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## Corporate Governance Study Ownership Structure and Dividend Policy of Listed Manufacturing firms in Nigeria

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**Abstract:** In this research, we examine the impact of Nigerian listed industrial companies' dividend policies on their ownership structure. This study spans a period of 11 years, from 2010 to 2020. Ownership concentration and management ownership were chosen as the study's independent variables. An analysis of descriptive statistics, a correlation matrix, and an examination of the normality of residuals was carried out as part of the pre-regression process. It was first tested using Panel Ordinary Least Squares Regression to see if it violated the Gauss-Markov Theorem and its assumptions. In addition, post-regression tests for homoscedasticity and multicollinearity were performed. There was a test for fixed and random effects as well. An analysis using dummy variables shows that, over the period under consideration, ownership concentration had a major negative impact on the dividend policy of Nigerian publicly traded manufacturing firms, whereas management-owned enterprises had an even more profoundly beneficial influence. From these findings, we can deduce that management ownership has a considerable positive impact on dividend policy while ownership concentration has a negative impact on dividend policy's yield measure. Management should therefore create a varied ownership structure, with focus on components of management ownership, to ensure that the dividend policy decision is balanced and prevents expropriation, handle agency issues, and set the company on a sustainable long-term course.

**Keywords:** Ownership structure; Dividend Policy; Ownership concentration; Managerial ownership

**JEL Classification:** J45

### 1. Introduction

In today's financial literature, dividend policy is one of the most important topics. Dividend policy's perceived importance in determining a company's value has been one of the most contentious areas of research due to the definiteness of theories on the subject. Since dividend policy does not provide the best explanation for corporate value in the great majority of empirical studies, this is the case (La Porta, Lopez-de-Silanes & Shleifer, 1999, pp. 471-517). Ownership structure is one of the most important features of corporate governance, and it is often seen to be influenced by other country-level corporate governance characteristics, such as development of stock markets and the form of state intervention and regulation. It's also worth noting that, according to La Porta et al. (La Porta, Lopez-de-Silanes & Shleifer, 1999, pp. 471-517)'s cross-country studies, large corporations in wealthy economies tend to

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have highly concentrated ownership, with the top shareholder participating actively in management while also holding board seats on various subsidiaries they control.

Several empirical research have shown that the company's worth will be affected by its ownership structure. Researchers Tam and Tan (Tam & Tan, 2007, pp. 208-222) have studied how ownership structure influences company operations, which in turn affects the effectiveness of the organization to meet corporate goals, namely the maximization of company value. The operational management of a firm might be delegated to several different shareholders. Because they are directly accountable for a firm's existence and growth, the company's top executives need better access to information about the organization. The long-term objective of the corporation is to raise its market value. Increasing the worth of a corporation involves increasing the wealth of its owners. The adoption of financial management tasks, according to Fama and French (Fama & French, 2001, pp. 3-43) can lead to the optimum value of a firm because one financial decision affects other financial decisions and so affects the value of a company. To optimize a company's worth, Mai [50] believes that managing corporate finance entails deciding on the company's investment strategy, financing strategy, and dividend policy. Investment decisions have an impact on a company's value indirectly through dividend policy and financing decisions, according to Wahyudi (Wahyudi, 2006, pp. 1-25).

Similar studies have been carried out in a variety of locations, including China (Thanatawee, 2014), Jordan (Warrad, Abed, Khriasat & Al-Sheikh, 2012, pp. 187-195), Pakistan (Ullah, Fida & Khan, 2012) and Italy (Mancinelli & Ozkan, 2006, pp. 265-282) and India (Kumar, 2006, pp. 15-58), with the majority of them being in developing countries. Except for China, all the preceding study locations were non-European developing nations (except for Italy). Firms in Nigeria, however, differ from their continental European counterparts in that they usually have a dominant family in ownership position that dominates the firm with a very small capital basis. Nigerian firms are an exception. Although this has changed over time, most of the ownership is now held by institutional investors. While earlier studies have focused on poor countries, Nigeria and its businesses are a viable and fascinating target since they might serve as a model for other countries.

There is also a dearth of literature in this field from developing economies, such as Nigeria, where there are substantial variations in institutional frameworks, such as corporate governance systems, between Nigeria and other developed economies. Based on this study focuses on two significant issues that have previously been overlooked. Many studies in Nigeria have focused on the structure of ownership, but not dividend policy, as a factor in performance (Andow & David, 2016, p. 231; Tsegba & Herbert, 2013; Uwuigbe & Olusanmi, 2012, p. 208). Banking institutions have used dividend policy to explain a wide range of business phenomena, particularly in the financial sector. Relationships between stock ownership and dividend policy, for example, are associated with higher growth potential, better investment opportunities (Lang, Stulz & Walkling, 1989, pp. 137-154; Brainard & Tobin, 1968, pp. 99-122), and better management performance (Lang, Stulz & Walkling, 1989, pp. 137-154). Due to the differing sample sizes.

of the companies studied, existing literatures reveal varied empirical methodologies and provide inconsistent results. By using more manufacturing firms from six different sectors listed on the Nigerian stock exchange, this study attempts to provide a more rigorous and robust method for empirically determining the impact of ownership structure on dividend policy in Nigeria. As an added benefit, the

Least square dummy estimator accounts for the inherent heterogeneity of the companies being studied, allowing for more reliable policy recommendations.

## **2. Literature Review**

### **2.1. Dividend Policy**

Dividend policy is the plan for determining how much of a company's dividends will be reinvested and how much will be distributed to shareholders (Ajanthan, 2013, pp. 1-6). The size of a company's dividend payout is mostly determined by its dividend policy, which is a set of rules and procedures the company employs to determine how much of its profits it will return to its shareholders. Dividends, according to Pandey (Pandey, 2017, pp. 42-60), are a portion of a firm's net earnings that are dispersed to shareholders as a return on their equity claim in the company, typically on the basis of recommendations from the board of directors. After deducting the necessary amount of taxes and fixed interest obligations associated to the debt capital, dividends are apportioned to shareholders, according to Muigai, and Muriithi (Muigai & Muriithi, 2017) and Baker, Powell, and Veit (Baker, Powell & Veit, 2002, pp. 267-283). Dividend disbursement, as underlined by Kosikoh (Kosikoh, 2014, pp. 267-283), is an important indicator that a firm is adhering to the standards of corporate governance. One of the most important aspects of corporate finance policy is the determination of dividend policy (Uwuigbe, Jafaru & Ajayi, 2012, pp. 442-454).

### **2.2. Dividend Yield**

One of the most essential financial ratios is dividend-yield. To find out how much a firm is paying out in dividends in relation to its stock price, we look at a dividend yield. The dividend yield can be interpreted in numerous ways. Since no one agrees on what to make of it, it's a contentious indication. Significant dividend yields imply that the company is at high risk and that the outlook for the future is bleak, which leads to a drop in the share price. Dividend payments could cause concern among shareholders, who fear a huge sum of money would be taken from their company. To invest in more profitable investment prospects, investors may consider that profits should be kept in the company's coffers rather than withdrawn. Consequently, investors would sell their stocks, causing the stock price to fall. High dividends are preferred by investors because "one bird in the hand is worth more than ten in the bush," according to this argument. High yielding stocks are more expensive than low yielding stocks because investors are willing to pay more for them (Black, 1973, pp. 3-21).

### **2.3. Ownership Structure**

Ownership structure is seen as the classes or group of owners that exercise control over activities of a company. Ownership structure is defined in a variety of ways by academics. An analysis of Demstz (Demstz & Lehn, 1985, pp. 1155-1177) shows that ownership structure refers to how many percent of a company's stock is controlled by its top five shareholders, with a lot of attention paid to this percentage. Ownership structure was also defined by Demstz & Lehn (Demstz & Lehn, 1985, pp. 1155-1177) as the percentage of a company's stock owned by the company's top executives, including the

CEO and other members of the board of directors. Concentrated ownership and huge stockholdings by institutional investors are seen as a combination in the writings of Chiara (Thomsen & Pedersen, 2000, pp. 689-705). Directors' equity, as defined by Ram & Camela (Ram & Camela, 1998, pp. 175-180), can be summed up as the percentage of a company's shares owned by beneficiaries and non-beneficiaries. According to Beni & Alexander (Lauterbach & Vaninsky, 1999, pp. 189-201), a firm's ownership structure is made up of both concentrated and dispersed ownership. When it comes to the ownership structure, Demsetz and Villalonga (Demsetz & Villalonga, 2001, pp. 209-233) looked at it as the sum of the fractions of shares owned by major shareholders and those owned by management.

#### **2.4. Ownership Concentration**

Waseem and Nailar (Denis, Denis & Sarin, 1999, pp. 1071-1076) define ownership concentration as the sum of the squares of each significant shareholder's portion of total equity. Ownership concentration was defined by Kamran, Sehrish, Saleem, Yasir & Shehzad (Kamran, Sehrish, Saleem & Shehzad, 2012, p. 5) as the percentage of a company's shares held by the firm's top shareholders. According to Genc & Angelo (Genc & Angelo, 2012, pp. 1857-7881), the percentage of ownership shares held by the largest shareholders was defined as ownership concentration. Management block holders that own at least 10% ownership of a firm's total shares are concentrated owners, according to Warrad, Almahamid, Slihat, and Alnimer (Warrad, Almahamid, Slihat & Alnimer, 2013, pp. 17-38). Ownership concentration was defined by Andrei, Rostislav, and Natalya (Kuznetsov, Kapelyushnikov & Dyomina, 2010, p. 40) as the percentage of a company's stock held by the largest shareholder. Concentration was defined as the percentage of the firm's top five shareholders, according to Javid and Robina (Mai, 2010).

#### **2.5. Managerial Ownership**

Management ownership is defined by Cosh, Fu & Hughes (Cosh, Fu & Hughes, 2007, pp. 631-649) as the share of a company's common stock owned by the Chief Executive Officer (CEO) or Managing Partner (MP). According to Panayotis & Sophia (Panayotis & Sophia, 2006), managerial ownership was defined as the percentage of shares owned by the company's board members, CEO, and other top management personnel. Percentage of Ordinary Shares Owned by the Directors, Executive Directors, and Independent Directors was defined by Khan, Balachandran and Mather as Managerial Ownership. Managerial Ownership was defined by Ruan, Tian, and Ma (Ruan, Tian & Ma, 2011, pp. 73-92) as the percentage of managers' stock ownership. Laiho (Laiho, 2011, p. 2011) defined managerial ownership as the board of directors and management team's insider holdings in the company. Management ownership is a key instrument for good governance that could help managers better align their interests with those of shareholders, according to agency theory. An agency-cost-reduction strategy, management ownership can thereby boost firm value.

## **2.6. Theoretical Exposition and Hypotheses Development**

### **2.6.1. Ownership Concentration and Dividend Policy**

Thanatawee (Thanatawee, 2014) examined the effect of company ownership structure on dividends in China. The study's findings show that high shareholder ownership, ownership concentration, and government ownership all enhance dividend payments, whereas institutional ownership decreases dividend payments (Thanatawee, 2014). Ownership concentration and government ownership boost dividends, but ownership by institutional investors and foreign investors lower dividends (Thanatawee, 2014). In Thailand, Thanatawee (Thanatawee, 2012) conducted a similar investigation. The results show that when the largest shareholder is an institution, dividends are more likely to be paid out. There is a correlation between the extent of institutional investors' holdings and the size of dividends, according to the data. Higher institutional (individual) ownership increases (decreases) both the likelihood and the magnitude of dividends paid (Thanatawee, 2012). From the foregoing, we hypothesized as follows:

***H0<sub>1</sub>: Ownership Concentration has no significant effect on dividend policy of listed manufacturing firms in Nigeria***

### **2.6.2. Managerial Ownership and Dividend Policy**

Investors' decisions are said to be influenced by the decisions made by managers. Indeed, a company's future performance may be affected by the decisions made by its managers (DeAngelo, DeAngelo, & Skinner, 1996, pp. 341-371). Managerial ownership is more significant since it encourages shareholders to seek out more profitable projects, which in turn lowers the control costs of directors. Confirmation comes from Denis et al (Denis, Denis & Sarin, 1999). Managerial ownership has a negative correlation with dividend policy, according to Nuraddeen and Hasnah (Demsetz & Villalonga, 2001, pp. 209-233). Eight listed Nigerian conglomerates are included in the study's sample (2001-2010). In spite of this, there are some authors who see things differently. Management ownership, they say, boosts profits. Opportunism was mentioned in this explanation. When management have more influence over the company, they are more likely to take advantage of opportunities, which results in higher dividends (Zwiebel, 1996, pp. 1197-1215). Thus, we hypothesized that:

***H0<sub>2</sub>: Ownership Concentration has no significant effect on dividend policy of listed manufacturing firms in Nigeria***

## **2.7. Theoretical Review**

### **2.7.1. Agency Theory**

An agency relationship is formed when the principles hire agents to undertake some of their obligations on their behalf, according to Jensen and Meckling (Jensen & Meckling, Theory of the firm: Managerial behavior, agency costs and ownership structure., 1976, pp. 305-360). Managers and owners have opposing interests, which causes the agency cost. Dividend policy, according to Short, Zhang, and Keasey (Short, Zhang, & Keasey, 2002, pp. 105-122), plays a critical role in minimizing agency costs that have evolved as a result of the competing interests of the two parties. Dividend payments, according to Rozeff (Rozeff, 1982, pp. 249-259), are a tool for cutting agency costs. Because managers want to keep their profits rather than distribute them as dividends, according to Jensen (Jensen, 1986, pp. 323-

329), delivering dividends could lead to tensions between them and their shareholders. To have more influence over a company's resources, managers are eager to follow the company's growth strategy. Dividend payments are preferred by shareholders over retaining earnings. Directors may shift their focus away from the company's long-term interests in favor of short-term gain or divert resources to less profitable endeavors if profits are not distributed to shareholders as dividends.

A dividend payout policy can help resolve the conflict of interest that has arisen as a result. As a result, Rozeff (Rozeff, 1982, pp. 249-259) referred to the dividend payout as a tool for cutting agency expenses. Research shows that institutional investors reduce agency costs and influence dividend policy, both of which have been shown to help alleviate agency difficulties. There is a strong correlation between dividend payout and institutional ownership, according to Han et al. (Han, Lee, & Suk, 1999, pp. 53-62). Carvalhal-da-Silva and Leal (Shleifer & Vishny, 1986, pp. 461-488) stated that managers may not be maximizing shareholder value, which might lead to agency difficulties between managers and shareholders. Stouraitis and Wu (Stouraitis & Wu, 2004, pp. 74-93) studied Japanese firms and discovered that the dividend payout policy can be used to address the company's overinvestment issues and that the conflicting interests of managers and shareholders in regards to the dividend policy vary according on growth prospects.

## **2.8. Empirical Review**

It was shown that shareholder ownership had an impact on the level of dividends paid by a panel of 29 Tunisian companies between 1995 and 2001. The relationship between institutional ownership and dividend policy was shown to be very unfavorable. Furthermore, it was discovered that companies with significant leverage and a huge scale pay low dividends, whereas companies with excellent investment potential pay high dividends.

A group of 330 large UK listed companies was analyzed by Khan (Khan, 2018, pp. 1-7) for the years 1985–1997 to see how dividend policy related to ownership structure. Generalized Moments Method (GMM) was used in the study. Dividends were found to be adversely correlated with ownership concentration and individual ownership. The association between insurance company stock ownership and dividends was shown to be positive.

In Pakistan, Jabeen and Ahmad (Jabeen & Ahmad, 2019) looked at how the ownership structure affected the country's dividend payout policy. Dividend payout policy was utilized as a dependent variable and was assessed by the dividend payout ratio, with ownership structure serving as an independent variable. Managerial ownership structure, institutional ownership structure, and individual ownership structure were all examined. The cement business in Pakistan was chosen for a sample of 15 companies registered on the Pakistan stock exchange between 2013 and 2017. Multiple regression and Pearson's correlation are two methods used to analyze descriptive statistics. The findings show that both institutional and individual ownership have a major impact on dividend policy.

It was the goal of the authors of the study to evaluate the role of foreign and indigenous directors in defining a company's dividend payment structure to find out. The fifteen Nigerian Stock Exchange-listed deposit money banks make up the study's sample. From 2010 to 2017, a random sample of 14 deposit money banks was gathered and analyzed. For this project, 112 observations were gathered. A

random-effect model was used to estimate the results from panel data. For example, it was found that foreign directors have a large impact on the dependent variable (dividend payout structure).

Researchers Ritha and Koestiyanto (Ritha & Koestiyanto, 2013) conducted a study to examine the factors that influence the dividend payment ratio in publicly traded businesses from 2007 to 2009. Derivatives have a favorable and large effect on the dividend payment ratio, which suggests that higher total debt helps shareholders. The payout of dividends was found to be negatively impacted by profitability. Dividend payments were negatively impacted by the company's slowing rate of growth. A high growth rate in a large firm may not optimize dividend income for shareholders, but the funds available may be more broadly used to enhance total assets to help the company's operations, as shown by these findings. A Panel data regression was used by Midu and Abor (Mai, 2010) to investigate the causes of the dividend payout ratio in the Ghana Stock Exchange-listed company from 2008 to 2013. The dividend payout ratio was found to have a favorable and considerable impact on the company's profitability. A corporation that has a better ability to turn its assets into profits tends to announce a greater dividend payment.

Ghanaian listed financial organizations' dividend policies are examined by Badu (Badu, 2013, pp. 185-190). The study made use of panel data from the chosen companies, which spanned the years 2005-2009. A statistically significant and positive association between age and liquidity was found, but a statistically insignificant relationship between profitability, collateral, and dividend payments was found.

### **3. Methodology**

According to previous research, there are two ways to conduct studies of this type. We found that the firm-level strategy uses company traits and macroeconomic variables as independent variables to profitability, while the non-firm level data approach makes use of countries' aggregate macroeconomic variables and industry aggregate firm data. However, we used a firm-level strategy in this study. Aside from the firm-level approach, we used the non-experimental and ex-post design for our study. Agricultural, consumer products, industrial goods, healthcare, natural resources, and conglomerates are all represented among the manufacturing enterprises included in the study's sample. The Nigerian Exchange Group had 59 manufacturing companies listed as of December 2020. (NGX). Selection of companies was based on specific criteria, and so purposive sampling was used. Listed on the Nigerian Exchange Group market for 2010-2020, these corporations' annual financial reports were available, and they did not have Nigerian subsidiaries that were not listed on the Nigerian Exchange Group. The analysis did not include newly listed or delisted companies. Thus, only companies that have been in operation for a long period of time were included in the study's sample. Our final sample size is made up of 47 manufacturing companies drawn from the industries, and it was determined by using data available for all research variables across an eleven-year period. Secondary data will be used in this investigation. However, IdRatios®, a licensed firm that provides accurate panel regression datasets, would compile each listed company's annual audited financial records to compute the dividend yield of dividend policy. Specifically, we adopt and modify the models of Jabeen and Ahmad, [42] specified as:

$$DIVY_{it} = \beta_0 + \beta_1 OWNC_{it} + \beta_2 MAOW_{it} + \mu_{it}$$

**Where:**

- DIVY = Dividend Yield
- OWNC = Ownership Concentration
- MAOW = Institutional Ownership
- “{i}” = Cross Section (Sample Companies)
- “t” = Time Frame (2010 to 2020)
- u<sub>it</sub> = Stochastic error Term

In other words, a rise or fall in the dividend yield of listed manufacturing firms in Nigeria will be caused by an increase or decrease in the determinant variables of ownership concentration and managerial ownership, which we state as  $X1 - X2 > 0$ . Econometric methods used in this work include panel fixed and random effect regressions. ‘The following justifications underpin its application: Panel data regression provides better results because it uses large observation and reduces the problem of degree of freedom; it avoids the problem of multicollinearity and helps to capture the individual cross-sectional (or firm-specific) effects that the various pools may exhibit with respect to the dependent variable in the model... According to Hausman’s specification test for panel regression results, fixed effect and random effect can be distinguished. The fixed effect was recommended by the Test. The cross-sectional observations’ variances were therefore tightly controlled using the Least Square Dummy Regression.

### 3.1. Analysis and Discussion of Results

Between the years of 2010 and 2020, samples from Nigerian publicly traded manufacturing firms were used to examine the impact of ownership structure on dividend policy. In this study, the influence of ownership concentration and management ownership on dividend policy in Nigeria is examined. A panel least square regression was undertaken first to see whether there were any discrepancies with the basic assumptions of the OLS regression before any further testing was done. Diagnostic tests for multicollinearity and heteroscedasticity are included in this list. Descriptive statistics and other forms of pre-regression analysis are also used, and the results are analyzed as follows.

### 3.2. Descriptive Analysis

You’ll learn all about descriptive statistics in this part, including how they apply to the explanatory and dependent variables. The average, standard deviation, maximum, and minimum values of each variable are all calculated. The study’s descriptive statistics are shown in the table below.

**Table 1. Descriptive Statistics**

| Variable | Obs | Mean     | Std. Dev. | Min | Max    |
|----------|-----|----------|-----------|-----|--------|
| divyield | 516 | 3.313547 | 7.102466  | 0   | 107.74 |
| owncon   | 517 | .7195358 | .4496611  | 0   | 1      |
| manown   | 516 | .161124  | .3761216  | 0   | 4.6    |

Source: Author (2021)



It was found that the sample manufacturing firms had a dividend yield (DIVYIELD) on average of 3.31, while the standard deviation was 7.10. There was a maximum dividend yield of 107.74 and a minimum of zero. The mean and standard deviation for ownership concentration (OWNCON) are both 0.72. This means that people having more than 5% of the company’s stock held an average of 72% of the company’s shares. Also on average, we found that the mean ownership level for managers was 0.16, and the standard deviation was 0.38.

### 3.3. Regression Results

The data had both time series (2010-2020) and cross-sectional features, therefore a panel regression analysis was the best method for determining the cause-and-effect correlations between the independent factors and the dependent variables (47 listed manufacturing firms). Panel data regression and OLS pooled findings are shown and discussed in the following sections.

**Table 2. Regression Result**

|   | <b>DIVY Model<br/>(Pooled OLS)</b> | <b>DIVY Model<br/>(FIXED<br/>Effect)</b> | <b>DIVY Model<br/>(RANDOM<br/>Effect)</b> | <b>DIVY Model<br/>(LEAST Square<br/>Dummy)</b> |
|---|------------------------------------|--|---|--|
| <b>C</b>                                | <b>4.70</b><br>{0.000} ***         | <b>8.33</b><br>{0.000} ***               | <b>6.15</b><br>{0.000} ***                | <b>8.55</b><br>{0.000} ***                     |
| <b>OWNC</b>                             | <b>-2.40</b><br>{0.001} **         | <b>-7.83</b><br>{0.000} ***              | <b>-4.68</b><br>{0.000} ***               | <b>-7.83</b><br>{0.000} ***                    |
| <b>MAOW</b>                             | <b>2.16</b><br>{0.009} **          | <b>3.90</b><br>{0.000} ***               | <b>3.28</b><br>{0.000} ***                | <b>3.90</b><br>{0.000} ***                     |
| <b>F-statistics/Wald<br/>Statistics</b> | <b>10.30 (0.00)</b><br>***         | <b>24.75 (0.00)</b><br>***               | <b>36.34 (0.00)</b><br>***                | <b>5.90 (0.00)</b><br>***                      |
| <b>R- Squared</b>                       | <b>0.04</b>                        | <b>0.10</b>                              | <b>0.9</b>                                | <b>0.38</b>                                    |
| <b>VIF Test</b>                         | <b>1.01</b>                        |  |   |  |
| <b>Heteroscedasticity<br/>Test</b>      | <b>223.57</b><br>(0.0000) ***      |  |   |  |

HAUSMAN TEST

Prob>chi2 = 13.83 (0.0010)

Note: (1) bracket {} are p-values

(2) \*\*, \*\*\*, implies statistical significance at 5% and 1% levels respectively

According to the OLS pooled regression, R-squared value of 0.04 indicates that around 4% of the systematic variations in dividend policy (DIVYIELD) in the pooled manufacturing businesses across the period of interest was jointly explained by independent variables in the model. In the absence of other independent variables that could have influenced dividend policy but were not included because they were outside the scope of this study, the unexplained portion of the dividend policy can be assigned. The OLS regression model is statistically significant at the 1% level, as shown by the F-statistic of 10.30 and the P-value of 0.00, indicating that it is a valid model for statistical inference. Because the model has no multicollinearity, no independent variables should be omitted, as shown in the table above by a mean VIF value of 1.01, which is below the benchmark value of 10. It is also clear from the table above that OLS results had issues with heteroscedasticity, as its significance level of 1 percent [223.57 (0.0000)] shows. Heteroscedasticity is a strong indicator that the companies in our sample are not all the same. In order to account for the heteroscedasticity of each company, a robust or panel regression technique will be necessary. This research utilized panel regression, which included both fixed and random effect models. Table 2 shows the findings of the panel regression, which are discussed below.

Because the F-statistic and Wald-statistic values of 24.75 and 36.34 are both statistically significant at 1% respectively, both models can be used to draw inferences from the data. There were 10 percent and 9 percent systematic changes in dividend policy proxied by dividend yield (DIVYIELD) that were explained by the independent variables in the fixed and random effect models, respectively, according to R-squared. As a result, a greater proportion of the variance in dividend policy may be explained by this model than by the OLS pooled regression.

The two frequently utilized panel data regression estimate procedures (fixed effect and random effect) were adopted in testing for our hypotheses regarding the effect of the independent on the dependent variables. The results of the two methods of panel data estimation are shown in Table 2. (fixed effect and random effect). The coefficients' magnitudes, signs, and the number of unimportant variables were found to differ. It is assumed that the error term and explanatory factors are not associated in the fixed effect panel regression, but the random effect panel regression assumes that the error term and explanatory variables are linked. Using the Hausman test, which assumes that random effects are preferable to fixed effects, it was decided which of the two panel regression estimation findings to use. We should not consider this null hypothesis to be significant because of the low p-value (0.0010), which indicates that we should reject it and accept the alternative hypothesis at levels of significance of 5 or 1. As a result, we should use the fixed effect panel regression results when drawing our conclusions and making our suggestions. This suggests that fixed-effect findings are statistically superior to random-effect results. However, we used the Least Square Dummy Estimator to account for the fixed impact, and the results are displayed in table 2 above. According to the F-statistic of 5.90 (0.00), the Least Square Dummy model is valid for drawing inference because it is statistically significant at 1% of the time. There were 38 percent systematic fluctuations in dividend policy proxied by dividend yield (DIV YIELD) that could be explained together with the independent variables in the Least Square Dummy models, according to R-squared coefficient. Because of this, the OLS pooled regression, Fixed Effect and Random Effect, were able to explain more of the variation in dividend policy than the OLS pooled model. It became important to discuss Least Square Dummy results in order to test our hypotheses following the prior discussion. Least Square Dummy regression was used to analyze each of the independent variables in the table below.

### **3.4. Discussion of Findings**

Dividend policy may have a negative and large impact on ownership concentration, according to the Least Square Dummy = -7.83 (0.000) as an independent variable. If this is true, then we should reject the null hypothesis that ownership concentration has no effect on the dividend policy of listed Nigerian manufacturers. There is a direct correlation between a rise in the concentration of ownership in Nigerian businesses and a reduced dividend policy. A 1 percent shift in ownership concentration will lower dividend yield by 3.52 percent, according to the least squares estimate. Those findings are in line with the findings of the studies of the Young group (Young, Peng, Ahlstrom, Bruton & Jiang, 2008, pp. 196-220), the Filatotchev group (Filatotchev, Jackson & Nakajima, 2013, pp. 965-986) and the Jackson group (Filatotchev, Jackson & Nakajima, 2013, pp. 965-986), which concluded that the concentration of ownership could facilitate the extraction of private benefits by controlling shareholders at the expense of minority shareholder wealth, thereby causing an increased expropriation effect and a decrease in the dividend yield of the firm. As a result, Thomsen & Pedersen (Thomsen & Pedersen, 2000, pp. 689-705)

and Tuschke & Gerard Sanders (Tuschke & Gerard Sanders, 2003, pp. 631-649) found a curvilinear relationship between ownership concentration and dividend policy, indicating that dividend policy suffers when ownership is heavily concentrated (expropriation effect). We, on the other hand, disagree with Shleifer & Vishny (Shleifer & Vishny, 1986, pp. 461-488), who found that substantial shareholders' ability to keep tabs on managers led to a disciplinary effect.

Dividend policy appears to be positively influenced by managerial ownership (Least Square Dummy = 3.90 (0.000)), an independent variable. To conclude, H02: Managerial ownership having no major effect on the dividend policy of listed manufacturing firms in Nigeria should be rejected. There is a strong correlation between increased management control and a more aggressive dividend policy in Nigerian companies. According to Jensen and Meckling (Jensen & Meckling, 1976), on the preposition of Agency theory, we concur. The authors explicitly state that management ownership is an important instrument for effective governance that could help managers align their objectives with shareholders' interest. An agency-cost-reduction strategy, management ownership can thereby boost firm value. According to Wei et al. (Wei, Zhang, & Xiao, 2004, pp. 631-649), managerial ownership and cash dividends have a strong positive link in China as well. Chinese enterprises with higher management ownership are more likely to pay higher cash dividends, as Wang et al. [48] and Lam et al. This analysis demonstrated a substantial negative association between dividend per share and state ownership in the context of the rising Tunisian market, despite the evidence of prior studies and specifically the conclusions from this study (Kouki & Guizani, 2009, pp. 42-53).

#### **4. Conclusion and Recommendation**

A company's dividend policy, capital structure, and other decision-making are all influenced by its ownership structure, which can lead to conflicts of interest and agency costs. Even though the firm's capital base is shrinking and so exposing it to scrutiny from outside investors, dividend payments can be utilized to mitigate these issues. Dividends, on the other hand, can serve as a catalyst for as well as a manifestation of divergent values among shareholders. Dividend payout preferences can serve as an excellent example of this. Listed Nigerian manufacturing enterprises' dividend policies are examined in this study. It is clear from the results of the least square dummy estimator that while ownership concentration has a negative impact on dividend yield, management ownership has a positive impact. Our recommendation is that Management should implement a diverse ownership structure with an emphasis on elements of managerial ownership to ensure that the dividend policy decision is one that is balanced and prevents expropriation; address agency issues; and put the company on a sustainable path in the long term. This is because management ownership has a beneficial impact on dividend policy. Having fewer shareholders reduces the dividend yield. As a result, it is proposed that authorities implement a policy shift. When it comes to corporations who don't distribute dividends, the tax rate should be greater than the standard tax rate for companies that distribute dividends regularly. Managers will have an incentive to pay out greater dividends if they can take advantage of lower tax rates because of this. Management will prefer to pay dividends to take advantage of the tax benefits, regardless of the ownership structure.

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