monitoring and managing the key performance indicators such as revenue, return on investment (ROI), and overhead and operation costs. According to Hřebíček, Štencl, Trenz and Soukopová, (2011), corporate performance is the collaborative accomplishments, successes and failures of an organization which helps to +remodel budget, reduce costs, better align key performance indices, upgrade organizational strategy and improve its financial planning process and can be measured from the environmental, economic and social perspectives. The environmental performance highlights the need for environmental protection expenses, wastes, charges, air pollution, wastewater discharge and cross border agreement. The economic performance includes liquidity (current ratio, quick ratio and cash ration), profitability (return on assets, return on investment and return on sales), indebtedness (debt ratio and financing ration), financial and

asset structure, activity and other benchmarking. The social performance is concerned with the impact the firm is having on its immediate social systems within which it operates. The social dimension includes labour practices, human right performance, community and/or the society and product responsibility.

However, what is important is the overall firm's performance based on its corporate strategic policy, which is a function of dividend policy adopted. In corporate finance, one of the major tasks of the board of directors is in the amount of dividend to be paid out of retained earnings. The economic recession in Nigeria from 2016 to 2017 which led to a drop in effective demand and an increase in interest rate would have made boards more cautious about decisions they make around dividend payout.

Organizations are experiencing dwindling in performance. This poor performance may be attributed to liquidity problem, poor assets utilization, insolvency, improper or no dividend policy in place. Corporate performance in terms of poor assets utilization and dividend policy in fact, may be a significant factor resulting to the failure of some non-financial firms. Therefore, to gauge the appropriateness of operations and to determine how well the manufacturing process is going, a company uses the financial ratios to evaluate its business. Also, investors use these ratios as indicators to determine the performance of firms in the area of effectiveness of assets utilization.

Research efforts towards ascertaining the core determinants of performance of wide range of firms under these policy reforms have remained sparse. Nigeria, along countries like South Africa, Egypt, has a very large stock market but the performance of firms has remained abysmally poor with dwindling performance over time with ROA, poor market share traded etc. Many Nigerian firms have performed far below expectation in terms of innovation, overall output, revenue generation and profitability. This dismal performance is attributable to high costs of production and the prevailing macroeconomic conditions. Many of these firms lack unfettered access to loanable funds while the costs of borrowing are quite unimaginable. The business environment has remained very unfriendly, with many businesses, regardless of their years of existence, witnessing downward trend in their financial performance leading to loss of market share and low price per share. Maximization of profit is a very crucial objective for a firm to remain in business and to withstand competition from firms operating in similar industry. It is a major pre-requisite for long-term survival and success of a firm while it is a key pre-condition for the achievement of other financial goals of a business entity (Gitman and Zutter, 2012).

Objective of the Study
The main objective of this study is to examine the impact of dividend policy on the corporate performance of non-financial firms in Nigeria. The specific objectives are to:
1. Examine the effect of dividend policy on return on assets of non-financial firms listed in Nigeria;
2. Assess the moderating effect of leverage on the relationship between dividend policy and return on asset of non-financial firms listed in Nigeria.

To achieve the objective, below hypotheses were formulated:

H$_0$1: Dividend policy do not significantly influence return on assets of non-financial firms listed in Nigeria;

H$_0$2: Leverage do not significantly control the relationship between dividend policy and return on asset of non-financial firms listed in Nigeria;

Literature Review
Dividend Policy

The concept of dividend policy implies that companies through their Board of Directors evolve a pattern of dividend payments, which has a bearing on future action. Dividend policy refers to the regulations and guidelines guiding dividend payments to shareholders and investors, it has been reported that the value of the firm is independent of the way the firm chooses to finance its investments. However, what matters is the firm's investment opportunities (Chelimo and Kiprop, 2017). Essentially, the widely held view that dividend policy has an impact on the firm performance has led to increasing global attention on the concept of dividend policy (Gatsi, Okpoti, Gadzo, and Anipa, 2016). The behavior of dividend policy is one most debatable issue in the corporate finance literature and still keeps its prominent place both in developed and emerging markets such as Nigeria.

According toDecker, Haltiwanger, Jarmin and Miranda (2014), a firm's dividend basically indicates the stability of the firm's future cash flows. The authors argue that; factors influencing a firm's dividend decisions include cash flow considerations, investment returns, after tax earnings, liquidity, future earnings, past dividend practices, inflation, interest, legal requirements and the future growth projection in a related study, Enekwe, Nweze and Agu (2015), investigated that dividend policy affects firm performance as measured by its profitability. Dividend or profit allocation decision is one of the four decision areas in finance. As noted by (Kovachev and Ross, 2009) firms view the dividend decision as quite important because it determines what funds flow to investors and what funds are retained by the firm for investment. Dividend policy can also provide information to stakeholders concerning the company's performance.

Dividend payout has been regarded as one of the sources of income for investors; each company is forced to operate with high efficiency in order to maintain the quality and capability of competing to raise a net income with the best result. In their study, (Chelimo and Kiprop, 2017); (Cuny et al., 2009), argue that given perfect capital markets, the dividend decision does not affect the firm value and is, therefore, irrelevant. Issues that arise if a company decides to distribute its income to shareholders may include the proportion of the after tax distribution be as cash dividends, or the cash be passed on to shareholders by buying back some shares; and how stable the distribution should be(Harun and Karim, 2008).

Corporate Performance

Performance of firms is of vital for investors, stakeholders and economy at large. For investors the return on their investments is highly valuable and a well performing business can bring

high and long-term returns for their investors. It has been argued that, financial profitability of a firm will boost the income of its employees, bring better quality products for its customers, and have better environment friendly production units ""(Burger, Damijan, Kostevc, and Rojec, 2013). However, of the many studies about the factors influencing firm's performance, there seems to be no single effective model to established the phenomenon of performance (Financial and Sofina, 2018). The potential success of a business depends on its organizational performance, that is its ability to effectively implement strategies to achieve institutional objectives(Bashaer and Singh, 2017).

The concept of performance has gained increasing attention in recent decades, being pervasive in almost all spheres of the human activity. Performance is understood as the achievement of an organization in relation with its set goals. Performance includes outcomes achieved, or accomplished through contribution of individuals or teams to the organization's strategic goals. Performance also encompasses economic and behavioral consequences of an organization. Performance is a subjective perception of reality, which explains the multitude of critical reflections on the concept and its measuring instruments –(Maria, 2016). Analysis, Exchange and Listed (2015)looked at the short and long term performance of UK corporations acquired by foreigners and found a significant positive returns on the firm performance. In sharp contrast, Chen, Liang and Lin (2009), analysed a sample of 412 publicly listed Hong Kong firms, they found a positive relationship between family ownership and return on assets, return on equity or the market-to-book ratio. In addition, they find a negative relationship between CEO duality and performance (where CEO duality is much more likely in family-controlled firms).

Return on Asset (ROA)
Rosikah, Dwikartika, Dzuifikri, Muh and Miswar (2018), defined Return on Asset as a corporate tool used to measure the company's ability to generate earnings by means of total owned assets by a company in the future, higher Return on Asset of a company performance will lead to more operative company. Rosikah*et al*. (2018) also said that return on asset (ROA) can be seen as an optimistic signal for any shareholders to invest their stock in the company that will result to an increase of company's stock in the capital market. Therefore, ROA has sound effects on the corporate worth. The mean of ROA percentage of registered manufacturing companies in ISE in the period of 2006 – 2010 was 5.32%. Better ROA will lead to better firm administration on the stock reflected in the resulted profits.

Rosikah*et al* (2018), further posited that Return on Assets (ROA) is one of the profitability ratios. In the analysis of financial statements, this ratio is most frequently emphasized, because it is able to point out company success to generate returns. ROA is able to measure the company's capacity to make profits in the past to then be anticipated in the future. Assets in question are overall company properties, acquired from the assets itself or from external funds that has been changed into company assets used for corporate performance (Rosikah, *et al* 2018). They further opined that, return on asset (ROA) is calculated by comparing available net profit for common shareholders to total assets, that is:

$$\text{ROA} = \frac{\text{Available net profit for common shareholders}}{\text{Total asset}}$$

Henry and Akani (2018), describe Return on Assets (ROA) as a percentage which is been made up of bottom line after-tax net income, which consist of securities gains/losses and extraordinary items, as a percentage of average assets. The ROA is a common starting point for analyzing incomes because it gives a sign of the return on the company's overall accomplishments. A distinctive ROA level is not the same, subject to the size, location, activities, and risk profile of the organization. For example, a "community" bank with insufficient subdivisions may frequently attain an ROA ratio that goes beyond those realized by large comprehensive companies. Even though the ROA provides a total performance measure, the individual mechanisms involving the ROA need to be reviewed.

Osibanjo (2019), opined that Return on Assets (ROA) is another worthy measure of company's performance. On the other hand, He added that ROA does not reveal the influence of capital structure decisions on the firm's earning, the return on asset ratio frequently referred to as the return on total asset, is a corporate performance ratio that measures the net income generated by total asset during a period by likening net income to the average total asset, in other words, return on asset ratio or ROA measures how proficiently a company can manage its assets to generate profits during a period.

Leverage
This is the use of debt (borrowed capital) in order to undertake an investment or project of which the result is to multiply the potential returns from a project and multiply the potential downside risk in case the investment does not pan out. Leverage refers to the influence of one financial variable over another related financial variable. Leverage is measured as a ratio of non-current debt to Shareholders' funds as used in Nuhu (2014). The effect of Leverage is that a high ROE could mean a company is more successful in generating profit internally. However, it doesn't fully show the risk associated with that return because a company may rely heavily on debt to generate a higher net profit, thereby boosting the ROE higher. There are various types of leverage as summerised below:

Operating Leverage: This measures the extent of the fixed operating costs of a firm. If the operating leverage of a firm is high, it implies that it has high fixed costs in comparison to a firm with a low operating leverage, measures the effect of change in sales on the level of EBIT. The degree of operating leverage refers to a firm's ability to use fixed operating costs to magnify effects of changes in sales on its earnings before interest and taxes.

Financial Leverage: This is the ability of a firm to use fixed financial charges to magnify the effect of changes in EBIT/Operating profits, on the levels of EPS is knows as Financial Leverage. It measures the extent to which the fixed financing costs arise out of the use of debt capital. A firm with high financial leverage will have relatively high fixed financing costs. It is important to note that financial leverage provides a framework for financial decisions. It helps in choosing the best mixture of source of funds and helps to maintain a desirable capital

structure for the firm. The structure of the funds influences the shareholder's in terms of return and risk, in order to quantify the risk-return relationship of various alternative capital structures, firms use financial leverages.

Combined Leverage: This is the measurement of the effect of percentage change in sales on the percentage change in EPS. It indicates the effect that change in sales has on EPS. It helps to maintain a proper balance between operating profit and sales without exposing the firm to too much risk..

Theoretical Review
Agency Theory
This theory was proposed and developed by Berle and Means (1932). The theory contended that there is a relationship between ownership and governance in large firms and the increase in size of the organization led to decrease in owner's equity. This specific circumstance gives an age to supervisors to seek after their own motive as opposed to increase in earnings for the investors. In principle, investors of an organization are the main proprietors and the obligation of efficient and effective administration ought to be exclusively to guarantee that the premiums of the shareholders are met. This enables the obligation of top managers to deal with the organization such that profits to investors are boosted subsequently expanding the benefit figures and cash flow. Jensen and Meckling, (2006), clarified that managers' generally run the firm to augment pay back to investors. The expressed that agency relationship is an agreement under which at least one person relates with another to carry out responsibility in management on their behalf which includes designating some basic leadership expertise to the agent. This theory supports this study in that, the manager is assumed to utilize its role in increasing earnings to the shareholders increase in cash flow and inhibit manager acting in self-interest.

Pecking Order Theory
This was propounded in 1984 by Myers and Majluf, and is also known as Asymmetric Information Theory which suggests that firms will not seek external finance at capital markets until the reserve of retained earnings is exhausted. Then the debt market is called on first, and only as a last resort will companies raise equity (Arnold, 2008). The theory postulates that a firm with high profitability will not need external fund. However, a firm prefers external financing over share issue since it does not perform sufficient fund raising and debt is less costly compared to share issue (Drobetz & Roger, 2003). This theory supports the relationship between dividend decision of a firm and leverage.

Empirical Review
Dividend Policy and Return on Asset
Khadija, Sadia, Maria, Sadia and Nabeel (2017), carried out a study on an empirical investigation of the information content of dividend payment on return on equity of publicly quoted companies on information content of dividend policy and its impact on return on equity of public listed firms. According to the findings of this study, dividend policy has a positively significant effect on the return on equity of the listed firm. It also concluded that

when there is a sharp decrease in the dividend payments, it had a great impact on return on equity. It means return on equity depend on the changes in dividend policy. Many of the studies found that changes in dividend plays an important role in return on equity, company performance, and stock returns.

Timothy and Peter (2012), reviewed the correlation between dividend payout and return on asset among listed firms on the Nairobi Securities Exchange during the period of 2002 - 2010. They employed regression analysis to establish the relationship between dividend payout and return on asset of the listed firms. Their results showed that dividend payout was the most important factor affecting firm profitability measured by return on asset. Their relationship was also strong and positive. This therefore showed that dividend policy was relevant.

Mudassar, Muhammad, Muhammad and Ramiz (2015), maintained that rise in dividend payout ratio decreases required return on asset because investors are less certain about gains on the asset of the company, they investing in. As capital gains are considered to arise as result of retaining profits and whereas dividends are not. So, this makes dividends as being less risky than capital gains. In effect, they argued that investors value more to an expected dividend to an expected capital gain as they are less risky. Tax preference theory argued that due to tax benefits are associated with capital gains; capital gains are more valuable to investor than dividends.

Zanjidar and Seifi (2012), investigated the relationship between dividend payout and return on asset. Consequently, two groups of performance indices based on economic trend and accounting trend were studied. Ninety-three companies whose required information was available were chosen for a period of 6 years (2004–2009). The experimental results of the study showed that, there is a positive relationship between economic and accounting performance indices and dividend policy, and that accounting performance indicators have more explanatory power than economic performance indicators and concluded that dividend policy affects firms' performance, reaffirming these findings. Velnampy, Nimalthasa and kalaiarasi (2014), carried out research titled "dividend policy and return on asset: Evidence from the manufacturing companies listed on the Colombo stock exchange." They sampled 25 companies and their findings revealed that dividend policy measures are not significantly correlated with return on equity and return on assets as firm performance measures. Amidu (2007), carried out a study on the influence of dividend policy on firm performance in Nigeria; the result revealed that dividend payout and return o asset are negatively correlated.

Oke and Ologunwa, (2016), evaluated the effects of dividend policy on the performance of corporate firms in Nigeria; and established a significant relationship between the variables of dividend policy and the corporate performance. Same findings were obtained by Timothy and Peter (2012) who reviewed the correlation between dividend payout and return on asset among listed firms on the Nairobi Securities Exchange. Likewise, Zanjidar and Seifi (2012), concluded that dividend policy affects firms' performance. In addition, Priya and Nimalathasan (2013) established that dividend policy ratios had a great impact on all firm performance ratios of selected hotels and restaurants in Sri Lanka. Rachid and Wiame (2016), supported the assertion that dividend policy is an important factor affecting firm performance.

Dividend policy, Leverage and Corporate Performance
Akinleye and Adesina (2019), examined the effect of assets utilization on performance of selected manufacturing firms in Nigeria. ROA is explained by asset turnover (ATR), current ratio (CUR) and debt-assets ratio (DAR). The study revealed that asset turnover (ATR) has positive and significant effect on return on assets (ROA) of the selected manufacturing firms, Current assets ratio also has positive and significant effect on return on assets while debt assets ratio has negative but insignificant effect on return on assets. The study revealed that assets utilization has positive and significant effect on the performance of manufacturing firms in Nigeria and therefore recommended that attention should be purposely paid to optimum asset utilization in the manufacturing firms in Nigeria.

Jozwiak (2014), examined the features inducing dividend payout policy of nonfinancial listed companies of Warsaw Stock Exchange of Poland. The factors studied include leverage, liquidity, profitability, size and risk. Findings reveal negative impact of leverage and profitability on dividend payout i.e. firms with high profitability pay low dividend to retain capital for future investment. Firms with high leverage pay low dividend due to high interest payments.

Nuhu (2014), studied the effect of profitability, investment opportunity sets, taxation, leverage, firm size, board size, board independence and audit type on dividend payout ratio. It was therefore concluded that profitability, leverage, board independence, audit type, and board size are the key factors that significantly influence dividend payout in Ghana. Mehta (2012) examined the impact of risk, size, profitability, liquidity and leverage of firm on dividend policy. The industries examined comprise construction, real estate, energy, health care and telecommunication sector industries listed in Abu Dhabi Stock Exchange for a five years period starting from 2005 to 2009. Findings reveal that profitability and size are the key factors in significantly changing dividend payout decision.

Methodology
This study employed *ex-post facto* research design because it analyses past trend and explained the relationship between the dependent variable and independent variables, that is, the impact of dividend policy on corporate performance of quoted non-financial firs in Nigeria. It is ideal for conducting social research when it is not possible or acceptable to manipulate the characteristics of human participants. The population for this study was the thirty three (33) non-financial consumer goods and services in the manufacturing industry which were listed and quoted on the floor of Nigerian stock exchange market in Nigeria covering a period of 2008-2017. Convenience sampling techniques was adopted in this study. The industry under review in this study is consumer goods and services. Therefore, ten (10) listed and quoted firms in the stock exchange market between 2008 and 2017 conveniently chosen due to availability of their annual and at the discretion of the researcher.

The study made use of only secondary data obtained from annual reports of the selected firms. Information relating to dividend policy and corporate performance were derived from fact books of performance records such as return on asset (ROA), Dividend (DPR), Debt to equity

ratio (DER), Asset utilities ratio (AUR), Operating cash flow (OCFS), dividend per share, market price of equity share etc. The annual and financial reports are prepared under strong moderation of accounting standards which reinforces the quality of the financial statements.

This study established the relationship between dividend policy and corporate performance of non-financial firms in Nigeria. Both descriptive and inferential statistics were used. Descriptive analysis was conducted to examine the features of the series in the distribution; also multicolinearity tests were carried out to ensure that no multicolinearity problem among the distribution series. The multicolinearity tests were carried using Pearson Product Moment Correlation Coefficient and Variance Inflation Factor (VIF). Multiple linear regression analysis was used to analyze and test the 2 hypotheses developed in this study. The regression models were estimated using Unobserved Effects Model (UEM), while the result of the Hausman test would indicate between Pooled, fixed effect model and random effect models, implying that any of the models could be used depending on the likely result from the Hausman test to be conducted and the results of the Hausman confirmation tests using either Breusch-Pagan Lagrangian Multiplier (LM) test for random effect or Testparm Test for fixed effect.In addition, diagnostic tests such as heteroskedasticity, serial autocorrelation, and cross-sectional dependence tests were conducted for objectivity of the results and to unveil any econometric problem in the model

Table 1: Regression Results for Hypotheses One and Two

Variables		Model one (RE GLS with Cluster Error)	Model two (RE GLS with Cluster Error)
AUR	Coeff.	0.184	0.184
	Std. Error	0.044	0.045
	t-stat.	4.17	4.07
	P-value	0.000	0.00
DPR	Coeff.	0.032	0.029
	Std. Error	0.025	0.026
	t-stat.	1.27	1.15
	P-value	0.204	0.251
OCFS	Coeff.	0.003	0.003
	Std. Error	0.003	0.003
	t-stat.	0.9	0.91
	P-value	0.371	0.363
FS	Coeff.	0.000	0.000
	Std. Error	0.000	0.000
	t-stat.	2.93	3.01
	P-value	0.003	0.003
DER	Coeff.		-0.002
	Std. Error		0.007
	t-stat.		-0.34
	P-value		0.731
Constant	Coeff.	-0.144	-0.152
	Std. Error	0.074	0.079
	t-stat.	-1.94	-1.93
	P-value	0.052	0.053
Observations		100	100
Adj. R-squared		0.195	0.1925
Wald-test [P-value]		$Chi^2_{(4)} = 28.25 (0.00)$	$Chi^2_{(5)} = 28.74 (0.00)$
Hausman [P-value]		$Chi^2_{(4)} = 5.2 (0.27)$	$Chi^2_{(5)} = 4.02 (0.55)$
LM [P-value]		$Chi^2_{(1)} = 11.93 (0.00)$	$Chi^2_{(1)} = 12.12 (0.00)$
Heteroskedasticity		$Chi^2_{(1)} = 10.74 (0.00)$	$Chi^2_{(1)} = 10.97 (0.00)$
Autocorrelation [P-value]		$F_{(1, 9)} = 83.54 (0.000)$	$F_{(1, 9)} = 326.69 (0.000)$
CD Dependence [P-value]		1.83 (0.07)	1.73 (0.08)

Source: Authors' Computation, 2020   @ 5significance levels

Model One:

$$ROA_{it} = \beta_0 + \beta_1 AUR_{it} + \beta_2 DPR_{it} + \beta_3 OCFS_{it} + \beta_4 FS_{it} + \varepsilon_{it}$$

$$ROA_{it} = -0.144 + 0.184 AUR_{it} + 0.032 DPR_{it} + 0.003 OCFS_{it} + 0.000 FS_{it}$$

Interpretation

The Hausman test values of 5.2 with ρ-value of 0.27, which is greater than the 5% chosen significance level for the study, supported the appropriateness of the random effect. Confirmatory test conducted using the Breusch-Pagan LM test with ρ-value of 0.00 supported the result of Hausman test, thus the study concluded that random Effect is the best estimating option for Model One. The diagnostic test carried out revealed that the model has both heteroskedasticity and serial auto correlation problem with the probability values of 0.00 and 0.00 respectively while no evidence of cross-sectional dependence problem in the model as its probability of 0.07 is greater than the chosen 5% significance level of the study. Therefore, the model was estimated using Random Effect Generalized Least Square Regression with cluster errors.

The result in Table 1 revealed that the independent variables have a positive coefficients, which indicates that assets utilization ratio, dividend payout ratio, cash flow per share, and firm size positively impact the return on assets of the selected non-financial firms ($\beta > 0$). The result further shows a R^2 of 0.195, revealing that the independent variables accounts for 19.5% of the variations in the return on assets of the listed non-financial firms in Nigeria, while the remaining 80.5% changes in return on asset is caused by other factors not captured in then model.

The results also revealed that while holding all the independent variables (assets utilization ratio, dividend payout ratio, cash flow per share, and firm size) constant, the return on assets recorded negative value considering the coefficient of the model's constant factor of -0.144 (i.e. $\beta < 0$). However, the coefficients and p-values of assets utilization ratio ($\beta = 0.184$, $p = 0.00$) revealed a significant positive impact of assets utilization ratio (AUR) on return on assets (ROA); this implies that a naira increase in assets utilization ratio, would result to18kobo increase in return on assets of the selected firms. Also, the coefficients and p-values of dividend payout ratio ($\beta = 0.032$, $p = 0.204$) indicates a positive but insignificant effect of dividend payout ratio (DPR) on return on assets (ROA); implying that for every N1 naira increase in dividend payout ratio, will resultin3.2kobo increase in return on assets of the selected firms. Furthermore, the coefficients and p-values of operating cash flow per share ($\beta = 0.03$, $p = 0.371$) reveals an insignificant positive impact of operating cash flow per share (OCF/S) on return on assets (ROA); implying that every N1 naira increase in cash flow from operating activities will yield 3 kobo increase in return on assets of the selected firms. Finally, the coefficients and p-values of firm size (β approximately equals0.00, $p = 0.003$) reveals that firm size has no impact on return on assets (ROA);which means that any changes in firms' total asset would not affect return on asset.

Decision

The Wald statistics of 28.25 which is statistically significant at $p = 0.00$, which is less than the chosen level of significance of 5% for this study, gives us an empirical prove that dividend

policy has statistical significant impact on the return on assets of non-financial firms listed in Nigeria. Hence, the null hypothesis which states that dividend policy has no significant impact on return on asset of non-financial firms listed in Nigeria is rejected while the study accepted the alternate hypothesis which states that dividend policy statistically and significantly affect return on asset of non-financial firms listed in Nigeria.

Model Two

$$ROA_{it} = \beta_0 + \beta_1 AUR_{it} + \beta_2 DPR_{it} + \beta_3 OCFS_{it} + \beta_4 FS_{it} + \beta_5 DER_{it} + \varepsilon_{it}$$

$$ROA_{it} = -0.152 + 0.185 AUR_{it} + 0.029 DPR_{it} + 0.003 OCFS_{it} + 0.000 FS_{it} - 0.002 DER_{it}$$

Interpretation

The Hausman test value of 4.02 with ρ-value of 0.55, which is greater than the 5% chosen significance level for the study, supported the appropriateness of the random effect. Confirmatory test conducted using the Breusch-Pagan LM test with ρ-value of 0.00 supported the result of Hausman test, thus the study concluded that Random Effect is the best estimation technique for Model Two. The diagnostic test carried out revealed that the model has both heteroskedasticity and serial auto correlation problem with the probability values of 0.00 and 0.00 respectively while no evidence of cross-sectional dependence problem in the model as its probability of 0.08 is greater than the chosen 5% significance level of the study. Therefore, the model was estimated using Random Effect Generalized Least Square Regression with cluster errors.

The details in table 1 (Model 2) indicates that the independent variables have positive coefficients while the control variable debt to equity ratio (DER) showed a negative coefficient. This shows that assets utilization ratio, dividend payout ratio, cash flow per share, and firm size positively impacts the return on assets of the selected non-financial firms ($\beta > 0$), however, debt to equity ratio negatively impacts return on assets. The result further reveals Adjusted R^2 of 0.1925; meaning that the independent variables accounted for 19.25% of the variations in the return on assets of the listed non-financial firms in Nigeria while the remaining 80.75% changes in return on asset is caused by other factors not captured in then model.

The results also shows that while holding all the independent variables (assets utilization ratio, dividend payout ratio, cash flow per share, and firm size)as well as the control variable (debt to equity ratio) constant; the return on assets of the sampled firm is negative ($\beta < 0$) considering the value of the constant of the model which is -0.152. The results also revealed that while holding all the independent variables (assets utilization ratio, dividend payout ratio, cash flow per share, and firm size) constant, the return on assets recorded a negative value considering the coefficient of the model's constant factor of -0.144 (i.e. $\beta < 0$). However, the coefficients and p-values of assets utilization ratio ($\beta = 0.185$, $p = 0.00$) revealed a significant positive impact of assets utilization ratio (AUR) on return on assets (ROA); this implies that a naira increase in assets utilization ratio, would result to 18.5kobo increase in return on assets of the selected firms. Also, the coefficients and p-values of dividend payout ratio ($\beta = 0.029$, $p = 0.251$) indicates a positive but insignificant effect of dividend payout ratio (DPR) on return on

assets (ROA); implying that for every N1 naira increase in dividend payout ratio, will result in 2.9 kobo increase in return on assets of the selected firms. Furthermore, the coefficients and p-values of operating cash flow per share ($\beta = 0.03$, $p = 0.363$) reveals an insignificant positive impact of operating cash flow per share (OCF/S) on return on assets (ROA); implying that every N1 naira increase in cash flow from operating activities will yield 3 kobo increase in return on assets of the selected firms. In addition, the coefficients and p-values of firm size (β approximately equals 0.00, $p = 0.003$) reveals that firm size has no impact on return on assets (ROA); which means that any changes in firms total asset would not affect return on asset. Finally, the control variable, debt equity ratio (DER) coefficients and p-values are -0.002 and -0.34 mean that debt equity ratio negatively but insignificantly affects return on asset of the selected firms; it is a reflection that a percentage increase in debt equity ratio would result to 0.2kobo decline in return on asset.

Decision

The Wald statistics of 28.74having probability value of 0.00, which is less than the chosen level of significance of 5% for this study, shows that the independent variables combined with the control variable significantly impact the return on asset of listed non-financial firms in Nigeria. On the contrary, the insignificant negative effect of debt equity ratio is an empirical proved that leverage has no significant effect on return on assets of non-financial firms listed in Nigeria, but the significant probability of the combined effect of the independent variables and the control variable indicated significant impact on the return on asset of listed non-financial firms in Nigeria. Hence, the null hypothesis which states that leverage does not significantly control the relationship between dividend policy and return on assets of non-financial firms listed in Nigeria, is hereby rejected while the study does accept the alternate hypothesis which states that leverage significantly control the relationship between dividend policy and return on assets of non-financial firms listed in Nigeria.

Discussion

The significant effect of dividend policy on corporate performance derived in this study aligned with the reports of Simon-Oke and Ologunwa, (2016), who evaluated the effects of dividend policy on the performance of corporate firms in Nigeria; and established a significant relationship between the variables of dividend policy and the corporate performance. Same findings were obtained by Timothy and Peter (2012), who reviewed the correlation between dividend payout and return on asset among listed firms on the Nairobi Securities Exchange. Likewise, Zanjidar and Seifi (2012), concluded that dividend policy affects firms' performance. In addition, Priya and Nimalathasan (2013), established that dividend policy ratios had a great impact on all firm performance ratios of selected hotels and restaurants in Sri Lanka. Rachid and Wiame (2016), supported the assertion that dividend policy is an important factor affecting firm performance.

The findings negates the reports of Chandratre and Chandratre, (2015)who investigated dividend policy and firm performance and reported that the dividend policy measures are not significantly correlated with firm performance measures. Likewise, Amidu (2007) carried out a study on the influence of dividend policy on firm performance in Nigeria; the result revealed that dividend payout and return o asset are negatively correlated.

Conclusion and Recommendations

This study investigated the effect of dividend policy on corporate performance. It also established the control effect of leverage on the relationship between dividend policy and corporate performance. The results derived revealed that dividend policy measures (asset utilization ratio, dividend payout ratio, operating cash flows, and firm size) jointly and significantly affects return on asset. On the contrary, this study did not find any significant control effect of leverage in the relationship between dividend policy and corporate performance as debt equity ratio has insignificant negative effect on return on asset.

Considering the findings and conclusion of this study, the following recommendations are made which may be useful to the management, shareholders, market analysts, policy makers and other stakeholders: In this study, the significant positive effect of asset utilization ratio on return on asset calls for improvement in the managers strategies to increase the effectiveness of assets entrusted in their care to generate more earnings. Managers should take decision that will improve the distributable profit as they guide on retention for growth as increase in dividend payout ratio leads to more returns.

Shareholders should devziate from using debt finance to mitigate agency problem as increase in debt equity ratio causes decline in the reported earnings.

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