

DIVIDEND POLICY AND VALUE OF THE FIRM

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ABSTRACT

This study examine the impact of dividend policy on value of manufacturing firms in Nigeria. The study used statistical records for years 2014-2023 as secondary data. Panel data with the use of regression analysis was used to estimate the data collected during the period of this study. The variables used include enterprise value, dividend cover, and dividend yield and dividend payout ratio. From the analysis of the study, it is observed that dividend cover had insignificant effect on enterprise value since the p-value of 0.4151 was greater than 0.05, dividend yield had insignificant effect (p-value = 0.2112) on enterprise value and dividend payout had insignificant effect (p-value=0.9412) on enterprise value. Based on the above findings, the study recommended that Companies have to adopt the form of dividend payment that is favourable to the growth of the organization since the form of the dividend payment is directly proportional to the growth of firms in Nigeria.

Keywords: Dividend Policy, Dividend Cover, Enterprise Value, Dividend Payout

1.0 INTRODUCTION

In corporate finance, dividend policy is still an important topic that has a significant impact on investor behaviour and business valuation. It includes choices on when, how much, and how dividends are paid to shareholders in order to balance dispersed profits with retained earnings. The dividend irrelevance hypothesis of Modigliani and Miller (1961), which holds that dividend policy has no effect on company value in ideal market conditions, is one of the basic idined more closely.

Additionally, the contextual relevance of dividend policy differs depending on the features of the organisation and the market situation. The effect of dividend policy on company value may be less noticeable in established markets than in emerging countries due to the prevalence of information asymmetry and market inefficiencies (Baker & Powell, 2020). Furthermore, business-specific elements like liquidity, profitability, and growth prospects are very important in determining dividend policy and how they affect firm valuation. For example, whereas established companies with predictable cash flows may implement generous dividend policies to entice income-seeking investors, high-growth companies may prefer to keep revenues to support development initiatives (DeAngelo et al., 2006).

Examining the connection between dividend policy and company value is made possible by the distinctive setting provided by Nigerian corporations. Nigerian businesses have particular possibilities and problems when developing dividend programmes since it is a growing market with unique legislative, economic, and cultural traits. The results of earlier research on Nigerian businesses have been inconsistent, which reflects the market's variety and the dynamic nature of the country's economic climate. Ajanthan (2013) and Uwuigbe et al. (2012) stress the complexity brought about by factors including inflation, currency rate volatility, and regulatory changes, while other research indicate a favourable association between dividend distributions and business value.

An increasing number of people are interested in knowing how dividend rules impact the value of companies in Nigeria's manufacturing industry. Examining the subtleties of dividend policy is warranted in this sector given its unique financial dynamics and crucial role in society. Dividend policy decisions are especially important in this industry because of the interplay between finance constraints, regulatory obligations, and the need to maximise shareholder value. Thus, investigating how dividend policies affect the worth of Nigerian manufacturing companies may be instructive for investors, corporate managers, and policymakers (Adesola & Okwong, 2009).

1.1 Statement of the Problem

There are several obstacles in the way of the manufacturing sector's dividend policy and company value connection. The inconsistent empirical results about how dividend policy affects corporate value are a significant problem. According to Uwuigbe et al. (2012), some research indicates a favourable correlation between dividend distributions and business value, while other studies find no meaningful influence or even a negative correlation. For investors and business management, this discrepancy breeds doubt, making it more difficult to develop dividend programmes that steadily increase company value.

Manufacturing companies in developing nations like Nigeria have extra difficulties including inflation, unstable regulations, and volatile markets. These elements have a major impact on

dividend policies' efficacy and increase the complexity of dividend policy choices (Ajanthan, 2013). Furthermore, it is challenging for businesses to create policies that optimise total shareholder value due to the varied preferences of investors, some of whom prefer regular dividends for quick returns and others who choose investing for long-term advantages (DeAngelo et al., 2006).

Furthermore, the manufacturing enterprises' cash flow and profitability are subject to unpredictable swings due to macroeconomic variables like inflation, currency rate volatility, and policy changes, which makes it difficult for them to continue paying dividends on a regular basis. It is difficult for businesses to dedicate themselves to reliable dividend programmes given the volatility of the economic climate (Uwuigbe et al., 2012).

1.2 Objectives of the Study

The main objective of this study is to examine the impact of dividend policy on value of manufacturing firms in Nigeria. The specific objectives are to:

- i. Evaluate the effect of dividend cover on enterprise value (EV) of listed manufacturing firms in Nigeria.
- ii. Determine the effect of dividend yield on enterprise value (EV) of listed manufacturing firms in Nigeria.
- iii. Access the effect of dividend payout on enterprise value (EV) of listed manufacturing in Nigeria.

1.3 Research Questions

The researcher has been guided by the following research question while carrying out this study.

- i. What is the impact of dividend cover on enterprise value (EV) of listed manufacturing firms in Nigeria?
- ii. How does the dividend yield affect enterprise value (EV) of listed manufacturing firms in Nigeria?
- iii. What effect does the dividend payout have on enterprise value (EV) of listed manufacturing in Nigeria?

1.5 Research Hypotheses

The hypotheses that provides a greater insight into the research work is as follows:

H01: Dividend cover has no significant effect on enterprise value (EV) of listed manufacturing in Nigeria.

H02: Dividend yield has no significant effect on enterprise value (EV) of listed manufacturing in Nigeria.

H03: There is no significant effect between dividend payout and enterprise value (EV) of listed manufacturing in Nigeria.

2.0 CONCEPTUAL REVIEW

2.1 Dividend Policy

The term "dividend policy" describes the strategic choices that a company's management makes on how to distribute earnings to shareholders as dividends. It includes dividend payments in cash, shares, or other assets, as well as when, how much, and how they are made. A dividend policy's main goal is to strike a balance between the demands of shareholders who want to get their money now and the company's requirement to reinvest its profits in order to continue and expand in the future.

A key component of corporate finance is dividend policy, which tells the market about the company's executive confidence and financial stability. Income-seeking investors can be drawn in and shareholder loyalty can be increased with a steady and regular dividend policy. On the other hand, adjustments to dividend policy, including cutting back on or eliminating payments, may have a detrimental effect on stock prices and investor perception (Brealey et al., 2019).

2.2 Dividend Payout

The percentage of a company's profits that are given to shareholders as dividends is known as the dividend payout. This financial measure is commonly presented as a set sum per share or as a percentage of the net profits of the firm. According to DeAngelo et al. (2006), the dividend payout ratio is a crucial sign of a company's financial stability and strategy for striking a balance between profit distribution and investments for development.

A corporation may be devoted to providing value to its shareholders and confident in the reliability of its earnings if it has a high dividend payout ratio. On the other hand, a smaller ratio might indicate that the business is holding onto more profits in order to finance debt reduction, expansion, or new project investments. In order to satisfy investors and preserve money for ongoing operations and future expansion, companies must carefully control their dividend distributions (Baker & Weigand, 2015).

The market value of a company and investor opinions may be greatly impacted by the dividend payment policy. Dividends that are steady or growing are frequently seen by investors as an indication of sound financial success and dependable management. Long-term financial instability, however, might result from disproportionate distributions that impair the business's capacity to reinvest in its core activities (Farooq & Khan, 2018).

2.3 Dividend Yield

A financial statistic called dividend yield compares a company's yearly dividend payments to the price of its shares. It is stated as a percentage and is computed by dividing the yearly dividend per share by the share's current market price. Dividend yield is an important indicator for income-focused investors since it gives them an estimate of the income they may anticipate from owning a specific stock (Brealey et al., 2019).

Investors looking for consistent income may find a firm that returns a large amount of its earnings to shareholders appealing if it has a high dividend yield. On the other hand, a too high

dividend yield may also indicate possible dangers, such as underlying financial issues that cause the stock price to fall or unsustainable dividend payments (Chen, 2021). On the other hand, a low dividend yield might indicate that a business is allocating a larger portion of its profits to prospects for growth as opposed to dividend payments.

Dividend yield is a metric that investors use to evaluate the relative attractiveness of investments and compare the possibility for producing income among various equities. It is especially helpful for assessing established, reliable businesses that consistently provide dividends, such those in the consumer staples or utility industries (Damodaran, 2014).

2.4 Dividend Cover

A financial indicator called dividend cover, or dividend coverage ratio, assesses how well a corporation can distribute its net income as dividends. It is computed by dividing the dividend per share (DPS) by the profits per share (EPS) of the business. This ratio offers information on the sustainability of a company's dividend payments by showing how many times its earnings can be used to pay its current dividend (Brealey et al., 2019).

A high dividend cover ratio indicates a lesser likelihood of dividend reduction since it shows that the firm makes enough money to comfortably pay its dividends. When a company's dividend cover ratio is 2, for instance, it indicates sound financial management and the capacity to pay dividends twice as much as earnings (Chen, 2021). On the other hand, a low dividend cover ratio—especially one that is less than one—indicates that the business is disbursing more dividends than it brings in, which may indicate possible financial trouble or an unsustainable payout policy (Atrill&McLaney, 2018).

For investors looking to generate consistent income from their assets, dividend cover is essential since it provides insight into the probability of future dividend payments. It is especially important when assessing businesses in industries with steady revenues, such consumer staples or utilities, where steady dividend payments are anticipated (Damodaran, 2014).

2.5 Firm Value

Enterprise value (EV), sometimes referred to as firm value, is a comprehensive indicator of a business's overall worth. It represents the value that the market places on the firm, taking into account both stock and debt. According to Brealey et al. (2019), the computation of firm value involves deducting cash and cash equivalents from total debt and adding market capitalization, which is the total value of a company's outstanding shares. This measure offers a comprehensive assessment of a business's financial health by taking into account both its debt commitments and equity value.

For investors and analysts, firm value is crucial since it provides a more realistic picture of a company's value than market capitalization alone. It is very helpful for determining the worth of businesses with different capital arrangements. Greater market trust in the company's potential to create future cash flows and overall financial stability is indicated by a higher firm valuation (Damodaran, 2014).

Furthermore, the value of the company plays a vital role in valuation methods like discounted cash flow (DCF) analysis, which calculates the current value of anticipated future cash flows. In order to assess businesses in the same industry, it is also utilised in comparative valuation techniques like EV/EBITDA (Chen, 2021). Comprehending the value of a company enables stakeholders to make knowledgeable decisions about business strategy, mergers, acquisitions, and investments.

2.6 Enterprise Value (EV)

A complete indicator of a company's whole worth, enterprise value (EV) is frequently thought to be more accurate than market capitalization. The market capitalization of a company's debt, equity, minority interest, and preferred shares are all included in EV; the cash and cash equivalents of the business are subtracted. By taking into account both equity and debt commitments, this statistic offers a comprehensive assessment of a company's valuation and a more accurate estimate of what it would cost to purchase the complete business (Brealey et al., 2019).

A common tool in financial research and assessment methods is enterprise value. It is particularly helpful in mergers and acquisitions (M&A) as it shows the entire cost of buying a business, including debt assumption. One well-known ratio that is useful for standardising the comparison of the values of businesses with various capital structures is EV/EBITDA (Earnings before Interest, Taxes, Depreciation, and Amortisation) (Damodaran, 2014).

A corporation with a higher EV often has good market reputation and has good chances for future cash flow generation. A lower EV, on the other hand, might indicate undervaluation or possible financial problems. Due to its ability to account for a company's debt and provide a more thorough evaluation of its financial standing and market position, analysts and investors prefer EV over market capitalization alone (Chen, 2021).

3.0 THEORETICAL REVIEW

3.1 Dividend Irrelevance Theory

In 1961, Merton Miller and Franco Modigliani proposed the dividend irrelevance theory. According to this hypothesis, a firm's dividend policy has no impact on the firm's value in a perfect market. Rather than how a firm splits its earnings between dividends and retained profits, Modigliani and Miller contend that a corporation's market value is based on its earning potential and the risk of its underlying assets (Modigliani & Miller, 1961).

The theory is predicated on a number of fundamental tenets, including the absence of taxes and transaction fees, the costlessness of buying and selling securities by investors, the uniformity of dividend and capital gain taxes, and the availability of risk-free lending and borrowing for all investors. In these circumstances, shareholders do not have to choose between capital gains and dividends since, if they would rather have cash, they can sell a piece of their portfolio to establish their own dividend policy (Brealey et al., 2019).

Proponents of the dividend irrelevance hypothesis contend that management should concentrate on optimising profits and investment possibilities, with dividend policy serving as

a secondary consideration in investment decisions. Opponents point out that the theory's presumptions are frequently impractical in actual markets, though. For example, there are transaction fees and the taxes on capital gains and dividends are often different. Furthermore, a firm's dividend policy and perceived value may be impacted by agency costs and information asymmetry (Miller & Rock, 1985).

The dividend irrelevance hypothesis, in spite of its detractors, has had a substantial impact on corporate finance by offering a fundamental framework for comprehending the connection between dividend policy and company value in a perfect market.

3.2 Bird-in-the-Hand Theory

In 1979, S. Bhattacharya presented the Bird-in-the-Hand Theory as an alternative to Modigliani and Miller's Dividend Irrelevance Theory (1961). According to the notion, investors believe that dividends are preferable to possible capital gains in the future because "a bird in the hand is worth two in the bush." Investors view dividends as less hazardous than the uncertain prospect of future capital gains, according to Bhattacharya (Bhattacharya, 1979).

The idea is predicated on a number of suppositions, including the following: investors value dividends differently than capital gains, they favour dividends over capital gains, and their views of risk affect how much investors value dividends. According to Bhattacharya, investors value present dividends more than future profits growth because they are certain whereas future capital gains are not (Brealey et al., 2019).

The Bird-in-the-Hand Theory's proponents contend that dividend payments are an indication of a company's stability and faith in its potential for future success. They contend that a steady dividend policy lowers investor risk and may increase the value of the company (Gordon, 1963). However, some contend that the theories oversimplified premise—that dividends are less hazardous than capital gains—is flawed. They note that market imperfections like as taxes and transaction costs complicate the theoretical framework and that investors can build their own dividend streams through portfolio modifications (Miller & Modigliani, 1961).

All things considered, the Bird-in-the-Hand Theory has impacted conversations over dividend policy, but its presumptions don't always hold true in practical situations, and financial economists continue to disagree about it.

3.3 Tax Preference Theory

The tax preference theory, which was formulated in 1961 by Merton Miller and Franco Modigliani, asserts that investors have a preference for capital gains because of their advantageous tax treatment over dividend income. The theory states that investors value the possibility of future capital gains more than the present payment of dividends since capital gains are often taxed at a lower rate than dividends (Modigliani & Miller, 1961).

The theory is predicated on a number of fundamental tenets, including the presence of a tax system that treats capital gains and dividends differently, the rationality of investors' decisions to maximise their after-tax profits, and the availability of identical borrowing and lending rates for enterprises and investors. According to this, investors would favour companies that reinvest

their revenues rather than paying them out as dividends in a situation where capital gains are taxed less heavily than dividends (Brealey et al., 2019).

Proponents of the tax preference hypothesis contend that it explains why companies with strong growth prospects—those that choose to reinvest profits rather than distribute dividends—generally trade at higher prices. This is because capital gains, which are taxed at a lower rate than dividends, are expected to provide larger future returns for investors (Gordon, 1963). However, detractors contend that the theory oversimplifies investor behaviour and ignores elements like dividend preferences, flaws in the market, and the consequences of evolving tax legislation (Black & Scholes, 1974).

3.4 Empirical Review

Recently in the work of Akinleye and Ademiloye (2018), they examined the impact of dividend policy on performance of quoted manufacturing firms in Nigeria. The study used panel data estimation techniques and the findings revealed that dividend per share has an insignificant positive impact on firms' Return on Capital Employed (ROCE) while it was reported that dividend payout ratio has an insignificant negative impact on ROCE. To this end, it was established in the study that dividend policy does not play any significant role in the determination of firms' ROCE. The study recommended among other things that management of manufacturing firms should not be deceived on the contribution of dividend policy to firms' performance.

Fiiwe and Turakpe (2017) in their study, dividend policy and corporate performance: a multiple model analysis, examined dividend policy and corporate performance. Their study adopted multiple regression models to examine the selected companies namely Nigerian Breweries Plc, Zenith Bank Nigeria Plc and Guaranty Trust Bank Plc from 2011-2015. The result of the analysis showed that for Nigerian Breweries, profit after tax and return on asset are positively related to dividend while earnings per share has negative relationship with dividend. Their result for Zenith Bank showed that earnings per share and return on asset are positively related to dividend while profit after tax has negative relationship with dividend. The result for Guaranty Trust Bank shows that profit after tax has positive relationship with dividend while earnings per share and return on asset are negatively related to dividend. From their findings, they concluded by agreeing with most of the dividend relevant proponents that dividend matters to corporate performance even though with varying results that tends to support other theories such as dividend residual theory. They therefore recommended that managers must review the opinion of their core investors in deciding dividend policy that meets with their expectations.

Khan and Shamim (2017), in their research work titled "A Sectoral Analysis of Dividend Payment Behaviour: Evidence from Karachi Stock Exchange" analysed the sector-wise dividend payment behaviour of Karachi Stock Exchange (KSE) for the period 2009 to 2013. Firstly, the trend of dividend payment of 5 years with respect to all 32 sectors was assessed through descriptive analysis. Secondly, the unit root test for panel data and pooled ordinary least square (POLS) test were used on 15 non-financial sectors. Results of their study showed that the earnings per share has a positive impact on dividend payment in eight sectors including beverages, travel and leisure, fixed-line telecommunication, food processors, household goods, personal goods, automobiles, and electricity; however, forestry (paper and board) is negatively

associated with the dividend payout ratio. In addition, free cash flow has a positive impact on dividend payment in fixed-line telecommunication, and a negative impact on chemical, forestry, construction and material, engineering, beverages, tobacco, travel and leisure, food processor, household goods, pharmaceutical and biotech, and automobiles.

3.5 Gaps in Literature

The contextual diversity in these theories' applicability across various marketplaces and economic situations is one notable gap. Many studies, like the Dividend Irrelevance Theory by Modigliani and Miller, use the assumption that markets are ideal, which is rarely the case in practice (Brealey et al., 2019). Thus, further research is required to take into consideration market imperfections such transaction costs, taxes, and information asymmetry (Baker & Weigand, 2015).

The contradictory results addressing the effect of dividend policy on company value across various industries represent another significant gap. Although some research indicates that dividend distributions and company value are positively correlated, especially in stable businesses like utilities (Gordon & Shapiro, 2020), other research finds that in high-growth sectors, this correlation is negligible or even negative (DeAngelo et al., 2016). This disparity highlights the necessity for sector-specific studies to get a deeper comprehension of the ways in which dividend policy affects business value under various conditions.

Furthermore, little study has been done on the behavioural and psychological factors that affect investors' preferences for dividends over capital gains. While behavioural finance implies that emotional and cognitive biases can have a major impact on investing decisions, traditional models frequently presume rational investor behaviour (Shefrin&Statman, 2011). Thus, more empirical research that integrates behavioural finance viewpoints may offer a more profound comprehension of investor conduct with respect to dividend policy.

Moreover, little is known about how corporate governance influences decisions on dividend policy. Although some research suggests that governance structures have an impact on dividend policy (Thanatawee, 2014), thorough study on the ways in which diverse governance systems affect dividend decisions in diverse regulatory contexts is still absent.

Last but not least, continuous research is required to maintain the relevance of theories due to the dynamic nature of global financial markets and changing regulatory frameworks. New developments in the financial environment, such as the emergence of digital currencies, modifications to tax laws, and changes in the balance of power among world economies, have an impact on corporate valuation and dividend policy. Ongoing research in these fields will aid in filling in the gaps and improving the theoretical frameworks to more accurately represent the state of affairs now.

4.0 METHODOLOGY

4.1 Research Design

This study adopted ex-post facto research design, which is used to refer to studies which investigate possible cause and effect relationships by observing an existing condition or state

of affairs. It was concerned with determining cause and effect relationship and to understand which variable is dependent and which is independent. This research design was the best in explaining if two variables are related or if they vary. In this method of research design, independent variables cannot be manipulated (Onwumere, 2009). It aimed to explore the effect of dividend policy on value of manufacturing firms in Nigeria and the empirical evidence that help answer the research objectives.

4.2 Population of the Study

The population of this study consisted of all listed manufacturing firms on the floor of the Nigerian Stock Exchange (NSE). This was census survey where secondary data was collected from the audited financial statement of listed manufacturing firms in Nigeria.

4.3 Method of Data Collection

The study used secondary source of data collection and the instrument used for the collection of the data is through Annual Reports and Accounts. The secondary data to be used is extracted from the annual report of Guinness Nigeria plc, Nigerian Breweries Plc., Cadbury Nigeria Plc, Flour Mills Nigeria plc, and BUA Foods plc. The data was for the period of ten (10) years ranging from 2014 - 2023. Secondary data is considered appropriate given the fact that the study is correlational in nature and is attempting to establish implication (effect) or lack of it under the study variables.

4.4 Method of Data Analysis

Descriptive statistics and multiple regressions were used to analyze the data in order to establish effect between the variables. Descriptive statistics was used in this study because they help to describe the basic features of the data in a study. They provide simple summaries about the population and sample. The multiple regression is considered appropriate in view of the fact that it shows the cause-and-effect relationship between one dependent variable, and two or more independent variables. The Econometric Views (E-views) was used for the estimation. Panel data models are used in this study because they easily measure the degree of confidence that the true relationship is close to the estimated relationship by estimating the fixed and random effect model.

4.5 Model Specification

The relationship between dividend policy and value of firm are correlated. We need to derive the first equation that says:

$$Y=f(X)$$

Y= Dependent variable

X= Independent variable

We have a main objective and three specific objectives and they can be represented mathematically thus:

$$FP = f (DP)$$

Y = Dependent variable (Value of Firm)

X = Independent variable (Dividend Policy)

X and Y are broken down as follows

Y = (y1)

X = (x1, x2, x3)

Where:

y1 = Enterprise Value (EV)

x1 = Dividend Pay-out Ratio (DPO)

x2 = Dividend Yield (DY)

x3 = Dividend Cover (DC)

Then the linear regression model for each variable is developed to determine the relationship between the variables.

$$EV_{it} = \beta_0 + \beta_1 DPO_{it} + \beta_2 DY_{it} + \beta_3 DC_{it} + \mu_{it} \dots\dots\dots 1$$

Where:

β = average change in y that is associated with unit change in variable x

μ = error term

4.6 Presentation and Discussion of Results

4.6.1 Presentation of Data

4.6.2 Descriptive Statistics

This section of the analysis provided an overview on the data set while an attempt was also made to describe the main feature of the data. The study determined the relationship between dividend policy and value of firm within the period of 2014 – 2023. The descriptions of the data series were based on mean, median, maximum, minimum, standard deviation, skewness, kurtosis and Jarque-Bera of selected manufacturing firms for the relevant years.

The summary statistics of pooled series of dividend pay-out ratio, dividend yield, dividend cover and enterprise value in selected manufacturing firms in Nigeria were shown in table 4.1.1 below:

Table 4.1: Descriptive Statistics

	EV	DC	DY	DPO
Mean	0.563062	11.17943	0.077266	0.142191
Median	0.557558	6.981841	0.069470	0.122710
Maximum	1.000000	148.0577	0.196262	0.459784
Minimum	0.377658	-43.92186	0.000000	0.000000
Std. Dev.	0.121966	24.46595	0.052785	0.116360
Skewness	1.649585	3.425682	0.279715	0.763072
Kurtosis	7.563248	21.36872	1.922609	2.800890

Jarque-Bera	66.05783	800.7315	3.070279	4.934913
Probability	0.000000	0.000000	0.215426	0.084800
Sum	28.15311	558.9717	3.863314	7.109556
Sum Sq. Dev.	0.728915	29330.55	0.136529	0.663443
Observations	50	50	50	50

Source: E-views output

The provided data includes four financial metrics: Enterprise Value (EV), Dividend Cover (DC), Dividend Yield (DY), and Dividend Payout (DPO), each with a series of descriptive statistics based on 50 observations.

The mean EV is 0.563, indicating an average firm value relative to some base metric. The median EV is close to the mean at 0.558, suggesting a symmetrical distribution around the mean, but the skewness of 1.650 and high kurtosis of 7.563 indicate a right-skewed and peaked distribution. The standard deviation of 0.122 reflects moderate variability. The Jarque-Bera statistic confirms non-normality ($p < 0.001$). Dividend Cover (DC) shows a mean of 11.179, but the median is 6.982, suggesting a right-skewed distribution confirmed by the skewness of 3.426 and extreme kurtosis of 21.369. This indicates significant outliers. The standard deviation of 24.466 and the Jarque-Bera test ($p < 0.001$) further support high variability and non-normality.

Dividend Yield (DY) has a mean of 0.077 and a median of 0.069, indicating slight right skewness (0.280) and moderate kurtosis (1.923). The standard deviation is 0.053, showing low variability. The Jarque-Bera test ($p = 0.215$) suggests DY distribution is not significantly different from normality. Dividend Payout (DPO) has a mean of 0.142 and a median of 0.123, with a skewness of 0.763 and kurtosis of 2.801, indicating a moderately right-skewed and somewhat leptokurtic distribution. The standard deviation is 0.116, denoting moderate variability. The Jarque-Bera test ($p = 0.085$) suggests near-normal distribution but slightly deviated.

4.7 Presentation of Results

4.7.1 Correlation Analysis

Table 4.2: Correlation Analysis

Correlation	EV	DC	DY	DPO
EV	1.000000			
DC	0.054459	1.000000		
DY	-0.015995	-0.155285	1.000000	
DPO	-0.129276	-0.277629	0.387568	1.000000
t-Statistic	ROA	NDR	DY	DPO
EV	-----			

DC	0.377861	----		
DY	-0.110829	-1.089058	----	
DPO	-0.903230	-2.002182	2.912815	----
Probability	ROA	NDR	DY	DPO
EV	----			
DC	0.7072	----		
DY	0.9122	0.2816	----	
DPO	0.3709	0.0509	0.0054	----

Source: E-views output

The correlation matrix reveals the relationships between Enterprise Value (EV), Dividend Cover (DC), Dividend Yield (DY), and Dividend Payout Ratio (DPO). EV has a weak positive correlation with DC (0.054459) and a very weak negative correlation with DY (-0.015995) and DPO (-0.129276). This suggests that changes in EV are minimally related to changes in DC, DY, and DPO.

Dividend Cover (DC) has a weak negative correlation with both DY (-0.155285) and DPO (0.277629), indicating that as DC increases, DY and DPO tend to decrease slightly. DY and DPO have a moderate positive correlation (0.387568), suggesting that higher dividend yields are associated with higher dividend payouts.

The t-statistics and corresponding probabilities provide further insight. For DC, the correlation with EV (0.377861, $p=0.7072$) and DY (-1.089058, $p=0.2816$) is not statistically significant, indicating no meaningful relationship. The correlation between DC and DPO (-2.002182, $p=0.0509$) approaches significance, suggesting a potential inverse relationship.

For DY, the t-statistic for its correlation with DPO (2.912815) is significant ($p=0.0054$), confirming a meaningful positive relationship. However, the correlations of DY with EV (-0.110829, $p=0.9122$) and DC (-1.089058, $p=0.2816$) are not significant. DPO's correlations with EV (-0.903230, $p=0.3709$) and DC (-2.002182, $p=0.0509$) are not significant, though the latter is close to the threshold for significance. The significant positive correlation between DY and DPO highlights their interdependence, whereas EV and DC appear largely independent of these dividend metrics.

4.8 Regression Analysis of Result

Table 4.3: Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DC	0.000599	0.000728	0.823101	0.4151
DY	0.650308	0.512139	1.269789	0.2112
DPO	-0.017794	0.239737	-0.074225	0.9412
C	0.508648	0.036980	13.75485	0.0000

R-squared	0.315750	Mean dependent var	0.563062
Adjusted R-squared	0.201709	S.D. dependent var	0.121966
S.E. of regression	0.108974	Akaike info criterion	-1.449776
Sum squared resid	0.498760	Schwarz criterion	-1.143853
Log likelihood	44.24441	Hannan-Quinn criteria	-1.333279
F-statistic	2.768730	Durbin-Watson stat	1.978231
Prob(F-statistic)	0.018466		

Source: E-views output

The regression results examine the relationship between Dividend Cover (DC), Dividend Yield (DY), Dividend Payout Ratio (DPO), and Enterprise Value (EV). The coefficient for DC (0.000599) indicates a very small positive effect on EV, but this is not statistically significant ($p=0.4151$), suggesting that changes in DC do not have a meaningful impact on EV. Similarly, DY has a positive coefficient (0.650308), implying that higher dividend yields could increase EV, but this relationship is not statistically significant ($p=0.2112$).

The coefficient for DPO is negative (-0.017794), indicating a potential negative effect on EV; however, this effect is not statistically significant ($p=0.9412$). The constant term (C) has a highly significant positive coefficient (0.508648, $p=0.0000$), suggesting that there are other factors not included in the model that have a substantial impact on EV.

The R-squared value (0.315750) indicates that approximately 31.6% of the variance in EV is explained by the independent variables in the model. The adjusted R-squared (0.201709) adjusts for the number of predictors in the model and indicates that about 20.2% of the variance in EV is explained when accounting for the number of predictors. The F-statistic (2.768730) with a corresponding p-value (0.018466) suggests that the model as a whole is statistically significant.

The Durbin-Watson statistic (1.978231) is close to 2, indicating no significant autocorrelation in the residuals. Overall, while the model shows some significant explanatory power, the individual coefficients for DC, DY, and DPO are not statistically significant, indicating that these factors may not be strong predictors of EV on their own.

5.0 DISCUSSION OF FINDINGS

The findings suggest that Dividend Cover (DC) has a very small positive effect on Enterprise Value (EV), with a coefficient of 0.000599, but this relationship is not statistically significant ($p=0.4151$). Supporters of this result might argue that this outcome reflects the modern corporate environment where leverage is managed efficiently, and its impact on firm value is minimal. For instance, Brealey, Myers, and Allen (2019) emphasize that firms can sustain high valuations despite substantial debt due to robust operational performance and effective financial strategies. Opponents, such as DeAngelo, DeAngelo, and Stulz (2016), might argue that this finding overlooks the potential adverse effects of high debt levels, such as increased financial risk and potential distress costs, which can negatively impact firm value.

Similarly, the positive coefficient for Dividend Yield (DY) (0.650308) implies that higher dividend yields could increase EV, but this relationship is not statistically significant ($p=0.2112$). Proponents might assert that this aligns with recent market behaviors where investors still value dividends as a sign of financial health and stability, leading to increased firm value (Thanatawee, 2014). However, critics might argue that the lack of significance indicates that other factors, such as earnings growth or market conditions, play a more critical role in determining firm value than dividend yields alone (Baker & Weigand, 2015).

The coefficient for Dividend Payout Ratio (DPO) is negative (-0.017794), suggesting a potential negative effect on EV, but this effect is not statistically significant ($p=0.9412$). Supporters might view this as evidence that retaining earnings for reinvestment rather than paying out dividends is more beneficial for long-term firm value (Brealey, Myers, & Allen, 2019). Opponents might argue that this result challenges the notion that consistent dividend payments signal firm stability and attract investors, thereby enhancing firm value (Baker & Weigand, 2015).

6.0 CONCLUSION AND RECOMMENDATIONS

6.1 Conclusion

This study examined the effect of dividend policy on value of listed manufacturing firms in Nigeria. Based on availability of time series data, the study covered a period of 10 years within a time frame of 2014 to 2023. To achieve the stated objectives of the study, Ordinary Least Squares (OLS) model was employed with dividend policy variables such as dividend cover, dividend payout ratio and dividend yield was used as independent variables and a dependent variable, enterprise value was employed.

The coefficient for DC (0.000599) indicates a very small positive effect on EV, but this is not statistically significant ($p=0.4151$), suggesting that changes in DC do not have a meaningful impact on EV. Similarly, DY has a positive coefficient (0.650308), implying that higher dividend yields could increase EV, but this relationship is not statistically significant ($p=0.2112$). The coefficient for DPO is negative (-0.017794), indicating a potential negative effect on EV; however, this effect is not statistically significant ($p=0.9412$).

6.2 Recommendations

As a result of the findings of this study, the following are recommended:

- i. Companies have to adopt the form of dividend payment that is favourable to the growth of the organization since the form of the dividend payment is directly proportional to the growth of firms in Nigeria.
- ii. Earnings per share should be increased steadily to sustain growth and investment in the organization because an increase in earnings per share is directly proportional to the robust performance of firms in Nigeria.
- iii. Dividend yield is a key factor in the return on assets of firms in Nigeria. Therefore, it is a key indicator to a great performance of firms in Nigeria.

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