DIVIDEND POLICY AND FINANCIAL PERFORMANCE OF SELECTED LISTED MANUFACTURING FIRMS IN NIGERIA

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Abstract
The study investigated how dividend policy influences the financial performance of selected listed manufacturing firms in Nigeria. The research was motivated by the continuing challenge faced by manufacturing firms in balancing dividend payments to shareholders with the retention of earnings required to finance investment, expansion, and operational efficiency. Specifically, the research examined the association between dividend payout, dividend per share, dividend yield, and return on assets. The research adopted an ex-post facto research design and utilized secondary data sourced from the audited annual reports of 33 listed manufacturing firms on the Nigerian Exchange Group covering the period 2014–2024. Data were examined using descriptive statistics, correlation analysis, diagnostic tests, and the Generalized Method of Moments (GMM) estimation technique to address endogeneity. The results indicated that dividend payout has a positive and significant effect on financial performance ($\beta = 0.7735$; $p < 0.05$), while dividend per share also exerts a positive and significant influence on ROA ($\beta = 1.5346$; $p < 0.05$). However, dividend yield showed a negative but insignificant effect on performance ($\beta = -0.6304$; $p > 0.05$). The Wald test confirmed that dividend policy significantly affects financial performance, while the GMM diagnostic results indicated valid instruments and absence of serial correlation problems. The research concludes that effective dividend policy enhances profitability when firms maintain an appropriate balance between shareholder returns and retained earnings.

Keywords: Dividend payout, dividend per share, dividend policy, dividend yield, financial performance.

1.0 Introduction

The Nigerian manufacturing sector operates in an environment characterized by fluctuating production costs, foreign exchange pressures, infrastructure constraints, changing consumer demand, and limited access to affordable long-term finance (Nigeria, 2024). In such a demanding operating climate, deciding whether to hold onto profits or hand them over to investors carries heavy consequences (Akinlo & Olayiwola, 2021; Budagaga, 2020). Reinvesting cash helps upgrade machinery, buy inventory, and expand factory operations, but skipping or slashing payouts risks scaring off investors and signaling that the company might be in trouble (Muriungi & Mwang, 2020; Tinungki et al., 2022).

Despite decades of debate on corporate payouts, researchers still haven't reached a clear consensus on what works best. In Nigeria, most existing studies have focused on commercial banks, stock market returns, or share price fluctuations, giving surprisingly little attention to the day-to-day operating efficiency of physical manufacturing plants (Andabai, 2020;

Ayunku & Apiri, 2020; Dalyop *et al.,* 2017; Oyedokun *et al.,* 2019). The limited research that does focus on corporate performance offers mixed messages some studies suggest payouts boost performance, others find they drag it down, and a few argue they make no difference at all (Akinlo & Olayiwola, 2021; Gitagia *et al.,* 2020; Samuel & Augustine, 2024; Tekin & Polat, 2020). Limited evidence is also available on how individual dimensions of dividend policy, such as dividend payout ratio, dividend per share, and dividend yield, relate to the accounting-based performance of listed manufacturing firms in Nigeria (Andabai, 2020; Akinlo & Olayiwola, 2021; Samuel & Augustine, 2024; Oyedokun *et al.,* 2019). Furthermore, differences in estimation techniques and the potential for reverse causality between dividend decisions and firm performance create a methodological gap that requires further investigation (Akinlo & Olayiwola, 2021; Samuel & Augustine, 2024). The unresolved issue, therefore, is whether and how different dimensions of dividend policy relate to the internal operating performance of listed manufacturing firms in Nigeria, particularly when potential endogeneity is taken into consideration. This study addresses these gaps by examining dividend payout ratio, dividend per share, and dividend yield in relation to return on assets among selected listed manufacturing firms in Nigeria over the period 2014–2024, using dynamic GMM estimation.

Financial performance is commonly assessed using indicators such as Return on Assets (ROA), Return on Equity (ROE), and other profitability measures, which provide insights into a firm's efficiency and ability to generate returns (Kumar & Rao, 2021). Profitability remains an important measure of corporate performance because it reflects management's capacity to utilize assets and financial resources effectively. Among the various performance indicators, Return on Assets (ROA) is widely applied because it evaluates how efficiently a firm utilizes its asset base to generate earnings and provides an indication of managerial effectiveness in asset utilization (Choiriyah *et al.,* 2021). A higher ROA suggests improved operational efficiency and profitability, whereas a lower ROA indicate challenges in resource utilization and investment decisions (Brigham & Ehrhardt, 2013; Ross *et al.,* 2005).

ROA is used as the principal measure of financial performance in this research because it assesses how effectively management uses the firm's total asset base to generate earnings. Unlike Return on Equity, which can be influenced by differences in financial leverage, ROA provides a broader measure of operating efficiency across firms with different capital structures (Brigham & Ehrhardt, 2013; Ross *et al.,* 2005). Although market-based measures such as Tobin's Q capture investors' expectations and are influenced by market conditions, ROA provides a more direct measure of internal operating performance. ROA is therefore considered appropriate for assessing the internal operating performance of manufacturing firms. Accordingly, this study examines the relationship between dividend payout ratio, dividend per share, dividend yield, and return on assets among selected listed manufacturing firms in Nigeria over the period 2014–2024.

In alignment with the study objective, the following null hypothesis is specified for empirical testing:
H_{01}: Dividend policy has no influence on financial performance of listed manufacturing firms in Nigeria

2.0 Conceptual Review

Dividend policy refers to the framework guiding the distribution of earnings between dividends and retained earnings (Onanjiri & Korankye, 2014). According to ICAN (2009), this distribution choice lies at the heart of long-term financial management because it directly affects a company's internal liquidity, re-investment potential, and capital structure. While mature firms with reliable cash flows can afford to establish predictable payout patterns,

manufacturing businesses frequently face volatile cash cycles that make fixed distributions challenging (Brigham & Ehrhardt, 2013; Ross et al., 2005). Distributing too much cash can leave a factory starved of working capital when raw material prices suddenly spike, yet withholding dividends entirely can scare off income-focused shareholders and signal that management lacks confidence in future earnings (Kanakriyah, 2020). Furthermore, Jensen and Meckling (1976) point out that regular payouts serve an important governance role: by sending excess cash back to investors, management has less unallocated cash lying around to waste on low-return projects, helping keep managerial incentives aligned with shareholder interests.

Dividend policy represented using different measures, depending on the aspect of dividend decisions being examined. This study adopts the dividend payout ratio (DPO), dividend per share (DPS), and dividend yield (DY) because they capture distinct and complementary dimensions of dividend policy. DPO measures the proportion of earnings distributed to shareholders relative to earnings available for retention and therefore reflects the firm's distribution retention decision. DPS measures the amount of dividend attributable to each ordinary share and captures the direct dividend received by shareholders. DY measures dividend income relative to the market price of the share and therefore incorporates the market-based dimension of dividend returns.

The selection of these three measures is particularly relevant to listed manufacturing firms because they capture the firm's internal distribution decision, the dividend allocated per share, and the return associated with dividend payments relative to market valuation. Examining the measures separately also provides a more comprehensive assessment of dividend policy because the three indicators convey different information. For instance, a firm may have a high dividend payout ratio without necessarily having a high dividend yield when its share price is relatively high. Similarly, DPS may increase while the payout ratio changes depending on the level of earnings (Brigham & Ehrhardt, 2013; Nguyen & Rahman, 2023). Dividend yield also varies,as a result of changes in market price in addition to changes in dividend payments (Kim & Nguyen, 2022; Shleifer & Vishny, 2023). Thus, DPO, DPS, and DY provide complementary rather than identical information about dividend policy.

Accordingly, DPO is used to capture the balance between dividend distribution and earnings retention; DPS captures the direct dividend allocation to shareholders; while DY captures dividend return relative to market price (Ogbonnaya *et al.,* 2026). Their separate inclusion enables the study to determine whether the association between dividend policy and financial performance differs across the specific dimensions of dividend policy considered. DPS reflects the dividend attributable to each share and is associated with shareholder returns (Brigham & Ehrhardt, 2013), while DPO indicates the proportion of earnings distributed as dividends and reflects the firm's distribution retention decision. Higher payout ratios attract income-oriented investors and reduce managerial discretion over free cash flow (DeAngelo, 2000; Nguyen & Rahman, 2023). DY, on the other hand, relates dividend income to market price and therefore reflects both dividend payments and market valuation (Kim & Nguyen, 2022; Shleifer & Vishny, 2023).

Firm size is included as a control variable because it captures the scale of a firm's operations, resource base, and financial capacity (Abubakar*et al*., 2024). Larger firms often possess greater asset bases, stronger market presence, and improved access to capital markets, which influence their ability to generate profits and maintain stable dividend payments (Sani & Ghoneim, 2024). They also experience lower information asymmetry and greater financial flexibility, enabling them to adopt more consistent dividend policies (Ross *et al.,* 2016). This research measures firm size using the natural logarithm of total assets because this measure

provides an indication of the operational capacity and financial resources of manufacturing firms.

Firm growth represents the expansion potential of a firm and is commonly associated with changes in sales, revenue, or investment opportunities (Brigham & Ehrhardt, 2013; Myers & Majluf, 1984). Growing firms may prefer to retain a larger proportion of earnings to finance expansion projects rather than distribute profits as dividends. According to the Pecking Order Theory, firms with greater growth opportunities tend to rely on internally generated funds before seeking external financing (Chang *et al.*, 2008; Myers & Majluf, 1984). Therefore, firm growth affect both dividend payment decisions and financial performance. Firm growth is therefore incorporated as a control variable to account for its potential effect on the association between dividend policy and the financial performance of selected listed manufacturing firms.

Theoretical Framework

Free Cash Flow Theory, proposed by Jensen (1986), argues that when companies generate more cash than they need for profitable capital projects, managers are often tempted to misspend those funds on unprofitable expansions or corporate perks. In manufacturing, where large amounts of cash flow through daily operations, unallocated funds under managerial control can easily lead to inefficiency (Jensen, 1986). Paying regular cash dividends solves this problem by pulling excess cash out of management's hands and returning it to shareholders (Jensen, 1986; DeAngelo, 2000). This constant payout imposes financial discipline, forces managers to run leaner operations, and reduces agency friction (Jensen, 1986; Ross et al., 2016). The theory therefore suggests that dividend payout and dividend per share be positively associated with financial performance, when dividend payments reduce managerial discretion and signal effective financial control (Brigham and Ehrhardt, 2013; Ross *et al.,* 2016).

However, the theory does not imply that all dividend payments improve performance. Excessive payouts deprive the firm of funds needed for investment and working capital (Brigham & Ehrhardt, 2013). The effect of dividend policy therefore depends on whether the firm has sufficient cash flow and profitable investment opportunities (Jensen, 1986; Brigham & Ehrhardt, 2013). Free Cash Flow Theory predicts that appropriate dividend payments improve performance by reducing agency costs and encouraging managerial discipline (Jensen, 1986; Nguyen & Rahman, 2023).

Pecking Order Theory

Developed by Myers and Majluf (1984), the Pecking Order Theory takes a practical view of how real-world companies raise capital. Because outside investors know less about a firm's true health than inside managers do (information asymmetry), raising external funds is expensive and complicated. As a result, companies follow a clear hierarchy: they prefer using internal cash flow first, turning to bank debt second, and issuing new stock only as a last resort (Ross *et al.,* 2016). The theory suggests that dividend payments reduce the funds available for investment because distributed profits cannot be retained for future projects (Brigham & Ehrhardt, 2013; Myers & Majluf, 1984). Firms with high growth opportunities prefer lower dividend payouts in order to finance expansion internally (Brigham & Ehrhardt, 2013). This creates a possible negative relationship between dividend payments and subsequent financial performance (Brigham & Ehrhardt, 2013).

The theory also underpins why dividend yields have a different effect from dividend payout and dividend per share (Shleifer &Vishny, 2023). A high dividend yield arises because of a high dividend payment, a low share price, or weak investor expectations regarding future

performance (Yahaya, 2026). Consequently, dividend yields do not always represent financial strength. The theory maintains that excessive dividend payments reduce retained earnings and constrain investment (Samuel & Augustine, 2024).

Free Cash Flow Theory serves as the primary theoretical foundation of this study because it examines whether dividend distributions improve operating performance by reducing managerial discretion over excess cash. Pecking Order Theory is used as a complementary theory to explain the possible negative effects of dividend payments on retained earnings, investment financing, and future performance.

Empirical Review

Global and domestic research on corporate payouts yields mixed, context-dependent findings that vary significantly across economic regions, industry sectors, timeframes, and analytical methods.

In the Nigerian context, Samuel and Augustine (2024) evaluated listed manufacturing enterprises and observed a statistically significant negative association between dividend payout ratios and Return on Equity (ROE). They concluded that high dividend distributions deplete internal cash reserves required for operational maintenance and factory expansion, leaving firms over-reliant on costly short-term debt. Akinlo and Olayiwola (2021) similarly reported that dividend policy had a negative short-run effect but a positive long-run effect on corporate performance among quoted Nigerian companies. These findings indicate that the relationship between dividend policy and performance may change over time as firms balance immediate shareholder payments with long-term investment needs.

Conversely, another branch of empirical literature reports a positive link between payouts and firm performance. Studying the banking sector, Andabai (2020) demonstrated that higher dividend payout ratios, retained earnings, and dividend yields significantly enhanced the market valuation of Nigerian deposit money banks. Expanding the focus beyond Nigeria, Gitagia et al. (2020) examined non-financial firms listed on the Nairobi Securities Exchange and reported that dividend decisions were significantly associated with firm value. Similarly, Dahunsi and Ogunniyi (2024), using dynamic panel models for 30 quoted Nigerian manufacturing firms over 12 years, found a significant positive effect of dividend policy on firm performance when profitability persistence was considered.

However, some studies, such as Singh and Tandon (2019) and Nekesa et al. (2021), have focused on stock prices, market value, or market share rather than accounting-based performance measures such as ROA. These measures are not interchangeable because market-based measures primarily reflect investors' valuation and expectations, whereas ROA captures the efficiency with which a firm uses its asset base to generate accounting earnings (Brigham &Ehrhardt, 2013). The existing literature also provides relatively limited evidence specifically on the relationship between dividend policy and ROA among Nigerian manufacturing firms, although Ajibade*et al.* (2019) examined dividend policy and financial performance among quoted manufacturing firms in Nigeria and Kenya using ROA as a performance measure.

This research contributes to the literature by focusing on selected listed manufacturing firms in Nigeria, examining dividend payout, dividend per share, and dividend yield separately, and applying a dynamic GMM estimator to address potential endogeneity arising from reverse causality and unobserved firm-specific factors. The study therefore provides sector-specific evidence on whether dividend policy is associated with internal operating performance rather than only market valuation.

3.0 Methodology

The study adopts an ex-post facto research design to evaluate the relationship between dividend policy and financial performance of listed manufacturing firms in Nigeria. The study utilized secondary data extracted from the audited annual reports and financial statements of selected manufacturing companies listed on the Nigerian Exchange Group (NGX) spanning the period 2014 - 2024.

The research employs purposive sampling technique in selecting 33 manufacturing firms based on the availability and consistency of relevant financial information required for the study. Firms with incomplete records on dividend-related variables and financial performance indicators were excluded to ensure reliability and comparability of the dataset.

The study employs both descriptive and inferential statistical techniques for data analysis. Descriptive statistics such as mean, minimum, maximum, standard deviation, skewness, and kurtosis were used to capture the characteristics of the variables. Inferential analysis involved correlation analysis and the Generalized Method of Moments (GMM) estimation technique to examine the effect of dividend policy on financial performance.

The GMM approach was adopted to account for possible endogeneity issues that arise from the relationship between dividend decisions and firm performance, while improving the efficiency and consistency of the regression estimates. Diagnostic tests including multicollinearity, heteroskedasticity, and autocorrelation tests were performed to confirm the robustness and validity of the model results.

Model for Objective

To examine the influence of dividend policy on financial performance. This objective will be achieved by improving the methodological basis by employing the GMM technique.

$$ROA = f(DPO, DPS, DVY, FSIZ, FGRW)$$

$$ROA_{it} = \alpha_0 + \alpha_1 ROA_{it-1} + \alpha_2 DPO_{it}\, \alpha_3 DPS_{it} + \alpha_4 DVY_{it} + \alpha_5 FSIZ_{it} + \alpha_6 FGRW_{it} + \varepsilon_{it}$$

Where:

ROA_{it} = Return on assets
DPO_{it} = Dividend payout,
DPS_{it} = Dividend per share
DVY_{it} = Dividend yield.
$FSIZ_{it}$ = Firm size
$FGRW_{it}$ = Firm growth
i = company; at time t; $\varepsilon_{it} = error\ terms$
α_0 , = Constant
$\alpha_1 \ldots \alpha_5$ = Regression Coefficients for model
and the *a priori* expectation

$$\alpha_{0_1}, \ \alpha_{0_2}, \ \alpha_{0_3}, \ \alpha_{0_4}, \ \alpha_{0_5}, > 0$$

4.0 Results and Discussion

Table 1:
Descriptive Statistics for Objective

	ROA	DPO	DPS	DY	FSIZE	FGRW
Mean	5.649	0.3713	0.2982	0.0511	7.2659	12.4039
Median	4.8391	0.3036	0.116	0.0204	7.2715	7.7490
Maximum	53.959	4.5454	4.545	2.542	9.699	85.0840
Minimum	-35.208	-3.6038	-3.333	0.000	4.7971	-92.840
Std. Dev.	11.053	0.5216	0.4772	0.1655	0.9676	57.705
Skewness	0.284	1.2831	1.5334	10.669	-0.1044	8.6405
Kurtosis	5.8422	25.7498	29.7429	147.297	2.2095	108.194
Jarque-Bera	127.0752	7927.670	10959.42	321813.5	10.112	171889.5
Probability	0.0000	0.0000	0.000	0.0000	0.0063	0.0000
Obs	363	363	363	363	363	363

Source: Author's Computation, 2026.

Table 1 reports the descriptive statistics for the study variables. The average ROA is 5.649, indicating that the sampled firms generated an average return of approximately 5.6 percent on their total assets over the study period. The standard deviation of 11.053 indicates considerable variation in asset profitability across firms and years. The minimum value of −35.208 suggests that some firm-year observations recorded substantial losses, while the maximum value of 53.959 reflects the existence of highly profitable observations.

The ROA distribution is positively skewed and has a kurtosis value above three, indicating a departure from normality and the possible presence of extreme observations. The significant Jarque–Bera statistic confirms that the normality assumption is rejected. However, non-normality in the descriptive statistics does not by itself invalidate the GMM estimation, provided that the estimator and standard errors are appropriately specified.

The average dividend payout is 0.3713, while the median is 0.3036. The difference between the mean and median suggests moderate positive skewness. The negative minimum value indicate that the dividend payout ratio was calculated using negative earnings in some firm-year observations. This issue should be explained clearly because dividend payout ratios are usually interpreted cautiously when earnings are negative.

The mean dividend per share is 0.2982. The standard deviation of 0.4772 indicates substantial variation in dividend payments across the sampled firms. The positive skewness and high kurtosis suggest that a relatively small number of firms paid considerably higher dividends than the sample average.

The mean dividend yield is 0.0511, indicating an average dividend yield of approximately 5.1 percent, assuming the variable is expressed as a proportion. The distribution is highly positively skewed, with a maximum value of 2.542. This extreme value reflect observations involving very low share prices. Dividend yield should therefore be interpreted carefully because a high yield result from a falling market price rather than exceptionally strong financial performance.

The mean firm size is 7.2659 based on the natural logarithm of total assets. The mean firm growth rate is 12.4039 percent, although the wide range from −92.840 to 85.084 indicates substantial differences in growth performance. The extreme values suggest that additional checks for outliers is appropriate.

Table 2:
Correlation Matrix

	ROA	**DPS**	**DPO**	**DY**	**FSIZE**	**FGRW**
ROA	1.0000					
DPS	0.0611	1.0000				
DPO	0.0526	0.4960	1.0000			
DY	0.0277	0.1045	0.0246	1.0000		
FSIZE	0.3318	0.0746	0.0453	0.0877	1.0000	
FGRW	0.1055	0.0256	0.0134	-0.0062	0.1227	1.0000

Source: Author's Computation, 2026.

The correlation matrix presents the pairwise linear associations among the variables. The correlation between ROA and dividend yield is positive but very weak at 0.0277. The correlation between ROA and dividend per share is also positive but weak at 0.0611, while the correlation between ROA and dividend payout is 0.0526.

These coefficients should not be described as statistically significant because the table does not report the corresponding probability values. Correlation coefficients alone do not establish statistical significance. Furthermore, the correlation between dividend yield and ROA should not be described as strong because a coefficient of 0.0277 represents an almost negligible linear association. The largest correlation involving ROA is with firm size at 0.3318, which remains below the level generally associated with serious multicollinearity. The centred VIF values range from 1.0159 to 1.5752, further indicating that multicollinearity is unlikely to materially affect the regression estimates.

Table 3:
Panel Unit Root Tests

Variables	**Constant** LLC	**Prob.**	Im, Pesaran and Shin	**Prob.**	**Order of integration**	**Remark**
ROA	-3.44533	0.0000	-4.54298	0.0000	1(0)	Stationary
DPS	-9.01659	0.0000	-3.29915	0.0005	1(0)	Stationary
DPO	-3.98519	0.0000	-4.54298	0.0000	1(0)	Stationary
DY	-3.09859	0.0010	-1.93920	0.0307	1(0)	Stationary
FSIZ	-2.01339	0.0220	1.91722	0.0315	1(0)	Stationary
FGRW	-8.16821	0.0000	-3.82374	0.0001	1(0)	Stationary

Source: Author's Computation, 2026.

The stationarity tests were based on the Levin, Lin & Chu (LLC) and Im, Pesaran and Shin unit root tests, as shown in Table 3. LLC assumes a common unit root process, while Im, Pesaran and Shin assumes individual unit root processes. This was also tested separately for each of the variables where the p-values were less than 0.05, thus nullifying the non-stationarity hypothesis. Accordingly, all variables are stationary at level, and the analysis can proceed.

Table 4:
(Multicollinearity, Heteroscedasticity and Serial Correlation) Test

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	17.6016	58.348	NA
DPS	2.0919	2.1921	1.5752
DPO	1.7281	2.3447	1.5546
DY	11.256	1.1179	1.0203

FSIZE	0.3319	59.124	1.0276
FGRW	9.2305	1.0630	1.0159
Heteroskedasticity	2.1964	(0.0042)	
Serial Corr. LM	221.506	(0.000)	
Wald Test: X^2	373.675	(0.000)	

Source: Author's Computation, 2026.

The diagnostics in Table 4 evaluate the standard OLS assumptions. Centered Variance Inflation Factors (VIF) range from 1.0159 to 1.5752, confirming the absence of severe multicollinearity.

Breusch-Pagan-Godfrey F-values are 2.1964 with regard to heteroskedasticity in Table 4 with p-values of 0.0042. The Breusch-Godfrey Serial Correlation LM Test also confirms autocorrelation, evident in F-value of 221.506 with corresponding p-values of 0.000. The presence of serial correlation as the null hypothesis of no serial correlation is rejected while the rejection of the Breusch-Pagan null equally affirmed the presence of heteroskedasticity. To correct for the violation, the panel regression results for the study's objective were estimated using robust standard errors. The Wald test also yielded a p-value of 0.000, showing that dividend policy had a significant effect on return on assets.

Dependent Variable: ROA
Table 5:
Panel Generalized Method of Moments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ROA(-1)	0.3249	0.0002	1454.34**	0.0000
DPO	0.7735	0.2686	2.8799**	0.0043
DPS	1.5346	0.1017	15.084**	0.0000
DY	-0.6304	0.3784	-1.6659**	0.0968
FSIZE	0.3862	0.1087	3.5517**	0.0004
FGRW	0.0075	0.0005	14.189**	0.0000

J-statistic	19.257
Prob(J-statistic)	0.8604
Prob.AR(1)	0.9120
Prob.AR(2)	0.9369
Instrument rank	33

Level of significance: *, **, and *** indicates 1%. 5% and 10%
Source: Author's Computation, 2026.

GMM Diagnostic Tests
The System GMM estimates in Table 5 confirm that the model specification is econometrically sound.The J-statistic is 19.257 with a probability value of 0.8604. The probability value exceeds the conventional 5% significance level; therefore, the null hypothesis associated with the overidentifying restrictions is not rejected. This provides evidence that the instruments used in the GMM estimation satisfy the over identifying restrictions and supports the validity of the instrument set employed in the model.

The serial correlation diagnostics also report probability values of 0.9120 for AR(1) and 0.9369 for AR(2). These results indicate that the reported tests do not provide statistical evidence of serial correlation at the respective orders at the conventional 5% significance level. In particular, the insignificant AR (2) result indicates that there is no evidence of second-order serial correlation in the residuals, which is relevant for assessing the appropriateness of the lagged instruments used in the dynamic specification.

The instrument rank is reports as 33, representing the dimension of the instrument set employed in the estimation. The diagnostic results, considered together, provide evidence supporting the specification of the GMM model and the validity of the instruments used for estimation. These diagnostics strengthen the reliability of the estimated coefficients by indicating that the model does not suffer from the identified instrument-validity and serial-correlation problems at conventional significance levels.

As depicted in Table 5, the findings shows that dividend payout has a substantial positive impact on return on assets (coeff. = 0.7735, P<0.05), suggests that higher dividend payouts are associated with better asset returns. This reflects a firm's commitment to distributing profits to shareholders while still effectively utilizing its assets to generate robust earnings.

In addition, the result shows that dividend per share has a substantial positive impact on return on assets (coeff. = 1.5346, P<0.05), suggests that companies which maintain or increase their dividends tend to reflect better asset utilization and profitability. This can indicate a firm's strong financial position and operational efficiency, as the ability to pay dividends often relies on generating substantial earnings from assets.

As depicted in Table 5, the dividend yield has a negative but statistically insignificant relationship with return on assets (coefficient = −0.6304, p = 0.0968). Although the negative coefficient suggests that higher dividend yield is associated with lower ROA, the probability value exceeds the 5% significance level. Therefore, the study does not provide sufficient statistical evidence to conclude that dividend yield significantly influences the financial performance of the sampled manufacturing firms. The result partly reflects the fact that dividend yield incorporates market price, meaning that a high yield can arise from a decline in share price rather than from an increase in dividend payments. Consequently, dividend yield capture aspects of market valuation that are not directly reflected in accounting-based operating performance.

Regarding the control variables, firm size has a significant positive effect on return on assets (coeff.=0.3862, P<0.05), this implies that larger firms benefit from operational efficiencies, better negotiating power with suppliers, and access to diverse funding sources, which can enhance operational efficiency and profitability. Firm growth has a significant positive effect on return on assets (coeff. =0.0075, P<0.05). This implies that companies experiencing sales growth can explore opportunities to scale operations, such as expanding production capacity or enhancing distribution networks, thereby leading to improved economies of scale, further enhancing profitability

Discussion of Findings

The findings provide evidence that the relationship between dividend policy and financial performance varies across the dividend policy measures examined. While dividend payout ratio and dividend per share exhibit positive and statistically significant associations with Return on Assets (ROA), dividend yield shows a negative but statistically insignificant association. The positive coefficient on dividend payout ratio is consistent with the Free Cash Flow Theory. By distributing part of the firm's earnings to shareholders, manufacturing firms may reduce the amount of discretionary cash available to managers, thereby limiting the

potential for inefficient investment and the misuse of excess funds (Jensen, 1986; Brigham & Ehrhardt, 2013). Regular dividend payments may also convey information about the firm's earnings capacity and financial condition, particularly where firms seek to maintain relatively stable payout patterns. This finding is consistent with Samuel and Augustine (2024), Akinlo and Olayiwola (2021), and Oyedokun *et al.* (2019), who reported positive or performance-enhancing associations between aspects of dividend policy and firm performance, although differences in sectors, measures and estimation methods should be recognised.

The positive and statistically significant coefficient on dividend per share similarly suggests that higher dividend payments per ordinary share are associated with higher ROA among the sampled manufacturing firms. This finding may reflect the information content of dividend payments, as firms with stronger earnings and cash-generating capacity may be more capable of sustaining higher dividends. However, the result should be interpreted cautiously because the observational nature of the study does not establish a direct causal effect of dividend payments on profitability. More profitable firms may have greater capacity to pay higher dividends, implying that part of the observed association may reflect reverse causality. This interpretation is also consistent with the rationale for employing dynamic GMM, which helps address potential endogeneity arising from the possibility that financial performance and dividend decisions influence each other.

In contrast, the negative but statistically insignificant coefficient on dividend yield differs from the positive associations observed for dividend payout ratio and dividend per share. This difference may arise because dividend yield incorporates the market price of the firm's shares in addition to the dividend paid. A relatively high dividend yield may result from a high dividend payment, but it may also arise from a decline in share price. Consequently, dividend yield captures both the dividend distribution decision and market valuation conditions, making its relationship with accounting-based performance such as ROA less direct. The negative coefficient therefore suggests an inverse association in the sampled firms, but its statistical insignificance means that there is insufficient evidence to establish a reliable relationship between dividend yield and ROA.

Overall, the findings indicate that dividend policy should not be assessed through a single indicator, as different measures capture different dimensions of the distribution decision and may convey different information about firm performance. This interpretation is consistent with the findings of Andabai (2020), who examined multiple dividend policy measures and reported differences in their relationships with firm valuation. In the present study, dividend payout ratio and dividend per share exhibit statistically significant positive associations with accounting-based financial performance, whereas dividend yield does not demonstrate a statistically reliable association with ROA. The results suggest that the relationship between dividend policy and financial performance among the sampled Nigerian manufacturing firms depends on the specific dividend measure considered.'

5.0 Conclusion

Based on the findings, the study analysed the relationship between dividend policy and the financial performance of selected listed manufacturing firms in Nigeria using annual data covering 2014-2024. The results show that dividend payout and dividend per share have positive and statistically significant relationships with return on assets, whereas dividend yield has a negative but statistically insignificant relationship with return on assets.

The findings highlight that the relationship between dividend policy and financial performance varies according to the specific dimension of dividend policy considered. The positive relationships observed for payout ratio and dividend per share align with classical

Free Cash Flow Theory and corporate signaling mechanisms.However, the possibility that more profitable firms are better able to distribute dividends means that reverse causality cannot be completely ruled out. Therefore, the observed relationships should not be interpreted as definitive causal effects.

The negative but statistically insignificant relationship between dividend yield and ROA indicates that a higher dividend yield does not necessarily correspond to improved operating performance. This partly arises because dividend yield is influenced by share price movements and therefore reflects market valuation conditions in addition to dividend payments.

Overall, the findings indicate that dividend policy is associated with the financial performance of the sampled listed manufacturing firms, although the nature and strength of the relationship depend on the specific dividend measure employed. The study therefore concludes that firms should formulate dividend policies that balance shareholder distributions with the retention of sufficient earnings to support investment, working capital requirements, and long-term growth opportunities.

Recommendations

i. Manufacturing firms should formulate dividend policies that balance shareholder returns with the retention of earnings required to finance investment, working capital, and business expansion.
ii. Management should consider profitability, cash flow, investment opportunities, debt obligations, and growth prospects before declaring dividends.
iii. Firms should avoid maintaining dividend payments that are inconsistent with their earnings and cash-generating capacity because such payments may weaken internal financing and operational performance.
iv. Investors should evaluate dividend payout and dividend per share together with profitability, cash flow, and asset utilization rather than relying solely on dividend yield.
v. Regulatory and corporate governance bodies should encourage listed firms to disclose clear information about dividend decisions, retained earnings, cash flows, and investment plans.

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