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Determinants Of Dividend Policy In Nigerian Food And Beverage Manufacturing Sector: An Empirical Approach

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Abstract

This study examines the determinants of dividend policy in Nigerian food and beverage manufacturing firms over the period 2014–2024. Specifically, it investigates the effects of profitability (PROF), firm size (FS), leverage (LEV), liquidity (LIQ), and growth opportunities (GO) on dividend policy (DP). The study employs panel data obtained from five listed food and beverage manufacturing firms: Nestlé Nigeria Plc, Dangote Sugar Refinery Plc, Nigerian Breweries Plc, UAC of Nigeria Plc, and Guinness Nigeria Plc. The data were analysed using panel least squares regression. The empirical results reveal that firm size and leverage have statistically significant negative effects on dividend policy. Specifically, firm size (β = −9.17E−05, p = 0.0249) and leverage (β = −1.3784, p = 0.0000) exhibit significant negative relationships with dividend policy. These findings suggest that increases in firm size and financial leverage are associated with lower dividend payouts, all else being equal. Conversely, profitability (β = 0.2901, p = 0.5899), liquidity (β = 0.2484, p = 0.0853), and growth opportunities (β = −0.4477, p = 0.0843) do not have statistically significant effects on dividend policy at the 5% significance level. The findings indicate that firm size and financial leverage are important determinants of dividend policy among the sampled firms, whereas profitability, liquidity, and growth opportunities do not demonstrate statistically significant effects within the study period. The study concludes that Nigerian food and beverage manufacturing firms should adopt prudent financial management strategies that balance debt obligations, investment opportunities, and shareholders' dividend expectations to promote sustainable dividend policies.

Keywords: *Dividend Policy, Profitability, Firm Size, Leverage, Liquidity, Growth Opportunities, Food and Beverage Manufacturing, Nigeria.*

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Introduction

Dividend policy represents a central corporate finance decision that affects how firms distribute earnings between shareholders and reinvestment. In emerging markets, firm characteristics like profitability, liquidity, and size have been shown to influence dividend payouts. A study of consumer goods manufacturing in Nigeria found that profitability and liquidity significantly determine dividend policy, while firm size did not show significance, highlighting the role of internal financial drivers in distribution decisions. (Enwien and Orits 2023)

Dividend policy determinants vary substantially across sectors and contexts. Empirical evidence from Nigerian industrial goods firms demonstrates that firm size has a significant positive relationship with dividend payout ratios, whereas leverage and growth variables show insignificant effects. This indicates that larger firms may be better able to maintain regular distributions, but growth ambitions and debt obligations can complicate payout choices, emphasizing secondary data assessment in manufacturing research. (Abdul-Khadir et al. 2024)

Broader manufacturing sector analysis in Nigeria reveals that profit after tax, past dividend history, firm size, and growth dynamics are key determinants of dividend policy across multiple years. Such studies rely on secondary financial data extracted from annual reports and highlight the long-term financial performance patterns that shape dividend decisions. These findings support the need to empirically analyze firm financial characteristics when investigating payout behaviour. (Adelegan et al. 2021)

Despite research on Nigerian manufacturing generally, specific empirical inquiry into the food and beverage manufacturing sector's dividend policy is limited. Manufacturing firms operate under varying cost structures, investment opportunities, and competitive pressures that influence earnings retention and distribution. Examining sector-specific secondary data enables researchers to uncover unique patterns in payout behavior that may not appear when all manufacturing firms are aggregated. This justifies focusing on the Nigerian food and beverage sub-sector.

Empirical investigation into Nigerian dividend policy using secondary data supports corporate decision-making and investor assessment. Financial managers rely on audited annual financial statements to quantify profitability, leverage, liquidity, size, and growth variables that influence dividend payouts. Research that systematically evaluates these determinants enhances understanding of dividend behaviour in the Nigerian food and beverage sector, contributing to both academic literature and practical financial policy formulation.

Statement of the Problem

In an ideal scenario, Nigerian food and beverage manufacturing firms should adopt dividend policies that reflect their profitability, liquidity, growth opportunities, and financial stability. Such a policy ensures consistent and fair distribution of earnings to shareholders, while retaining sufficient funds for reinvestment, expansion, and long-term sustainability. An optimal dividend policy enhances investor confidence, attracts capital, and promotes efficient allocation of financial resources in the sector.

However, the problem is that many firms in the Nigerian food and beverage manufacturing sector exhibit inconsistent or suboptimal dividend payout patterns. Dividend decisions are often made without a systematic assessment of firm-specific financial determinants such as profitability, leverage, liquidity, and growth opportunities. This misalignment creates uncertainty for investors and may reduce shareholder wealth. It also limits the ability of firms to reinvest retained earnings efficiently, impacting growth prospects and competitiveness.

If these problems are not addressed, Nigerian food and beverage manufacturing firms risk continued investor dissatisfaction, volatility in share prices, and poor access to capital. Misaligned dividend policies can discourage

investment, reduce market confidence, and undermine the financial sustainability of firms in the sector. Moreover, without evidence-based empirical analysis guiding dividend decisions, firms may struggle to optimize their payout ratios, potentially affecting long-term operational growth and industry stability.

Objectives of the Study

The primary purpose of this study is to examine the determinants of dividend policy in Nigerian food and beverage manufacturing sector: an empirical approach The specific objectives are to:

i. To examine the effect of profitability on the dividend policy of Nigerian food and beverage manufacturing companies.

ii. To determine the impact of firm size on the dividend policy of Nigerian food and beverage manufacturing companies.

iii. To assess the relationship between leverage and the dividend policy of Nigerian food and beverage manufacturing companies.

iv. To investigate the effect of liquidity on the dividend policy of Nigerian food and beverage manufacturing companies.

v. To analyze the influence of growth opportunities on the dividend policy of Nigerian food and beverage manufacturing companies.

Research Questions

The study provided answers to the following research questions.

i. What is the effect of profitability on the dividend policy of Nigerian food and beverage manufacturing companies?

ii. How does firm size influence the dividend policy of Nigerian food and beverage manufacturing companies?

iii. What is the relationship between leverage and the dividend policy of Nigerian food and beverage manufacturing companies?

iv. How does liquidity affect the dividend policy of Nigerian food and beverage manufacturing companies?

v. What is the impact of growth opportunities on the dividend policy of Nigerian food and beverage manufacturing companies?

Statement of Hypotheses

The following hypotheses in null form (H_0) guided this study

i. H_{01}: Profitability has no significant effect on the dividend policy of Nigerian food and beverage manufacturing companies.

ii. H_{02}: Firm size has no significant impact on the dividend policy of Nigerian food and beverage manufacturing companies.

iii. H_{03}: Leverage has no significant relationship with the dividend policy of Nigerian food and beverage manufacturing companies.

iv. H_{04}: Liquidity has no significant effect on the dividend policy of Nigerian food and beverage manufacturing companies.

v. H_{05}: Growth opportunities have no significant influence on the dividend policy of Nigerian food and beverage manufacturing companies.

Review of Related Literature

Conceptual Review

Concept of Determinants On Dividend Policy

The profitability of a firm is widely recognized as the primary internal engine that drives the distribution of dividends to shareholders. When a company generates consistent and substantial net income, it possesses the financial capacity to reward its investors while simultaneously maintaining enough capital for operational needs. High profitability levels signal to the market that the firm is stable and capable of sustaining its payout levels over the long term. Consequently, firms with robust earnings trends tend to adopt more generous dividend policies to maintain investor confidence (Enwien and Orits 2023).

The availability of free cash flow and the overall liquidity position of an organization act as the practical constraints on any proposed dividend payout ratio. Even if a corporation reports high accounting profits on its income statement, the actual cash on hand is what dictates the feasibility of a cash dividend. Managers must carefully balance the desire to pay dividends with the necessity of maintaining a liquidity buffer for unforeseen expenses or working capital requirements. Therefore, firms with strong cash reserves are generally more inclined to distribute higher dividends than those facing cash shortages (Abubakar 2022).

Investment opportunities and the specific stage of a firm's growth cycle play a definitive role in determining how much of the earnings should be retained. Growth-oriented companies frequently face high capital expenditure requirements and prefer to plow profits back into the business to fund research, development, and expansion projects. Under the residual dividend theory, dividends are only paid out from the remaining funds after all profitable investment projects have been financed. This often results in lower dividend payouts for younger, expanding firms compared to mature companies with fewer investment prospects (Kalu 2021).

Financial leverage and the existing capital structure of a firm significantly influence the management's decision to declare dividends to equity holders. Companies with high debt levels are often burdened by significant interest obligations and restrictive debt covenants that prioritize the claims of creditors over those of shareholders. To avoid the risk of default or technical violations of loan agreements, highly levered firms usually retain more earnings to strengthen their balance sheets. As a result, there is typically an inverse relationship between a firm's debt-to-equity ratio and its propensity to pay dividends (Zubair 2024).

The strategic alignment of corporate governance and the protection of minority shareholder rights further refine the execution of dividend distributions within the modern corporate landscape. Beyond mere financial metrics, the quality of the board of directors and the transparency of financial reporting ensure that dividends are not used as a tool for managerial entrenchment. Effective governance structures help in mitigating agency conflicts by ensuring that excess cash is returned to the owners rather than being wasted on inefficient projects. Moreover, a consistent dividend policy serves as a testament to the firm's commitment to ethical financial management and long-term value creation for all its diverse stakeholders.

Profitability

The concept of profitability represents the primary metric used to evaluate a firm's efficiency in utilizing its resources to generate earnings relative to its expenses and capital costs. It is more than just a measure of total revenue; it reflects the qualitative capacity of management to convert operational inputs into realized financial gains. High levels of profitability indicate that a business model is sustainable and capable of generating internal funds for future expansion (Adekoya 2023).

Profitability serves as a vital indicator of financial health, influencing the perception of external investors and creditors regarding the firm's long-term viability and creditworthiness. In the competitive global market, firms that maintain consistent profit margins are better positioned to weather economic downturns and absorb inflationary pressures on production costs. Academic discourse emphasizes that profitability is the cornerstone of corporate success, as it provides the necessary cushion to meet financial obligations while simultaneously enhancing the overall market value of the entity (Hassan 2022).

The measurement of profitability is typically conducted through various financial ratios, such as Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin. These ratios allow stakeholders to dissect the performance of a company by comparing earnings against specific benchmarks like total investment or shareholder equity. Research suggests that these metrics are essential for identifying operational inefficiencies and determining which business segments are contributing most effectively to the bottom line, thereby guiding strategic resource allocation decisions (Moussa 2019).

In the context of corporate strategy, profitability is the fundamental driver of a firm's competitive advantage and its ability to innovate within its specific industry. Companies with superior profitability can afford to invest in research and development, which fosters technological advancement and operational superiority over rivals. This reinvestment cycle creates a feedback loop where increased efficiency leads to higher margins, which in turn provides more capital for further innovation and market penetration, ensuring the firm remains a dominant player in its field (Tariq 2024).

The pursuit of profitability must be balanced with ethical considerations and the interests of various stakeholders to ensure that short-term gains do not compromise long-term sustainability. Modern corporations are increasingly evaluated not only on their ability to generate profits but also on how those profits are achieved in relation to social and environmental responsibilities. Moreover, a balanced approach to profitability ensures that the firm maintains its social license to operate while delivering consistent financial returns to its owners and investors over several fiscal periods.

Firm Size

The concept of firm size identifies the scale of an organization's operations and is typically measured by total assets, sales volume, or the total number of employees within the corporate structure. It serves as a fundamental proxy for a company's capacity to exploit economies of scale and its overall market power. Larger firms often possess greater resource depth, allowing them to withstand economic shocks more effectively than their smaller counterparts (Dang et al. 2018).

Firm size is a critical determinant of financial behavior because it influences the level of information asymmetry existing between the management and external investors in the capital market. Large corporations are generally subject to more rigorous disclosure requirements and receive greater analyst coverage, which enhances their

visibility and transparency. Consequently, these larger entities tend to have easier access to external financing at lower costs compared to smaller, less transparent organizations (Niresh and Velnampy 2014).

In the context of operational efficiency, the size of a firm dictates its ability to implement sophisticated technological systems and specialized management structures that drive long-term productivity and growth. Larger organizations can spread fixed costs over a greater volume of output, thereby reducing the average cost per unit and increasing competitive advantages. This structural advantage allows large-scale enterprises to dominate market shares and dictate pricing strategies within their respective industrial sectors (Sari and Sulasmiyati 2018).

The relationship between firm size and corporate profitability is often explained through the lens of resource-based theory, where size provides the necessary capital for diversification and innovation. Large firms can afford to engage in multiple product lines and geographical markets, which mitigates the risk of total failure if one segment underperforms. This diversification capability ensures a more stable revenue stream, which is vital for maintaining consistent dividend payouts and satisfying various stakeholder expectations (Younis and Afzal 2022).

The strategic importance of firm size extends to its role in corporate governance and the complexity of agency relationships found within large, multi-divisional organizational frameworks. As a company expands, the distance between owners and managers increases, necessitating more robust internal control mechanisms to prevent the misuse of corporate assets. Moreover, the sheer scale of a firm often mandates a transition from centralized to decentralized decision-making processes to maintain agility in a rapidly evolving global marketplace.

Leverage

The concept of leverage identifies the extent to which a business organization utilizes borrowed funds, such as debt and fixed-income securities, to finance its acquisition of assets. It represents a strategic financial mechanism designed to increase the potential return on equity by using lower-cost debt to fund operations that generate higher returns. Financial leverage effectively magnifies the outcomes of management decisions, potentially leading to significant wealth creation during periods of economic growth (Hossain 2021).

Leverage serves as a critical indicator of a firm's financial risk profile and its long-term solvency within the competitive corporate landscape. While debt can facilitate rapid expansion, it also introduces mandatory interest obligations that must be met regardless of the company's current earnings performance. Academic studies suggest that high leverage levels increase the probability of financial distress, especially when the firm's operating income becomes volatile or unpredictable. Consequently, managers must balance the benefits of tax shields against the costs of potential bankruptcy (Ahmad 2023).

The measurement of leverage is typically conducted through specific ratios, such as the debt-to-equity ratio and the interest coverage ratio, to assess capital structure stability. These metrics provide essential insights into the firm's reliance on external creditors versus internal equity holders for its daily operations and long-term projects. Research indicates that capital intensive industries generally maintain higher leverage ratios due to their substantial collateralizable assets, which provide security to lenders and lower the overall cost of borrowing (Ibrahim 2017).

In the context of agency theory, the use of leverage acts as a disciplining mechanism for corporate managers by reducing the amount of free cash flow available for non-productive expenditures. By committing the firm to regular interest and principal payments, debt forces management to be more efficient in their investment choices and operational oversight. This pressure aligns the interests of managers with those of shareholders, as the firm must maintain high performance levels to satisfy its contractual obligations to debt holders (Kasozi 2018).

The strategic application of leverage requires a deep understanding of market conditions and the specific interest rate environment to ensure sustainable financial health. Over-leveraging during periods of high interest rates can lead to a liquidity crisis that hampers the firm's ability to innovate or maintain its market share. Moreover, a prudent approach to debt management allows a company to retain its financial flexibility for future opportunities while protecting its credit rating. Moreover, an optimal leverage position enhances the firm's reputation in the capital markets and supports long-term value.

Liquidity

The concept of liquidity refers to the ability of a business entity to meet its short-term financial obligations as they fall due without incurring unacceptable losses. It represents the ease with which a firm's current assets, such as cash and accounts receivable, can be converted into spendable currency to settle immediate liabilities. Maintaining an adequate level of liquidity is essential for ensuring the operational continuity and solvency of an organization (Mishra 2024).

Liquidity serves as a primary indicator of a firm's operational resilience and its capacity to handle unexpected financial shocks in a volatile market. A high liquidity position suggests that a company is well-prepared to exploit sudden investment opportunities or navigate periods of decreased revenue without resorting to expensive external borrowing. Academic literature highlights that efficient liquidity management is crucial for sustaining the confidence of suppliers, creditors, and other short-term stakeholders in the firm (Adusei 2022).

The measurement of liquidity is typically performed through ratios like the Current Ratio and the Quick Ratio, which assess the proportion of liquid assets relative to current liabilities. These metrics allow analysts to determine if a company possesses enough "cushion" to survive a sudden demand for payment from its creditors. Empirical studies demonstrate that while high liquidity reduces the risk of default, excessive idle cash can negatively impact overall profitability by missing out on potential investment returns (Oladipupo 2023).

In the context of corporate strategy, liquidity management involves a delicate trade-off between minimizing financial risk and maximizing the effective use of capital for growth. Firms must optimize their cash conversion cycles to ensure that funds are not unnecessarily tied up in slow-moving inventory or uncollected receivables. Effective liquidity policies enable managers to maintain a balance that supports both daily transactional needs and the long-term strategic goals of the enterprise, thereby enhancing organizational stability (Yusuf 2021).

The strategic importance of maintaining optimal liquidity extends to the firm's reputation and its ability to negotiate favorable terms with financial institutions and global trade partners. A liquid balance sheet acts as a signal of managerial competence and fiscal discipline, which can lead to better credit ratings and lower costs of capital. Moreso, a robust liquidity framework ensures that the company remains agile enough to pivot its operations during economic transitions while consistently meeting its diverse commitments to all internal and external shareholders.

Growth Opportunities

The concept of growth opportunities refers to the potential options a firm possesses to expand its operations, enter new markets, or invest in projects that yield a positive net present value. These opportunities are often viewed as intangible assets that represent the future earning power of a corporation beyond its current assets in place. Firms with high growth prospects are typically characterized by intensive research and development activities and a continuous drive for innovation (Bardy 2023).

Growth opportunities significantly influence a company's financial structure and its attractiveness to potential investors in the global capital market. When a firm is perceived to have vast expansion potential, it often commands

a higher market-to-book ratio, signaling that the market values its future possibilities more than its current physical holdings. Academic research indicates that identifying these opportunities is essential for managers to align corporate strategies with the evolving demands of the competitive industrial landscape (Fazzini 2018).

The availability of growth prospects acts as a decisive factor in the internal allocation of capital and the formulation of long-term investment policies. Companies facing numerous expansion options often prioritize the retention of earnings to fund these projects internally, thereby avoiding the high costs and monitoring associated with external debt. Recent empirical studies suggest that firms with high growth potential tend to exhibit lower dividend payout ratios as they reinvest profits to maximize future shareholder wealth (Kaur 2022).

In the context of corporate valuation, growth opportunities represent the "real options" available to management to scale, defer, or abandon projects based on changing economic conditions. This flexibility is vital in high-tech and pharmaceutical sectors where the value of the firm is heavily dependent on the success of future product pipelines rather than existing sales. Consequently, the ability to capitalize on these prospects is often used as a benchmark for assessing the quality and foresight of the executive leadership (Tien 2021).

The strategic management of growth opportunities requires a sophisticated understanding of market trends, technological disruptions, and the specific regulatory environment governing the industry. Firms that fail to identify or execute on these prospects risk obsolescence as competitors move to capture emerging niches and consumer preferences. Moreover, the successful exploitation of such opportunities ensures that the organization remains dynamic and resilient, allowing it to sustain a competitive advantage over its rivals in the global marketplace. Furthermore, a consistent focus on future expansion serves to align the long-term interests of management with the capital appreciation goals of the shareholders.

Dividend policy

The concept of dividend policy identifies the strategic framework used by a corporation to determine the amount of earnings distributed to shareholders versus the portion retained for reinvestment. It serves as a vital communication tool between management and the capital market, reflecting the firm's financial health and future expectations. A well-defined policy helps in stabilizing stock prices by providing regular income to investors while maintaining sufficient internal capital for growth (Baker 2022).

Dividend policy is a critical component of corporate finance because it directly addresses the agency conflict between managers and shareholders regarding the utilization of excess cash. By committing to a consistent payout, firms reduce the amount of free cash flow available for potentially wasteful managerial expenditures, thereby aligning interests. Academic literature suggests that the choice of policy is often influenced by the tax environment and the specific preferences of the firm's investor base (Zutter and Smart 2019).

The measurement and execution of dividend policy involve various forms of distribution, including cash dividends, stock dividends, and share repurchases, depending on the firm's liquidity. Each method carries different implications for the company’s capital structure and the perceived value of its shares in the open market. Research indicates that the signaling effect of a dividend increase often leads to positive market reactions, as it implies management’s confidence in sustaining future earnings (M'ng et al. 2017).

In the context of corporate strategy, the dividend policy must be flexible enough to adapt to changes in the firm's life cycle and external economic conditions. Mature companies with stable cash flows typically adopt high payout ratios, whereas younger firms in high-growth industries often retain most of their earnings to fund expansion. This

lifecycle approach ensures that the dividend payout does not jeopardize the firm's ability to capitalize on emerging opportunities or maintain its competitive edge (Patra 2021).

The strategic importance of a robust dividend policy extends to its role in enhancing the firm's reputation and lowering the overall cost of equity capital over time. Consistent distributions build a loyal investor base and signal a commitment to shareholder wealth maximization, which is essential for long-term organizational sustainability. Moreover, an optimal policy balances the immediate income needs of investors with the firm's requirement for financial flexibility to navigate volatile market cycles. Moreso, this balance fosters a stable financial environment that attracts institutional investors and supports the long-term appreciation of the company's total market value.

Theoretical Review

This study was theoretically underpinned by The Financial Sustainability–Stakeholder Alignment Theory (FSSAT)

The Financial Sustainability–Stakeholder Alignment Theory (FSSAT)

The Financial Sustainability–Stakeholder Alignment Theory (FSSAT) argues that dividend policy decisions are determined by a firm's ability to maintain long-term financial sustainability while aligning the interests of key stakeholders, particularly shareholders, creditors, employees, and suppliers. The theory posits that firms prioritize internal financial stability—such as adequate liquidity, manageable leverage, and consistent cash flows—before committing to dividend payments. In manufacturing firms, especially within emerging economies like Nigeria, operational costs, capital intensity, and economic uncertainties significantly influence dividend decisions. According to FSSAT, management adopts a cautious dividend policy to ensure that retained earnings are sufficient to finance ongoing operations, expansion, and risk mitigation. Dividend payments are therefore not solely a function of profitability but also depend on liquidity strength, growth opportunities, and financial risk exposure.

The theory integrates insights from the pecking order theory, which emphasizes the preference for internal financing (Myers & Majluf, 1984), and stakeholder theory, which highlights the need to balance competing stakeholder interests (Freeman, 1984). In this framework, dividend policy serves as a strategic mechanism through which firms signal financial health to shareholders while safeguarding long-term sustainability in volatile economic environments.

Relevance of the Study

i. It explains why dividend payments depend on profitability, liquidity, leverage, and cash flow availability, which are key variables in the study.
ii. It accounts for the capital-intensive nature of food and beverage manufacturing firms, which require substantial reinvestment of earnings.
iii. It reflects the macroeconomic realities in Nigeria, such as inflation and exchange rate volatility, influencing conservative dividend decisions.

Empirical Review

Ezema et al. (2022) examined the determinants of dividend policy among food and beverage manufacturing firms listed on the Nigerian Stock Exchange over the period 2011–2020. Using secondary financial data obtained from five purposively selected firms and applying multiple regression analysis, the authors assessed the effects of earnings per share, liquidity, financial leverage, and corporate income tax on dividend per share. The findings revealed that earnings per share, liquidity, and leverage exerted positive and statistically significant effects on dividend payouts, while corporate income tax had a significant negative influence. The study concludes that profitability and liquidity

strength enhance dividend payments, whereas tax obligations constrain dividend distribution within the Nigerian food and beverage manufacturing sector.

Olabisi et al. (2023) evaluated the determinants of dividend policy among Nigerian listed consumer goods manufacturing companies using data from seven firms quoted on the Nigerian Exchange. Employing Ordinary Least Squares (OLS) regression on pooled cross-sectional and time-series data, the study analyzed the influence of profitability, liquidity, firm size, and financing policy on dividend payouts. The results showed that liquidity had a positive and significant effect on dividend policy, while profitability exhibited a negative significant relationship. Firm size and financing policy were found to be statistically insignificant. The authors concluded that liquidity availability plays a more critical role than profitability in influencing dividend decisions among consumer goods manufacturers.

Adelegan et al. (2021) studied the determinants of dividend policy among Nigerian manufacturing firms using a long-panel dataset spanning 1984–2020. Applying a modified Lintner dividend model and panel regression techniques, the authors examined the impact of profit after tax, past dividends, firm size, leverage, and growth on dividend payouts. The findings indicated that profit after tax and previous dividend payments were the most significant determinants of current dividend policy, providing evidence of dividend smoothing behavior. The study further showed that firm size and growth had varying effects across firms, emphasizing the dominance of earnings history in dividend decisions within the manufacturing sector.

Abubakar & Ozemoya (2021) investigated the relevance of lifecycle theory in explaining dividend-paying behavior among listed manufacturing firms in Nigeria between 2015 and 2019. Using logistic regression analysis on data from 24 firms, the study examined how retained earnings, firm age, and size influence the propensity to pay dividends. The results revealed that firms at more mature lifecycle stages and those with higher retained earnings ratios were more likely to pay dividends. The study concluded that dividend policy in Nigerian manufacturing firms is significantly influenced by lifecycle characteristics, particularly accumulated retained earnings and firm maturity.

Abdul-Khadir et al. (2024) analyzed the determinants of dividend policy among listed industrial goods manufacturing firms in Nigeria using panel data from 2013 to 2022. Employing a fixed-effects regression model, the authors examined the influence of firm size, financial leverage, and growth on dividend payout ratios. The results showed that firm size had a positive and statistically significant effect on dividend payouts, while leverage and growth exhibited negative but insignificant relationships. The findings suggest that larger manufacturing firms are better positioned to sustain dividend payments due to stronger capital bases and stable earnings.

Oniyide & Mojekwu (2025) assessed the internal drivers of dividend payout among quoted Nigerian manufacturing companies using panel data covering 2011–2019. Applying fixed-effects panel regression techniques, the study evaluated the impact of earnings per share, liquidity, financial leverage, and flotation costs on dividend payout ratios. The findings indicated that earnings per share and liquidity positively and significantly influenced dividend payouts, while flotation costs constrained dividend distribution. Financial leverage was also found to be a significant determinant. The study concluded that internal financial performance and capital market cost considerations are key drivers of dividend policy in Nigerian manufacturing firms.

Methodology

Research Design

This study adopts an *ex-post-facto* research design, utilizing historical financial data from selected food and beverage manufacturing firms in Nigeria. The study period spans from 2014 to 2024 to ensure comparability and capture

recent economic conditions affecting profitability, liquidity, leverage, growth opportunities, and dividend policy decisions. This design allows the analysis of relationships between financial variables without manipulating the data.

Area of Study

The research focuses on the Nigerian food and beverage manufacturing sector. Specifically, it examines the effect of firm financial characteristics on dividend policy across five selected firms over an eleven-year period. This sector is a key contributor to economic growth, employment, and investment in Nigeria, making it ideal for investigating dividend policy determinants empirically.

Sources of Data

Secondary data were sourced from audited financial statements and annual reports of the sampled firms from 2014 to 2024. These reports provide reliable and detailed information necessary to compute the ratios for profitability (PROF), firm size (FS), leverage (LEV), liquidity (LIQ), growth opportunities (GO), and dividend policy (DP), ensuring the accuracy of empirical measurements.

Population of the Study

The population consists of all registered food and beverage manufacturing firms operating in Nigeria as of 2024. The firms included are those listed on the Nigerian Exchange Group and have consistent annual reports available for the study period.

Sample Size and Sampling Technique

Using purposive sampling, five firms with reliable and accessible financial data were selected. The sample includes: Nestlé Nigeria Plc, Dangote Sugar Refinery Plc, Nigerian Breweries Plc, UAC of Nigeria Plc & Guinness Nigeria Plc.

Model Specification

i. **General Functional Form:**

$DP_{it} = f(Liquidity_{it}, Leverage_{it}, Efficiency_{it}, Profitability_{it}, MarketRatio_{it})$

ii. **Econometric Form:**

$$DP_{it} = \beta_0 + \beta_1 PROF_{it} + \beta_2 FS_{it} + \beta_3 LEV_{it} + \beta_4 LIQ_{it} + \beta_5 GO_{it} + c_i + \epsilon_{it}$$

Where:

DP_{it} = Dividend Policy of firm *i* in year *t*

$PROF_{it}$ = Profitability of firm *i* in year *t*

FS_{it} = Firm Size of firm *i* in year *t*

LEV_{it} = Leverage of firm *i* in year *t*

LIQ_{it} = Liquidity of firm *i* in year *t*

GO_{it} = Growth Opportunities of firm *i* in year *t*

β_0 = Intercept term

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ = Coefficients to be estimated

c_i = Unobserved firm-specific effects

ϵ_{it} = Error term

Method of Data Analysis

Descriptive statistics was used to summarize and describe the characteristics of the data, including mean, standard deviation, minimum, and maximum values. For inferential analysis, panel data regression techniques, specifically Panel Least Squares (PLS), was applied to estimate the effects of the independent variables on dividend policy. Diagnostic tests such as multicollinearity, heteroskedasticity, and Hausman tests was conducted to select the appropriate panel estimator (fixed effects or random effects).

Data Analysis

Descriptive Statistics

Table 1: Descriptive Statistics of the variables

	PROF	FS	LEV	LIQ	GO	DP
Mean	0.128182	437.4364	0.504364	1.465273	0.068000	0.464909
Median	0.130000	438.0000	0.500000	1.480000	0.070000	0.480000
Maximum	0.230000	695.0000	0.650000	1.850000	0.130000	0.680000
Minimum	0.030000	248.0000	0.390000	1.050000	-0.010000	0.150000
Std. Dev.	0.044767	119.8684	0.060668	0.169376	0.031470	0.120399
Skewness	-0.011539	0.090257	0.387483	-0.175080	-0.231271	-0.479113
Kurtosis	2.635838	2.141602	2.577289	2.751408	2.529905	2.554690
Jarque-Bera	0.305128	1.763284	1.785800	0.422606	0.996724	2.558644
Probability	0.858504	0.414102	0.409467	0.809529	0.607525	0.278226
Sum	7.050000	24059.00	27.74000	80.59000	3.740000	25.57000
Sum Sq. Dev.	0.108218	775895.5	0.198753	1.549171	0.053480	0.782775
Observations	55	55	55	55	55	55

Source: E-view 11.0 Statistical Output, 2026

Table 1 presents the descriptive statistics for profitability (PROF), firm size (FS), leverage (LEV), liquidity (LIQ), growth opportunities (GO), and dividend policy (DP) of the sampled Nigerian food and beverage manufacturing firms over the period 2014–2024.

The mean profitability (PROF) of 0.1282 indicates that, on average, the firms generated a return on assets of about 12.82%, suggesting moderate profitability across the sector. Firm size (FS), measured by total assets, records a mean value of ₦437.44 billion, reflecting the relatively large asset base of the sampled firms. Leverage (LEV) has an average of 0.5044, implying that approximately 50.44% of the firms' assets are financed through debt. The mean liquidity (LIQ) of 1.4653 shows that, on average, the firms possess sufficient current assets to cover their short-term obligations. Growth opportunities (GO) have a mean of 0.0680, indicating an average annual asset growth rate of 6.8%, while the mean dividend policy (DP) of 0.4649 suggests that firms pay out about 46.49% of their earnings as dividends.

The median values are very close to their respective means for all variables—for instance, profitability (median 0.1300), firm size (median ₦438.00 billion), leverage (median 0.5000), and dividend policy (median 0.4800)—indicating fairly symmetrical distributions and limited influence of extreme values. The minimum and maximum values reveal reasonable variation across firms and over time. Profitability ranges from 3% to 23%, firm size varies

between ₦248 billion and ₦695 billion, leverage spans from 0.39 to 0.65, liquidity ranges from 1.05 to 1.85, growth opportunities range from –1% to 13%, and dividend payout ratios vary between 15% and 68%, reflecting differences in financial structure, growth dynamics, and dividend decisions among the firms.

The standard deviations indicate moderate dispersion around the mean values. For example, profitability has a standard deviation of 0.0448, suggesting some variability in returns across firms, while firm size shows a higher dispersion (₦119.87 billion) due to differences in asset scale among the sampled companies. Leverage (0.0607), liquidity (0.1694), growth opportunities (0.0315), and dividend policy (0.1204) also display moderate variability, implying that the firms are not excessively heterogeneous.

Skewness values are generally close to zero, indicating near-symmetrical distributions. Profitability shows a negligible negative skew (–0.0115), firm size and leverage are slightly positively skewed (0.0903 and 0.3875 respectively), while liquidity, growth opportunities, and dividend policy exhibit mild negative skewness, suggesting a slight concentration of observations above their respective means. Kurtosis values for all variables lie close to 3, implying approximately mesokurtic distributions with no extreme peakedness or flatness.

The Jarque–Bera test statistics and their associated probabilities, all of which exceed the 5% significance level, indicate that none of the variables significantly deviate from normality. This suggests that the data are well-behaved and suitable for the application of parametric panel regression techniques in subsequent analyses.

Table 2: Panel Regression Analysis Result of the Time Series Data

Dependent Variable: DP
Method: Panel Least Squares
Date: 10/12/26 Time: 16:30
Sample: 2014 2024
Periods included: 11
Cross-sections included: 5
Total panel (balanced) observations: 55

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PROF	0.290112	0.534740	0.542528	0.5899
FS	-9.17E-05	3.96E-05	-2.313671	0.0249
LEV	-1.378429	0.258077	-5.341156	0.0000
LIQ	0.248377	0.141437	1.756098	0.0853
GO	-0.447696	0.254066	-1.762128	0.0843
C	0.829573	0.231259	3.587201	0.0008

R-squared	0.972713	Mean dependent var	0.464909
Adjusted R-squared	0.969929	S.D. dependent var	0.120399
S.E. of regression	0.020878	Akaike info criterion	-4.797548
Sum squared resid	0.021359	Schwarz criterion	-4.578566
Log likelihood	137.9326	Hannan-Quinn criter.	-4.712866
F-statistic	349.3519	Durbin-Watson stat	0.578738
Prob(F-statistic)	0.000000		

Source: E-view 11.0 Statistical Output, 2026

Table 2 presents the results of the panel least squares regression examining the effect of firm-specific characteristics, profitability (PROF), firm size (FS), leverage (LEV), liquidity (LIQ), and growth opportunities (GO) on the dividend policy (DP) of selected Nigerian food and beverage manufacturing firms over the period 2014–2024.

The regression results show that profitability (PROF) has a positive but statistically insignificant effect on dividend policy (coefficient = 0.2901, p = 0.5899). This suggests that although more profitable firms tend to pay higher dividends, the relationship is weak and not statistically reliable within the study period. Consequently, profitability does not appear to be a key determinant of dividend policy among the sampled firms.

Firm size (FS) exhibits a negative and statistically significant relationship with dividend policy at the 5% level (coefficient = –9.17E-05, p = 0.0249). This implies that as firms grow larger in terms of total assets, their dividend payout ratios tend to decline. This may indicate that larger firms in the Nigerian food and beverage sector prefer to retain earnings for expansion, diversification, or operational financing rather than distributing them as dividends.

Leverage (LEV) shows a negative and highly significant effect on dividend policy at the 1% level (coefficient = –1.3784, p = 0.0000). This indicates that firms with higher debt levels are less likely to pay dividends. The result aligns with financial theory, as highly leveraged firms often prioritize debt servicing and financial stability over dividend distribution.

Liquidity (LIQ) has a positive but marginally insignificant influence on dividend policy (coefficient = 0.2484, p = 0.0853). Although the positive sign suggests that firms with stronger liquidity positions are more capable of paying dividends, the relationship is only significant at the 10% level. This implies that liquidity plays a limited role in dividend decisions within the sampled firms.

Similarly, growth opportunities (GO) display a negative and marginally insignificant relationship with dividend policy (coefficient = –0.4477, p = 0.0843). This suggests that firms with higher growth prospects tend to reduce dividend payouts, possibly to retain earnings for investment purposes. However, the effect is weak and not statistically significant at the conventional 5% level.

The constant term (C) is positive and statistically significant at the 1% level (coefficient = 0.8296, p = 0.0008), indicating a positive baseline level of dividend payout when all explanatory variables are held constant. While this provides a reference point, it has limited practical interpretation in isolation.

The model exhibits a very high R-squared value of 0.9727, indicating that approximately 97.27% of the variation in dividend policy is explained by the included explanatory variables. The adjusted R-squared (0.9699) confirms the strong explanatory power of the model after accounting for degrees of freedom. The F-statistic (349.35) with a probability value of 0.0000 indicates that the model is jointly statistically significant, meaning that the independent variables collectively exert a significant influence on dividend policy.

However, the Durbin–Watson statistic of 0.5787 suggests the presence of positive autocorrelation in the residuals, which may affect the efficiency of the estimates. This highlights the need for further diagnostic checks or robust estimation techniques.

Test of Hypotheses

Test of Hypothesis One

Restatement of the Hypothesis in Null and Alternate Forms:

H_{o1}: Profitability has no significant effect on the dividend policy of Nigerian food and beverage manufacturing firms.

H_{a1}: Profitability has a significant effect on the dividend policy of Nigerian food and beverage manufacturing firms.s

Statement of Decision Rule:

Reject the null hypothesis (H_o) if the p-value of the t-statistic is less than 0.05. Otherwise, accept the null hypothesis and reject the alternate hypothesis.

Decision:

From the regression result, profitability (PROF) has a coefficient of 0.2901, a t-statistic of 0.5425, and a p-value of 0.5899, which is greater than 0.05. Therefore, H_{o1} is accepted, and the alternate hypothesis is rejected.

This indicates that profitability does not have a statistically significant effect on the dividend policy of Nigerian food and beverage manufacturing firms during the study period.

Test of Hypothesis Two

Restatement of the Hypothesis in Null and Alternate Forms:

H_{o2}: Firm size has no significant effect on the dividend policy of Nigerian food and beverage manufacturing firms.

H_{a2}: Firm size has a significant effect on the dividend policy of Nigerian food and beverage manufacturing firms.

Statement of Decision Rule:

Reject the null hypothesis (H_o) if the p-value of the t-statistic is less than 0.05. Otherwise, accept the null hypothesis and reject the alternate hypothesis.

Decision:

The regression result shows that firm size (FS) has a coefficient of –9.17E-05, a t-statistic of –2.3137, and a p-value of 0.0249, which is less than 0.05. Therefore, H_{o2} is rejected, and the alternate hypothesis is accepted.

This implies that firm size has a statistically significant negative effect on dividend policy, suggesting that larger firms tend to pay lower dividends during the study period

Test of Hypothesis Three

Restatement of the Hypothesis in Null and Alternate Forms:

H_{o3}: Leverage has no significant relationship with the dividend policy of Nigerian food and beverage manufacturing firms.

H_{a3}: Leverage has a significant relationship with the dividend policy of Nigerian food and beverage manufacturing firms.

Statement of Decision Rule:

Reject the null hypothesis (H_o) if the p-value of the t-statistic is less than 0.05. Otherwise, accept the null hypothesis and reject the alternate hypothesis.

Decision:

Leverage (LEV) has a coefficient of –1.3784, a t-statistic of –5.3412, and a p-value of 0.0000, which is less than 0.05. Therefore, H_{o3} is rejected, and the alternate hypothesis is accepted.

This indicates that leverage has a statistically significant negative effect on dividend policy, meaning firms with higher debt levels are less likely to pay dividends.

Test of Hypothesis Four

Restatement of the Hypothesis in Null and Alternate Forms:

H_{o4}: Liquidity has no significant effect on the dividend policy of Nigerian food and beverage manufacturing firms.

H_{a4}: Liquidity has a significant effect on the dividend policy of Nigerian food and beverage manufacturing firms.

Statement of Decision Rule:

Reject the null hypothesis (H_o) if the p-value of the t-statistic is less than 0.05. Otherwise, accept the null hypothesis and reject the alternate hypothesis.

Decision:

Liquidity (LIQ) has a coefficient of 0.2484, a t-statistic of 1.7561, and a p-value of 0.0853, which is greater than 0.05. Therefore, H_{o4} is accepted, and the alternate hypothesis is rejected.

This suggests that liquidity does not have a statistically significant effect on dividend policy at the 5% level, although the positive sign indicates a weak positive relationship.

Test of Hypothesis Five

Restatement of the Hypothesis in Null and Alternate Forms:

H_{o5}: Growth opportunities have no significant influence on the dividend policy of Nigerian food and beverage manufacturing firms.

H_{a5}: Growth opportunities have a significant influence on the dividend policy of Nigerian food and beverage manufacturing firms.

Statement of Decision Rule:

Reject the null hypothesis (H_o) if the p-value of the t-statistic is less than 0.05. Otherwise, accept the null hypothesis and reject the alternate hypothesis.

Decision:

Growth opportunities (GO) have a coefficient of –0.4477, a t-statistic of –1.7621, and a p-value of 0.0843, which is greater than 0.05. Therefore, H_{o5} is accepted, and the alternate hypothesis is rejected.

This implies that growth opportunities do not significantly influence dividend policy during the study period, although the negative sign suggests that firms with higher growth prospects may prefer earnings retention over dividend payment.

Summary of Findings, Conclusion and Recommendations

Summary of Findings

The key findings of the study are elucidated below:

i. Profitability (PROF) was found to have a positive but statistically insignificant effect on dividend policy, with a coefficient of 0.2901 (t = 0.5425, p = 0.5899). This suggests that, although more profitable firms tend to pay slightly higher dividends, profitability is not a decisive factor in dividend distribution decisions within the sampled firms.

ii. Firm Size (FS) exhibited a negative and statistically significant effect on dividend policy, with a coefficient of –9.17E-05 (t = –2.3137, p = 0.0249). This indicates that larger firms tend to retain earnings rather than distribute them as dividends, possibly to fund expansion, investment, or other strategic activities.

iii. Leverage (LEV) demonstrated a negative and highly significant influence on dividend policy, with a coefficient of –1.3784 (t = –5.3412, p = 0.0000). This finding implies that firms with higher debt levels are more likely to reduce dividend payouts, prioritizing debt servicing and financial stability over shareholder distributions.

iv. Liquidity (LIQ) had a positive but statistically insignificant effect on dividend policy, with a coefficient of 0.2484 (t = 1.7561, p = 0.0853). While firms with stronger liquidity positions are slightly more capable of paying dividends, the relationship is weak and not statistically robust at the 5% significance level.

v. Growth Opportunities (GO) showed a negative but statistically insignificant effect on dividend policy, with a coefficient of –0.4477 (t = –1.7621, p = 0.0843). This indicates that firms with higher growth prospects tend to retain earnings for investment purposes rather than pay out dividends, although the effect was not significant at conventional levels.

Conclusion

The study conclusively found that among the selected firm-specific characteristics—Profitability (PROF), Firm Size (FS), Leverage (LEV), Liquidity (LIQ), and Growth Opportunities (GO)—only firm size and leverage exhibited statistically significant effects on the dividend policy (DP) of Nigerian food and beverage manufacturing firms. Notably, both significant relationships were negative, suggesting that larger firms and those with higher debt levels are more likely to retain earnings rather than distribute them as dividends.

On the other hand, profitability, liquidity, and growth opportunities showed positive or negative but statistically insignificant effects on dividend policy, indicating that, despite their theoretical relevance, these factors did not have a meaningful impact on dividend payout decisions during the study period.

These findings imply that dividend policy in the Nigerian food and beverage manufacturing sector may be influenced by a broader set of factors, possibly including macroeconomic conditions, regulatory environment, capital market dynamics, investment opportunities, and managerial preferences, rather than internal financial metrics alone. The results highlight the limitations of relying solely on firm-level financial indicators to explain dividend behavior in a complex and evolving industry.

Therefore, while firm-specific characteristics like size and leverage remain critical considerations in dividend decision-making, Nigerian food and beverage manufacturing firms may need to adopt a more integrated approach—

balancing internal financial management with strategic responses to external challenges—to optimize dividend policy and enhance shareholder value over the long term.

Recommendations

Based on the findings of this study, the following recommendations are proposed:

i. Although profitability was found to have an insignificant effect on dividend policy, Nigerian food and beverage manufacturing firms should continue to maintain and improve profitability through efficient cost management, revenue enhancement strategies, and operational efficiency. Strong profitability can provide the financial flexibility to sustain or increase dividend payouts when other conditions are favorable.

ii. Given the significant negative effect of firm size on dividend policy, large firms are advised to carefully balance earnings retention and shareholder distribution. While reinvestment for expansion is important, firms should consider adopting structured dividend policies that provide consistent returns to shareholders without compromising growth objectives.

iii. Since leverage exhibited a significant negative influence on dividend policy, firms should manage their debt levels prudently. Reducing excessive debt or optimizing the debt-equity structure can create room for higher dividend payouts while maintaining financial stability and creditworthiness.

iv. Although liquidity showed a positive but statistically insignificant effect on dividend policy, firms should continue to maintain adequate liquidity levels. Efficient cash management ensures that firms are capable of meeting short-term obligations and paying dividends when necessary, even if liquidity alone does not strongly determine dividend decisions.

v. With growth opportunities having a negative but insignificant impact on dividend policy, firms are encouraged to strategically prioritize investments. While retaining earnings to fund growth is essential, firms should balance this with shareholder expectations by adopting flexible dividend policies that align growth plans with sustainable dividend payments.

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