

The Effect of Board Interest on the Dividend Policy of Nigerian Manufacturing Sector

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Abstract

This study investigated the effect of board interest (insider ownership) on dividend payout of the Nigerian manufacturing sector for the period of 2009 to 2015. The data for the study was generated from the annual report of five randomly selected firms from the manufacturing sector in Nigeria economy. The data for this study was analyzed using pooled panel least square model and the result revealed that board interest has a negative and insignificant impact on dividend payout of the firms under consideration. On the other hand the result of the correlation test shows that board interest has a negative relationship with dividend payout. The empirical result also indicates that ownership concentration has a positive but insignificant effect on dividend payout of the Nigerian manufacturing firms. Firm size was found to have a positive and significant effect on dividend payout among Nigerian manufacturing firms. The study suggested that firms in the sector should balance the use of both insider ownership and dividend pay as a tool for managing agency conflict which always result to increased agency cost provided that the choice of tool will not adversely affect the firm's performance.

Key words: Board interest, Pooled panel model and dividend payout.

1.1 Introduction

Corporate governance and in particular Board characteristics has received increasing attention by both the management of different firms, regulatory authorities, shareholders, researchers and the general public alike due to the increasing important of corporate governance on firm performance. Basically there are two main ownership structures that corporate governance is characterized with: concentrated ownership structure and diffused ownership structure. The separation between the management and owners of firms gave rise to agency problem. This is so because managements who are agents of the firm most often tend to pilot the affairs of the organization in other to achieve personal interest as against that of maximization of shareholders' wealth. This however places a cost on the firm as the shareholders monitors the activities of the management so as to prevent the management from using the resources of the organization to achieve their personal interest as against that of protecting the interest of the shareholders.

Meanwhile, the cost of monitoring the management by the owners is popularly known as agency cost. However increase in the agency cost has been shown to have significant effect on the performance of firms (Al-Shubiri et al 2012, James & Ogiedu, 2012, Miko and Kamardin 2015). The extent to which performance of an organization is affected by agency cost depends on the structure of their ownership. If the firm is characterized by concentrated ownership, the agency cost is minimal as the management is strictly under monitoring by concentrated owners whose interest places a demand on them to watch over their stake.

On the other, agency cost is said to be higher on diffused ownership structure, as management seeks to achieve their personal interest at the expense of diffused shareholders. This agency problem and the associated cost have result in the adoption of several measures aimed at ameliorating or eliminating the agency cost. One of the steps in solving these problems is the emergence of third corporate ownership structure known as internal ownership structure. Internal ownership structure is a concept in corporate governance which implies the ownership by the management. This is a concept that suggests that the management of a firm should control a certain number of shares in the organization so as to prevent them from acting in a way that will jeopardize the objective of shareholders wealth maximization.

However, to mitigate the increasing conflict between the management and firm owners, there is the need for the structure of management to comprise both owner and managers as this will help to ensure balance in the operations of the organization. This is believed to minimize agency problem by the presence of directors who are also owners of the firm. Directors of firms are expected to hold a certain number of shares which gives them the opportunity to represent the interest of the shareholders in the management of the organization. The dichotomy between the management and the owners has resulted to a significant effect on dividend policy of most firms. Dividend policy sets out the modalities on how organizations pay dividend to their shareholders. The decision as to when and what amount should be paid as dividend out of net earnings is determined by the management. And so, if directors are also shareholders who are entitled to receive dividend, they will not only ensure that dividend is paid as when due but also ensure that profitable activities are undertaken as this will enhance the wealth of the shareholders. However, dividend can be paid either in cash or as bonus, but whichever way a shareholder receives dividend, it increases their wealth, therefore if owners of firms are also part of the management it will compel the management to utilize the resources of the organization effectively and profitably in order to increase the value of the shareholders which they are part of.

This work seeks to investigate the impact of board interest on dividend policy among Nigerian manufacturing industries for the period of 2008-2014. The result from this study will enable us to appreciate the effect of board ownership on dividend policy of Nigerian manufacturing industries. The structure of the study following this introduction is literature review which will be presented in section two, research methodology which will appear in section three and the result of the data analysis will be reported in section four while the last section which is section five will reflect the policy recommendations.

2.0 Literature Review

Theoretical Perspective Of Dividend Policy

The dividend is the driving forces that compel shareholders to have interacted in raising capital for running corporations which gear them to take some huge risk in investment. In the line of this, the management of corporations makes up a dividend policy to share dividend among investors for the contribution they made. Dividend policy makes a significant effect on how much worth is the firm as it has to keep a state of balance between growth and pay-out policies of the firm. Jensen and Meckling (1976) observe that the agency relationship is usually established in a situation where the owners involve managers to carry out some of their responsibilities. Agency cost normally comes up due to the contradicting interest between investors and the managers. Short *et al.* (2002) posit that dividend policy carried out a vital role in lessen the agency cost. Jensen (1986) opined that payment of dividend brings problem between the investors and managers, the conflict is a result of managers' interest to flow back returns into the business while the owners are interested in collecting returns from their investments.

Despite the interest of the shareholders to obtain dividend than to flow back to the business, managers retain the resources and channel it to unprofitable businesses or other areas for their own personal benefit. By extension, this may raise the conflict between shareholders and the managers. However, the dividend pay-out policy can resolve the conflicts. Rozeff (1982) was of the view that dividend payment could serve as a mechanism for reducing agency cost. Many scholars postulated that shareholders would reduce agency cost through controlling dividend policies. Han, Lee and Suk (1999) reported that dividend pay-out and ownership of investment are interwoven. Leal and Carvalhal da Silva (2005) disclosed that conflict of agency between investors and the managers was the product of insincerity in the use of shareholders fund by the managers as it has been observed in Japanese companies. Stouraitis and Wu (2004) claimed that most of the problems of over-investment can easily be overcome by the dividend payout policy particularly in the area of conflicting interest between the principals and agents.

Dividend policy and agency conflicts

Dividend policy may be one indicator of conflicts of interest between minority investors, owners and managers. Agency problems may lead to overinvestment, excess resource consumption of various kinds and inflated salaries by managers. It is possible for smart insiders to keep dividend high as a visible signal of good faith to the minority investors while they behave more selfishly in other respects. With respect to common stock investment, shareholders' interest is simply to increase the value of their shares by receiving high dividends. But the managers are interested in high retentions so as to engage in continued growth of the company as well as to satisfy other stakeholders thereby indirectly providing personal benefits to them.

One of the biggest conflicts of interest between shareholders and managers is usually in the payout policy in companies. However, payout can be used to self-impose discipline. Easterbrook (1984), Jensen (1986) have suggested that equity-holders can minimize the cash that management controls and thereby reduce their opportunity to go on (unmonitored) spending sprees or investing in negative NPV projects. They argue that one way to remove surplus cash from the firm is to increase payout. The payment of dividends has been proposed

as useful in minimizing manager-shareholder agency conflicts. Moreover, dividend payout has been viewed as containing both bonding and monitoring characteristics (Easterbrook 1984, Rozeff,1982).As bonding mechanism, dividend policy will not only decrease agency cost of equity, reduce the opportunity for managers to use firm cash flow for perquisites activities but also decrease their ability to pursue new investment opportunities (Megginson,1997: 377) .

According to the signalling theory, dividend can mitigate information asymmetries between managers and shareholders by conveying inside information of a firm's future prospects. The Agency theory argues that dividend reduces the costs of shareholder-manager conflict and it performs a controlling function where monitoring of firm's management by its shareholders is inactive (Rozeff, 1982; Easterbrook, 1984; Jensen, 1986). Jensen (1986) argues that by paying dividend the discretionary resources under managerial control can be decreased and in this way the over-investment problem can be resolved.

Factors affecting dividend payout policy

Corporate decisions that border on payout policy are function of many factors such as: Legal constraint, earnings cash flow and liquidity, shareholders expectation, availability of profitable investment opportunities, shareholders tax bracket, management control and contractual constraints. Other factors include: business cycles, government policies, attitude of management, shareholders' income needs, age of the corporation, stability in dividend payment over time (Keown et al 1996, Brigham & Houston 2004, Pandey 2005, Aregbeyen,2005). Firm characteristics also influence dividend policy (Aivazian, Booth & Cleary, 2003, Allen & Michaely, 2002). Dividend payouts are found to be negatively related to profitability and leverage, but positively related to asset tangibility and market-to book. Pecking order theory suggests that profitable firms in determining financing choices will seek to retain free cash flow and hence lower dividend payments (Myers & Majluf, 1984). It follows that dividend payout is inversely related to the firm's profitability. Ramli (2010) finds that size of the company and profitability levels are positively and statistically significantly related to dividend ratio. These results agree with Fama & French (2001) and Truong & Heaney (2007). However, investment opportunities of Malaysian companies (INV) have no significant influence on the level of companies' dividend payout.

Capital structure choice models suggest that more long-term debt is used as the tangibility of the firm's assets increases and as more collateral accumulates, increasing firm leverage reduces free cash flow thereby implying lower dividend payouts. Adelegan (2002) finds that the pecking order is applicable to financing decisions and dividend payouts of large firms in Nigeria. Both leverage increases and dividend payments reduce free cash flow, hence, leverage is inversely related to dividend payments. DeAngelo et al (2009) conclude that managerial signaling motives, clientele demands, tax deferral benefits, investors' behavioral heuristics and investor sentiment have at best minor influences on payout policy but behavioral biases at the managerial level (e.g. over-confidence) and the idiosyncratic preferences of controlling stockholders plausibly have a first-order impact on the payout policy.

Managerial Ownership And Dividend Policy

The relationships between managerial ownership and dividend policy have been existing for long (Wiberg, 2008). Managerial ownership and dividend policies relationship have been strongly discussed and documented in many studies (Jensen & Meckling, 1976). Jensen's (1986) study posits that managers usually choose to retain resources under their own control than to pay-out dividends to the investors. Previous research indicated the association between dividend policy and managerial ownership with different findings (Rozeff, 1982) but still there is a need to put managerial ownership into consideration due to mixed results the relationship.

Jensen (1986) reported that managers retain earnings for the purpose of either expansion of the business or for their own personal benefit. These are some of the reasons for retaining the shareholders resources, not to reward back investors for their investment. Espen Eckbo and Verma (1994) reported that where the managerial ownership power is increasing, the dividend pay-out is decreasing. Jensen (1993) shows that the association between managerial ownership and dividend policy has been reported with a negative effect, i.e where the managerial ownership increases, dividend policy pay will decrease.

Mehrani *et al.* (2011) find a negative association between managerial ownership and dividend pay-out policy which in support of the Chen, Cheng and Hwang (2005) and Short *et al.* (2002) whom indicated a negative association between managerial ownership and dividend payment policy of bank holding company. Similarly, Chen, Cheung, Stouraitis and Wong (2005) reported a negative association between managerial ownership and firm performance. Hsu and Koh (2005) expanded koh's (2003) study and examine the extent of the association of long term, and short term managerial ownership effect on the dividend policy in Australia. The study established that managerial ownership for all linear specification is statistically significant but insignificant for the non-linear specification models. However, managerial ownership is found positively related with the dividend policy. Bergstresser and Philippon (2006) relate this finding to the CEO compensation. The more closely a CEO's compensation is tied to the value of stock and option, the more likely dividend increases.

Srivastava (2011) found that dividend policy is positively significant within the intermediate area of ownership, which suggested that the entrenchment effect is dominant in specific regions. In addition, they found that the association between managerial ownership and dividend policy is significantly negative within low high regions of ownership, indicating that the alignment effect is dominant in these regions. In a study of Al-Gharaibeh (2013) also found a negative relationship. The above studies showed that monitoring activities seem to be weaker at the higher material ownership level and, therefore, a negative association is predicted between managerial ownership and dividend policy.

Empirical Review

In this section we reviewed the study of different researchers on this subject matter brings out their key findings and methodology employed in determining the effect of internal ownership and dividend policy.

Miko & Kamardin, (2015) examined the impact of ownership structure on dividend policy of eight conglomerate firms consisting of 80 firm-observations in Nigeria, employing data from annual report of the conglomerate covering a period of 2001-2010. They employed pooled

panel data analysis and discover that there is a positive association between dividend pay-out and institutional ownership as well as block-holders ownership. Their result also revealed that management ownership has a negative association with firms dividend pay-out. They therefore concluded that dividend policy is used by managers to expropriate the shareholders wealth. Mohammad at el (2013) investigated the effect of ownership structure on dividend policy of companies in Jordan, using annual data from 35 corporation listed in the countries stock exchange covering the period of 2005-2010. The study employed full and partial adjusted model on a regression equation and found that full adjusted model was more superior to the partial adjusted model since full adjusted model could explain 61.57% of the variation in dividend as against 20.65% variation in dividend which was attributed to partial adjusted model. They also noted that institutional ownership contribute positively to shareholders wealth. Managerial ownership according to them has a negative and significant impact on dividend pay-out of firms under consideration. Warrad, Abed, Khriasat, & Al-Sheikh, (2012) also studied the effect of ownership structure and dividend payout in Jordan using Tobin's Q and found that foreign ownership has a positive and significant effect on dividend payout policy among the firms under study.

Ahmed, (2009) studied the effect of managerial ownership concentration on agency conflict in Malaysia, using annual data from 100 blue-chip companies in the country for a period of 1997 to 2001. The study adopted Logit Regression Model (LRM) in analyzing the data generated for the study. The result showed that there is positive and significant association between lower level risks and managerial ownership but asserts that higher level risks has a negative but significant associations with managerial ownership. He went further to note that debt policy which represented a positive monitoring substitute for agency conflict was found to be positive and significant in explaining the level of ownership concentration. On the other hand dividend policy which was used as a proxy for positive monitoring substitute to reduce agency conflict between management and external shareholders was found not to have a significant impact on managerial ownership. They also found that institutional ownership which proxied external monitoring force has an inverse impact on managerial ownership.

Ullah, Fida, & Khan, (2012) in their study examined the impact of ownership structure on dividend policy of random sample of seventy firms listed in Karachi Stock Exchange in Pakistan. The study used annual data generated from annual report of the firms under review for a period of 2003 to 2010. Stepwise multiple regression analysis was employed to investigate the relationship between ownership variables and dividend payout of these firms under study. The empirical result revealed that there is a negative association between dividend payout and managerial ownership, while institutional and foreign share ownership has a positive relationship with dividend payout for the period under consideration.

Mahmoud (2013) examined the relationship between dividend policy and ownership structure using a sample of sixty two industrial firms listed in Amman Stock Exchange in Jordan for a period of 2000 to 2006. The data was generated from annual report of the companies under study and Tobit model and/or censored regression model was employed to determine the relationship between the variables under investigation. The result of both Tobit and OLS indicates that ownership dispersion proxied by natural log of the number of stockholders has no association with dividend policy in Jordan. On the other hand the result showed that insider ownership and family ownership has a negative impact on dividend paid while institutional ownership has a positive and significant impact on dividend policy.

Shah, Ullah, & Hasnain, (2011) investigated the impact of ownership structure on dividend policy of firms listed in Karachi Stock exchange in Pakistan for a period of 2002 to 2006. The

study employed annual data generated from annual report of the companies under study and common effect model was adopted to determine the relationship between the variables under study. Their result revealed that ownership concentration has a positive and significant impact on dividend policy of Pakistan's firm. Sadaf et al (2013) also examined the role of Insiders and individual ownership in dividend payout policy for the period of 2007 to 2011, the study employed ordinary least square regression techniques and found that insiders and individual ownership has a negative and significant impact on dividend policy.

Odia and Ogiedu (2013) investigated the relationship between payout policy, agency and corporate governance in Nigeria using a sample of thirty listed companies randomly selected from companies listed in the Nigerian Stock Exchange for the period of 2006 to 2010. The study employed a panel OLS regression analysis in determining the relationship between payout, agency conflict and corporate governance. Their result shows that insider and institutional ownership has a positive but insignificant impact on dividend payout. They also showed that firm's investment opportunities and leverage have significant impact on the dividend payout. From the result they concluded that insiders and institutional ownership may not completely mitigate the agency conflict associated with effective dividend payout policy.

3.0 Methodology

The aim of this study is to investigate the impact of insider ownership on dividend payout of randomly selected manufacturing firms list in the Nigerian stock exchange for the period of 2008 to 2014. The data for this study were sourced from the annual report published by the firms under review. The following firms were randomly selected among all the firms on the manufacturing sector of the Nigerian economy for the purpose of this study: Unilever Nigeria PLC, PZ Nigeria PLC, UAC Nigeria PLC, Nigerian Breweries PLC, and Guinness Nigeria PLC. The main data that will be generated for this study comprises of dividend payout which is used as dependent variable, Board interest (Insiders ownership) which is used as independent variable, firm size proxied by log of total assets were used as a control variable, and concentrated ownership proxied by the ratio of large shareholders interest to total shareholding were also used as a control variable.

3.1 Description Of Variables

Dividend Payout Ratio (Div)

Company's dividend policy is taken as dependent variable in this study. This was adopted from the work of Fenn and Liang (2001) and Deshmukh et al. (2013) who defined dividend payout ratio as cash dividends divided by Profit after Tax of the company for the period under review.

Managerial Share Ownership Or Board Interest Or Insiders Ownership (Mso)

Managerial ownership according to Ullah, Fida and Khan (2012) is the sum of the proportion of managers, executives, and directors shares divided by the total capital shares of the firm. Different studies have shown different results of manager's role in ownership. Many researchers have observed that managerial ownership may adequately advocate the interests of management and shareholders as it will minimize the conflict among the interests. According to Crutchley and Hansen (1989), managerial ownership and dividend policy is relevant because it may help to reduce the conflict of interests between the management and shareholders. While on the other hand, Mahadwartha (2003) observed the negative

relationship of the dividend policy and leverage policy to the managerial ownership in his study.

Firm Size (Fsize)

Redding (1997) observed in his study that large corporations are more probable to pay dividend to their shareholders. According to Titman and Wessels(1988), large firms are more probable to be diversified and less probable to be bankrupt. Thus, these factors can assist the firms in paying higher dividend to their concerned shareholders. In our research, the firm size is meant to be the log of total assets of firm which is adopted in the model as a control variable.

Ownership Concentration (Owc)

There are different opinions as to what constitute large shareholding in a firm. According to Asad et al (2013), a shareholder is said to have a large shareholding if it directly or indirectly holds 10% or more of a firms total shares. In other words if the cumulative shareholding of a shareholder to that of the total shareholding of a firm amount to 10%, the shareholder is regarded a large shareholder. Contrary to this ICAN (2014) noted that a firm is said to have a controlling interest in another firm if the firm directly or indirectly controls 5% of the total outstanding share of the other firm. It is also important to note that when less than 1% of the total shareholders controls more than 50% of a firms total outstanding shares, the firm is said to have a concentrated ownership. Various studies have been conducted on the impact of ownership concentration on firm performance and this has lead to the adoption of different proxies for the measurement of ownership concentration in a firm. Thomsen and Pedersen (2000), in their study proxied ownership concentration with percentage of voting rights owned by large shareholders, while Fazlzadeh, et al (2011), used voting and cash flow right of two largest shareholders to measure ownership concentration in their study. Shleifer and Vishny (1986) employed ownership interest of three largest shareholders, as a proxy for ownership concentration in the study on the impact of ownership concentration on performance. Demsatz and Lehn (1986) in their study measured ownership concentration by examining the ownership interest of five largest shareholders in the firm. For the purpose of this study ownership concentration will be measured by the percentage of the share held by the largest shareholders irrespective of their numbers provided they are not more than 1% of the total shareholders.

3.2 Model Specification

This study adopted and modified pooled panel data analysis employed by Thanatawee, (2012) and Asad at el (2013). The choice of this model is important because the data generated for this study is characterized by both time series and cross sectional data and this data can only be analyzed using panel data model. The model pools together all the variables from various firms to a single variable which can now be regressed against one another using Ordinary Least Square (OLS) technique. This model provides opportunity for cross sectional variation (between variations) as well as time dimension variation (within variation) by employing both the fixed effect and random effect panel data model. For the purpose of this study we will be restricting our self to pooled panel data modeling only for easy analysis and better understanding. The pooled data model is specified as follows:

$$DPOT = (MSO, OWC, FSIZE).....(1)$$

$$DPOT_{it} = \beta_0 + \beta_{i1}BINT + \beta_{i2}OWC + \beta_{i3}FSIZE + \epsilon_{it} \dots \dots \dots (2)$$

Where:

DPOT = Dividend Payout

BINT = Management Share Ownership (Board interest or Insider ownership) at time t and for each firm.

OWC = Ownership Concentration which was employed to control the effect of majority shareholders.

FSIZE = Firm Size which was included as a control variable and it is proxied by the natural logarithm of total Assets of the firm.

β_0 = constant term, $\beta_{i1} - \beta_{i3}$ = the coefficient of the independent variables.

ϵ_{it} = the error term

4.0 Data Presentation And Analysis

In this section, we present the analysis of data which begins with the descriptive statistics as presented in table 1 below.

Table 1: Descriptive Statistics

	LOG(DPOT)	BINT	LOG(FSIZE)	OWC
Mean	15.63046	0.004990	17.92981	0.661766
Median	15.37467	0.001792	17.73240	0.688032
Maximum	17.55943	0.014438	19.69243	0.782368
Minimum	14.17280	0.000747	16.83864	0.514100
Std. Dev.	0.983188	0.005667	0.805526	0.085488
Observations	35	35	35	35

Source: Eview result.

The result from the descriptive statistics indicates that dividend payout ranges between 14.17k to 17.56k, with a mean value of 15.63k. The standard deviation is 98.32% which is very high implying that some of the manufacturing firms under consideration pay a high dividend while others don't pay. The average BINT to total outstanding share holding of the manufacturing firms under review is shown to be 0.499% with a standard deviation of 0.567%. This however suggest that majority of the manufacturing firms under consideration are not significantly controlled by the management through their share ownership. In other words it implies that there is no significant different in insiders ownership among the various firms under study. On the other hand the average firm size among the manufacturing firms under study is 17.93 with a standard deviation of about 81% which indicates a very high variability among the firms implying that some of the manufacturing firms under study have substantial total assets higher than the other in the same sector. The result also indicates that the average of OWC is 66.18% indicating that majority shareholders controls about 66.18% of the total outstanding shares of the firms under study. The result indicates a standard deviation of 8.55% which is very low implying that almost all the firms under consideration are under the control of majority shareholders who interest is more than 50% of the total outstanding share of the company.

Table 2: Result Of Correlation Matrix

	LOG(DPOT)	BINT	LOG(FSIZE)	OWC
LOG(DPOT)	1.000000			
BINT	-0.236943	1.000000		
LOG(FSIZE)	0.822180	-0.305008	1.000000	
OWC	0.094344	-0.554373	0.160737	1.000000

Source: Eview result

The result of the correlation analysis presented in table 2 above indicates that there is a negative relationship between dividend payout and insiders ownership (BINT). It can also be seen from the result that BINT has a negative relationship with OWC and FSIZE. On the other hand, OWC which was used as a control variable indicate a positive relationship with dividend payout and FSIZE. The same is applicable to FSIZE which indicates a positive relationship with dividend payout and OWC. The implication of this result is that BINT moves in opposite direction with DPOT, FSIZE and OWC while DPOT moves in the same direction with FSIZE and OWC.

Table 3:

Result Of Pooled Panel Least Square Analysis

Dependent Variable: LOG(DPOT)

Method: Panel Least Squares

Date: 03/11/16 Time: 03:26

Sample: 2009 2015

Periods included: 7

Cross-sections included: 5

Total panel (balanced) observations: 35

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.116784	2.584143	-0.819143	0.4190
BINT	-1.556624	22.03563	-0.070641	0.9441
OWC	0.499920	1.409540	0.354669	0.7252
LOG(FSIZE)	1.008702	0.130728	7.716035	0.0000
R-squared	0.677499	Durbin-Watson stat	0.925779	
Adjusted R-squared	0.646290			
F-statistic	21.70796			
Prob(F-statistic)	0.000000			

Source: Eview result

The result of the pooled panel data analysis as shown in table 3 above indicates that BINT coefficient is -1.556624 with a probability value of 0.9441 which is greater than 0.05. This however implies that BINT has a negative and insignificant impact on dividend payout of the firms under consideration. The result corroborated the findings of other researchers like

(Abbas, Naqvi, & Mirza, 2013; Ahmed, 2009; Al-Gharaibeh, 2013; Al-Nawaiseh, 2013; Andersson, 2004). The findings also negates the conclusion of other researchers (CHEN, 2012; Claessens & Djankov, 1999; Ehsan, Tabassum, Akram, & Nasir, 2013; Fadli, 2014; Fredrik & Dye, 2012). The result supports the argument that managerial ownership and dividend payout are interchangeable tools in resolving agency problem. It can also be seen from the result that ownership concentration has a positive and insignificant impact on dividend payout of the companies under study. The coefficient of OWC is 0.499920 while the probability is 0.7252 which is greater than 0.05. This however suggest that as ownership is concentrated around a few shareholders, they tend to use their power to influence the decision of the firm by insisting that firms should distribute dividend out of every profit made. And so, the result shows that an increase in ownership concentration will lead to increase in dividend payout. The result also reveals that FSIZE which was used as a control variable and proxied with the natural logarithm of total assets indicates that there is a positive and significant impact between FSIZE and dividend payout for the period under study. The coefficient of FSIZE is 1.00872 while the probability value is 0.00000 which is less than 0.05, indicating a statistical significant impact between the variables under study. The implication of this result is that an increase in the assets of the firms studied will lead to a corresponding increase in dividend payout. In other words the larger the firm grows in size the more dividends the firm will pay. The result of R^2 and that of the adjusted R^2 indicates that about 67% of the variation in the dependent variable (dividend payout) was attributed to variation in all the independent variables included in the model. This however shows that the line of best fit is moderately fitted. The result of F-stat which is shows the test of the overall regression indicates that the overall regression is highly significant at 5% level of significant with a probability value of 0.0000 which is less than 0.05. The result of Durbin-Watson stat reveals that there is likely presence of auto correlation in the model.

5 Conclusion

This paper looked at the impact of insider ownership on the dividend policy of the manufacturing companies in Nigeria for a period of 2009 to 2015. The study employed a data from 5 companies randomly selected among the manufacturing firms according to their size. The data were generated from the annual report of the companies for the period covered. The empirical study showed that insider's ownership negatively explains the firm's dividend payout. In other words as more shareholders join the management team, it severs as an incentive to them as they shift emphasis on dividend payment to investing the income of the firm to a more profitable project which will increase the overall value of the firm. It also reveals that as insider's ownership increases, agency problem declines as a result of the dichotomy between management and owners. Meanwhile, as firm owners becomes part of the management, the conflict of interest between them reduces and hence the less dividend payout to compensate the owners.

Meanwhile, ownership concentration from our empirical analysis positively impact on the firm's dividend payout, although the impact was seen to be insignificant. This however suggest that increase in agency cost will cause the shareholders to demand for payment of dividend out of every profit made even when it could be invested in a more profitable project. This however explains the upsurge in ownership concentration as it serves as a tool used by shareholders to protect their investment and also to influence the decision of the management to their advantage. On the other hand firm size which was included in the model as a control variable significantly and positively impact on dividend payout of the firms under

study. The implication of this is that the greater the assets of a firm the more dividend they pay. However, manufacturing firms in Nigeria with huge assets base pay more dividend than those with a little asset base. This can be explained by the fact that as the asset of a firm grows, they tend to pay more dividend as the resources to take advantage of investment opportunities are relatively available hence part of the profit for the period will be shared to shareholders as dividend.

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