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THE EFFECT OF DIVIDEND PAYOUT ON PERFORMANCE EVALUATION: EVIDENCE OF QUOTED CEMENT COMPANIES IN NIGERIA.

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ABSTRACT: *The issue of dividend payout is a very important matter in the current business environment and more especially on the performance evaluation of firms'. The dividend payment decisions of firms are the primary element of any corporate policy which is basically the benefit of shareholders in return for investing their money in the organization. The successful selection and use of appropriate dividend policy is one of the key elements of the firm's performance evaluation. Hence, proper care and attention need to be given when such decision is taken. The purpose of this paper is to investigate the effect of dividend payout on performance evaluation of quoted cement companies in Nigeria over the past twelve (12) years period from 2003 to 2014. The researcher employed four (4) variables for the analyses such as: Dividend Payout Ratio (DPR); Return on Capital Employed (ROCE); Return on Assets (ROA) and Return on Equity (ROE). Performance evaluation as dependent variable is represented by Return on Capital Employed (ROCE); Return on Assets (ROA) and Return on Equity (ROE) while Dividend Payout stands as Dividend Payout Ratio (DPR) for independent variable. Secondary data were obtained from the financial statements (Statement of Comprehensive income and Statement of Financial Position) of the selected quoted cement companies in Nigeria on Nigerian Stock Exchange. The model specification for the analysis of data is ordinary least squares techniques applied as panel estimation while descriptive research method and simple linear regression for the analyses. The researchers' empirical results suggest that dividend payout ratio (DPR) has positive relationship with all the dependent variables (ROCE, ROA and ROE) used for this study; that dividend payout ratio (DPR) has statistically significant with Return on Capital Employed (ROCE) and Return on Asset (ROA) while DPR has statistically insignificant with Return on Equity (ROE) of quoted cement companies in Nigeria and that R^2 of all the dependent variables (Return on Capital Employed; Return on Assets and Return on Equity) used for this study were affected by other variables outside our model. It further revealed that dividend payout ratio (DPR) has statistically effect on Return on Capital Employed (ROCE) and Return on Assets (ROA) of quoted cement companies in Nigeria while DPR has no statistically effect on Return on Equity (ROE) of quoted cement companies in Nigeria. Based on this, we recommend that management should improve on their Return on Assets (ROA) and Return on Equity (ROE) as they are of great important in the valuation of performance evaluation of quoted cement companies in Nigeria; adopt optimal dividend policy that would better the lots of shareholders both in the short-run and long-run; devote adequate time in designing a dividend policy that will enhance firm's performance and shareholder value and adopted good dividend payout policies in order to reduce agency cost and maximise the value of the company and attract more investors.*

KEYWORD: Return on Capital Employed, Return on Assets, Return on Equity, Dividend Payout Ratio, Spss and Dividend Policy.

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INTRODUCTION

Dividend has been adjudged to be the catalyst for the financial performance of firms/companies. The issue of dividend payout is a very important one in the current business environment and more especially on the performance evaluation of firms/companies. Dividend payout is the regulations and guidelines that a company uses to decide whether to make dividend payments to shareholders or not. The dividend payment decisions of firms are the primary element of any corporate policy which is basically the benefit of shareholders in return for investing their money in the organization. These factors include financing limitations, investment chances and choices, firm size, pressure from shareholders and regulatory regimes (Ajanthan, 2013). The dividend payout of firm's is not only the source of cash flow to the shareholders but it also offers information relating to firm's current and future performance. The dividend policy remains one of the most important financial policies not only from the view point of the company, but also from that of the shareholders, the consumers, employees, regulatory bodies and the government. Shareholders wealth is margin influenced by growth in sales, improvement in profit margin, capital investment decisions and capital structure decisions (Azhagaiah and Priya, 2008). Hashemijoo, et al (2012) sees dividend policy as a company's policy which determines the amount of dividend payments and the amounts of retained earnings for reinvesting in new projects. The philosophy of dividend is that the investors would not want any dividend less than the expected except they have the conviction that the investment to which the retained earnings are committed would yield returns over and above what they could be opportune to elsewhere. An over view of dividend payout pattern shows that profitable mature firms pay higher dividend than younger rapidly growing ones. For instance, the British firms have the highest payouts in the industrialized world. North American companies have higher payouts than the Western European or Japanese companies. This is because the former use capital market for financing while the latter use intermediated financing. In contrast, France with strong socialist traditions and Italy with long state intervention tend to discourage dividend payment (Amadasu, 2011). Uwuigbe, et al (2012) also assert that while several prior empirical studies from developed economies have shed light on the relationship between financial performance of companies and dividend payout, the same is not true in developing economies like Nigeria. This is because there are quite a lot of researches on the dividend distribution controversy and its causality effect on financial performance, yet there is no universally accepted conclusion (Rahaman, 2013; Muhammed and Zulkifi, 2012; Umuigbe, et al, 2012; Zakaria and Tan, 2007). Dividend payout is the amount of cash that a company sends to its shareholders in the forms of dividends. The company can decide to send all the profits back to its shareholders or investors, or could keep a portion of it as retained earnings. Healthy dividends payouts thus indicate that companies are generating real earnings rather than cooking books (Barron, 2002). Zhou and Ruland (2006) revealed that high dividend payout firms tend to experience strong future earning but relatively low past earnings growth despite market observers having a contradicting view. Arnoth and Asness (2003) also revealed that future earnings growth is associated with high rather than low dividend payout. A high payout ratio means more dividends and less funds for expansion and growth. A low payout, on the other hand, results in a higher growth (Pandey, 2010). Considering dividend payout in information perspective, the dividends signaling theory prescribes that dividend payout can be used as a device to communicate information about a company's financial performance to investors. Cash dividend announcement convey valuable information which shareholders do not have about management's assessment of a firm's future profitability, thus reducing information asymmetry. Such information can be made use of by investors in assessing the firms' financial performance and making investing decision (Murekefu, et al, 2012).

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Companies in developing countries like, Nigeria have low dividend payout if they pay at all. Therefore, the empirical studies which have mainly focused on developed economics show that there is relationship between the dividend payout and financial performance of companies in Nigeria. The payment of dividend to shareholders depends on a great deal on the financial performance of companies. Current dividend payment reduces investors to discount the firm earnings at lower rate of return while dividend reduction increases investors' uncertainty, raising the required rate of return. Therefore, dividend payout has effect on the financial performance of quoted cement companies thus triggering on the research to be undertaken. Theories discussions on dividend suggest relevance on dividend policy as far as dividend payout ratio is concerned. However, no model or theory has been developed to show how a particular dividend payout policy affect share price. A number of studies have been conducted in Nigeria and other economies on the dividend payout policy and financial performance of companies. However, the studies produces conflicting result and moreover, further research has to be done on the effect of dividend payout on the financial performance of quoted cement companies in Nigeria using more recent data.

The work is aimed at achieving the followings: To ascertain the effect of Dividend Payout Ratio (DPR) on Return on Capital Employed (ROCE) of quoted cement companies in Nigeria. To determine the effect of Dividend Payout Ratio (DPR) on the Return on Asset (ROA) of quoted cement companies in Nigeria.To identify the effect of Dividend Payout Ratio (DPR) on the Return of Equity (ROE) of quoted cement companies in Nigeria.

In Nigeria, the development of a better tool for performance evaluation for cement companies is yet to be established. Therefore, the following research questions are posed in order to achieve the stated objectives of the study: To what extent does Dividend Payout Ratio (DPR) affect the Return on Capital Employed (ROCE) of quoted cement companies in Nigeria? Does Dividend Payout Ratio (DPR) have any effect on the Return of Asset (ROA) of quoted companies in Nigeria? How are you convinced that Dividend Payout Ratio (DPR) have any effect on Return of Equity (ROE) of quoted cement companies in Nigeria?

Based on the research questions, the following null hypotheses were formulated:

H_1: There is no significant effect of Dividend Payout Ratio (DPR) on Return on Capital Employed (ROCE) of quoted cement companies in Nigeria.

H_2: Dividend Payout Ratio (DPR) has no significant effect on Return on Asset (ROA) of quoted cement companies in Nigeria.

H_3: Dividend Payout Ratio (DPR) has no significant effect on Return on Equity (ROE) of quoted cement companies in Nigeria.

REVIEW OF RELATED LITERATURE

The concept of dividend has been defined by many authors and researches. Bierman (2001); Baker, et al (2002); Frankfurter, et al (2003) have described it as an appropriation of profits to shareholders after deducting tax and fixed interest obligations on debt capital. Dividends are compensatory distribution to equity shareholders for both time and investment risks undertaken (Uwuigbe, et al, 2012). Pandey (2010) defines dividend as a portion of a company's net earnings which the directors recommend to be distributed to shareholders in proportion to their

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shareholdings in the company. It is usually expressed as a percentage of nominal value of the company's ordinary share capital or as a fixed amount per share. Dividends are usually paid out of the current year's profit and sometimes out of general reserves. They are normally paid in cash and dividend payment is known as cash dividend. Dividend payment is a major component of stock return to shareholders (Zakaria, et al 2012). Jo and Pan (2009) assert that dividend payment could provide a signal to the investors that the company is complying with good corporate governance practices.

Dividend payout is the amount of cash that a company sends to its shareholders in the forms of dividends. The company can decide to send all the profits back to its shareholders or investors, or could keep a portion of it as retained earnings. Healthy dividends payouts thus indicate that companies are generating real earnings rather than cooking books (Barron, 2002).

Zhou and Ruland (2006) revealed that high dividend payout firms tend to experience strong future earning but relatively low past earnings growth despite market observers having a contradicting view. Arnoth and Asness (2003) also revealed that future earnings growth is associated with high rather than low dividend payout. A high payout ratio means more dividends and less funds for expansion and growth. A low payout, on the other hand, results in a higher growth (Pandy, 2012). Considering dividend payout in information perspective, the dividends signaling theory prescribes that dividend payout can be used as a device to communicate information about a company's financial performance to investors.

Murekefu, et al (2012) says that cash dividend announcement convey valuable information which shareholders do not have about management's assessment of a firm's future profitability, thus reducing information asymmetry. Such information can be made use of by investors in assessing the firms' financial performance and making investing decision. Dividend policy under this model is therefore relevant (Al-Kuwari, 2009).

The word 'Performance' is derived from the word 'Parfourmen' which means 'to do', 'to carry out, and 'to render'. It refers to the act of performing, executing, accomplishing and fulfillment e.t.c. In broader sense, performance refers to the accomplishment of a give task measured against preset standards of accuracy, completeness, cost and speed. In other words, it refers to the degree to which an achievements being or has been accomplished. In the words of French Kohlar "the performance is a general term applied to a part or to all the conducts of activities of an organization over a period of time often with reference to past or projected cost efficiency, management responsibility or accountability or the like". Thus, not just the presentation, but the quality of results achieved refers to the performance. Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. Financial performance is used to indicate firm's success, conditions and compliance. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. Shareholders, investors, creditors, managers have most interest in knowing the financial performance of a firm before investing.

Forms/Types of Dividend that Companies Payout

There are various types of dividends that companies payout. They include;

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Cash Dividend

Most companies pay dividends in cash. A company should have enough cash in its bank account when cash dividends are declared. To make this possible, the firm would have taken adequate measures to ensure the availability of cash. Some firms take the precaution of holding their reserves in cash and marketable securities. When they declare dividends they dispose those securities to enable them have enough cash to meet their obligations to the shareholders. The cash account and the reserve account of a company will be reduced when the cash dividend is paid. Thus, both the total assets and the net worth of the company are reduced when the cash dividend is distributed. The market price of the share and the value of the firms will drop in most cases by the amount of the cash dividend distributed.

Bonus Shares

An issue of bonus shares is the distribution of shares free of cost to the existing shareholders. Issuing bonus shares increases the number of outstanding shares of the company. The bonus shares are distributed proportionately to the existing shareholders. The declaration of the bonus shares will increase the paid-up share capital and reduce the reserves and surplus (retained earnings) of the company. The total net worth is not affected by the bonus issue. In fact, a bonus issue represents a recapitalization of reserves and surplus. It is merely an accounting transfer from reserves and surplus to paid-up capital.

Stock Dividends

There are times when firms consider its expedient to retain most or all of its earnings in order to facilitate growth and respond to corporate needs. When this happens the company will not want to distribute cash to shareholders, rather it will declare stock dividend to shareholders. There will of course be no change in the total capitalization of the firm as the assets and liabilities remains unchanged but there is going to be a drop in the earnings per share. Also there is going to be drop in the market price of the stock, while there is going to be a corresponding rise in the volume of equity shareholdings , the reserved or retained earnings is going to drop.

Share Splits

A share split is a method to increase the number of outstanding shares to a proportional reduction of the per value and the number of outstanding shares. The shareholders total funds remain unaltered.

Reasons for share split:

The following are reasons for splitting of a firm's ordinary shares:

- To make trading in shares attractive.
- To signal the possibility of higher profits in the future.
- To give higher dividends to shareholders.

Script Dividend: It is the dividend given in the form of promissory note to pay the amount at a specific future date. The promissory note is known as Scripts or Dividend Certificate. When a company is a regular dividend paying company temporary, its cash position is affected due

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to lack of funds. Which are likely to be released shortly, the opinion is preferred. Script may or may not be interest bearing.

Bond Dividend: In case the company does not have sufficient funds to pay dividend in cash it may issue bonds for the amount due to the shareholders by way of dividends, it has longer maturity date then Script dividend, it always carry interest thus, bond holders get regular interest on their bonds besides payment of bonds money on the due date but it practice is not seen in Nigeria nor legally allowed.

Property Dividend: In case of such dividend the company pays dividend in the form of asset other than cash. This may be in form of company's product; this type of dividend is not popular in Nigeria.

Significance of Regular Dividend: Regular and stable dividend are considered a desirable policy by management of most firms, shareholders also favors this policy and value stable dividend more than the fluctuating ones. All things been equal stable dividend can have positive impact on the market value of shares. Stability in dividend means the amount paid but regularly to shareholders.

Implication of Dividend Payout Policy

The implication of dividend payout on companies is however complex. A high dividend payout policy means more current dividends and less retained earnings, which may consequently result in slower growth and perhaps lower market price per share. Low payout policy means less current dividends, more retained earnings and higher capital gains. Therefore, it is plausible that that some investors will prefer high-payout companies while others may prefer low-payout companies.

It is important to note that paying dividends involves outflows of cash; the cash accountable for the payment of dividend is affected by the companies' investment and financial decision. A decision for inquired capital expenditure means that less cash would be available for the payment of dividend. Given firm's capital expenditure that do not have sufficient internal funds to pay dividends can raise funds by issuing per share. In this case, a dividend decision is not separable from the firms' decisions. The firm will have a given amount of firm fort paying dividend given its investment and financial decisions. A dividend decision involves a trade-off between the retained earnings and issues of new shares. A higher dividend payout attracts more investors and when there is a rush for the company's stock, the price of the stock will move up, this is known as regular effects. But, a lower dividend payout on the other hand will discourage many investors from investing and this intent can lead to reduction in the price of shares of that particular firm.

Measurement of Dividend Payout and Financial Performance

Dividend Payout Ratio or Payout Ratio (DPR)

This measures the percentage of net income that is distributed to shareholders in the form of dividends during the year. In other words, this ratio shows the portion of profits the company decides to keep funding operations and the portion of profits that is given to shareholders. Investors are particularly interested in the dividend payout ratio because they want to know if the company or companies are paying out a reasonable portion of net income to investors. Investors can see that these dividend rates can't be sustained very long because the company

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will eventually need money for its operations. Dividend payout ratio/payout ratio is calculated as;

$$\frac{\textit{Dividend Per Share}}{\textit{Earnings Per Share}} \quad \mathbf{X} \ \frac{\mathbf{100}}{\mathbf{1}}$$

Obviously, this calculation requires a little more work because you must figure out the earnings per share as well as divide the dividends by each outstanding share Since investors want to see a steady stream of sustainable dividends from a company, the dividend payout ratio analysis is important. A consistent trend in this ratio is usually more important than a high or low ratio. Since it is for companies to declare dividends and increase their ratio for one year, a single high ratio does not mean that much. Investors are mainly concerned with sustainable trends. Conversely, a company that has a downward trend of payouts is alarming to investors. Generally, more mature and stable companies tend to have a higher ratio than never start u companies. The dividend payout ratio is the amount of dividends paid to stock holders relative to the amount of total net income of a company. The amount that is not paid out in dividends to stockholders is held by the company for growth. The amount that is kept by the company is called retained earnings.

Dividend Per Share (DPS):

This is the sum of declared dividends for every ordinary share issued. Dividend per share (DPS) is the total dividends paid out over an entire year (including interim dividends but not including special dividends) divided by the number of outstanding ordinary shares issued.

Dividend per share can be calculated by using the following formula:

$$\frac{\textit{Total Dividends}}{\textit{Number of Outstanding Ordinary Shares}}$$

DPS are the amount of dividends that a publicly traded company pays per share of common stock, over their reporting period that they have issued. DPS may be used by individuals who are evaluating various stocks to invest in and prefer companies who pay dividends.

Gross Profit Margin (GPM):

This is also known as gross margin ratio or the gross profit percentage. This is a financial metric used to assess a firm's financial health by revealing the proportion of money left over from revenues after accounting for the cost of goods sold. Gross profit margin serves as the source of paying additional expenses and future savings. It is calculated as;

$$\frac{\textit{Revenue} - \textit{Cost of goods sold}}{\textit{Revenue}} \ \mathbf{X} \ \frac{\mathbf{100}}{\mathbf{1}}$$

The gross margin is not an exact estimate of the company's pricing strategy but it does give a good indication of financial health. Without an adequate gross margin, a company will be unable to pay its operating and other expenses and build for the future. In general, a company's gross profit margin should be stable. It should not fluctuate much from one period to another unless the industry it is in has been undergoing drastic changes which will affect the cost of goods sold or pricing policies. This metric can be used to compare a company with its competitors. More efficient companies will usually see higher profits margins.

Net Profit Margin (NPM)

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This is the percentage of revenue remaining after all operating expenses, interest, taxes and preferred stock dividends (but not common stock dividends) have been deducted from a company's total revenue. The formula for net profit margin is;

$$\frac{\textbf{\textit{Net Profit Margin}}}{\textbf{\textit{Total Revenue}}} \textbf{ X } \frac{\textbf{100}}{\textbf{1}}$$

By using this formula, we can see what percentage of revenue made it all the way to the bottom line, which is good for investors. Net profit margin is one of the most closely followed numbers in finance. Shareholders look at net profit margin closely because it shows how good a company is at converting revenue into profits available for shareholders. Changes in net profit margin are endlessly scrutinized. In general, when a company's net profit margin is declining over time; a myriad of problems could be to blame, ranging from decreasing sales to poor costumer experience to in adequate expense management. Net profit margin is often used to compare companies within the same industry in a process known as 'margin analysis'. Net profit margins is a percentage of sales, not an absolute number, so it can be extremely useful to compare net profit margins among a group of companies to see which are most effective at converting sales into profits.

Earnings Per Share (EPS)

Earnings per share also called net income per share, is a **market prospect ratio** that measures the amount of net income earned per share of stock outstanding. In other words, this is the amount of money each share of stock would receive if all of the profits were distributed to the outstanding shares at the end of the year. Earnings per share are also a calculation that shows how profitable a company is on a shareholder basis. So a larger company's profits per share can be compared to a smaller company's profits per share. Obviously, this calculation is heavily influenced on how many shares are outstanding. Thus, a larger company will have to split its earnings amongst many more shares of stock compared to a smaller company. The formula for calculating earnings per share is given as;

$$\frac{\textbf{\textit{Profit After Tax}}}{\textbf{\textit{Number of Common Stock Outstanding}}}$$

OR

$$\frac{\textbf{\textit{Net Income}}-\textbf{\textit{Preferred Dividends}}}{\textbf{\textit{Weighed Average Common Shares Outstanding}}}$$

You will notice that the preferred dividends are removed from net income in the earnings per share calculation. This is because earnings per share only measure the income available to common stockholders. Preferred dividends are set aside for the preferred shareholders and cannot belong to the common shareholders. Earnings per share are the same as any profitability or market prospect ratio. Higher earnings per share are always better than a lower ratio because this means the company is more profitable and the company has more profits to distribute to its shareholders. Although many investors don't pay much attention to the earnings per share, higher earnings per share ratio often makes the stock price of a company rise. Since so many things can manipulate this ratio, investors tend to look at it but don't let it influence their decisions drastically.

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Return on Capital Employed (ROCE)

This is a profitability ratio that measures how efficiently a company can generate profits from its capital employed by comparing net operating profit to capital employed. In other words, return on capital shows investors how many naira's in profit each naira of capital employed generates. Return in capital employed is an important ratio in that it measures the relationship between the net profit and the capital employed or the total net assets. The return on capital employed shows the effect of sales, different assets, and various costs on the total company results or position. It shows the overall profitability of the business. It can also be called ratio return on investment or primary ratios. The Return on Capital Employed can be defined in different ways depending on the objectives to be achieved and the comparisms to be made. The following can be adopted for the purpose of defining 'capital employed'.

- Total capital which is a function of share capital, retained profits, reserves, long term liabilities and current liabilities.
- Long term capital which is made up of total capital less current liabilities.

Therefore, ROCE can be expressed as:

$$\frac{\textit{Net Profit Before Interest and Tax}}{\textit{TotalAsset}} \ \mathbf{X} \ \frac{\mathbf{100}}{\mathbf{1}}$$

Capital employed is a fairly convoluted term because it can be used to refer to many different financial ratios. Investors are interested in the ratio to see how efficiently a company uses its capital employed as well as its long term financing strategies. Companies' returns should always be higher than the rate at which they are borrowing to fund the assets.

ROCE considers debt and other liabilities as well. This provides a better indication of financial performance for companies with significant debt. A higher ROCE indicates more efficient use of capital. ROCE should be higher than the company's capital cost, otherwise it indicates that the company is not employing its capital efficiently and is not generating shareholder value.

Return on Equity (ROE)

Return of equity is the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. ROE is expressed as a percentage and calculated as;

$$\frac{\textit{Net Income}}{\textit{Shareholders Equity}}$$

Where; Net income = Profit after Interest and Tax.

This ratio shows the earning power on shareholder's book value investment and is frequently used in comparing two or more firms in an industry. Shareholders equity does not include preferred share. It is also known as 'Return on net worth'. The ROE is useful for comparing the profitability of a company to that of the other firms in the same industry. There are several variations on the formula that the investors may use:

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- Investors willing to see the return on common equity may modify the formula above by subtracting preferred dividends from net income and subtracting preferred equity from shareholders equity, giving the following;

  Return on common equity = $\frac{\textit{Net Income} - \textit{Preferred Dividend}}{\textit{Common Equity}}$

- ROE may also be calculated by dividing net income by average shareholders' equity. Average shareholders' equity is calculated by adding the shareholders equity at the beginning of a period to the shareholders equity at periods and dividing the result by two.

- Investors may also calculate the change in ROE for a period by first using the shareholders equity figure from the beginning of the period as a denominator to determine the beginning ROE. ROE measures the rate of return for ownership interest (shareholders equity) of common stock.

Return on Assets (ROA)

ROA is a financial ratio that shows the percentage of profit that a company earns in relation to its overall resources (total assets). Return on Asset is a key profitability ratio which measures the amount of profit made by a company per naira of its assets. It shows the company's ability to generate profits before leverage, rather than using leverage. The ROA ratio often called the return on total asset is a profitability ratio that measures the net income produced by total assets during a period by comparing net income to the average total assets. In other words, the return on assets ratio or ROA measures how efficiently a company can manage its assets to produce profits during a period. It can be calculated as;

$$\frac{\textit{Net Income}}{\textit{Total Assets}}$$

Where; Net income = Profit after Interest and Tax.

This ratio shows the relative profitability of the business. A positive ROA ratio is usually indicated as upward profit trend as well. It only makes sense that a higher ratio is more favorable to investors because it shows that the company is more effectively managing its assets to produce greater amounts of net income. The Return on Assets ratio measures how effectively a company can earn a return on its investment in assets. In other words, ROA shows how efficiently a company can convert the money used to purchase assets into net income or profits.

Since all assets are either funded by equity or debt, some investors try to disregard the costs of acquiring the assets in the return calculation by adding back interest expense in the formula. It only makes sense that a higher ratio is more favorable to investors because it shows that the company is more efficiently managing its asset to produce greater amounts of net income.

Return on Assets is most useful for comparing companies in the same industry as different industries use assets differently.

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Empirical Review

Onyinlola, et al (2014) shows a positive relationship between significant EPSt and DPS t-1 with the coefficient of 0.661, significant at 0.01 level (i.e. $p<0.05$); whereas EPSt has an insignificant negative correlation of -0.369. This is well confirmed by Spearman's rho correlation analysis that shows coefficient of 0.715 significant at 0.010 and -0.394 for EPSt / DPSt-1 and EPSt/INVt-1 relationship respectively. They conclude that significant relationship exists between the dividend payout and organizational performance of Nigerian brewery sub-sector.

Rashid and Rahman,(2008) found that there is positive but insignificant relationship between share price volatility and dividend yield for 104 non-financial firms listed in the Dhaka Stock exchange during the period of 1999 – 2006. Nazir, et al (2010) applied fixed effect and random effect models to test the role of corporate dividend policy in determining the volatility in the stock price for 73 firms listed in Karachi Stock Exchange (KSE-100) indexed. Contradict to Rashid and Rahman, (2008), the researcher found that the share price volatility is significantly influence dividend policy as measured by dividend payout ratio and dividend yield. The result of the empirical findings made by Zakaria, et al, 2012 also suggests there is a significant positive relationship between the dividend payout ratio of a firm and share price volatility.

Rahim, et al (2010) detected a symptom of underinvestment when there was positive relationship between dividend policy and the firm's firm value. The increase in firm's value was contributed by the decreased in investment, increased dividend and stagnant debt ratio. They suggested that underinvestment happens because the management cautiously chooses only secured investments and distributes the excess cash to shareholders as dividends.

Zakaria and Tan (2007) also stressed the fact that investments made by firms' influences the future earnings and future dividends potential. In their research on 50 listed firms operating in high profile industries in the Nigerian Stock Exchange, Uwuigbe, et al (2012) observed that firm performance has a significant impact on the dividend payout of listed firms in Nigeria. That is, an increase in the financial well-being of a firm tends to positively affect the dividend payout level of firms. However, Adefila, et al (2013) concludes that Nigerian firms do have a dividend policy that is dependent on earnings though the trend is not very consistent and proportionate. This is in agreement with the assertion made by Uwuigbe, et al (2012) that while several prior empirical studies from developed economies have shed light on the relationship between firm performance and dividend payout, the same is not true in developing economies like Nigeria.

Amidu (2007) found that dividend policy affects firm performance especially the profitability measured by the return on assets. The results showed a positive and significant relationship between return on assets, return on equity, growth in sales and dividend policy. This showed that when a firm has a policy to pay dividends, its profitability is influenced. The results also showed a statistically significant relationship between profitability and dividend payout ratio. A study by Howatt, et al (2009) also concluded that positive changes in dividends are associated with positive future changes in mean real earnings per share. Fakhari and Yousefalitabar (2010) studied the relationship between dividend policy and corporate governance in Tehran stock exchange companies. They selected 125 companies in stock exchange during 2004 - 2007 as a sample. Business governing index was divided into 8 classes based on a checklist as disclosure, commercial ethics, observing legal obligations, auditing, ownership, board of directors' structure, asset' management and liquidity. Their findings show showed that there is an inverse

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significant relationship between the business governing and dividend i.e. companies in stock exchange use dividend to gain reputation and credit but in spite of a significant relationship between corporate governance and dividend, the effect of corporate governance on dividend is low. Karimi, et al (2013) concluded that there is a significant relationship between corporate governance quality and ratio of divided to net profit and ratio of dividend to net assets, because the significance level is below 5% (0.0012). Correlation coefficient of variables is 0.383735.

RESEARCH METHODOLOGY

This research will basically relate dividend payout empirically with three main measures of performance evaluation: Return on capital employed; Return on Assets and Return on Equity. It relied heavily on historic data, as data that was used in the analysis generated from annual financial reports of the sampled companies for twelve (12) years from 2003 to 2014. Therefore, this research work employed the Ex-Post Facto research design. This is because it involves events which have taken place. The importance of Ex-Post Facto research design is that it is a realistic approach in solving business and social science problems which involves gathering records of past event (Ordu, et al, 2014). The data was extracted from the published annual reports and statement of accounts of selected quoted cement companies for the relevant years sampled for analysis, internet and fact-books of the Nigerian Stock Exchange Onitsha Branch as they are believed to constitute the most authoritative and accessible documents for accessing information regarding the historical performance of the public owned companies. Due to paucity of data, four (4) out of six (6) of quoted cement companies were used such as Ashaka cement plc; Lafarge cement company (WAPCO) Nigeria plc; Dangote cement plc and Cement of Northern plc constituted our sample. The basis for selecting these companies was to ensure that all the sectors was covered though in the process of the research, it became obvious that all the required data was not available hence what was got was used. For the analysis of the collected data, Descriptive Statistic; Pearson Correlation was first used. This is because it is used to describe the direction and strength of linear relationship between two measurements, x and y in a collection of data according to Harry and Steven (1994). In this study, the two measurements is dividend payout ratio (independent variable) declared by the selected companies (x) and the corresponding performance evaluation (Return on capital employed; Return on Assets and Return on Equity) as dependent variables (y). Secondly, Simple Linear Regression (SLR) technique was used to examine the relationship of the independent variable (x) with dependent variables (y) and to know the effect of independent variable on dependent variables. In this study, the researcher used Statistical Package for Social Science (SPSS) Version 15 to analysis Simple Linear regressions (SLR).

We can see the entire variable chosen and their method used for calculation as given in the following table so the variables that have been used are:

S/N	Variables:	Methods used for calculation:
1	Dividend Payout Ratio (DPR)	$\frac{Dividend\ Per\ Share}{Earnings\ Per\ Share} \times \frac{100}{1}$
2	Return on Capital Employed (ROCE)	$\frac{Net\ Profit\ Before\ Interest\ and\ Tax}{Total Asset} \times \frac{100}{1}$
3	Return on Assets (ROA)	$\frac{Net\ Income}{Total\ Assets}$
4	Return on Equity (ROE)	$\frac{Net\ Income}{Shareholders\ Equity}$

Where; Net income = Profit after Interest and Tax.

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Model Specification

To test the hypotheses of this study, the company's performance evaluation is postulated as a function of the dividend payout. The choice of ordinary least square (OLS) for the research work is guided by the fact that its computational procedures is simple and the estimate obtained from the procedure have optimal properties which include linearly, Unbiasedness, Minivariance and mean square error estimation (Koutsoyianis, 2003). SPSS Software was used to aid the regression analysis. In carrying out this project work and the evaluation of financial Statement in the investment decision, the research develops a compact form of out model as follow:

$(Y_1, Y_2, Y_3) = b_0 + b_1x_1 + \ldots\ldots\ldots\ldots + \Sigma_1$

Where:

Y = Dependent variables of quoted cement companies.

X = Independent variable of quoted cement companies.

b_0 = Intercept for X variables of quoted cement companies.

$Y_1 - Y_3$ = Co-efficient for dependent variables of quoted cement companies; donating the nature of relationship between variables Y (or parameters).

b_1 = Co-efficient for independent variables of quoted cement companies; donating the nature of relationship between variables X (or parameters).

Σ_i = The error team.

N = Co-efficient for each of the independent variables, specifically, where researcher convert the above general least square model into our specified variables.

The, model specification for the regression analysis therefore becomes;

$$(ROCE, ROA, ROE) = b_0 + b_1 (DPR) + \Sigma_i$$

Where:

ROCE = Return on Capital Employed.

ROA = Return on Assets.

ROE = Return on Equity.

DPR = Dividend Payout Ratio.

RESULTS/FINDINGS

The hypotheses were tested adopting fixed effect and random effects and decision to reject the null hypothesis were based on the panel least squares for each hypothesis. The tests were aided with SPSS version 15.0. The test of adequacy of fixing the effects of the time and cross-

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sectional specific effects; panel least squares for random effects estimators (if any). The three (3) hypotheses for this study were tested and analyzed by the researcher using the stated model.

$$(ROCE, ROA, ROE)_{Yt} = b_0 + b_1 (DPR)_{Yt} + \Sigma_i$$

Table 1: Descriptive Statistics

	Mean	Std. deviation	N
DPR	48.5288	141.30789	48
ROCE	16.7763	16.28306	48
ROA	.1220	.13250	48
ROE	.1593	.37788	48

Source: Authors' SPSS Output

The descriptive Statistic table shows that all the dependent variables have positive value for both mean and Standard Deviation. The mean value ranges from 0.1220 for Return on Assets (ROA) to 16.7763 for Return on Capital Employed (ROCE) while Standard Deviation value ranges from 0.13250 for Return on Assets (ROA) to 16.28306 for Return on Capital Employed (ROCE). This indicates that the data were widely dispersed from mean.

The relationships among the studied variable were tested using Pearson Correlation and outcomes were presented. The model specification involves the parameters of the function (Koutsoyians, 2003 and Onwumere, 2008).

Table 2: Correlations

		DPR	ROCE	ROA	ROE
Pearson Correlation					
DPR					
Sig. (1 – tailed)					
Pearson Correlation		.343**			
ROCE		.009			
Sig. (1 – tailed)					
Pearson Correlation		.473**	.918**		
ROA		.000	.000		
Sig. (1 – tailed)					
Pearson Correlation	ROE	.193	.340**	.434**	
Sig. (1 – tailed)		.094	.009	.001	

**Correlation is Significant at 0.01 level (1 – tailed)

Source: Authors' SPSS Output

The Correlation table above shows that all the dependent variables (Return on Capital Employed; Return on Assets and Return on Equity) for this study have weak positive relationship with independent variable (Dividend payout ratio) of quoted Cement Companies in Nigeria. The strength of their relationship were indeed at 34.3%; 47.3% and 19.3% for Return on Capital Employed (ROCE); Return on Assets (ROA) and Return on Equity (ROE). The positive relationship shows that as DPR increases, ROCE; ROA and ROE will also increases and vice versa. The table also shows that Dividend payout ratio (DPR) is statistically significant with Return on Capital Employed (ROCE) and Return on Assets (ROA) at 1% level of Significance and statistically insignificant with Return on Equity (ROE) of quoted Cement

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Companies in Nigeria. Furthermore, it shows that Return on Capital Employed (ROCE) have positive relationship with Return on Assets (ROA) and Return on Equity (ROE) and statistically significant at 1% level. Finally, it also indicates that Return on Assets (ROA) has weak positive relationship with Return on Equity (ROE) and statistically significant at 1% level.

Hypothesis One

H_o: There is no significant effect of Dividend Payout Ratio (DPR) on Return on Capital Employed (ROCE) of quoted cement companies in Nigeria.

H_i: There is a significant effect of Dividend Payout Ratio (DPR) on Return on Capital Employed (ROCE) of quoted cement companies in Nigeria.

Table 3: Regression Model

Variable	Coefficient	Std. Error	t-Statistic	Prob
Constant	14.859	2.362	6.290	0.000
DPR	0.040	0.16	2.476	0.017
R-Square	0.118	Std. Error of the Estimate		15.46115
Adjusted R-Square	0.098	Durbin - Watson		0.969
F-Statistic	6.130			
Prob (F-Statistic)	0.017			

a. Predictors: (Constant), DPR

b. Dependent Variable: ROCE

The table above shows that R-square is 0.118 or 11.8% of the variations in the dependent variable was explained by the independent variables while 0.882 or 88.2% were affected by other variables outside our model. The adjusted R-square, a more conservative way of looking at the coefficient of determination is also less than 50%. The Adjusted R^2 is 0.098 or 9.8% of the variations in the dependent variable were explained by the independent variable. So this indicates that DPR is not the major determining factor of Return on Capital Employed (ROCE) of quoted cement companies in Nigeria. Only 0.902 or 90.2% of the variations were determined by other factors outside our model. Moreover, this table shows the result of correlation test, i.e Durbin – Watson statistic was placed at 0.969. The F-Statistic was 6.130 at 0.017 significance level with df (46, 1). The t-calculated of DPR shows 2.476 which indicates that Dividend Payout ratio (DPR) has an effect on Return on Capital Employed (ROCE). This result was strengthened at p* of 0.05 > 0.017 confirming that DPR of cement companies in Nigeria could significantly affect the ROCE. The researcher accepted H_i which states that there is a significant effect of Dividend Payout Ratio (DPR) on Return on Capital Employed (ROCE) of quoted cement companies' in Nigeria. This result was consonance with Smits (2012); Al-Hasan (2013); Abdelwahed (2014); Onyinlola, et al (2014); Ordu, et al (2014); Smits (2012); Al-Hasan (2013) and Abdul and Muhibudeen (2015) while Adediran (2013); Yegon, et al (2014) and Adediran and Alade (2013) found no statistically effect on performance evaluation.

So, the test outputs described below provide considerable reliability to the results and the emerging simple linear regression equation is as under:

ROCE = 14.859 + 0.040 (DPR)

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9.2 Hypothesis Two:

H_o: Dividend Payout Ratio (DPR) has no significant effect on Return on Asset (ROA) of quoted cement companies in Nigeria.

H_i: Dividend Payout Ratio (DPR) has a significant effect on Return on Asset (ROA) of quoted cement companies in Nigeria.

Table 4: Regression Model

Variable	Coefficient	Std. Error	t-Statistic	Prob
Constant	0.100	0.018	5.573	0.000
DPR	0.000	0.000	3.641	0.001
R-Square	0.224	Std. Error of the Estimate		0.11801
Adjusted R-Square	0.207	Durbin - Watson		1.008
F-Statistic	13.254			
Prob (F-Statistic)	0.001			

a. Predictors: (Constant), DPR

b. Dependent Variable: ROA

The table above shows that R^2 is 0.224 or 22.4% of the variations in the dependent variable was explained by the independent variable while 0.776 or 77.6% were affected by other variables outside our model. The adjusted R^2 shows a figure less than 50%. This means that DPR is not the major determining factor of Return on Assets (ROA) of quoted cement companies in Nigeria. The Adjusted R^2 is 0.207 or 20.7% and the remaining 0.793 or 79.3% were affected by other factors outside our model. The Durbin – Watson statistic was 1.008 while the F-Statistic was 13.254 at 0.001 level of significance with df (46, 1). The Dividend Payout Ratio (DPR) calculated shows a figure of 3.641 > t* 2 confirming that Dividend payout ratio (DPR) affect the Return on Asset (ROA) of quoted cement companies in Nigeria. The positive relationship indicates that as DPR increases, ROA will also increase. So the cement companies in Nigeria should control the increase and decrease of the DPR in order to improve their profitability. The table also shows that the P-value is 0.001 meaning that DPR is statistically significant at 1% level of significance. So the researcher suggests that H_0 should be rejected and H_1 be accepted, that Dividend Payout Ratio (DPR) has a significant effect on Return on Assets (ROA) of quoted cement companies' in Nigeria. So DPR is a major determinant of ROA in the cement companies. This result was in line with the findings of Murekefu and Ovma (2014); Onyinlola, et al (2014); Ordu, et al (2014); Smits (2012); Al-Hasan (2013); Abdul and Muhibudeen (2015) and Uwuigbe, et al (2012).

So, the test outputs described below provide considerable reliability to the results and the emerging simple linear regression equation is as under:

ROA = 0.100 + 0.000 (DPR)

Hypothesis Three:

H_o: Dividend Payout Ratio (DPR) has no significant effect on Return on Equity (ROE) of quoted cement companies in Nigeria.

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H_i: Dividend Payout Ratio (DPR) has a significant effect on Return on Equity (ROE) of quoted cement companies in Nigeria.

Table 5: Regression Model

Variable	Coefficient	Std. Error	t-Statistic	Prob
Constant	0.134	0.057	2.344	0.023
DPR	0.001	0.000	1.337	0.188
R-Square	0.037	Std. Error of the Estimate		0.37475
Adjusted R-Square	0.017	Durbin - Watson		1.718
F-Statistic	1.789			
Prob (F-Statistic)	0.188			

a. Predictors: (Constant), DPR

b. Dependent Variable: ROE

The table above shows R^2 which explains the extent to which the independent variable affect the dependent variable. In this case, 0.037 or 3.7% of the variations in the dependent variable were explained by the independent variable while 0.963 or 96.3% were affected by other factors outside our model. The adjusted R^2 shows a value less than 50% meaning that DPR is not a determinant of Return on Equity (ROE) of quoted cement companies in Nigeria. The Adjusted R^2 is 0.017 or 1.7% of the variations in the dependent variable were explained by the independent variable while 0.983 or 98.3% of the variations in the dependent variable were explained by other factors outside our model. The Durbin – Watson statistic was 1.718 while the F-Statistic figure was 1.789 at 0.188 level of significance with df (46, 1). The regression coefficient and significance level table shows that t-calculated of Dividend Payout Ratio (DPR) has no statistically effect on Return on Equity (ROE) of quoted cement companies in Nigeria. The t-calculated DPR is 1.337 and the P-value is 0.188 shows a statistically insignificant to ROE. In this case, the researcher suggests that alternative hypothesis H_1 should be rejected and null hypothesis H_0 be accepted, which states that Dividend Payout Ratio (DPR) has no significant effect on Return on Equity (ROE) of quoted cement companies' in Nigeria. So DPR appears not to be an important determinant of Return on Equity (ROE) of the cement companies. It shows that an increase in DPR will bring an increase in ROE and vice versa. The result was in consonance with Mohammad, et al (2012); Abdelwahed (2014); Adediran and Alade (2013) while Uwuigbe, et al (2012); Abdul and Muhibudeen (2015) and Onyinlola, et al (2014) have statistically effect on Profitability. So, the test outputs described below provide considerable reliability to the results and the emerging simple linear regression equation is as under:

$$ROE = 0.134 + 0.001 (DPR)$$

CONCLUSION AND RECOMMENDATIONS

The researcher draws his conclusion from the findings as follows:

- That Return on Capital Employed (ROCE) has the highest mean and highest standard deviation while Return on Assets (ROA) and Return on Equity (ROE) have the lowest mean and standard deviation respectively.

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- That R^2 of all the dependent variables (Return on Capital Employed; Return on Assets and Return on Equity) used for this study were affected by other variables outside our model.

- That Dividend Payout Ratio (DPR) has positive relationship with all the dependent variables (Return on Capital Employed, Return on Assets and Return on Equity) used for this study.

- That Dividend Payout Ratio (DPR) has statistically significant with Return on Capital Employed (ROCE) and Return on Asset (ROA) while DPR has statistically insignificant with Return on Equity (ROE) of quoted cement companies in Nigeria.

- That Dividend payout ratio (DPR) has statistically effect on Return on Capital Employed (ROCE) and Return on Assets (ROA) of quoted cement companies in Nigeria while DPR has no statistically effect on Return on Equity (ROE) of quoted cement companies in Nigeria.

- That DPR is a major determinant factor of Return on Capital Employed (ROCE) and Return on Asset (ROA) of quoted cement companies in Nigeria while DPR is not a major determinant factor of Return on Equity of quoted cement companies in Nigeria.

Based on this, the researchers recommends among other as follows;

- That the result of this study has at least one policy implication, the fact that dividend payout is still important determinant of financial performance by increase in the rate of dividends payout. In other words, the management of quoted cement companies in Nigeria should use more of Return on Capital Employed (ROCE) in the valuation of financial performance, as it improve the value of the firm financial performance.

- Management should improve on their Return on Assets (ROA) and Return on Equity (ROE) as they are of importance in the valuation of financial performance of quoted cement companies in Nigeria.

- Management should adopt optimal dividend policy that would better the lots of shareholders both in the short-run and long-run should be adopted.

- Managers should devote adequate time in designing a dividend policy that will enhance firm's performance and shareholder value. Again, the company should review its dividend policy in order to reduce agency cost and maximise the value of the company.

- Management should adopted good dividend payout policies as it will attract investors. Thus increases the value of financial performance of quoted cement companies in Nigeria.

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