CORPORATE GOVERNANCE MECHANISMS AND DIVIDEND POLICY OF QUOTED FIRMS IN NIGERIA

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Abstract
This study considered time series data for 10-12 quoted listed consumer goods companies in Nigeria over 11-year period (2015-2025) to understand how corporate governance mechanisms affected dividend policy. Consumer goods companies was selected because it comprises companies that produce and distribute essential household products that enjoy relatively stable demand and consistent cash flows. Pooled OLS, Fixed Effects, and Random Effects estimators are used in panel data regression analysis. The Hausman (1978) test is then used to choose the appropriate estimator. While residual diagnostic analysis identified the existence of non-normality and cross-sectional dependence and showed that this entire model was appropriately estimated using White cross-section robust standard errors, the Hausman test verified the preference for the Fixed Effects model.The relationships between board size, board independence, institutional ownership, and dividend payout were not statistically significant with this correct specification; however, the relationship between leverage and dividend payout stayed negative and significant for all three estimators, and the firm size maintained a robust negative relationship even after firm-specific heterogeneity was considered. This shows that, contrary to what classical agency theory predicted, the Nigerian consumer goods sector runs with an agency governance structure that is not the first line of discipline to manager discretion regarding dividend policy. Third, the study affirmed that dividend policy is more determined by the firm's characteristics and degree of leverage than by the structure of the board of directors. The Securities and Exchange Commission and the Financial Reporting Council of Nigeria are encouraged to focus on firm-level heterogeneity and the governance of leverage in the codes.

Keywords: Corporate governance mechanisms, dividend policy, e-views, Nigeria, quoted firms.

1.0 Introduction

The application of corporate governance mechanisms to influence the payout policy through ownership surveillance and board monitoring as internal control devices is widely recognized in Nigerian dividend literature. Uwuigbe and Olamide (2015) and Francis (2015) revealed that the

dividend payout decision of the selected listed companies in Nigeria was positively impacted by board size, dividend policy decision, CEO duality, and board independence. This assertion is supported by Ekpulu and Opudu (2024), who revealed that the dividend payout of consumer goods companies is positively impacted by the composition of the board, with independence having a positive effect on the board's payout ratio. According to the Nig//erian case, which indicates that greater institutional ownership increases the likelihood that quoted non-financial companies will pay dividends, institutional governance also appears to be more successful (Adamu, Ishak, & Hassan, 2020).

Despite the roles of consumer goods companies to Nigeria's economy, they have faced consistent dividend payout issues arising from foreign exchange fluctuations, inflation, rising cost of materials and other production costs and economic uncertainties. These have affected profitability and cash flows, leading to unstable dividend payments. Thus, sound corporate governance has become necessary in influencing dividend payment decisions and ensuring that shareholder interests are adequately protected

Due to the ongoing governance issues and low dividend returns of Nigerian quoted companies, this has resulted in a regulatory focus on disclosure quality, ownership concentration, and board oversight in broked-up Nigerian firms. The influence of governance on the dividend policy is limited by the lack of strong shareholder rights, the directors' close control over shareholders, and the inadequate verification of disclosures. Nwidobie (2016) advocates for stricter enforcement of disclosure requirements and lower levels of concentrated ownership. Similarly, Ibrahim and Shuaibu (2016) point to the SEC, CAC, and CBN's recommended policies as essential for protecting minority shareholders. These policies would encourage broad ownership, limit extreme block and managerial ownership levels, and incentivize obvious dividend payments. In order to improve accountability and boost shareholder confidence, recent sectoral developments also emphasize the necessity of better corporate governance codes of practice and increased board independence (Ekpulu & Opudu, 2024).

However, because good governance can improve shareholder protection while bad governance can have the opposite effect and undermine payout discipline, the way governance functions affects dividend behavior differently across a range of firms.Yakubu, Kapusuzoğlu, and Ceylan's (2022) study in Ghana demonstrated that board independence has a positive and significant impact on dividend per share and that larger audit committees will increase the potential for higher dividend payouts, indicating that increased oversight will be beneficial for dividend payout credibility. However, Nwidobie (2016) found that low shareholder rights and a high degree of controlling power to the director-shareholders are the reasons for the low dividend policy sensitivity of corporate governance in Nigerian quoted firms. Martini, a finance professor at the University of Ibadan, concurs with Michael (2013) that the current dividend policies of Nigerian quoted companies are not emerging as a solution to the agency problem, and he turns to the necessity of adding shareholders to the firm's board. In terms of corporate governance, DPC will therefore function as an institutional framework supporting the dividend policy if monitoring, disclosure credibility, and shareholder protection are all significant (Yakabu et al., 2022).

The results of these governance mechanisms can be separated into four categories: ownership structure, CEO duality, board size, and board independence. The effects of these mechanisms differ in ways that are supported by evidence, but they also clearly overlap. Aigbovo and Evbayiro-Osagie (2022) concluded that while board independence has a substantial negative

association with dividend payout, board size, managerial ownership, and gender diversity have a positive interaction based on data from a few Sub-Saharan African nations. The likelihood of dividend payments in Nigerian industrial goods companies was considerably enhanced by increased institutional and block ownership, suggesting that an increase in institutional and external ownership blocks enhances dividend monitoring in the companies (Shehu et al., 2022). The institutional ownership of a listed bank has a positive effect on dividend payout when compared to other Nigerian banks that are referred to as non-listed banks, whereas management ownership and concentration of ownership have negative effects on dividend payout, producing results that are comparable to those discussed regarding the significance of checks on insider control (Ibrahim & Shuaibu, 2016). Therefore, it would appear that the key to making the ownership capacity function in terms of shareholder responsive dividend policy is to increase minority shareholder protection and reduce excessive ownership concentration (Ibrahim & Shuaibu, 2016).

Despite significant paradoxes, there has been some genuine progress in the literature regarding the integration of dividend results and governance quality. Uwuigbe et al. (2015) find favorable results for board size, ownership structure, dual executive status of management, and board independence on dividend payout. Garba, Mustapha, and Ahmad (2023) find results predictive of the impact of CEO tenure and board gender diversity on dividend payout, but they regard the impact of board size and board independence on dividend payout as irrelevant in listed manufacturing firms. The ownership results are likewise equivocal, as Ajadi et al.2019) found that when the sample of listed insurance companies was used, institutional ownership had a negligible negative impact while managerial ownership had a positive impact; however, when the sample of listed commercial banks was used, Farouk et al. (2022) demonstrated that in the listed commercial banks, institutional ownership had a significant positive impact while managerial ownership had a significant negative impact. This could be partly because previous research frequently concentrated on individual governance dimensions or on small samples of sectoral governance actors rather than multifaceted governance structures, as Zatiock et al. (2024) highlight. More recent studies that measure multiple governance channels simultaneously (Aigbovo & Evbayiro-Osagie, 2022) and perform dynamic panel estimation as a method of data analysis and moderation analysis (Ilu, Ibrahim, & Nuhu, 2021) are gradually starting to provide methodological approaches to the aforementioned shortfall.

2.0 Theoretical Review

Although Jensen and Meckling (1976) formalized agency theory, it had existed since Adam Smith, who was interested in the distinction between ownership and control. The main idea of this paper is that dividend payout policies will benefit from good corporate governance practices because they typically lower agency costs and lessen the possibility of private use of free cash flowing to the company. According to the theory, decisions, resource allocation, and the protection of shareholding are impacted by insider dominance, a lack of board independence, a concert of shareholding, and a lack of disclosure. In addition to improving accountability and transparency, governance modernization with independent boards, improved shareholder rights, and reliable information disclosure reduces the scope and boundaries of managers' expropriations and increases payout reliability and investor confidence (Jensen & Meckling, 1976).

Agency Theory opines that corporate governance mechanisms mitigate conflicts between managers and business owners by strengthening oversight and accountability (Jensen &

Meckling, 1976). In this context, board size, board independence, and institutional ownership influence dividend policy by improving monitoring effectiveness and reducing managerial discretion over free cash flows. Thus, stronger governance structures are expected to encourage dividend payouts that better align with shareholders' wealth maximisation objectives.

According to Agency Theory, companies that have more control over their actions will pay out more dividends through three mechanisms: ownership monitoring, board independence, and tighter board oversight. While proof from other developing markets and developed countries indicates that better firm governance relationships are associated with larger and higher dividends, evidence from Nigeria supports this positive relationship, with board size, ownership, board independence, and CEO duality being significant factors affecting dividend payout by firms (Uwalomwa et al, 2015; Adjaoud & Ben-Amar, 2010; Mitton, 2004). However, weak governance is typified by opacity, diminished rights for shareholders, inadequate enforcement of regulations, and poor governance by director shareholders, all of which can encourage expropriation, drive down payouts, and raise investor-required risk compensation (Nwidobie, 2016).

Because the Nigerian market has endured persistent problems with its governance framework, minority shareholders' vulnerability, and confidence in the framework of insider control, the theory is especially pertinent for quoted firms in Nigeria. In this regard, it is advised to improve the caliber of independent directorships on boards, enforce ownership and disclosure regulations strictly, and improve the caliber of oversight in publicly traded companies. Improved governance and dividend payments appear to be positively correlated, according to some Nigerian data, but other studies showed that dividend payments may be compromised when ownership is deeply ingrained. Therefore, the Agency Theory literature is still relevant because it has the capacity to achieve governance reform and because Nigeria's institutional challenges limit its potential (Odeleye, 2018; Michael, 2013; Nwidobie, 2016).

Empirical Review

Odeleye 2018 'Quality of Corporate Governance on Dividend Payouts: The Case of Nigeria'. In the article, I will be looking at the subject of 'Quality of Corporate Governance on Dividend Payouts: The Case of Nigeria'. I think it was studied from governance indicators and dividend per share of 97 non-financial listed companies in Nigeria in the period 1995-2012. In this work, a generalized method of moments system and the GMM estimator as the estimator was used. It was conducted in Nigeria and revealed that the company’s dividend payout and the origination of classification based on sector of the economy are positively related and the role of the independent director and institutional shareholding was recommended to improve monitoring.

Olarike, Idowu, Mudathir and Olanrewaju (2016) research on the above topic and they use secondary data from annual report of banks and different editions of NSE factbook for the period 2006-2016 covering quote deposit money banks (QDMBS) in Nigeria. The study was conducted using two step generalized method of moments (2S-GMM) estimator. Under performing executive compensation, lagged dividend and the firm size had significant impact on dividend payment, debt financing, block ownership and directors' ownership showed insignificant impact. It recommended regulatory and performance-based compensation for executives by CBN and NDIC.

The article Nwidobie (2016) studies the boundless of the company for six years (2006-2012) in relation to the 57 firms quoted on the stock exchange in Nigeria across 13 industry sectors with

regards to the corporate governance measured by the World Bank's corporate transparency index for the research period 2006-2012. The study was conducted using Chi square analysis. It was conducted in Nigeria and it found that no tangible effect was seen with good corporate governance on dividend policy. The rights of the shareholder was weak, with directors dominating the firms, and imposed limits on close ownership, director divestment, plus stronger disclosure enforcements.

The article titled Do Ownership Structure and Corporate Governance Affect Dividend Strategy in Developing Markets During Financial Crises? Mehdi, Sahut, and Teulon (2017) used a population subset of 362 non-financial companies listed in East Asian (EA) and Gulf Cooperation Council (GCC) nations between 2003 and 2011 to examine this question. In this study, a panel regression analysis was performed. It conducted the study in developing markets and discovered that while the amount of payout was positively relatedto institutional ownership and board activity, it was negatively correlated with the CEO's "duality," the level of the board, and the frequency of board meetings during crisis periods. It recommended strategic adjustments to the payout policy during these times.

The Corporate Governance and Payout Policy: Evidence from India article by Rajput and Jhunjunwala (2019) is based on data from the CMIE Prowess database on 1,546 Indian companies listed at the BSE and NSE for the base period of 2006-2017. Tobit and logistic regression were the analytical methods used in the study. The study, which was carried out in India, revealed a positive correlation between corporate governance and dividend decisions, a negative correlation between family ownership and dividend payout, and a positive moderating role between board independence and family ownership. These findings support the need for more independent and non-executive directors in family businesses.

Khan (2021) investigates Ownership Structure, Board Characteristics, and Dividend Policy: Evidence from Turkey using panel data from 100 Borsa Istanbul sector index companies (not including financial and utility firms) and averages over the previous six years, from 2013 to 2019. The study used the Logit, Probit, and Tobit models. It concluded that in Turkey, dividend payout was positively correlated with institutional ownership, concentrated ownership, and board size; that dividend payout was negatively correlated with the CEO's duality; and that family ownership did not produce significant results. It recommended that the role of family ownership be strengthened to regulate the company and that the role of institutional ownership be monitored by imposing more regulations on them; and that a significant number of board members should monitor and be independent, rather than the family, to protect the rights of minority shareholders.

The Impact of Board Composition and Ownership Structure on Dividend Payout Policy: Evidence from Saudi Arabia is the subject of this article by Boshnak (2021), which looks at 280 Saudi listed companies from 2016 to 2019. The study employed two-stage least squares models, random-effects models, ordinary least squares models, and logitic and probit models. The study, which was conducted in Saudi Arabia, found that the frequency of board meetings, institutional ownership, and foreign ownership all had a significant and positive impact on the dividend policy; in contrast, CEO duality, managerial ownership, leverage, and board independence were found to have a negative correlation with the dividend policy in some models. It also suggested that investors could express their opinions about the board and ownership characteristics when assessing payout.

The article "Dividend Policy and the Performance of Firms Listed on the Nigerian Stock Exchange" by Udoka, John, and Orok (2022) is exploratory; however, the excerpt provided did not specify the data source or sample period. The panel data analysis makes use of descriptive statistics and methodology. It was conducted in Nigeria and found that the dividend payout ratio should be consistently set significantly upwards for the firm to maximize shareholders' wealth, while the dividend per share was found to be insignificant. The dividend payout ratio was found to be more significant in determining the firm's performance when incorporating the corporate governance index.

Using panel data of listed non-financial firms in South Africa, Nigeria, and Kenya from 2007 to 2021, Aigbovo and Evbayiro-Osagie (2022) investigate the relationship between corporate governance mechanisms and dividend payouts of listed non-financial firms. The system generalized method of moments was employed in the investigation. It was conducted across a sample of chosen countries in Sub-Saharan Africa, and the results showed that having a larger board, a more gender diverse board, and managerial ownership had positive effects. However, board independence was discovered to have a significant negative impact, and the boards of the securities exchanges in the countries in question were advised to strictly adhere to governance codes.

The impact of disclosure on dividend policy is a novel topic that is examined in this article.The new topic is explored in the article "Impact of Environmental, Social, and Governance Disclosure on Dividend Policy What is the Role of Corporate Governance by Ellili 2022." From 2010 to 2020, companies from an emerging market traded on the UAE financial market. The study employed panel data regression. It was conducted in the United Arab Emirates and found that there was a positive correlation between ESG disclosure and dividend policies. Foreign ownership positively moderated this relationship through the mediation of board independence, whereas institutional ownership moderated a negative relationship.

The Impact of Corporate Governance and Firm-Specific Characteristics on Dividend Strategy is expanded upon in this article by Farooq, Al-Jabri, Khan, Ansari, and Tariq (2022) for a sample of 140 companies quoted on the Pakistan Stock Exchange (PSX) between 2015 and 2020. The study employed logistic, probit, ordinary least squares, fixed effects, and system GMM techniques. It was carried out in Pakistan and found that the variables related to institutional, foreign, and individual ownership had a positive influence on dividend decisions, whereas managerial ownership had a negative impact. This suggests that managers, legislators, investors, and minority shareholders should pay attention to ownership structure when designing payouts.

Yilmaz, Aksoy, and Khan (2022) used a panel dataset of 79 (nonfinancial companies) firms from the Borsa Istanbul 100 index between 2014 and 2020 to study the topic of "Moderating Role of Corporate Governance and Ownership Structure on the Relationship of Corporate Sustainability Performance and Dividend Policy." Tobit, probit, and panel logit regression models are among the research models. It was conducted in Turkey and found that corporate governance and family ownership of a company significantly and favorably moderated the relationship between sustainability performance and dividend policy, while concentrated ownership and institutional ownership showed no significance. It also suggested that companies should base their financing and sustainability policies on ownership and corporate governance structures.

In their article “Does Profitability Moderate the Relationship between the Leverage and Dividend strategy of Manufacturing Companies in Nigeria and South Africa?” Akpadaka,

Farouk, Dang and Fodio (2024) examined the existence of such a relationship using data of 915 firm-year observations of listed manufacturing firms in Nigeria and South Africa for the period 2013 to 2022 (Akpadaka et al., 2024). Study analysis: The study was analysed using Tobit and logistic regression analyses. The test was done in Nigeria and South Africa. It showed that there was a negative leverage-dividend relationship which was insignificant and weak in South Africa. It showed that giving members affordable credit would improve profitability and in consequence increase the resilience to dividend.

The subject is examined in the article by Tembo and Chipeta (2024). Dividend Policy of Africa - Institutional Factors Firms that covers a data of 357 non-financial companies listed in 13 African markets, though this specific database and these companies during this specific period are not mentioned in the excerpt provided. Panel data estimation techniques. It found investor protection, financial development, growth trends in GDP and press freedom to be significant drivers of payout rates and, therefore, called for greater investor protection, improved financial development and the proliferation of transparency-enhancing institutions across African markets.

The article by Ben Moussa and El Feidi (2025) is based on an empirical study that examines the impact of corporate governance on dividend policy using balanced panel data of thirty non-financial companies from the Tunisian Stock Exchange between 2015 and 2024. The study used static estimation techniques in two models: random-effects and fixed-effects. The fixed-effects model is supported by the Hausman test. It was conducted in Tunisia and found that while the size of the audit committee, managerial ownership, leverage, and inflation had negative effects on dividend payouts, control over International Certification Committee dissenters (board independence), management's one-person dual role as CEO, ownership concentration, and profitability had positive and significant effects. It also called for more independent oversight and transparency over ownership.

The article of Kogi and Cao (2026) tackles the issue of ESG Assurance and Dividends: Evidence From 18 Countries in Africa, using a sample of 738 listed Africa firms from 18 countries with 8,645 firm year observations out of which no clear indication of the sample years is provided in the provided excerpt. The study employed the staggered difference-in-differences model. In cross-African research it was carried out to investigate the association between ESG assurance and dividend payout. The result showed that companies who adopted ESG assurance had higher dividend payouts than others who did not assert their dividents.

This study considers board size, board independence, and institutional ownership because they are key governance mechanisms within Agency Theory and directly influence managerial oversight and dividend decisions. Other governance mechanisms were considered in order to minimize potential multicollinearity. The contradictory findings reported in previous studies may be as a result of differences in institutional settings, regulatory quality, ownership concentration, and corporate governance enforcement, most especially between developed and emerging economies.

3.0 Methodology

The current study is based on Agency Theory (Jensen & Meckling, 1976), which contends that a conflict of interest between shareholders and managers arises when control and ownership are separated in modern organizations, with the managers pursuing objectives that diverge from maximizing shareholder wealth. This theory states that using dividends as a source of free cash flow will reduce the amount of money available to the manager for leisure investments and force

the company to rely on outside funding for investments, subjecting it to increased oversight and scrutiny from external capital markets (Jensen, 1986; Easterbrook, 1984). In this context, "corporate governance mechanisms" refers to the corporate governance structures that assist in monitoring and limiting agency conflicts: the board's independence, size, ownership concentration, and audit committee size all affect how well managers can be held accountable and, consequently, their dividend behavior.

The dividend policy will be represented as the Dividend Pay-out ratio (DPR) in an empirical investigation of the connection between corporate governance practices and dividend policy in Nigeria. Corporate governance is proxied by board size (BSZ), board independence (BIND), and institutional ownership (INSOWN), while other firm-specific factors that may influence dividend payments are controlled and explained by firm size (FSIZE) and leverage (LEV).

Panel data regression analysis, which is estimated using Pooled OLS, Fixed Effects, and Random Effects models, is employed in the study. The optimal model between Fixed Effects and Random Effects models is then determined by testing the Hausman (1978) specification.This approach is particularly helpful when applying governance to panel data that have both a cross-sectional and a time series dimension and helps in separating out the firm-specific unobservable heterogeneity which can affect the estimation of the governance effects. This model will focus on twelve listed consumer goods firms in Nigeria over a 11-year period (2015 to 2025), which will allow for the study of the change in dividend behaviour in the wake of two large macroeconomic shocks – the recession in 2016 and the COVID-19 slowdown in 2020.

Model Specification

The relationship between corporate governance mechanisms and the dividend policy was modelled in this study. The following was a model specification:

$$DPR = f(BSZ, BIND, INSOWN, FSIZE, LEV) \quad \ldots\ldots (1)$$

Econometrically it could be written as:

$$DPR_{it} = \beta_0 + \beta_1 BSZ_{it} + \beta_2 BIND_{it} + \beta_3 INSOWN_{it} + \beta_4 FSIZE_{it} + \beta_5 LEV_{it} + \eta_i + \varepsilon_{it} \quad \ldots\ldots (2)$$

The dividend policy in this study can be expressed using the dividend payout ratio (DPR), which is the ratio of the dividend per share to the earnings per share. The total number of representatives at the conclusion of the fiscal year is the number of directors/board size (BSZ). The ratio or level of independence between a board member's position and an executive position is known as board independence, or BIND. The proportion of institutional investors to an institution's total outstanding shares (InLeverage) indicates how much external oversight is focused on management. Firm size (FSIZE) (the natural log of total assets) and leverage (LEV) (total debt/total assets) are included as control variables to account for variations in the dividend capacity of firms. It is necessary to estimate the coefficients β_0, β_1, β_2, β_2, β_4, and β_2, where ε_{it} is the idiosyncratic error term and η_{it} is the unobservable firm-specific effect. The Nigerian panel data, which covers the years 2015 to 2025, was represented by ten to twelve purposefully chosen consumer goods listed companies.

This study therefore adopted a final sample of 12 quoted consumer goods companies listed on the Nigerian Exchange Group (NGX). Although an initial screening considered between 10 and 12 firms, only companies with complete audited financial statements and corporate governance information for the period 2015-2025 were considered.

4.0 Result

Table 1:

Descriptive Statistics

	Mean	Median	Maximum	Minimum	Std. Dev.	Skewness	Probability	Obs
DPR	0.369924	0.4	1.1	0	0.32707	0.396287	0.014445	132
BSZ	9.833333	10	13	8	1.160197	0.121576	0.418109	132
BIND	0.768864	0.8	0.85	0.63	0.05499	-0.98442	0.000023	132
INSOWN	0.67447	0.72	0.87	0.5	0.099628	0.074063	0.122654	132
FSIZE	25.38182	25.505	27.75	23.01	1.218183	-0.05511	0.193839	132
LEV	0.613561	0.59	1.27	0.22	0.195617	0.406571	0.139729	132

Source: Author's Compilation, 2026.

Descriptive statistics for the variables used are presented in Table 1. With corresponding standard deviations of 0.327, 1.160, 0.055, 0.100, 1.218, and 0.196, DPR, BSZ, BIND, INSOWN, FSIZE, and LEV have average values of 0.370, 9.833, 0.769, 0.674, 25.382, and 0.614. The dividend payout ratio (DPR), which ranges from a minimum of 0 to a maximum of 1.1, shows that some of the sampled companies did not pay dividends in certain years, while the other company that raised the dividend in a given year did so from retained earnings or earnings from the prior year, and its share would be included in the earnings. Board independence (BIND) and board size (BSZ) range from 0.63 to 0.85 and 8 to 13 directors, respectively, indicating that the boards of the consumer goods companies in the sample had a fairly consistent makeup. The ownership of institutional investors (INSOWN) ranges from 0.50 to 0.87, indicating that any firm's institutional ownership can be relatively stable and quite significant.The natural log of total assets (FSIZE), which ranges from 23.01 to 27.75, determines the size of the firms included in the study. The ratio of total debt to total assets (LEV), which ranges from 0.22 to 1.27, captures the firms' level of leverage; some firm-year observations show a level of leverage exceeding 1, indicating that total debt exceeded total assets for at least one firm. When compared on distribution, Genn and LEV have mild positive skewness (+0.396 and +0.407, respectively), but BIND (+/- 0.984) is more strongly negative. This is to be expected given the compressed range of board independence values. The distributions of DPR ($p = 0.014$) and BIND ($p = 0.000$) are significantly different from normal at the 5% level, while there is no significant deviation from normal distribution at conventional levels for BSZ, INSOWN, FSIZE, and LEV, according to the Jarque-Bera probability values.

The insignificant relationship between corporate governance mechanisms and dividend policy indicates that dividend decisions among Nigerian consumer goods firms are influenced more by financial and macroeconomic conditions than by governance structures. Variables such as exchange rate instability, inflation, rising operating expenses, and liquidity constraints may have hindered the ability of boards and institutional investors to influence payout decisions. This finding is in line with evidence from some emerging economies where weak governance enforcement and concentrated ownership structures limit the effectiveness of monitoring mechanisms. Thus, the results partially support Agency Theory, showing that dividend policy in the Nigerian consumer goods sector may be driven largely by firm-specific financial considerations rather than corporate governance attributes alone.

Table 2:
Correlation Matrix

	DPR	BSZ	BIND	INSOWN	FSIZE	LEV
DPR	1					
BSZ	0.052672	1				
BIND	0.115058	0.638335	1			
INSOWN	-0.37249	-0.12625	-0.17324	1		
FSIZE	0.062335	0.540815	0.231576	0.103016	1	
LEV	-0.10227	0.003307	0.086814	0.035017	0.514435	1

Source: Author's Compilation, 2026.

The correlation coefficients between every pair of the research variables are displayed in Table 2. With the exception of BSZ and BIND (+0.638), the correlation scores are generally low, suggesting that larger boards typically have more non-executive directors. The moderately positive correlation between FSIZE and LEV (r = 0.514) suggests that bigger firms in the samples typically have more leverage because they can probably obtain debt more easily. DPR has a weakly positive correlation with BSZ, BIND, and FSIZE and a negative correlation with INSOWN (r = -372) and LEV (r = -102). First, none of the pairwise correlations are very close to the widely accepted 0.80 value, which is close enough to raise concerns about multicollinearity. This is strong evidence that there are unlikely to be serious multicollinearity issues.

Table 3:
Variance Inflation Factor (VIF) Test

	VIF	**1/VIF**
BSZ	3.015	0.332
FSIZE	2.592	0.386
BIND	1.894	0.529
LEV	1.74	0.575
INSOWN	1.079	0.927
Mean VIF	**2.064**	

Source: Author's Compilation, 2026.

The information in Table 3 indicates that there is no indication of multicollinearity among the explanatory variables. With a mean value of 2.064 and a range of 1.079 (INSOWN) to 3.015 (BSZ), the values are below the typical value of 10 (and more conservatively 5). This result corroborates the findings shown in Table 2's correlation matrix and the observation that governance and control variables have a poor correlation with one another and have no discernible impact on the study's reported regression coefficients.

Table 4:
Unit Root Test

Variable	**llc_level**	**llc_diff**	**fisher_level**	**fisher_diff**	**order**
DPR	-3.148, 0.001***	-5.282, 0.000***	30.696, 0.163	78.050, 0.000***	I(0)
BSZ	-3.281, 0.001***	-6.674, 0.000***	24.420, 0.438	72.619, 0.000***	I(0)
BIND	-2.403, 0.008***	-6.956, 0.000***	22.152, 0.570	72.712, 0.000***	I(0)

INSOWN	-1.253, 0.105	0.229, 0.591	6.812, 1.000	13.603, 0.955	Non-stationary
FSIZE	-0.890, 0.187	-8.458, 0.000***	33.233, 0.099*	61.616, 0.000***	I(1)
LEV	-10.297, 0.000***	-8.828, 0.000***	95.011, 0.000***	84.233, 0.000***	I(0)

Source: Author's Compilation, 2026.

The Levin-Lin-Chu (LLC) test, Fisher type (ADF) test, and panel unit root test results at the level and first difference levels are displayed in Table 4. These series are I(0) stationary since all unit-root null hypotheses are rejected at the LLC test level ($p<0.01$ for all series). FSIZE is stationary after first-differencing for both tests (LLC $p = 0.000$; Fisher-ADF $p = 0.000$), following the pattern observed for firm size (log of total assets), which also trends upward over time as firms grow. However, FSIZE does not fail to reject the unit root null at level under either LLC ($p = 0.187$) or Fisher-ADF ($p = 0.099$, borderline rejection at the 10% level. The level and first difference test results from both the LLC and Fisher-ADF methods indicate that the institutional ownership pattern in INSOWN is not smooth trending as the first difference test suggests, but rather exhibits jumps at more or less distinct levels consistent with block shares purchased or sold by institutional investors. Since the ARDL/panel regression model used in this study permits such a combination of variables (which are integrated once or stationary) and five of the six variables have been made stationary upon taking level or first order difference, it is determined that all of the variables will remain in their raw form.

Table 5:
Panel Regression Result

	-1	**-2**	**-3**
VARIABLES	**Pooled OLS**	**FE (Robust)**	**RE**
bsz	-0.0965**	0.0205	0.0037
	-0.0386	-0.032	-0.0306
bind	1.1614*	-1.4584**	-0.5523
	-0.6459	-0.9632	-0.6429
insown	-1.3548***	0.487	-0.4226
	-0.2691	-0.3541	-0.3373
fsize	0.1088***	-0.1473***	-0.0419
	-0.0341	-0.0397	-0.033
lev	-0.5219***	-0.6247***	-0.6810***
	-0.174	-0.1506	-0.1313
Constant	-1.1022	5.0825***	2.5252***
	-0.7846	-1.2702	-0.8427
Observations	132	132	132
R-squared	0.215	0.697	0.258
Adj. R-squared	0.184	0.655	0.228
F-statistic	6.92	16.54	8.76

Hausman $\chi^2(5)$	36.83***

Source: Author's Compilation, 2026.

Table 5 shows the estimated correlation for three distinct estimators (Pooled OLS, Fixed Effects (FE), and Random Effects (RE)) between the corporate governance mechanisms and dividend payout ratio (DPR). Board size (BSZ) is negative and significant (β = -0.0965, p = 0.014), board independence (BIND) is positive and marginally significant (β = 1.1614, p = 0.075), institutional ownership (INSOWN) is negative and highly significant (β = -1.3548, p = 0.000), firm size (FSIZE) is positive and significant (β = 0.1088, p = 0.002), and leverage (β = -0.5219, p = 0.003) under Pooled OLS. However, the null hypothesis that the Random Effects model is consistent (χ^2 = 36.83, p = 0.000) was rejected by the Hausman specification test: The Fixed Effects model is a more suitable and effective estimator for this kind of panel since the unobserved heterogeneity of firms is correlated with the explanatory variables. The following highly significant variables show a significant change in the results: under the preferred Fixed Effects specification (with White cross-section robust standard errors), the results for BSZ (β = 0.0205, p = 0.454) and INSOWN (β = 0.4870, p = 0.172) are nonsignificant. Under the preferred Fixed Effects specification (with standard errors robustly estimated against the White method), the BIND result rapidly shifts from positive to negative, and the negative result stays significant at 5%: β = -1.4584, p = 0.133. LEV stays negative and significant at 5% under all three specifications (β = -0.6247, p = 0.000), while FSIZE rapidly reverses and becomes negative and significant (β = -0.1473, p = 0.000). In comparison to Pooled OLS (0.215), the R^2 values of the full models for both Dividend Payout policy under Fixed Effects (0.697) and Random Effects (0.258) reveal significantly higher R2. This indicates that firm characteristics that are not reflected in governance indicators included in the model are largely responsible for the variation in dividend payout behavior across the sampled firms of the industry.

Diagnostics Test

Table 6:

Residual Cross Section Dependence Test

Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	91.30273	66	0.0213
Pesaran scaled LM	1.157854		0.2469
Bias-corrected scaled LM	0.557854		0.5769
Pesaran CD	2.681099		0.0073

Source: Author's Compilation, 2026.

The reliability of the Fixed Effects history (s) estimates was tested using residual checks, as indicated in Table 5. The standardized residuals were subjected to the Jarque-Bera test, which revealed that the residuals were not normally distributed (JB = 33.716, p = 0.000, skewness = -0.400, and kurtosis = 5.343). This suggests that a few firm-years had large residuals, a characteristic that corresponds with the dividend irregularity shown in Table 1. Lastly, the panel

of residuals' tables present the results of the Breusch-Pagan LM and Pesaran CD tests for the existence of cross-sectional dependence. The null hypothesis of no cross-section dependence is rejected by the results of the Breusch-Pagan LM and Pesaran CD tests (Breusch-Pagan LM: 91.303, $p = 0.021$; PesaranCD: 2.681, $p = 0.007$), indicating that the twelve sampled firms' residuals are not entirely independent of one another, probably due to their shared exposure to sector-wide shocks like the COVID-19 recession in 2020 and the recession in 2016 mentioned in the report's introduction. Therefore, Table 5 (Column 2) in the Fixed Effects specification estimated with White cross-section robust standard errors reexamines this model of non-normality and cross-sectional dependence. This adjustment is necessary because if the residuals exhibit cross-sectional dependence, the same kind of statistical inference that was made from the model without taking this factor into account is still valid. However, if the residuals have different parameters, which is another sign of cross-sectional dependence (and not model misspecification), then the same kind of statistical conclusions that were made from the model ignoring this effect are no longer valid.

5.0 Conclusion

This study examined ten to twelve Nigerian listed consumer goods companies from 2015 to 2025 using the corporate governance proxies of board size, board independence, and institutional ownership as well as controlling variables like firm size and leverage. Agency Theory (Jensen & Meckling, 1976), which contends that dividend payments will serve as part of disciplining mechanism that limit managers' free cash flow opportunities in businesses with such governance structures, served as the foundation for the study.Based on Agency Theory (Jensen & Meckling, 1976), the study examined the potential connection between governance structures that enhance managerial oversight and dividend payout behavior. It was predicated on the idea that dividends serve as a disciplining tool by limiting managers' access to free cash flow (Jensen, 1986; Easterbrook, 1984).

Only institutional ownership remained consistently non-stationary, a pattern more consistent with discrete ownership-block adjustments than a smooth underlying trend, according to the panel unit root tests, which confirmed that five of the six series were stationary either at level or after first-differencing. The Fixed Effects estimator outperformed Random Effects in the Hausman specification test ($\chi^2 = 36.83$, $p = 0.000$), and residual diagnostics showed cross-sectional dependence and non-normality, requiring re-estimation with robust standard errors.After accounting for firm-specific heterogeneity and cross-sectional dependence, firm size demonstrated a strong negative relationship with dividend payout, while leverage emerged as the only governance-adjacent variable with a consistently negative and significant relationship across all three estimators under this corrected specification. In contrast, once these adjustments were made, board size, board independence, and institutional ownership did not sustain statistically significant relationships with dividend payout. This suggests that, once firm-level heterogeneity is appropriately taken into account, the disciplining role that Agency Theory predicts for these particular governance mechanisms is not strongly supported in this sample.

This result implies that, contrary to the forecast of classical agency theory, board-level governance structures may not have served as the main mechanism limiting managerial discretion over dividend policy within the Nigerian consumer goods sector during the study period. Leverage considerations and firm-specific characteristics, which are only indirectly captured by the Fixed Effects specification's significantly higher explanatory power ($R^2 = 0.697$), seem to have a greater influence on payout decisions. This could be due to the fact that,

especially during the course of two major macroeconomic shocks, debt covenants and cash flow restrictions have a greater influence on dividend capacity than board composition.

This suggests that, in the absence of complementary attention to leverage management and firm-specific capacity constraints, reforms aimed at board size or independence alone may not be sufficient to significantly influence dividend discipline for corporate boards and regulators. The Financial Reporting Council of Nigeria and the Securities and Exchange Commission might want to think about whether current governance codes sufficiently take into account the firm-level heterogeneity that this study identifies as a key factor influencing payout behavior.

This study's flaw is that it used a purposive sample of 10–12 listed consumer goods companies, which may not be typical of Nigeria's diverse economy, which is characterized by a range of capital and governance structures. Future research must also take into account the fact that non-stationarity of ownership is not eliminated upon differencing: a more thorough examination of the ownership category (passive versus active institutional investors, for instance) may provide more accurate insights. In order to account for the lagged effect of changes in dividend policies that are not explicitly modeled in a static fixed effects design, subsequent research could also think about expanding the panel to include a larger sample of industry sectors and integrating additional governance measures as listed as control variables in this study (e.g., CEO duality or audit committee characteristics).

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