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MANAGERIAL OWNERSHIP AND DIVIDEND POLICY OF FOOD PRODUCTION COMPANIES IN NIGERIA

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ABSTRACT

This study examined the effect of managerial ownership on dividend per share of food production companies in Nigeria. The *Ex-Post Facto* research design was adopted for the study. The population of the study consists of the 8 food production companies quoted on the Nigerian Exchange Group. Data were sourced from Annual Reports and Accounts of the sampled firms from 2012 to 2020. Data were analyzed and tested with regression analysis via e-view 9.0. The result revealed that managerial ownership has no significant effect on dividend per share of food production companies in Nigeria. The result shows that the increase in the managerial ownership will lead to decrease in dividend per share of the companies. Concentration of ownership has been proven to impair the association between dividend policy and business value, according to the study. It was discovered that one of the deciding elements on the company's share dividend is the concentration of ownership.

Keywords: *Managerial ownership, Dividend per share and Firm size*

1. INTRODUCTION

Company governance for academics and investors has become one of the most critical topics in recent years as a result of numerous major scandals at the corporate level. It addresses the necessity to supervise a company's management as well as the separation of an economic entity from its ownership, with the goal of safeguarding investors' and stakeholders' rights (Mahdi and Alireza, 2017). The dividend payout strategy, on the other hand, has prompted numerous financial and accounting studies.

Dividend policy and ownership structure have been a source of concern for stakeholders other than management around the world, and have been extensively investigated (Al-Gharaibeh, Ziad, and Al-Harahsheh, 2013). Other stakeholders, such as shareholders, employers, and customers, believe that management smoothed the dividend in order to maximize their personal profit (Al-Nawaiseh, 2013). Similarly, they believe that management has first-hand knowledge that they may use to influence for their own gain (Arshad, Akram, Amjad, and Usman, 2013; Elijah and Famous, 2019).

In comparison to emerging countries, where financial markets are well controlled and ownership is widely spread, the majority of these researches focused on dividend policy in developed countries, where financial markets are well regulated and ownership is widely distributed. The findings of these studies show that there are some differences between countries in terms of the factors that influence dividend payouts, that there is no unified picture of the factors that explain changes in dividend payments, and that the primary motivating force behind dividend payment remains unsolved and thus remains a puzzle. Sadia and Amel (2019); Ibrahim and Shuaibu (2016); Adeiza, Kabiru, and Muhibudeen (2015), who performed their research in Nigeria, found a negative significant association between ownership concentration and dividend policy. However, Bamigboye and Akinadewo (2020), Elijah and Famous (2019), Mahdi and Alireza (2017) found a positive significant relationship between ownership concentration and dividend policy, whereas Mirzae (2012); Elston, Hofler, and Lee (2011) found no significant relationship between ownership and dividend policy. As a result of the preceding evolution, this study ascertains the effect of managerial ownership on dividend per share of food production companies in Nigeria.

2. CONCEPTUAL FRAMEWORK

2.1 Dividend Policy

The percentage of a company's capital stock held by other firms is known as corporate shareholding. Large shareholders' motivation for data collection and managerial oversight reduces agency expenses (Kumar, 2003). The presence of a strategic investor is linked to concentrated ownership. Due to higher management scrutiny, the more concentrated ownership, the greater the ability of owners to control expenses. The more concentrated ownership, on the other hand, neutralizes management's ability to control expenses due to lower motivation in acquiring information (Earnhart and Lizal, 2006).

A company's dividend policy is a critical decision made by management about how much of its earnings should be delivered to shareholders as dividends and how much should be kept to support the company's growth. It also involves the managers' decision on whether to pay a dividend or keep earnings, which is based on cash flow, profit, and business potential (Ibrahim & Shuaibu, 2016). Dividend payments are relevant because they have information value. It's also thought that the dividend payment's information content can go a long way in terms of sending a signal to shareholders and potential investors, which can affect the company's stock price on the stock market (Adesola and Okwong, 2009).

2.2 Managerial ownership

Managerial ownership is calculated by the total shares held by managers, directors, and executives, according to Ullah, Fida, and Khan (2012). Managerial ownership, according to the corporate finance literature, is an important method for reducing agency conflicts by aligning management and shareholder interests. The relationship between managerial share ownership and company debt, according to Jensen and Meckling (1976), is complicated. Managerial share ownership, it is suggested, might limit managerial incentives to consume perks, expropriate money, and participate in other non-maximizing activity. Control of the company, on the other hand, shifts from external shareholders to management when the amount of managerial ownership rises. At some time, there will be no limitations on managerial behavior, resulting in managerial entrenchment. Due to management's considerable exposure to the firm, there are hazards connected with the pursuit of self-interested actions at high levels of managerial ownership. As a result, there are incentives for management to reduce debt at high levels of managerial share ownership. Jensen and Meckling (1976), on the other hand, believed that a firm's internal control systems should be at a certain level. The debt obligation decreases management's discretionary power over the company's cash flow, as well as their incentives to engage in less-than-optimal operations. Because of the strong alignments of interests between management and shareholders at high levels of managerial ownership, there may be limited agency-related gains from higher debt utilization. Thus, it is generally believed that managerial shareholders have a greater control over the firm’s policies as compare to other types (Bamigboye and Akinadewo, 2020).

2.3 Empirical Review

In Nigeria, Elijah and Famous (2019) investigated the link between ownership structure and dividend policy. Managerial ownership, institutional ownership, and foreign ownership were among the ownership structure characteristics studied. From 2009 to 2016, data was extracted from the audited financial statements of numerous publicly traded corporations. Managerial Ownership (MOWN), Institutional Ownership (IOWN), and Foreign Ownership (FOWN) all have significant effects on dividend policy, according to the study's findings. The results of the dividend adjustment models show that, notably in the full adjustment model, the effect of ownership structure factors on dividend distribution is considerably tempered by earnings changes. The effect of ownership structure on dividend policy of listed insurance firms in Nigeria was investigated by Ajadi, Bakare, and Mohammed (2018). Managerial and institutional ownership were used to represent ownership structure. The study uses secondary data taken from audited financial reports of twenty-six (26) insurance companies listed on the Nigerian Stock Exchange (NSE) with annual financial reports accessible from 2013 to 2017. For the analysis, the researchers employed fixed effect panel regression results. According to the findings, management ownership has a considerable impact on dividend policy, but institutional ownership has a negative and minor impact. From 2010 to 2014, Ibrahim and Shuaibu (2016) investigated the ownership structure and dividend policy of Listed Deposit Money Banks in Nigeria. The dependent variable (dividend policy) was proxied by the dividend payout ratio, whereas the independent variable (managerial ownership) was proxied by institutional ownership, ownership concentration, and foreign ownership. The data was analyzed using panel data tobit regression, which is a data analysis technique. It was discovered that management ownership of deposit money banks in Nigeria has a negative and significant link with dividend policy. For the period 2001-2010, Nuraddeen and Hasnah (2015) evaluated the impact of ownership structure on dividend policy of listed conglomerate corporations in Nigeria. According to the findings, there is a negative association between managerial ownership and dividend policy of Nigerian listed conglomerates. However, due to the time span covered in this study, the findings cannot be extrapolated to current events. The impact of dividend policy on shareholder wealth was studied by Ezejiofor and Echekoba, Adigwe and Onyali (2014). Annual reports and accounts of companies listed on the Nigerian Stock Exchange from 2006 to 2012. With the help of a statistical tool for social sciences, regression (ANOVA) was used (SPSS). The findings reveal that there is a link between a company's earnings per share, dividend per share, and overall performance. For the period 2008-2013, Adeiza, Kabiru, and Muhibudeen (2015) looked at the impact of corporate shareholding structure on dividend payment ratio of chemical and paint companies listed on the Nigerian stock exchange. In the study, all eight firms were used. Managerial shareholding, institutional shareholding, block shareholding, and foreign shareholdings were used as proxy for corporate shareholding structure, while dividend payout ratio was based on dividends to net income for the same period. Multiple regression was used in this investigation. Managerial shareholdings have a negative, strong, and considerable influence on the dividend payment ratio of listed Chemical and Paints companies in Nigeria. Crane, Michenaud, and Weston (2014) used a regression discontinuity design approach to investigate the impact of institutional ownership on payout policy. Overall, the findings back up agency models in which centralized ownership lowers the marginal cost of delegated monitoring. Bremberger, Cambini, Gugler, and Rondi (2013) investigated the influence of incentive regulation on regulated energy companies' dividend policies. They link dividend pay-out and smoothing ratios to the introduction of new regulatory mechanisms using a panel of 106 publicly traded European power companies from 1986 to 2011. (rate of return vs. incentive regulation). This implies that when managers are more sensitive to competition-like efficiency pressures as a result of incentive regulation, they are more likely to reduce payouts when necessary. For the years 2005-2010, Al-Gharaibeh, Ziad, and Al-Harahsheh (2013) investigated the impact of ownership structure on dividend policy in Jordanian enterprises. During that time, they looked at 35 companies that were listed on the Amman Stock Exchange. The study used two alternative models in terms of methodology: a full adjustment model and a partial adjustment model. The complete adjustment model was shown to be superior since it described 61.5 percent of the variation in dividend policy, whereas the partial adjustment model only explained 20.65 percent. The study discovered that management ownership has a negative coefficient in the equation. Mirzae (2012) investigated the relationship between the ownership structure and dividend policy of Tehran stock exchange companies. The analysis technique used was Ordinary Least Square, and the results revealed that there is no significant association between managerial ownership and dividend policy of companies listed on the Tehran stock exchange. From 2003 to 2010, Ullah, Fida, and Khan (2012) investigated the impact of ownership structure on dividend policy of firms listed on the Pakistan stock exchange. In the framework of agency relationships, the study looked into the factors that influence company dividend policy. The variables of ownership structure that are associated to the dividend payment policy were examined using multiple regression analysis. According to the findings, there is a negative association between managerial ownership and the dividend distribution policy of publicly traded companies. The ownership structure and dividend payment ratio of Iranian business firms were studied by Afzal and Sehrish (2010). Insider ownership (management ownership) had a large and negative impact on dividend payout, according to the study, which used OLS, Logit, and Probit regression on the data. Insider ownership is negatively associated to dividend policy, according to the results of the logit and probit models.

3. METHODOLOGY

3.1 Research Design

The *Ex-Post Facto* research design was adopted for the study. This is appropriate because the study aims at measuring the relationship between one variable and another, in which the variables involved are not manipulated by the researcher.

3.2 Population and Sample Size

The population of the study consists of the 8 food production companies quoted on the Nigerian Stock Exchange. The study covered nine years' of annual reports and accounts of these banks from 2012 to 2020. The companies are**;** Big Treat Plc. Cadbury Nigeria Plc., Dangote Flour Mills Plc.,Dangote Sugar Refinery Plc, Flour Mills Nigeria Plc., National Salt Co. Nigeria Plc., Nestle Foods Nigeria Plc. and Northern Nigeria Flour Mills Plc.

The researcher intended to use all the food production companies quoted on the Nigerian Stock Exchange.

Data were sourced from publications of the Nigerian Stock Exchange Factbook and the Annual Reports and Accounts of the sampled firms from 2012 to 2020. The dependent variable is proxied using dividend per share, while the independent variable is managerial ownership, and control variable is firm size.

3.3. Model Specification

In specifying the model for the study, the researcher modified he econometrics model Bamigboye and Akinadewo (2020), as represented dividend payout policy as dependent on the ownership structure. Hence it was given as

$Y = \alpha + \beta1X1 + \beta2X2 + \beta3X3 \ldots\ldots .+ \beta nXn + \varepsilon$ ………….………….1

Y = value of dependent variable

α = constant term i.e. the intercept of the equation

β = slope of the equation i.e. regression coefficient.

X = value of the independent and control variable.

ε = error term.

Hence the regression equation became:

$DP = \alpha0 + \beta1CONCO + \beta2INSTO + \beta3MANO + \beta4FL + \beta5FS + \varepsilon$ …………..2

Where

DP is the dividend payout policy

CONCO is the concentrated institutional ownership

INSTO is the institutional ownership

MANO is the managerial ownership

FL is the firm leverage

FS is the firm size

The researcher modified the model in the following form:

$Y = \beta_o + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \mu$

Where:

Y = Dividend policy (dependent variable)

X = managerial Ownership (explanatory/independent Variable)

β_0 = constant term (intercept)

β_1- β_4 = Coefficients of dividend

μ = Error term (stochastic term)

Explicitly, the equation can be defined as:

Dividend policy = f (Managerial Ownership) + μ

Representing the equations with the variables of the construct, hence the equations below are formulated:

$DVP_{it} = \beta_0 + \beta_1 MGO_{it} + \beta_2 FSZ_{it} + \mu_{it}$

Where:

β_0 = Constant term (intercept)

β_{it} = Coefficients to be estimated for firm ί in period t

μ_{it} = Error term/Stochastic term for firm ί in period t

DVP_{it} = Dividend policy of firm ί in period t

MGO_{it} = Managerial ownership of firm ί in period t

FSZ_{it} = Firm size of firm ί in period t

et = Error term.

3.4 Method of Data Analysis

Regression analysis was used to test the effect between the independent variable and the dependent variable. This was done with aid of e-view version 9.0 at 95% confidence at five degree of freedom (df).

Decision Rule:

Reject H_o if the P-value of the test is less than α-value (level of significance) at 5%, otherwise accept H_I.

4. DATA ANALYSIS AND RESULT

4.1 Data Analysis

Table 4.1: Descriptive Analysis

	DVP	MGO	FSZ
Mean	0.355556	68.51556	31930653
Median	0.290000	69.08000	28801938
Maximum	0.650000	74.97000	43172624
Minimum	0.100000	61.92000	27528040
Std. Dev.	0.172490	6.528432	5841420.
Skewness	0.285272	-0.034269	1.134775
Kurtosis	2.087335	1.123431	2.606825
Jarque-Bera	0.434429	1.322328	1.989542
Probability	0.804757	0.516250	0.369808
Sum	3.200000	616.6400	2.87E+08
Sum Sq. Dev.	0.238022	340.9634	2.73E+14
Observations	9	9	9

Table 4.1 reveals that the average dividend per share (DVP) of the sampled firms is 36% approximately; the maximum DVP of the sampled firms is 65% with a minimum DVP of 10% with a standard deviation of 0.17. The average MGO from the sampled observations is 65.52; standard deviation of

68.52; a maximum MGO observation of 75 with a minimum value of 52. The mean value of firm size (FSZ) stood at 31930653, a standard deviation of 5841420.0; maximum STDR observation of 43172624.0 with a minimum value of 27528040.0.

Test of Hypothesis

Ho: Managerial ownership has no significant effect on dividend per share of food production companies in Nigeria.

Table 4.2: Regression analysis between dividend policy (DVP), managerial ownership (MGO) and firm size (FSZ)

Dependent Variable: DVP
Method: Least Squares
Date: 05/31/22 Time: 12:32
Sample: 2012 2020
Included observations: 9

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.040004	0.973237	2.096101	0.0809
MGO	-0.014106	0.010351	-1.362757	0.2219
FSZ	-2.25E-08	1.16E-08	-1.943734	0.0999

R-squared	0.391403	Mean dependent var	0.355556
Adjusted R-squared	0.188538	S.D. dependent var	0.172490
S.E. of regression	0.155381	Akaike info criterion	-0.624672
Sum squared resid	0.144860	Schwarz criterion	-0.558930
Log likelihood	5.811023	Hannan-Quinn criter.	-0.766542
F-statistic	1.929374	Durbin-Watson stat	1.134931
Prob(F-statistic)	0.225418		

Interpretation of Regression Analysis:

Table 4.3 shows that there is an insignificant negative effect between DVP and MGO of quoted food production firms listed on Nigerian Exchange Group. This can be observed from the beta coefficient (β_1) of -0.014106 with p value of 0.222 which is insignificant at 5%. Similarly, FSZ negatively and non-significantly relates with DVP considering the beta coefficient (β_2) of -2.250 and a p-value of 0.099.

The drawn inference from this model shows that holding every other factors constant, one naira increase in MGO will exert 1% decrease in DVP; one naira increase in FSZ will cause DVP to reduce by 220%. The F-statistic of 1.929 with an associated Prob (F-statistic) of 0.225 is not statistically significant at 5%,

Decision:

Since the prop(statistics value of the test = 0.23 is less than 0.05 (5%)., this study upholds that managerial ownership has no significant effect on dividend per share of food production companies in Nigeria. Thus, Ho1 is Rejected and H1 Accepted.

5. CONCLUSION AND RECOMMENDATION

5.1 Conclusion

This study examined the effect of dividend policy on managerial ownership of food production companies in Nigeria from 2012 to 2020. The data were analyzed and tested with regression analysis. The result revealed that managerial ownership has no significant effect on dividend per share of food production companies in Nigeria. The result shows that the increase in the managerial ownership will lead to decrease in dividend per share of the companies.

This result contradicts Elijah and Famous's (2019) finding that earnings changes greatly mitigate the influence of ownership structure factors on dividend payout, notably in the complete adjustment model. Ajadi, Bakare, and Mohammed (2018), for example, found that managerial ownership had a significant impact on dividend policy. However, the findings are consistent with those of Brahim and Shuaibu (2016), who found that management ownership has a negative and substantial link with deposit money bank dividend policies in Nigeria. The study found a negative association between management ownership and dividend policy of listed conglomerates in Nigeria, according to Adeiza, Kabiru, and Muhibudeen (2015); Nuraddeen and Hasnah (2015).

5.2 Recommendation

According to the findings, the following recommendations were made:

1. Ownership concentration has been demonstrated to decrease the link between dividend policy and business value. It was discovered that one of the deciding elements on the company's share dividend is the concentration of ownership.

2. When making investing decisions, investors should consider ownership arrangements. For example, they should look at companies that have recently paid dividends, and they should concentrate on companies that are held by companies since they have a higher tendency to pay dividends.

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