



**DIVIDEND POLICY AND FINANCIAL PERFORMANCE OF QUOTED OIL
AND GAS COMPANIES IN NIGERIA**

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Abstract

Dividends are payments made by a company to its shareholders to compensate them for the unforeseen risk they decided to undertake and for the time value of their investment in the organisation. This study examined the impact of dividend policy (DP) on the financial performance of oil and gas in Nigeria. The study employed exploratory research design. Six (6) listed oil and gas companies were chosen through a purposive sampling technique and data extracted from the annual reports of these oil and gas from year 2009 to 2021. A panel data regression was used to analyse the data. Dividend policy was proxied with dividend per share (DPS), leverage (LEV), liquidity (LIQ), Earnings per share (EPS), and risk (RISK) while financial performance was proxied with Return on Equity (ROE) and Return on Asset (ROA). Findings revealed that the variable- leverage (LEV), earnings per share (EPS), risk (RISK) has statistical significant effect on the Return on Asset (ROA) while Dividend per share (DPS) and liquidity (LIQ) have negative and significant impact on Return on Asset (ROA). Results also, show that the variable- leverage (LEV), earnings per share (EPS), risk (RISK) has statistical significant effect on the Return on Asset (ROE) while Dividend per share (DPS) and liquidity (LIQ) have negative and significant impact on Return on Asset (ROE). It was concluded that dividend policy had negative significant impact on return on asset and return on equity. The study recommended that, the company would pay no dividend. They would retain all earnings to maximise market price per share since they can earn more on investment than share holder expectation.

Keywords; Dividend per share, Leverage, Liquidity

INTRODUCTION

The third most crucial decision a corporation makes is whether or not to pay dividend. A dividend is a payment made to stakeholders by a corporation. Dividends are paid from the company's earnings, so the quantity of retained earnings available for internal financing is limited. The purpose of the dividend decision should be to increase the firm's value to its shareholders. The current dividend and the current market price of the shares are both included in a shareholder's wealth.



At the conclusion of each period, a corporation must decide whether to keep all of its earnings or distribute a portion or all of them to shareholders. Additionally, whether the business thinks it will be able to locate appropriate investment opportunities in the future will determine this. Investment opportunities can also be financed with outside funds. If the corporation pays a little dividend, earnings will be retained for potential future investments. If the investment prospects fail to materialize, dividends are increased and stock prices fall. Dividends are payments made to shareholders by a firm to reward them for accepting an unexpected risk and for the time worth of their investment in the company. Mukora (2014) defined dividends as payments paid to shareholders in relation to their stock ownership. No corporation is obligated to pay a dividend, and those that do can vary the amount, according to the research. On the other hand, Zayol, Mya, and Muolozie (2017) define a firm's dividend policy as its dividend pay-out policy, which managers use to decide the frequency and size of cash distribution to shareholders in the form of a dividend. According to the study, management decides how much of the company's income will be paid out to shareholders in the form of dividends. The finest investment choices must be made on behalf of the company by managers in order to maximise value for shareholders. Businesses can do this by making enough money and making an informed decision about whether to reinvest it or distribute it to shareholders. Dividends are sums of money given to shareholders.

According to Muwidha (2013), a corporation's financial performance determines its success when issuing shares that are a reflection of its financial health and performance. This is often evaluated using financial ratios based on accounting profitability. Gitman and Zutter (2015) use return on total assets (ROA), also known as return on investment (ROI), as a statistic to evaluate management's overall success in generating profits from its available assets. Profit and loss, which are gauged by a company's performance through time, are widely used to determine financial success. Examining a company's financial performance is the simplest way to determine how it generates income through the use of its assets. Performance in the context of finance refers to both the pursuit of a financial activity in order to achieve financial goals within a given time frame and the financial effects of its operations and policies.

The various kind of dividend policies a company could adopt include constant pay-out or constant percentage of earnings, a regular dividend or stable amount per share, multiple increase, regular plus extra or special dividends and the residual dividend policy. However, a company should strive to adopt a stable dividend policy. Dividend stability means paying a regular dividend which implies that shareholders expect that dividend position to be maintained at the same level in the future. Cash dividend is the common form of dividend payments. To be able to pay a cash dividend, a company must have enough cash in its bank



account. If the company anticipates that it will not have enough cash at the time of payment of cash dividends, arrangement has to be made in advance to borrow funds. Thus, the payment of a cash dividend has an impact on the liquidity of the company. The payment of cash dividends will reduce retained earnings, net worth and the total assets of the company (Olowe, 2017).

The Nigerian oil and gas market is expected to register a compound annual growth rate (CAGR) of more than 4.5% during the forecast period. The COVID-19 pandemic has significantly hampered the growth of the market, mainly due to global oil and gas demand contraction and global economic slowdown. The outbreak of COVID-19 led to the crude oil price crash in April 2020, leading to a significant reduction in capital expenditure spending by oil and gas companies globally. The country's national oil and gas companies were already struggling with liquidity cash shortage, and due to the outbreak of COVID-19, the situation has further deteriorated. However, factor such as increasing investments in the upstream sector and the development of large scale and modular refineries in the country are expected to drive the country's oil and gas market during the forecast period. Oil and gas production has been hampered in Nigeria in the past few years due to the attack on oil and gas infrastructure by militants. Furthermore, oil theft has been one of the major issues faced by the oil and gas market in Nigeria, which resulted in huge losses to operating companies in the country. Such factors are expected to have a negative impact on the market growth during the forecast period.

The upstream segment in the market is expected to witness significant growth, owing to the increasing offshore exploration and production activities which are mainly driven by the efforts of the government to improve the country's hydrocarbon industry. Lack of infrastructure, uncertainties in regulations, and security concerns have led Nigeria to underutilise its refining capacities thereby pushing the country to become a net importer of refined petroleum products. However, Nigeria is on the edge of altering refined products supply dynamics in the region with the help of the upcoming Dangote refinery, and it is expected to become the regional refining hub in the coming years. Once completed, the country's is planning to become the refinery hub in Africa. This, in turn, is expected to attract foreign players to tap into the country's downstream market, creating several opportunities in the future. Nigeria is one of the largest countries in terms of proved oil and gas reserves in Africa. As of 2020, proved crude oil and natural gas reserves in Nigeria reached 86.9 million tons and 49.4 billion cubic meter (bcm). Furthermore, Nigeria is one of the largest and oldest oil producers in Africa. The oil and gas sector is one of the most important sectors in the country's economy, accounting for more than 90% of the country's exports and 80% of the federal government's revenue (Mordor, 2022).



In February 2022, the Nigerian upstream petroleum regulatory commission announced the industry wide oil revenue recovery initiative to recover the missed revenue on account of crude oil loss due to illegal tapping of pipelines. As per the petroleum commission, it is likely to recover double the country's output from 1.5 million barrels of oil per day to 3 million barrels per day during the upcoming years. In January 2022, Nigeria kick started implementing its new oil reform legislation for oil and gas production growth and attracting international oil and gas companies. The reform was signed in August 2020, which is expected to turn the state oil company Nigeria National Petroleum Corp (NNPC) into a private company within six months to make it easier for the struggling company to raise funds for oil exploration and production projects. The new NNPC can now raise funds from the global capital markets and needs to pay taxes and dividends to its shareholders.

Despite the contributions of earlier studies on dividend policy and financial performance such those written by Adelegan, Adeyemo, Adejuwon and Taiwo, 2015; Salman, Lawal and Anjorin, 2015; Kola, Adewunmi and Babatolu, 2015; Kajola, Adewunmi and Oworu 2015; Hakeem and Bambale, 2016, Kanakriyah, (2020), the empirical evidence from these research on the effect of dividend policy on the financial performance of Nigerian oil and gas companies has produced a wide range of results that are both inclusive and contradictory. The question however is whether this result will be the same in emerging economies such as Nigeria. The Nigeria capital market is considered one of the active Africa financial markets and includes a large number of different sectors with different companies that attach great importance to dividend policy. There is a need to measure the impact of dividends on performance in emerging countries. Based on the above, the research problem is embodied in the following questions Does the dividend policy affect the financial performance of oil and gas companies listed on the Nigeria Stock Exchange during the period from 2009-2021? This suggests that there is a knowledge gap that has to be filled right now.

By analysing the dividend policy and financial results of Nigerian oil and gas corporations, this study aims to address that gap. The main objective of the study is to investigate how dividend policy affects the financial success of Nigerian oil and gas businesses. The main dividend policy variables investigated in this study include dividend per share, earnings per share, and liquidity, as well as their individual impacts on the financial performance of Nigerian oil and gas businesses.



LITERATURE REVIEW

Concept of Financial Performance

Financial performance is a comprehensive analysis of a company's position across all areas, including assets, liability, equity, costs, revenue, and overall profitability. It can be estimated by users to provide exact information about a company's potential effectiveness using a variety of business formulas. Amahalu and obi (2020) define financial performance as a gauge of how well a corporation generates revenue from its assets. Financial performance is a reflection of a company's overall financial health over a given time frame. Additionally, it is employed to contrast and compare various food and beverage companies. Additionally, it demonstrates the evolution of a company's financial standing (Naz, Ijaz, and Najvi 2016).

Financial performance of a firm is measured by profitability in terms of return on assets, liquidity, market value of shares, and business growth. The phrase "financial evaluation" is used in accounting to define the process of evaluating a company's financial performance (Ahmed, Simon and Mohammed, 2017). Financial performance is highly valued by creditors, investors, staff, management, and other stakeholders. The organisation's financial success affects each group personally. Financial success can be evaluated using a variety of indicators. Just a few examples include return on equity (ROE), return on asset (ROA), and earnings per share (EPS) (Bagh, Khan, Azad, Saddique and Khan, 2017).

Return on Asset

Return on Asset is one of the measures of profitability in company. This is because it measures how profitable and efficient the management of a company's total asset is generating income. ROA is the most important indicator to employ in terms of total assets and oil and gas company income generation. Lassala, Apetrei and Sapina (2017) examined the impact of financial performance of companies on sustainability through financial ratio analysis. Their studies suggested that return on assets is an important indicator of sustainability for companies of specific industries. The formula for ROA is stated below:

$$\text{Return On Assets} = \frac{\text{Net Income}}{\text{Total assets}}$$

Return on Equity

Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders equity. Because shareholders equity is equal to a company's assets minus its debt, ROE is considered the return on net assets. It also a gauge of a company's profitability and how efficient it is in generating profits. The higher the ROE, the more efficient a company's management is at generating income and growth from its equity financing. Formula for Return on equity is stated below:



$$\text{ROE} = \frac{\text{Net profit before tax}}{\text{Shareholders' equity}}$$

Dividend Policy

“Dividend policy” refers to the procedure management uses to determine the size and pattern of cash payouts to shareholders (Lease, Kose, Avner, Uri, and Oded 2000). Managers have debated dividend policy from the dawn of modern business. Dividend policy is surprisingly divisive. Since the mid-1800s, finance experts have studied dividend policy. They've developed ideas and models to explain dividend behaviour (Michael Husam-Aldin and Rekha Husam-Aldin, 2000).

Firms with robust dividend policies maximise shareholder wealth. Financial analysts throughout the world are interested in dividend policies. It has inspired debate and theoretical and empirical research. The dividend policy determines how much of the company's earnings can be paid as dividends (Ivan, Olga and Lyudmila, 2021). A dividend policy is one in which the government pays dividends to its stockholders (Muhammad, Malik, Zia, Haroon and Abdul, 2018).

Dividend pay-out ratio is the percentage of a company's net income dedicated to shareholder pay-outs. The company continuously distributes dividends to meet shareholder expectations and encourage them to keep their shares. Selling shares in large amounts can be a negative indicator for a company on the stock exchange, causing share values to decline. Investors prefer companies with higher dividends. The stock price rises. Positive investor indications about the company's profitability boost share prices. According to Gordon (1963), dividend pay-out affects corporate value because investors favour dividend cash above future capital gains.

Earnings per Share

Earnings per share or EPS is an important financial measure, which indicates the profitability of a company. It is calculated by dividing the company's net income with its total number of outstanding shares. It is a tool that market participant use frequently to gauge the profitability of a company before buying its shares. EPS is the portion of a company's profit that is allocated to every individual share of the stock. It is a term that is of much importance to investors and people who trade in the stock market. The higher the earnings per share of a company, the is profitability. For an investor who is primarily interested in a steady source of income, the EPS is very important and crucial tool for investors, it should not be looked at in isolation. Investors worldwide use earnings per share (EPS). It estimates stock investment profits (Sierpinska and Jachna, 2004). It's important for investors who expect a good dividend and those who expect their shares' market value



to rise due to rising profit margins (Golebiewski and Tlaczala, 2005). If EPS is determined consistently, it can be compared across reporting periods and firms.

Theoretical Review

Signaling Theory

Hypothesis: Dividend policy can tell investors about a company's future prospects. Cash dividend announcements reduce information asymmetry by informing shareholders of management's opinion of a company's future profitability. This helps investors analyse a company's stock price. This approach emphasises dividend policy (Al-Kuwari, 2009).

Bird-in-hand Theory

"Bird in hand" refers to studies that link dividends to a company's value. Theoretically, corporate valuation and dividend pay-out are linked. Dividends are more predictable, making them less hazardous than capital gains. Investors choose dividends above capital gains (Amidu, 2007). Companies should have a high dividend pay-out ratio and yield to enhance stock price because dividends are less risky than capital gains. This hypothesis holds that investors prefer present dividends to future returns to reduce risk (Ivan, Olga & Lyudmila, 2021). Bigger pay-outs or more consistent dividends boost firm value since dividends are a guaranteed thing whereas share price appreciation is unpredictable

Clientele theory

This hypothesis defies all earlier assumptions by suggesting that dividend policy is affected by a company's shareholders, with some favouring immediate yield and others preferring future share price rise. Value is secondary (Ivan, Olga, and Lyudmila, 2021). Institutional investors are drawn to dividend-paying equities due to tax benefits, according to Allen, Bernardo, and Welch (2000). Various dividend plans attract different customers. High-growth firms that pay limited (or no) dividends attract a customer that prefers price appreciation above pay-outs. Dividend-paying companies attract customers who desire hefty rewards (Husam, Rekha Pillai, and Michael Rafferty, 2010)

Dividend Irrelevance Theory

Finance experts debate dividend policy's impact on firm value. Miller and Modigliani (1961) disagree with the conventional view that dividends affect business value. According to their approach, a company's value is determined by its assets and cash flows, not how cash flows are allocated to shareholders. Investment policy determines value. The MM model proves that dividend policy has no effect on share value in ideal and efficient capital markets and that rational investors should ignore dividends and capital gains. DeAngelo



and DeAngelo (2007) disagree with MM's conclusion that all pay-out plans are equally valuable to investors, saying dividend policy affects firm value.

Theoretical Framework

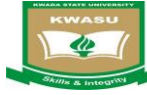
This study has reviewed four theories that are relevant to the topic of study. The study considers the following dividend policy and financial performance related theories and they are, signalling theory, bird-in-hand theory, clientele theory and dividend irrelevance theory. The study will be anchored on dividend irrelevance theory. Dividend irrelevance theory provides important information on dividend policy.

Empirical Review

Amidu and Abor (2006) explored the relationship between the dividend pay-out ratio in Ghana and a number of company-specific characteristics. The sample includes companies that were listed on the Ghana stock exchange between 1998 and 2003, and despite the fact that there are only 20 companies in the sample they represent 76 per cent of all listed companies in Ghana at the time. Profit, risk, cash flow, tax (corporate profit/net profit), institutional holding, growth (in sales), and market to book value are all characteristics included in the study. The analysis discovered a link between the dividend pay-out ratios of the companies and their profitability and cash flow. Dividends and taxes have also been found to have a favourable relationship. Shisia, Sang, Sirma and Maundu (2014), carried out a study on assessment of dividend policy on financial performance of telecommunication companies quoted at the Nairobi securities Exchange. They find out that there is a negative significant relationship between dividend policy and the financial performance of telecommunication companies in Nairobi.

Umar and Saidu (2016) examined dividend policy and financial performance of oil and gas companies in Nigeria. The findings revealed that there is a significant negative relationship between dividend policy and financial performance of oil and gas companies in Nigeria. Ebire and Mukhtar (2018) looked at the impact of dividend policy on the performance of Nigerian listed oil and gas companies from 2007 to 2016. Secondary data was gathered from 9 publicly traded companies, which made up the study's sample size. The findings revealed that dividend payment ratio and retained earnings had a beneficial impact on earnings per share of listed oil and gas companies in Nigeria, whereas dividend yield has a large but negative impact.

The impacts of dividend pay-out on business performance in the Nigerian oil and gas sector were investigated by Mahmood, Abubakar, and Moshood (2020). The analysis relied on secondary data from the companies' financial reports. The study discovered that the



dividend pay-out ratio had a negative and minor impact on company performance, however the results revealed a considerable impact

Kanakriyah (2020) examined dividend policy and companies financial performance. The study included 92 industrial and service sector companies listed on the Amman Stock Exchange (ASE) during the period from 2015 to 2019. The data was collected from the annual reports and information that was available on the ASE website covering the period 2015 to 2019. The study used panel data analysis and cross sectional time series data, simple and multiple linear regression models. The results detect a strong relation between DY, DPR and Fsize variables that explain firm performance.

METHODOLOGY

The study was quantitative in nature. The population for this study include Oil and Gas Companies listed on the Nigerian Stock Exchange. Purposive sampling technique was adopted to select Six (6) oil and gas listed on the Nigerian Stock Exchange market. This was due to the fact that data needed were not sufficient in the annual reports of all the listed oil and gas, hence the use of the Six (6) oil and gas companies are Conoil Plc, Forte Oil Plc, Mobil Oil Plc, MRS Oil, Oando Oil Plc and Total Oil Plc. The study employed ex post facto research design.

The data used for this study were secondary data derived from the annual financial statements reports of the selected oil and gas companies. The period considered for this study is from 2009 to 2021 i.e., Ten (13) years. The study involves time series and cross-sectional data. Panel Least Square data regression analytical technique was used to observe all variables for the period. The dependent variable, financial performance was measured using Return on Equity (ROE) and Return on Asset (ROA) while the independent variable, Dividend Policy was measured by Dividend per share (DPS), Leverage (LEV), Liquidity (LIQ), Earnings Per Share (EPS) and RISK (risk) as its indicators.

Model Specification

To conduct the investigation on the impact of Dividend policy on financial performance of oil and gas companies in Nigeria. The models for this study are stated below. An empirical model is formulated which is based on the use of panel data methodology. This study employs panel data analysis which is a combination of time series and cross-sectional data analysis because it is the most useful for it.

The general form of the panel data analysis model is specified as:

$$Y_{it} = \beta_0 + \beta F_{it} + e_{it} \quad (1)$$

Where:



Y_{it} = Dependent variable (Organization Performance)

β_0 = Constant

β_1 = Coefficient of the explanatory variable (dividend payout policy)

F_{it} = Explanatory variable in the estimation model

e_{it} = Error term

$$OPERF_{it} = \beta_0 + \beta_1 DPS_{it} + \beta_2 LEV_{it} + \beta_3 LIQ_{it} + \beta_4 EPS_{it} + \beta_5 RISK_{it} + \mu_{it} \quad (2)$$

Where: OPERF is organizational performance proxy by return on assets and return on equity; DPS is dividend per share; LEV is leverage; LIQ is liquidity; EPS is earnings per share; RISK is risk; β_0, β_{1-5} are parameters; μ is error term. Based on the panel data analysis model, organizational performance is a vector of return on asset (ROA) and return on equity (ROE). Equation (2) is re-specified as:

$$ROA_{it} = \beta_0 + \beta_1 DPS_{it} + \beta_2 LEV_{it} + \beta_3 LIQ_{it} + \beta_4 EPS_{it} + \beta_5 RISK_{it} + e_{it} \quad (3)$$

$$ROE_{it} = \beta_0 + \beta_1 DPS_{it} + \beta_2 LEV_{it} + \beta_3 LIQ_{it} + \beta_4 EPS_{it} + \beta_5 RISK_{it} + v_{it} \quad (4)$$

Measurement of Variables

Variables	Measurement
Return on Equity (ROE)	Return on equity (profit after tax/total equity shares in issue) for company <i>i</i> (cross sectional) in time <i>t</i> .
Return on Asset (ROA)	Return on assets (profit after tax/ total assets) for company <i>i</i> (cross sectional) in time <i>t</i>
Dividend Per Share (DPS)	Dividend per share (total amount of dividend payable to the number of ordinary shares) for company <i>i</i> (cross sectional) in time <i>t</i>
Earnings Per Share (EPS)	Earnings per share is the ratio of profit after interest and tax to the number of ordinary shares for company <i>i</i> in time <i>t</i>
Leverage (LEV)	Leverage measure by the ratio of debt to equity capital for company <i>i</i> in time <i>t</i> .
Liquidity (LIQ)	Liquidity is measured by ratio of current asset to current liability for company <i>i</i> in time <i>t</i> .
Risk	It is measured by the ratio of profit before interest and tax to profit after interest and tax for company <i>i</i> in time <i>t</i>



RESULT AND DISCUSSION

Table 1: Descriptive Statistics for 6 selected oil and gas companies on NSE Market Pooled Data

Variables	Mean	Std Dev.	Max.	Min.	Kurtosis	Skewness	Obs.
DPS	4.1185	5.0304	17	0	0.7213	1.3026	50
EPS	6.3413	10.4714	43.58	-20.23	2.9180	0.6147	54
Leverage	3.5771	3.2093	18.5438	0	14.6288	3.5581	54
Liquidity	0.9815	0.3340	1.8516	0.2723	0.6698	-0.1315	53
Risk	2.2930	2.2363	10.1250	-4.7803	4.7225	1.0474	54
ROA	0.0240	0.0846	0.1322	-0.4320	16.4703	-3.3813	53
ROE	0.0113	0.7551	0.6278	-3.9397	20.6967	-4.4459	54

Source: Author’s computation (2022).

The descriptive characteristics of the 6 pooled-company data employed in the estimation of the panel fixed regression models for dividend pay-out policy and organizational performance is shown on Table 1, while Table 4.2 presents the correlation matrix. The summary statistics of the pooled data for 6 selected companies shown on Table 1 indicate the average, maximum, minimum, standard deviation, skewness, Kurtosis, Jarque-Bera and coefficient of variation of all the variables between 2009 and 2021.

The average values of return on asset (ROA) and return on equity (ROE) are 0.0240 and 0.0113 respectively. Both financial profitability indicators have their minimum value to be negative with -0.432 and -3.9397 respectively, indicating the low performance rate of the listed companies. On the part of dividend pay-out policy, the average value of dividend per share is 4.12 Naira per share. The average value of leverage and liquidity are 3.5771 and 0.9815 respectively. Their minimum values are relatively lower to their mean values. The mean value of earnings per share and risk are 6.34/share and 2.293 respectively.

In addition, the standard deviation reports the rate at which these variables deviate from their individual mean values. Dividend per share, earnings per share and return on equity have high deviation rate in varying magnitude from their means, as their standard deviation values are greater than average values. Moreover, liquidity, return on assets and return on equity were found to be negatively skewed with a value of -0.1315, -3.3813 and -4.4459 respectively, whereas, other variables reported rightward skewness.

As well, the kurtosis identified 3.0 suggesting the normal distribution of the dividend per share and financial performance indicators and their determining variable factors. From the table, none of the variables is normally distributed. Of all the other variables, four (4)



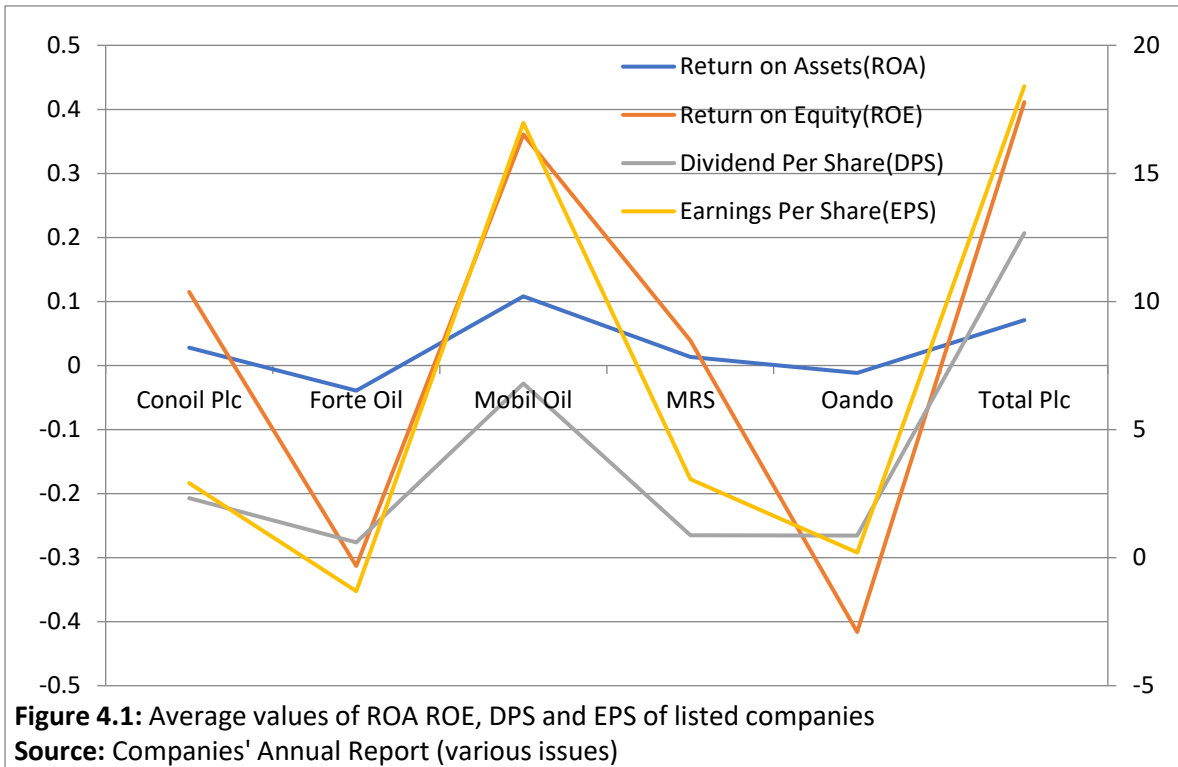
are leptokurtic in nature while the remaining three (3) are platykurtic. More so, the Jarque-Bera statistics revealed that all the indicators are significant at 0.05 critical values denoting that they are normally distributed.

Table 2: Correlation Matrix

	<i>DPS</i>	<i>EPS</i>	<i>Leverage</i>	<i>Liquidity</i>	<i>Risk</i>	<i>ROA</i>	<i>ROE</i>
DPS	1						
EPS	0.81600	1					
Leverage	0.02956		1				
Liquidity	-0.11266	0.17249	-0.54956	1			
Risk	-0.13679	-0.05102	-0.17463	0.20301	1		
ROA	0.47538	0.78483	-0.38613	0.18529	0.05704	1	
ROE	0.36295	0.66694	-0.60369	0.25073	0.11301	0.87717	1

Source: Author’s computation (2022).

Table 2 above reveal the correlation between the indicators of dividend policy and organizational performance. From the two financial performance indicators (ROA&ROE) and dividend per share, the correlation coefficients are positive and weak as none is up to 0.5. It shows that a direct level of association exist between dividend policy and organization performance in the listed oil and gas company in Nigeria. Other indicators that reported positive correlation with organization performance measures (ROA and ROE) are earning per share, liquidity and risk. However, leverage has a negative correlation with organization performance. Furthermore, some degree of correlation is expected among the determining indicators since they are mostly employed to enhance organisation performance. Nevertheless, the moderate to low degree of association among the variables make them suitable for the analysis.



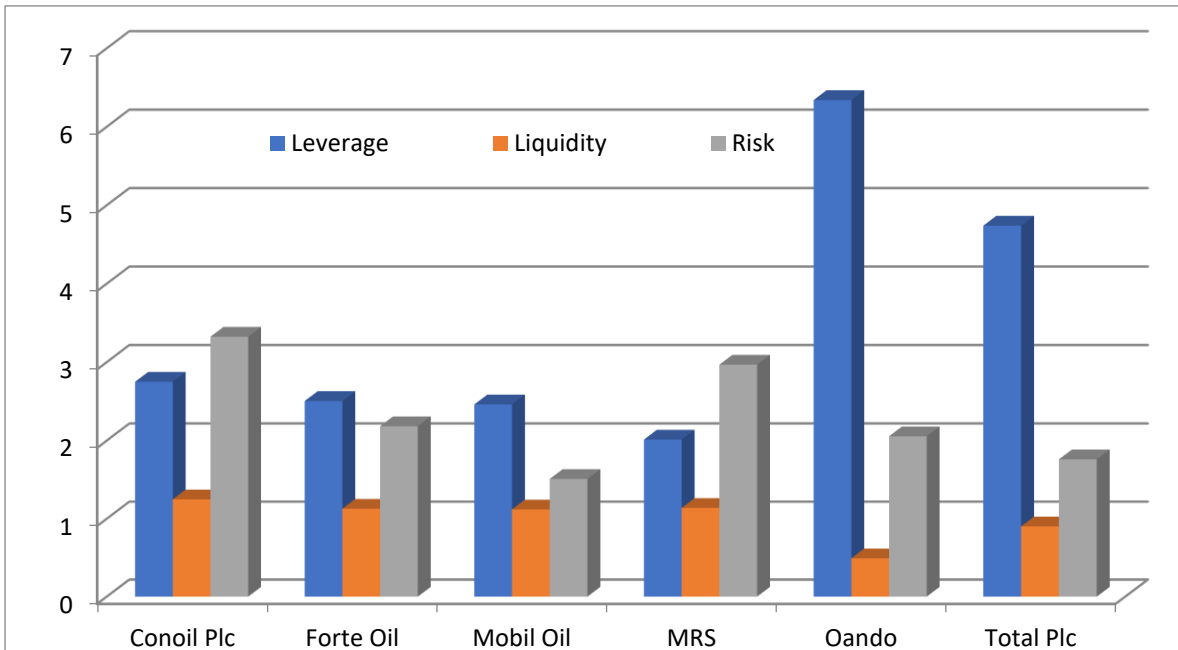


Figure 4.2: Average values of Leverage, Liquidity and Risk of listed companies

Source: Companies' Annual Report (various issues)

The trend analysis of the series employed to analyse the relationship between dividend pay-out policy and organisation performance in the listed oil and gas industry in Nigeria is presented in Figures 4.1 and 4.2.

Panel Fixed Effect Results of Dividend Policy and Return on Assets of Listed Oil and Gas Companies in Nigeria

H₀: Dividend policy does not have significant influence on return on assets of listed oil and gas firms in Nigeria.

Table 3: Panel Fixed Effect Results of Dividend per Share and Return on Assets of 6 Listed Oil and Gas Companies on NSE Market

Dependent Variable: ROA

Sample: 2009 2018

Periods included: 10

Cross-sections included: 6

Total panel (unbalanced) observations: 49

White cross-section standard errors & covariance (d.f. corrected)



Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.057141	0.045774	1.248328	0.2198
DPS	-0.016332	0.008024	-2.035273	0.0490
EPS	0.008766	0.003616	2.424193	0.0203
LEVERAGE	-0.004815	0.002605	-1.848468	0.0725
LIQUIDITY	-0.015399	0.042566	-0.361764	0.7196
RISK	0.000840	0.001464	0.573583	0.5697

Effects Specification

Cross-section fixed (dummy variables)			
R-squared	0.750622	Mean dependent var	0.021824
Adjusted R-squared	0.676483	S.D. dependent var	0.086650
S.E. of regression	0.049285	Akaike info criterion	-2.973482
Sum squared resid	0.089875	Schwarz criterion	-2.510179
Log likelihood	84.85031	Hannan-Quinn criter.	-2.797706
F-statistic	10.12447	Durbin-Watson stat	1.797791
Prob(F-statistic)	0.000000		

Note: Heteroskedasticity-consistent standard errors in parenthesis; Statistical significant coefficients at 10%, 5% and 1% respectively are denoted by ***, ** and *. All regressions use the fixed cross-section effects no weights standard errors and covariance (d.f. corrected).

Source: Author’s computation (2022).

The model for ROA indicates that dividend per share have negative and significant impact on return on assets as a measure of organization performance of the Nigerian oil and gas companies in Nigeria. In terms of magnitude, a 10% change in dividend per share cause a decrease in return on asset by 0.16%. Similarly, leverage and liquidity were found to affect return on assets negatively. Also, only leverage was found to be statistically significant at 10% significance level. Thus, a 0.05% increase in return on assets resulted from a 10% decrease in leverage. However, earnings per share and risk have a direct impact on return on assets but only the former had significant impact statistically. A 10% increase in earnings per share increase return on assets by 0.09%. In addition, the F-statistic result indicated that all incorporated indicators are simultaneously significant at 5% critical level. This prompts the rejection of the null hypothesis that “the dividend pay-out policy has no significant effect on return on assets in Nigeria”. Thus, the adjusted R-squared result reveals that 67.6% of the total variation in return on assets is accounted by changes in dividend pay-out policy during the review period. The Durbin-Watson test result reveals that there is presence of weak positive serial correlation among the residuals, because of the d-value (1.7978) is less than two.



Panel Fixed Effect Results of Dividend Policy and Return on Equity of Listed Oil and Gas companies in Nigeria

H₀: Dividend policy does not have significant influence on return on equity of listed oil and gas firms in Nigeria.

Panel Fixed Effect Results of Dividend per Share and Return on Equity of 6 Listed Oil and Gas Companies on NSE Market

Dependent Variable: ROE

Sample: 2009 2018

Periods included: 10

Cross-sections included: 6

Total panel (unbalanced) observations: 49

White cross-section standard errors & covariance (d.f. corrected)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.988224	0.487186	2.028433	0.0498
DPS	-0.173437	0.049699	-3.489753	0.0013
EPS	0.071158	0.025788	2.759292	0.0090
LEVERAGE	-0.121996	0.051747	-2.357546	0.0238
LIQUIDITY	-0.258017	0.346556	-0.744517	0.4613
RISK	0.001083	0.015611	0.069354	0.9451

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.781931	Mean dependent var	-0.001892
Adjusted R-squared	0.717100	S.D. dependent var	0.791822
S.E. of regression	0.421157	Akaike info criterion	1.317271
Sum squared resid	6.562808	Schwarz criterion	1.780574
Log likelihood	-20.27315	Hannan-Quinn criter.	1.493048
F-statistic	12.06103	Durbin-Watson stat	1.826318
Prob(F-statistic)	0.000000		

Note: Heteroskedasticity-consistent standard errors in parenthesis; Statistical significant coefficients at 10%, 5% and 1% respectively are denoted by ***, ** and *. All regressions use the fixed cross-section effects no weights standard errors and covariance (d.f. corrected).

Source: Author's computation (2022).

The table shows that dividend per share have negative and significant impact on return on equity as a measure of organization performance of the Nigerian oil and gas companies in Nigeria. In terms of magnitude, a 10% change in dividend per share cause a decrease in



return on equity by 1.73%. Similarly, leverage and liquidity were found to affect return on equity negatively. Also, only leverage was found to be statistically significant at 10% significance level. Thus, a 1.22% increase in return on equity resulted from a 10% decrease in leverage. However, earnings per share and risk have a direct impact on return on equity but only the former had significant impact statistically. A 10% increase in earnings per share increase return on equity by 0.712%.

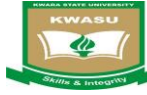
Additionally, the F-statistic result indicated that all incorporated indicators are simultaneously significant at 5% critical level. This prompts the rejection of the null hypothesis that “the dividend pay-out policy has no significant effect on return on equity in Nigeria”. Thus, the adjusted R-squared result reveals that 71.7% of the total variation in return on equity is accounted by changes in dividend pay-out policy during the review period. The Durbin-Watson test result reveals that there is presence of weak positive serial correlation among the residuals, because of the d-value (1.8263) is less than two .

Discussion of Findings

As to the impact of dividend policy on return asset of selected quoted oil and gas companies in Nigeria, it was found that there is a significant negative impact on return on asset. This finding is in line with that of Umar and Saidu (2016) posit that reported a significant negative relationship between dividend policy and financial performance of oil and gas companies in Nigeria. Also, as to the impact of dividend policy on return on equity of selected quoted oil and gas companies in Nigeria, it was found that there is a significant negative impact on return on equity. This finding is in line with that of Shisia, Sang, Sima and Maundu (2014) that reported a significant negative relationship between dividend pay-out ratio and firm performance. The implication of this is that payment of dividends has an impact on the liquidity of the company. The payment of dividends will reduce retained earnings and the net worth and thus, the total assets of the oil and gas company.

CONCLUSION AND RECOMMENDATIONS

It was concluded that dividend policy had negative significant impact on return on asset and return on equity. The following are the researcher recommendations based on the findings from the study. The study recommends that, the company would pay no dividend. They would retain all earnings to maximise market price per share since they can earn more on investment than share holder expectation. Furthermore, companies should retain some part of their profits for strengthening their financial position. The income may be conserved for meeting the increase requirements of working capital or future expansion. Companies may have difficulties in raising finance for their needs for expansion programmes,



therefore company should distribute dividend at low rates and retain a larger part of their profits for the purpose of expansion.

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