

Dividend Policy and Financial Performance of Listed Pharmaceutical Firms in Nigeria

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ABSTRACT

The aim of corporate entities is to maximize the value of the investment of the shareholders in the firm. Managers pursue this goal through investment decisions, financial decisions and individual payment decisions. This study examined the effect of dividend policy on financial performance of listed pharmaceutical firm in Nigeria from 2015 to 2024. The sample of the study comprised of six (6) listed pharmaceutical firms on Nigeria Exchange (NGX). The study measured dividend policy using dividend per share, dividend pay-out ratio and dividend yield while the dependent variable (financial performance) was measured using Tobin Q. The data was obtained from the annual reports of the firms and Nigerian Exchange website. The results from the Robust Fixed effect regression showed that dividend per share has a positive and statistically significant ($\beta = 1.04$, $p\text{-value} = 0.000$) effect on financial performance, dividend payout ratio has a positive and statistically significant ($\beta = 0.023$, $p\text{-value} = 0.032$) effect on financial performance while dividend yield has a negative and statistically significant ($\beta = -0.008$, $p\text{-value} = 0.001$) effect on financial performance. The study concludes that dividend per share and dividend payout are relevant in increasing financial performance of listed pharmaceutical firm in Nigeria. The study therefore recommended among others that the management of Nigeria pharmaceutical firms should follow a dividend payout policy that will constantly involve paying dividend regularly.

Keywords: dividend, dividend policy, financial performance, profitability, shareholders' wealth maximization.

INTRODUCTION

The financial managers of the firm are responsible for determining the appropriate allocation of the company's profits, deciding on the portion to be retained and the portion to be given as dividends (Kurere et al., 2023). Shareholders are entitled to receive dividends when a business offers a return on their investment in the form of company stock. The objective of a dividend policy is to distribute a company's post-tax profits by dividing them between the payment of dividends to regular shareholders and the reinvestment of those funds (Adediran & Alade, 2013).

Miller and Modigliani (1961) found that in a market with perfect competition and steady investment rates, the dividend policy does not affect the wealth of shareholders. This statement frequently initiates debates on the methodology of allocating dividends (Olaewaju, Migiro & Sibanda, 2018). The prediction put forth by Miller and Modigliani has sparked an ongoing debate and difficulty over the adoption of an appropriate and practical dividend policy for companies, particularly in emerging countries like Nigeria where an optimal market situation is lacking. Several theoretical and empirical research have emerged to clarify the elements that influence firms' decisions on dividend payments. Hence, the endeavour to determine a suitable and achievable dividend policy has become a topic of discussion and discord (Idewe & Murad, 2019).

For the firm's stock price and investors' financial returns to remain stable and grow, corporate performance is crucial. Management's overarching objective is to increase the stock price as much as possible. As a result, the common stock price of the corporation will be at its highest possible level. The only way to accomplish this is

to pay the shareholders a reasonable return on their investment. Most people who invested do so with the expectation of receiving a return on their investment, either in the form of a regular stream of income or a substantial rate of return. In such a competitive market, companies must run at maximum efficiency to keep up with the competition and generate a commensurate net profit. One of the ways they achieve this is by paying dividends to their shareholders (Velnampy, Nimalthasan & Kalaarasi, 2014). Therefore, the dividend policy tells shareholders something about the company's management efficiency capacity. However, there is still no consensus on how dividends affect a company's profit maximization and shareholders wealth maximization.

Statement of the Problem

The primary purpose of businesses is to maximize profits for its shareholders. Dividend payments provide cash flow to shareholders, but they also deplete the firm's resources available for investment. Managers of a company's finances face a difficult conundrum when trying to strike a balance between dividend payments and investments, as both are essential to the success of the business as measured by the satisfaction of its stakeholders. This raises the question of whether distributing earnings as dividends would actually generate value for the owners.

While extant literature in Nigeria has primarily concentrated on specific sectors such as oil and gas, consumer goods, and banking, this study endeavors to broaden the scope of inquiry by examining the dividend policy-performance nexus in the pharmaceutical sector. By embracing this interdisciplinary perspective, we aspire to uncover sector-specific nuances and shed light on the universal applicability of dividend policy principles across different business contexts. The use of market-based performance indicators like Tobin's Q was also uncommon because prior studies that considered dividend policy effect on performance has mostly used the accounting-based performance indicators.

This study therefore intends to fill the above gaps in literatures by considering the effect of dividend policy on the financial performance of listed pharmaceutical firms in Nigeria.

Objectives of the Study

The main objective of the study is to examine the effect of dividend policy on the financial performance of listed pharmaceutical companies in Nigeria. The specific objectives are stated as follows:

1. To evaluate the influence of dividends per share on the financial performance of Nigeria's listed pharmaceutical companies.
2. To ascertain the significance of dividend payout ratio on the financial performance of Nigeria's listed pharmaceutical companies.
3. To analyse the effect of dividend yield on the financial performance of Nigeria's listed pharmaceutical companies.

Research Hypotheses

The study will test the following hypotheses:

- H₀₁:** Dividends per share have no significant influence on the financial performance of Nigeria's listed pharmaceutical companies.
- H₀₂:** There is no significant impact of dividend payout ratio on the financial performance of Nigeria's listed pharmaceutical companies.
- H₀₃:** There is no significant effect of dividend yield on the financial performance of Nigeria's listed pharmaceutical companies.

LITERATURE REVIEW

Dividend Policy

Dividend is the portion of a company's profit that is distributed to its shareholders. Payments of this kind may be paid in the form of a cash dividend or an in-script dividend, which entails the issuance of extra shares. Typically, publicly traded companies have a quarterly or semiannual dividend payment obligation. An interim dividend is a dividend paid at any time between the end of a fiscal year and the beginning of another year. The word "final dividend" denotes the ultimate allocation made by a company, typically taking place at the conclusion of the financial year. The call pertains to the allocation of the company's income between retention in the firm and distribution to the shareholders (Watson & Head, 2004). There are various dividend policies in principle, such as "variable payment, fixed payout, progressive policy, residual policy, zero policy, and non-cash policy".

Dividend Policies and Earnings

Nwude (2003) states that the objective of a dividend policy is to optimise the wealth of shareholders. This is achieved by deciding the portion of a company's net profit after taxes that will be distributed as dividends to the remaining shareholders in a specific fiscal year. The wealth of shareholders is influenced by both the current dividends and capital gains. Retained earnings are a vital means by which corporations finance their lucrative endeavors. Companies frequently allocate a portion of their post-tax earnings to their shareholders as dividends, as a kind of compensation for their investment. According to Juma'h and Pacheco (2008), the cash dividend decision is influenced by important aspects such as profitability, liquidity, and firm size.

Arif, Abrar, Khan, Kayani, and Ali Shah (2011) concluded that discretionary accruals do not significantly affect dividend policy. This implies that there may be other incentives for implementing profit management tactics beyond dividend disbursements. The investor who is seeking dividends should not rely on earnings management as a criterion for establishing the company's dividend policy. Emekekwe (2005) found that corporations vary in their dividend policies. Some individuals adapt to changes in the economy, while others do not. Firms commonly referred to as growth firms typically distribute minimal dividends to shareholders and allocate the majority of their earnings on fulfilling the company's financial obligations.

Distributing additional funds to shareholders contradicts the objective of amassing reserves to support expansion endeavours, fulfil financial obligations, and decrease debt. Having a substantial amount of retained earnings in the company will result in a reduced availability of funds for distribution to its shareholders. Similarly, if a substantial proportion of a company's profits are distributed as dividends, there will be a diminished quantity of funds available for debt repayment and ongoing operations. It is often believed that a reduction in retained earnings will lead to a decline in the market value of stocks, as retained earnings act as a protection for the company's future earning capacity.

Dividend Payout

According to Kartal (2015), the dividend payout ratio is a measure of how much of a company's net income goes towards paying out dividends to shareholders. The percentage of a company's earnings that are delivered to shareholders as dividends is known as the dividend payout ratio (Mahira, 2012). One important financial indicator is a company's ability to maintain dividend payments (Robert, 2015). The portion of a company's profit that stays in the business rather than being distributed to shareholders is called retained earnings. Shareholders expect firms to pay out a large portion of their profits as dividends, leaving little to no profit for the company to keep.

Dividend Yield

Dividend yield quantifies the annual dividend distribution as a proportion of the stock price (Paulo & Pedro, 2015). Dividend yield is the proportion of the dividends earned in a specific year per share of stock owned, divided by the value of one share of stock in that year, and stated in naira.

Financial Performance

Various empirical researchers (Vu & Nguyen, 2017; Al-Sa'eed, 2018) have utilised different accounting indicators to evaluate the performance of firms as the dependent variable. There are two main categories of financial performance metrics: accounting-based metrics and market-based metrics. The accounting-based metrics that has been used by researchers are Return on Assets (ROA), Return on Equity (ROE), Profit Margin (PM), Return on Sales (ROS), Return on Investment (ROI), Operating Cash Flow (OCF), Earnings per Share (EPS), Operating Profit (OP), Growth in Sales (GRO), Return on Capital Employed (ROCE), Expense to Assets (ETA), Cash to Assets (CTA), Sales to Assets, Ratio of Earnings to Price (RET). The market-based metrics that researchers have used in prior studies are Price to Earnings Ratio (PE), Tobin's Q, Market Value Added (MVA), Market to Book Value (MTBV).

Accounting-based measurements of return on assets (ROA) and return on equity (ROE) are commonly considered reliable indicators of a company's profitability and business performance when compared to a benchmark rate of return that is equivalent to the risk-adjusted weighted average cost of capital" (AlMatari, Al-Swidi & Fadzil, 2014). Tobin's Q is a widely used market-based measure that is valued for its ability to anticipate future success and capture shareholders' expectations for a company (Wahla, ShahSyed & Hussain, 2012).

Tobin's Q

Tobin's Q is a widely used market-based measure that anticipates and represents the anticipated future performance of a company, based on shareholder expectations (Wahla, ShahSyed & Hussain, 2012). The q is the quotient obtained by dividing the market value of assets by the book value of assets. The market value of assets is determined by adding the book value of assets to the market value of common stock, and then subtracting the book value of common stock and the deferred tax expense. Another approach entail calculating the ratio by dividing the combined market value and total debt of the company by its total assets (Al-Matari, Al-Swidi & Fadzil, 2014). Calculating the book value of equities and liabilities is generally easier than determining the market valuation due to daily fluctuations in the market (Al-Sa'eed, 2018). When the Tobin's Q ratio is below 1, it suggests that the book value of a firm's assets exceeds its anticipated market value, indicating that the company is undervalued. If a company's Tobin's q value exceeds one, it is seen to be overvalued.

Tobin's Q = (Market Value of Equity + Book Value of Debt) / Book Value of Total Assets.

THEORETICAL FRAMEWORK

Dividend Irrelevance Theory

Dividends are the subject of multiple conflicting hypotheses. However, the most renowned theory on dividends was formulated by Merton Miller and Franco Modigliani in 1961. They argue that the assessment of a firm's value should not take into account the business's dividend policy. This is due to the fact that shareholders might be granted dividends from any excess profits once an investment choice has been made for both the current and future periods. Additionally, it was mentioned that a shareholder remains unaffected (shows apathy) by whether they receive a cash dividend or sell a portion of their shares to generate funds. This is because, in an ideal market with complete certainty, the shareholder has the freedom to prioritise either dividends or capital gains according to their own requirements. If a shareholder is in need of funds, they have the option to liquidate a portion of their assets (referred to as a "homemade dividend") in exchange for immediate cash. Alternatively, they might choose to borrow the dividend and delay its use. The dividend irrelevance theorem states that the firm's value remains unaffected by its payout policy in a perfect capital market with rational investors. "The dividend irrelevance theorem is supported by the works of Black and Scholes (1974) and Miller and Scholes (1979)".

Dividend Relevance Theory

Dividend relevance theorists contend that the dividend policy does indeed influence the value of a company. In a world characterised by unpredictability and imperfect markets, Gordon (1959) argued that dividends hold considerable importance and are valued distinctively from capital gains. Hence, he asserts that investors prefer a consistent influx of funds in the present over an unpredictable flow of income in the future. The relevance theory is substantiated by the following sources: “Gordon (1962), Elton and Grubber (1970), Watts (1973), Bhattacharya (1979), Asquith and Mullins (1983), Easterbrook (1984), Benesh, Keown and Pinkerton (1984), John and Williams (1985), and Miller and Rock (1985)”.

Signaling (Asymmetric Information) Theory of Dividend Payment

One argument that backs up the dividend relevance theory is the signaling hypothesis of dividend payment, which states that management know more about the company's current and future prospects than the general public. Companies can utilize dividend changes to project future earnings and growth to the market, helping to alleviate the market's information asymmetry problem. Therefore, investors may attribute varying significance to a dividend announcement, depending on the nature of the underlying news. Lintner (1956) posits that management prioritise dividend signaling and will increase payouts alone when they are certain of profit growth. Therefore, an increase in dividend distributions suggests the presence of enduring and viable profits over an extended period of time. The signaling theory was initially introduced in the 1960s, but its formal modelling did not occur until the 1970s and 1980s, with notable contributions from “Bhattacharya (1979), John and Williams (1985), and Miller and Rock (1987) in the literature. More precisely, Bhattacharya (1979) put up the idea that a company's signaling costs refer to the tax obligation on dividends compared to capital gains. On the other hand, Miller and Rock (1985) contended that the dissipative cost was the distortion that arises from making the best investment decision. Ultimately, the act of making announcements benefits companies that pay dividends (value-firm) more than companies that do not pay dividends (growth), as suggested by Bhattacharya (1979), Miller and Rock (1985), and John and Williams (1985)”.

EMPIRICAL REVIEW

Dividend Policy and Financial Performance

Bossmann et al. (2022) examined the relationship between dividend policy and financial performance in listed corporations in Ghana by taking into account company age, size, capital structure, governance, and financial sector clean-up. utilising data collected between 2015 and 2019, the study estimated utilising the system dynamic general method of moments (GMM). During a time marked by advances and reforms in the financial sector, researchers used new dividend policy measures, such as dividend capacity and free cash flow savings, to evaluate the effect of dividends on company performance beyond the payout amount alone. The capacity to distribute dividends significantly affected ROA and ROE, according to the study's authors. While free cash flow savings had a more indirect association with Tobin's Q and stock price, they had a large effect on ROA and ROE, according to the research. There is a positive correlation between a company's profitability and its ability to pay dividends; nevertheless, during economic downturns, the distribution of dividends has a disproportionate effect on the owner's wealth.

Sergius Fribontius Bon and Sri Hartoko (2022) looked at the relationship between firm value and factors such dividend policy, investment choices, leverage, profitability, and company size. The study used a sample of 30 manufacturing organisations that were listed on the Indonesia Stock Exchange from 2015 to 2019 employing purposive sampling technique. The study tested the hypotheses using panel data regression. A correlation between dividend policy, investment decisions, leverage, profitability, company size, and firm value could not be found.

Among India's most successful IT businesses, Reddy and Santos (2020) looked on how dividend payments correlated with earnings. The present investigation was conducted using secondary resources. Data analysis methods included both correlation and multiple regression. The analysis shows that the only company with a meaningful association between profitability and dividend payout is TCS. However, the correlation research

shows that for most businesses, dividend payments are highly correlated with profits. Researchers found that dividends have a positive effect on shareholder wealth and that dividend payout is related to firm success.

The purpose of Kanakriyah's (2020) research was to identify the important factors that may affect the relationship between dividend policy and financial success in developing markets. The research included 92 companies listed on the Amman Stock Exchange (ASE) from various industries and services, and it covered the years 2015–2019. Panel Data Analysis was used for time series data, in addition to basic and multiple linear regression models, to analyse the data. Further, a multiple regression model was built to examine the potential effects of several variables on financial output. These variables include “Dividend Yield, Dividend Pay-out Ratio, Firm Size, Leverage Ratio, and Current Ratio”. The information is based on ASE website statistics and yearly reports and spans the years 2015– 2019. The study shows that “DY, DPR, and FSIZE are highly correlated with one another and with the effect they have on company performance. There is a robust inverse relationship between the leverage ratio and ROA and AOE” . The study's findings indicate a strong correlation between dividend policy and financial performance, highlighting the importance of dividend policy in comprehending financial outcomes.

Akintola and Olaoye (2019) looked at how dividend policy relates to stock price. Data used in this study came from secondary sources, such as the Nigerian Stock Exchange and a sample of companies' annual financial reports. To determine if the companies' dividend policies and stock prices were correlated, the researchers used e-view software to conduct an ordinary least square (OLS) regression analysis. This study's results backed up those of Lintner (1956), who found that investors would get the wrong impression if payouts were cut or eliminated.

In their study, Khan, Lamrani, and Khalid (2019) identified several factors that influence a company's performance. These factors include dividend policy, firm size, growth, short- and long-term capital structure, and more. Their research takes a look at the dividend policies of KSE-listed firms and how they affect their future performance, specifically looking at the cement industry. The required analyses (linear regression) are carried out by the econometric model. The research concluded that a company's return on equity (ROE) was affected by its dividend policy, long-term capital structure, and size.

With an eye towards increasing shareholder wealth, researchers Egbeonu, Edori, and Edori (2016) looked at how dividend policy affected company value. Data for the study came from audited financial reports of randomly chosen companies listed on the Nigerian stock exchange, and the summaries were calculated using a weighted average over five years. “Unit root stationary test, multiple OLS regression, granger causality test, impulse response innovation, and variance decomposition test were some of the rigorous econometric tools used in the investigation”.

RESEARCH METHODS

The study adopted the Ex-post facto research design. The population of the study comprised all ten (10) listed pharmaceutical firms on the Nigeria Exchange as at 2024. The study sample however include six (6) pharmaceutical firms listed on the Nigeria Exchange which are selected based on availability of complete data needed for this study. Needed data are extracted from the financial report of the selected firms for the period covering 2015 – 2024.

Model Specification

Tobin’s Q will serve as the dependent variable, with dividend per share (DPS), dividend yield (DY), and dividend pay-out ratio (DPOR) as independent variables to proxy dividend policy among Nigerian pharmaceutical firms. Firms age and leverage were introduced as the control variables.

Model for this study is as presented below

$$TQ_{it} = \beta_0 + \beta_1DPS_{it} + \beta_2DPOR_{it} + \beta_3DY_{it} + \beta_4AGE_{it} + \beta_5LEV_{it} + \mu_{it}$$

Where:

TQ_{it} = Tobin Q in firm i at time t.

β_0 : = Constant term

$\beta_1 - \beta_3$ = Parameters to be estimated

DPS_{it} = Dividend Per Share in firm i at time t.

$DPOR_{it}$ = Dividend Pay-out Ratio in firm i at time t.

DY_{it} = Dividend yield in firm i at time t.

LEV_{it} = leverage in firm i at time t.

AGE = age of the firm i at time t

μ_{it} = “error term signifying other variables not captured in the study of firm i at time t”.

Measurements of Variables

Table 1: Variable Measurements

Variable	Meaning	Measurement	Author
Dependent Variable			
TQ	Tobin Q	Market value of asset divided by book value of asset.	Dogan (2014)
Independent Variables			
DPS	Dividend per share	Dividend paid divided by number of equity shares in issue.	Kanakriyah (2020)
DPOR	Dividend pay-out ratio	Dividend per share divided by earnings per share (DPS/EPS).	Abu-Abbas (2021)
DY	Dividend Yield	Dividend per share divided by market price per share. (DPS/MPS)”.	Kanakriyah (2020)
		Control variables	
AGE	Age	The year the firm was listed	Apriyanti and Santosa (2014)
LEV	Leverage	Debt to total asset	Farooq and Masood (2016).

Source: Authors’ Compilation, 2026

PRESENTATION OF RESULT

Descriptive Statistics

Table 2: Descriptive Statistics of the Variables

Variables	No OBS	MEAN	STD DEV	MIN	MAX
TQ	60	0.512	0.469	0.07	2.48
DPS	60	0.274	0.995	0	7.5
DPOR	60	38.15	194.50	-307.86	1452.19
DY	60	3.27	7.10	0	51.72
AGE	60	31.32	11.69	5	43
LEV	60	54.05	16.30	21.54	106.94

Source: Authors' Computation, 2026

According to Table 2, the average value of TQ is 0.512 and the measure of variability is 0.469. The lower bound of TQ is 0.07, whilst the upper bound is 2.48. The average TQ of 0.512 indicates that, on average, the market value of the firm's assets is lower than its book value. Suggesting that the companies are currently priced lower than their actual value. The data has a minimal dispersion from the mean, as indicated by the standard deviation of roughly 0.469. However, the standard deviation indicates that there is a consistent pattern among the pharmaceutical enterprises examined in Nigeria.

The table provides descriptive data for dividend policy proxies. It shows that the mean value for DPS is 0.27, with a standard deviation of 0.996. This mean figure indicates that the average DPS of the sample firms is 0.27. Each share receives a dividend of 0.27, on average. The standard deviation indicates that the distribution of DPS is significantly scattered. The DPS value ranges from 0 to 2.82. There are pharmaceutical companies in Nigeria that did not distribute dividends during the study period. A high dividend payment of 7.5 per share corresponds to the highest value of 7.5.

Regarding the dividend policy, table 2 indicates that the average value of DPOR is 38.15, with a standard deviation of 194.50. This demonstrates that, on average, the corporations distribute more than fifty percent of their post-tax earnings as dividends. Nevertheless, the fact that the standard deviation is 194.5 indicates that it is a prevalent pattern among the pharmaceutical companies examined in Nigeria. The minimum and maximum values of DPOR are -307.86 and 1452.19, respectively. The negative number of -307.86 indicates that certain corporations continue to distribute dividends despite not generating any profits. The payment of dividends in the presence of a loss may be attributed to the firms' positive cash flow. Furthermore, the presence of a maximum value of 1452.19 suggests that there are enterprises or companies that have paid dividends above their net earnings.

Regarding the dividend policy, the table's descriptive data indicate that the dividend yield has an average value of 3.28 and a standard deviation of 7.10. The mean figure of 3.28 suggests that the pharmaceutical companies listed in Nigeria have a dividend yield, indicating that the market price of the stocks is considerably lower than the dividend payment. The minimum value is 0 and the largest value is 51.72.

The table indicates that the control variable, Age, has a mean value of 31 years. The average age of all the pharmaceutical enterprises listed in Nigeria is 31 years, with a low standard deviation of 11, indicating minimal variance in the age of these listed firms in Nigeria. The age range is bounded by a minimum value of 5 and a maximum value of 43.

The table shows that the average level of leverage (LEV) across pharmaceutical enterprises in Nigeria is 54.05%, with a “standard deviation” of 16.3. The “standard deviation” figure of roughly 16% shows a low level of dispersion of the data from the mean. The average indicates that 54% of the company's total assets are financed through debt. The stated pharmaceutical enterprises in Nigeria had a minimum leverage of 21.54 and a maximum leverage of 106.94 over the specified period.

Results of Diagnostic Test

This segment presents and discusses the results of various tests, including normality of the data, multicollinearity test, heteroskedasticity test, panel test, and Hausman specification test. The tables below display the results.

Normality of Data

Table 3: Normality test

Variables	Obs	Chi2	Prob>z
RESIDUAL	120	0.18	0.916

Source: Authors’ Computation, 2026

A fundamental assumption of the ordinary least squares (OLS) regression model is that the error terms follow a normal distribution. The normality of the residual was assessed using the Jacque Bera test at a significance level of 5%. The residuals indicate a substantial p-value of 0.916, which is above the 5% level of significance. This indicates that the residual follows a normal distribution. To rectify this, one should opt for the more resilient iteration of the chosen model.

Multicollinearity Test

Table 4: Multicollinearity test

Variable	VIF	1/VIF
DPS	1.47	0.67
DPOR	1.37	0.73
DY	1.31	0.76
AGE	1.26	0.79
LEV	1.01	0.98
MEAN VIF	1.28	

Source: Authors’ Computation, 2026

OLS regression, a statistical method, assumes that the independent variables should not exhibit perfect correlation, indicating the lack of multicollinearity. As a result, the study examined the presence of multicollinearity between the dividend policy variable and the control variables (age and leverage). The findings from Table 4 indicate that there is no evidence of detrimental correlation among the independent variables. This is supported by the fact that the largest Variance Inflation Factor (VIF) is 1.47 and the smallest Tolerance Value (TV) is 0.67. According to Gujarati (2004), a Tolerance Value and VIF greater than 0.1 and less than 10, respectively, suggest the absence of multicollinearity.

Hausman Specification Test and Others Panel Diagnostic test

Table 5: Hausman Specification Test

Tests	Chi2	P-Value
Hausman Specification Test	29.52	0.000
Modified Wald test for groupwise heteroskedasticity in fixed effect regression model	170.59	0.000

Source: Authors' Computation, 2026

The Hausman specification test was performed following the estimation of both fixed and random effect models in order to determine if the effect is random or fixed. At a significance level of 5%, the chi-square value is 29.52 and the probability of obtaining a chi-square value as extreme as this is 0.000, which exceeds the 5% significance level. The substantial P-value indicates that the Hausman test supports the use of the fixed effect model. The study employed a fixed effect model. "The heteroskedasticity issue was assessed in the fixed effect model using the Modified Wald test for groupwise heteroskedasticity in the fixed effect regression model. The obtained P-value of 0.000, which is significant at a 5% level, indicates the presence of heteroskedasticity in the fixed effect". This study employed a more robust and efficient panel model to address the heteroskedastic issue observed in the fixed effect model. The study employed the Discroll-Kray fixed effect model, which effectively addresses heteroskedasticity in fixed effect models.

Regression Results

In this section, the regression results of dividend policy and finance performance are presented and analyzed.

Table 6: Model Result

Variable	Coefficients	Robust Std error	t-value	p-value
DPS	1.04	0.09	10.86	0.000*
DPOR	0.023	0.009	2.53	0.032*
DY	-0.008	0.001	-5.28	0.001*
AGE	0.178	0.058	3.05	0.014*
LEV	-0.017	0.017	-1.00	0.344
CONST	1.19	0.231	4.83	0.001*
R2 within	48.16			
f-statistic	291.32			0.000*

Source: Authors' Computation, 2026

Interpretation

The table 6 displays the outcome of a robust fixed effect model, which is based on the results of the panel effect test. The regression analysis reveals that the dividend policy variables and the control variable inflation

may explain 48.16% of the variations in the finance performance of the pharmaceutical enterprises listed in Nigeria. The chi-square test for the F-statistic yields a value of 291.32 and a P-value of 0.000, indicating statistical significance at a level of less than 5%. This indicates that the model is suitable and sufficient. Furthermore, it demonstrates that the variables collectively exert a substantial impact on the corporate performance of pharmaceutical companies listed in Nigeria.

Hypotheses Testing

The hypotheses of the study were tested from the regression result presented in table 6.

H₀₁: Dividend Per Share has no significant effect on financial performance of listed pharmaceutical firms in Nigeria.

A p-value of 0.000 for the DPS variable is shown in table 6, indicating that it is statistically significant at the 5% level of significance. This proves that the dividend payout ratio (DPS) significantly affects the total financial performance of publicly listed Nigerian pharmaceutical companies. As a result, the analysis disproves the first null hypothesis (H₀₁), which states that pharmaceutical companies listed in Nigeria do not benefit significantly from increasing their dividend per share.

H₀₂: Dividend Pay-out Ratio has no significant effect on financial performance of listed pharmaceutical firms in Nigeria.

At the 5% level of significance, the coefficient of DPOR is 0.023 and the P-value is 0.032, as shown in Table 6. Based on these statistical data, the study rejects the second null hypothesis (H₀₂), which states that pharmaceutical companies listed in Nigeria do not get a significant boost to their financial performance from the dividend payout ratio.

H₀₃: There is no significant effect of dividend yield on the financial performance of Nigeria's listed pharmaceutical companies.

A -0.008 coefficient and a 0.001 P-value for DY shown in the table revealed a negative and significant effect on TQ. Consequently, the third null hypothesis (H₀₃), which states that the financial performance of listed pharmaceutical firms in Nigeria is significantly unaffected by dividend yield was rejected.

DISCUSSION OF FINDINGS

The findings of this study are particularly relevant when considered within the economic, regulatory, and industry-specific conditions that characterised Nigeria during the period 2015–2024. The pharmaceutical industry operated within a challenging environment marked by the 2016 economic recession, foreign-exchange shortages, substantial naira depreciation, the COVID-19 pandemic, persistent inflation, fuel subsidy removal, exchange-rate reforms, rising interest rates, and increasing emphasis on local pharmaceutical production. These conditions affected firms' profitability, cash flows, investment decisions, and market valuation and, consequently, may have influenced the relationship between dividend policy and Tobin's Q. From the tests carried out on the data collected and the analyses of the results, these findings are discussed below.

Dividend Per Share and Financial performance

Dividend per share (DPS) has a positive and statistically significant effect on the performance of pharmaceutical companies listed in Nigeria, according to Table 6. A statistically significant p-value of 0.000 and a coefficient of 1.04 at the 5% level of significance lend credence to this. This indicates that listed pharmaceutical enterprises in Nigeria will have a 1.04 boost in corporate performance for every unit increase in DPS (Dividend Per Share). Distributing dividends on each issued share in the company indicates that investors are motivated to increase their interest in the pharmaceutical firms.

The positive relationship between DPS and Tobin's Q is consistent with the dividend signaling hypothesis, which proposes that dividend payments may convey information about management's expectations concerning

the firm's future earnings and cash-flow prospects. In an environment characterised by information asymmetry, investors may interpret a firm's ability and willingness to pay higher dividends as evidence of stronger financial fundamentals. Consequently, firms that consistently pay higher dividends may attract greater investor confidence, resulting in higher market valuation and, ultimately, higher Tobin's Q.

The positive and significant coefficient of DPS therefore suggests that DPS represents an important mechanism through which listed pharmaceutical firms communicate their financial strength and prospects to the Nigerian capital market. Investors appear to attach value to dividend payments, and firms that provide higher dividends per share tend to enjoy higher market-based financial performance as measured by Tobin's Q. This finding is consistent with previous studies (Bossman et al. 2022; Jatmiko, 2016; Dogan 2014) showing a positive and statistically significant relationship between dividend per share rates (DPS) and market-based performance indicators.

Dividend Pay Out Ratio and Financial Performance

With a coefficient of 0.023 and a p-value of 0.032, DPOR is statistically significant at the 5% level of significance, according to the analysis in table 6. This proves that DPOR significantly and positively affects the stock performance of Nigerian pharmaceutical companies listed on the stock market. It also has a significant and positive effect on the company's overall performance, as shown by a coefficient of 0.02. So, a one-unit increase to the dividend payment ratio will lead to a twenty percent improvement in business results. Because of this, the dividend payout ratio is an important indicator of future company success.

The dividend relevance theory, which says that the dividend payment ratio is a key component that raises share value, is consistent with this study. Additionally, several studies support the idea that dividends boost business results. This conclusion is in line with earlier studies that showed that dividend payout boosts stock performance; for example, Bossman et al. (2022), Abu-Abbas (2021), and Kanakriyah (2020). Dividend payout is not significantly related to company success, as was previously found (Reddy and Santos, 2020; Sergius et al., 2022).

Dividend Yield and Financial Performance

A negative coefficient of -0.008 and a P-value of 0.001 for the variable DY are shown in Table 6, suggesting statistical significance at a level of significance below 5%. This indicates that DY significantly and negatively affects the financial results of Nigerian pharmaceutical businesses listed on stock exchanges. It shows that share performance will drop by 0.008 for every percentage increase of the DY.

The negative relationship may indicate that firms with higher dividend yields are not necessarily more highly valued by the market. In some cases, a high dividend yield may arise because the market price of a firm's shares has declined substantially rather than because the firm has increased its dividend payment. Thus, the negative relationship between DY and Tobin's Q suggest that investors interpret unusually high dividend yields as a potential signal of weak growth prospects, declining market valuation, or limited investment opportunities. This is consistent with the possibility that firms experiencing declining share prices may mechanically record higher dividend yields even when their absolute dividend payments remain unchanged. Kanakriyah (2020) found a favourable and statistically significant relationship between dividend yield and financial performance.

CONCLUSIONS

The study's conclusion is based on the findings about dividend policy and financial success. The study found that listed pharmaceutical businesses in Nigeria had a substantial association between dividend per share and corporate performance. Companies with a high dividend per share seem to do better financially than those with a low payout per share, according to the study.

Also, pharmaceutical businesses listed in Nigeria see a favourable and statistically significant effect of dividend payout on their financial success. Dividend pay-out ratio (DPOR) has a positive effect on the financial performance of listed pharmaceutical enterprises in Nigeria, according to the study.

Dividend yield significantly and negatively affected the financial performance of pharmaceutical businesses listed in Nigeria, according to the study's findings. The bottom line for pharmaceutical businesses listed in Nigeria is hit hard by dynamic capacities, it seems.

The findings collectively demonstrate that dividend policy plays a significant role in explaining the financial performance of listed pharmaceutical firms in Nigeria. The positive and significant coefficients of DPS and DPOR indicate that investors generally respond positively to actual dividend distributions and higher proportions of earnings distributed to shareholders. In contrast, the negative and significant coefficient of DY suggests that a high dividend yield does not necessarily indicate higher firm value and may, in some circumstances, reflect declining share prices and weaker market valuation.

RECOMMENDATIONS

Based on the results and conclusions of this study, the following recommendations were proposed.

1. The study suggests that the pharmaceutical firms listed in Nigeria should improve their performance by adjusting their dividend policy to increase their Dividends Per Share (DPS).
2. Management should have effective dividend payout policies, as this would have the potential to attract investors. Consequently, leads to an improvement in the performance of the pharmaceutical companies listed in Nigeria.
3. Nigerian pharmaceutical companies should adopt a consistent dividend payout policy that involves regular dividend payments. According to the classical school of thought, dividends are paid with the intention of influencing the share prices. They believe that the market price of equity reflects the present value of expected cash dividends that can be earned by the equity.

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