

Determinants of Dividend Policy of Selected Quoted Health Sector Firms in Nigeria

By

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Abstract

This study investigated the determinants of policy of dividend of quoted health sector firm in the Nigerian Exchange Group. Data of ten years (2012-2021) were collected. The population of the study cuts across 10 firms. Purposive sampling method was employed to select a sample of three firms. The data were gathered from the listed companies' published annual financial reports. The facts were described utilizing description from statistics and hypotheses were tested on whether the variables correlate using Pearson correlation analysis. Panel regression was used. It is discovered that return on assets, financial leverage, tax and firm size all are significant determinants of dividend policy. It is recommended that among others that the firms' management should continue improving on their size by investing more on projects/assets with a positive net present value to expand operations.

Keywords: Dividend Policy, Previous Dividend, Profitability, Financial Leverage, Firm Growth

1.0 Introduction

Dividend is a price that a company pays to investors for the capital invested by them in the company. The choice of how much to retain or disburse from earnings in form of a dividend to stakeholders is one of the paramount financial decisions managers are expected to make and it is referred to as dividend policy. To meet dividend obligations, firms are faced with several variables (previous dividend, return on asset, financial leverage, firm growth, tax, firm age, and firm size, among others) which determine how dividend pays. These variables are chosen for this study

because they are firm specific characteristics. Dividend payout is among the measure of the company's dividend policy; it denotes the proportion of earnings a firm is willing to give out to shareholders as dividends.

It is important to briefly understand the signaling theory proposition. The proponent of signaling theory believed that cash dividend-paying firms use it (dividend payment) as a means of diffusing information asymmetry between the firm and financiers. Payment of dividends is received as positive news and

it is believed the firm value reacts favorably. It also signals that the firm's financial performance is favorable.

This research is motivated from two fronts: first, dividend policy is based on board of directors' decision on whether or not to pay and the amount and time the dividend is to be paid; the quoted Nigerian firms in the health sector are not exception. The quoted firms do pay and some other times, they don't pay dividend and the reasons are yet to be scientifically determined.

Secondly, there is a dearth of recent scientific evidence to explain the nature of payment. This is because the several studies were carried out across the globe, within different domain, time and variables to ascertain the results of various determinants on dividend policy; see for example, Kashif (2021), Aulia and Alfarisi (2019), Ofori (2018), and Ahmad et al. (2018). These studies yielded mixed results and were mostly carried out not on firms quoted in Nigerian health sector. Consequently, this study examines why dividend is being paid or not in the quoted firms in the Nigeria health sector. In the context of the Nigerian health sector, the following variables can be linked as determinants of dividend policy.

Previous dividends by the selected healthcare firms can influence their future dividend policy. If a company has a

history of consistently paying dividends, it may continue doing so in the future following the principle of dividend continuity. The profitability of healthcare firms measured by return on assets can impact on their dividend policy. Firms with higher returns on assets may be more inclined to distribute a portion of their profits as dividends to shareholders.

The level of financial leverage, which represents the use of debt in the capital structure can also affect dividend policy in the healthcare sector. Companies with high financial leverage may prioritize debt repayment over dividend payments, leading to lower dividend payouts. The size of healthcare firms can influence their dividend policy. Larger firms may have greater financial resources and stability, allowing them to distribute higher dividends to shareholders compared to smaller firms. Furthermore, growth prospects of healthcare firms can impact their dividend policy. Companies experiencing rapid growth may reinvest their earnings into expansion and new projects, resulting in lower dividend payouts. However, more mature firms with limited growth opportunities may distribute a larger portion of their profits as dividends.

Also, tax environment in Nigeria can influence the dividend policy of healthcare firms because high tax rates may reduce

the amount available for dividend distribution, as companies may need to allocate a significant portion of their earnings for tax payments. The age of healthcare firms, referring to the number of years since incorporation, can affect their dividend policy. Younger firms in the growth phase may retain more earnings to finance future expansion, resulting in lower dividend payments. In contrast, more established firms with a longer operating history and accumulated profits may be more likely to pay dividends. Based on this explanation, this research forms the null hypothesis which indicates that previous dividend, return on assets, financial leverage, firm growth, tax, firm age and firm size have no discernible impact on dividend payout of selected quoted health sector companies listed on the Nigerian stock market.

This research is divided into six sections: this introduction is the first section, followed by literature review then the methodology of the study, results and discussion of findings, conclusion and recommendation.

2.0 Literature Review

This section is divided into three subsections: conceptual review, empirical studies and the theoretical foundation of this study.

2.1 Conceptual Review

This subsection presents a conceptual review on dividend policy and its determinants which include: previous dividend, financial leverage, firm growth, tax, firm age and firm size.

Concepts of Dividend Policy

Dividends, according to Pandey (2005), are earnings given to shareholders. Business dividends may take the form of stock dividends, in which case a firm issues new share to current shareholders in proportion to their existing shares, or shareholders take the form of cash dividends, in which case, the company pays shareholders a certain amount of cash per share (Zameer, 2013). The board of directors determines the amount to be distributed as a dividend, which is often paid quarterly, semi-annually, or yearly depending on the firm's policy (Badu, 2013). The method that managements use when determining the quantity and pattern of cash payouts to shareholders over time is known as a dividend policy (Lease, 2000).

Determinants of Dividend Policy

According to Lintner (1956), more contemporary cash-flow signaling models, corporations make an effort to maintain consistent payouts, which over time produce enduring patterns. If a company wants consistency in dividend payments, it

takes into account the dividend rate from the prior year and takes appropriate action. As a result, it is expected that the current dividend yield and its lagged value would be positively correlated. Lintner (1956) singled out previous dividends as one of the determinants of dividend policy.

For profitability, the dividend payment decision of businesses begins with the realized profit hence, it is not unexpected that profitability is regarded as one of the most important factors of dividend framework (Bijana, Aleksandra & Jasmin, 2021). Zameer et al. (2013) emphasized that those businesses that are very prosperous give out a bigger portion of their profits as dividends. Return on assets is one of the key measures of financial ratios, including the gross profit margin, net profit margin, operating expense ratio, return on investment and return on equity. Return on assets, return on investment, and return on equity all relate profitability to investment. The term investment refers to total assets or net assets (Pandey, 2005). According to Rosikah et al (2018), the capacity of a corporation to generate profits utilizing all of its owned assets is measured by return on assets (ROA). A company that performs better will be more successful. Return on assets is used as a measure of profitability in this study because it measures per naira return on money spent in assets.

Financial leverage is seen as a crucial element that determines a company's dividend policy. It is a portion of the capital structure's use of debt of the firm. Both short and long-term debt to capital and total debt to capital are debt ratios used to measure financial leverage as the percentage of financed debt, also known as interest-bearing debt, in the capital structure may be of relevance to the company. By dividing total debt by either capital employed or total assets, the debt ratio may be calculated (Rozeff, 1982). High debt indicates that businesses have high interest costs, which results in a poor net income and, consequently, a lower return on investment for shareholders. The finance and investment plans, particularly in the case of high leveraged enterprises, may suffer as a result of dividend payments to shareholders. Companies with high levels of debt have riskier and more fluctuating earnings, and as a result, they pay lower dividends (Rozeff, 1982). This study adopts total debt to total assets ratio because it takes into consideration, the proportion of total debt in the capital structure.

Several factors, including turnover/sales, employment, assets, market shares, and profitability, may be used to gauge a company's growth. Sales and employment are two of these metrics that are frequently employed as growth indicators

(Ardishvili et al, 1998; Davidsson, 1991). Sales growth may be explained by two separate factors when used as a growth opportunity indicator. A company with strong growth, or a "growth firm," focuses on financial investment projects, on increasing its business, and on using internal finance. Because such company is growing and its age is still young, the capacity to pay a tiny dividend has been limited. This demonstrates how growth prospects have a detrimental impact on dividends. This study adopts revenue growth because it is only when revenue is achieved that profit can be derived before dividend policy. Furthermore, the government levies tax on businesses in the form of a deduction from their earnings. High tax rates typically deter businesses and shareholders from paying out large dividends. This measure is adopted because it can be a reason of reduced dividend.

Age is the length of time during which a being or thing has existed. It can be operationalized as number of years of incorporation of the company. It is also viewed as listing age. The life cycle variable, age is the year when the firm was founded is referred to as (incorporated) plus one (Ilaboya & Ohioka, 2016). The foundation of the firm's life cycle theory of dividend is that every business has a clearly defined life cycle. Mature

companies are able to pay out greater dividends because they have more retained profits, more accumulated profit, and less investment options. Young companies, on the other hand, are in the stage of developing new growth prospects and must accumulate profit reserves to finance these chances, which have the effect of reducing dividend payments. This demonstrates that payouts are positively impacted by age (Labhane & Das, 2015).

Another variable is the firm size. It is the magnitude studies' methods for calculating the firm size of businesses frequently differ. For instance, Ofori (2018) utilized the logarithm of the number of workers as a measure of the size of enterprises, but Elias (2016) and Holder et al. (1998) used the natural logarithm of revenues. This study adopts the natural log of the total assets as a measure of firm size because the total assets are internal firm specific variable.

In summary, reviewed literature suggests that companies consider previous dividends, profitability, financial leverage, growth prospects, tax obligations, age, and firm size when formulating their dividend policies. These factors interact to shape the decision-making process and the allocation of funds between dividend payments and other financial priorities.

2.2 Empirical Review

This subsection presents empirical review of previous studies on previous dividend, financial leverage, firm growth, tax, firm age, and firm size on dividend policy.

Elias (2016) examined previous dividend as a determinant of dividend payments at private banks in Ethiopia. Data for the study were obtained from the National Bank of Ethiopia and banks' audited financial statements for the five years ending in 2013/14. A total of 36 banks were sampled. The panel data regression approach was used to assess the data that had been obtained. Dividend payment was the dependent variable in the study, and there were seven independent factors, among them, is lagged dividend payout. The findings indicated that there was a significant positive relationship between lagged dividend payout (previous dividend) and dividend payout. The study was limited only to the Ethiopian banks; non-banks too need to be studied.

Gayathridevi (2017) examined previous dividend as one of the factors affecting the dividends paid by Indian textile companies between 1989 and 2009, using the backward elimination regression method. The result showed that lagged dividend has a significant positive connection to dividend payouts. The study was confined to textile firms; there is a need for the

study to be extended to other non-textile firms.

Similarly, Ahmed et al. (2018) investigated the impact of growth on dividend payout of Islamic banks in Pakistan for a period between 2012 and 2016. A sample size of 33 banks was selected and regression analysis was used to estimate the relationship. It was discovered that growth has a negative and significant effect on the dividend payout of Islamic banks in Pakistan. The study is limited to a financial sector whose regulations differ from non-financial sector hence, there is need to investigate non-financial sector.

In another attempt, Ofori (2018) conducted a study on tax as a determinant of dividend payout ratios using Ghanaian-listed companies. A total of 31 firms were sampled using a purposive random sampling technique. The study covered eight years (2009-2016). The parameter was calculated using an ordinary least squares regression model. Tax was shown to have a little but favorable influence on dividend distribution. Ofori's finding is limited to Ghanaian firms and cannot apply to Nigerian firms with different regulations.

Furthermore, Rajesh and Sujit (2018) studied firm size as a determinant of dividend payout among Indian businesses;

the study's sample included 31,234 businesses from 15 distinct economic categories. The link was estimated using a structural equation model, and it was discovered that size had a positive and substantial impact on dividend payout. The study is only applicable to a few Indian and not Nigerian enterprises. Therefore, its scope is limited.

Furthermore, a research was carried out by Ahmed et al. (2018) on the conventional banking sector of Pakistan. They examined the result of growth on dividend payout of conventional banks in Pakistan for a period from 2012 to 2016. A sample size of 53 banks was selected and regression analysis was used to estimate the relationship between the variables. It was discovered that growth has a negative and substantial impact on the dividend payout of conventional banks in Pakistan. The study is limited to the financial sector of Pakistan whose regulations differ from non-financial hence, the need for a similar research to be carried out in the non-financial sector.

Similarly, Aulia & Alfarisi (2019) studied firm size as a determinant of dividend policy practices of Indonesia's publicly traded banks. Annual reports and databases were used to get the information between 2007 and 2016. A sample of 97 banks was used as a sample size. The Generalized Method of Moments (GMM)

technique is used in the study's dynamic panel data model. The findings implied that size has a favorable and significant influence on dividend distribution. The study was on Indonesian banks. Banks are financial institutions that have different regulations from non-financial institutions. Muhammad et al. (2020) studied the impact of profitability on dividend policy in the Pakistan Stock Exchange's two non-financial sectors (food and electrical machinery). A total of 30 businesses were chosen, with 20 of them coming from the food industry and ten (10) from the electrical machinery industry over an 8-year term (2009-2016). The fixed-effect model's output for both sectors demonstrates that return on assets has a favorable and sizable impact on dividend payout. The research was limited to Pakistan's selected non-financial sectors which is different from that of Nigeria. As such, there is need to conduct of similar research in Nigeria.

Kengatharan (2021) investigated return on assets (ROA) as a determinant of Dividend Payout between 2016 and 2019 in real estate and property firms listed on the Indonesia Stock Exchange. Random sampling was used to select nine companies that were used as sample size. The research methodology used was both a method of explanatory analysis and linear regression. It was stated in the study

that “the validity and reliability process were ignored because the data is primary”. The results of this study showed that the ROA has a favorable and substantial impact on dividend policy. The study by ignoring the validity and reliability test of the data meant the findings were spurious. Lastly, Kashif et al. (2021) studied financial leverage as a factor in determining the dividend policy of the pharmaceutical companies of Pakistan. Seven years’ data (2014-2020) were collected from seven firms that were purposively selected as sample size. Regression and correlation analysis was used; it was found that leverage has a negligible impact on dividend payout of the pharmaceutical industry of Pakistan. The study was limited only to the Pakistan pharmaceutical sector, as such; there is a need for other sectors to be studied as well.

2.3 Theoretical Framework

This research is underpinned by signaling theory. The theory was originally invented by Solomon (1963) who claimed that dividends may provide verifiable proof of the company's ability to create cash. Managers notify investors about the firm through the shift in cash dividend distribution rates. The information gap between management (insiders) and outside investors is mostly basis of

arguments. Managers frequently have insider knowledge about the company's present and potential futures that outsiders (shareholders) do not. According to this notion, managers are encouraged to educate the market by paying dividends. The essence of this theory is that companies must make regular payments of dividends.

The theory provides insights into the motivations behind dividend payments and in summary, return on assets, financial leverage, tax, firm size, previous dividend, firm age are factors that can be considered as signals within the framework of signaling theory. These factors provide valuable information to external stakeholders and help shape their perceptions about a firm's financial health, stability, growth prospects, and managerial effectiveness.

3.0 Methodology

This research used *ex post facto* research design and its population cuts across the 10 quoted firms in the healthcare sector in Nigerian Exchange Group from 2012-2021. The choice of healthcare is connected to the fact that it seems to be under researched in sector Nigeria. In sourcing the data, the study adopted purposive/criterion sampling method based on firm's that pay dividend for at least, seven years, since most of the firms did not pay dividends in all the years

under the review of this study. First, the study chose seven years in order to allow for a substantial collection of recent data to be used for analysis. Second, the firms chosen must have been quoted for at least 10 years within the period under review. Consequently, the study sampled three firms as follows: Fidson Healthcare, Glaxosmith-kline Nigeria Plc., and May & Baker Nigeria Plc. and collected the data from their published annual reports.

In this line, the study used panel regression technique for analysis. This is because the nature of the data used consists of both time series and cross sectional components. Stata 13.0 is used for the analysis. Moreover, Hausman test was carried out to identify the appropriate (fixed or random effect model). The test was based on the null hypothesis

that the random effect model is preferred to fixed effect model. The statistical model is:

$$Y_{it} = \beta_0 + \beta_1 PREVD_{it} + \beta_2 ROA_{it} + \beta_3 LEV_{it} + \beta_4 GROWTH_{it} + \beta_5 TAX_{it} + \beta_6 AGE_{it} + \beta_7 SIZE_{it} + (e_{it} + \Sigma)$$

Where:

Y = Dividend Payout ratio

e_{it} = Control for individual specific effect

when it is uncorrelated with repressors

β_0 = Intercept

β_1 = Coefficient of previous dividend

β_2 = Coefficient of return on assets

β_3 = Coefficient of financial leverage

β_4 = Coefficient of firm growth

β_5 = Coefficient of Tax

β_6 = Coefficient of firm age

β_7 = Coefficient of firm size

i = cross section

t = Time series

Table 1 presents variable, symbol, measurements, source and expected sign as used in this study

Table 1: Measurement of Variables

Variable	Symbol	Measurement	Source	Expected Sign
Dividend Payout	DIV	Dividend paid/Net Income	Bijana et al (2021)	
Previous Dividend	PREVD	Prior year (lagged) Dividend Payout	Raamli and Arfan (2016)	+
Return on Assets	ROA	Profit after tax / Total Assets	Westerfield et al, (2015)	+
Financial Leverage	LEV	Total Debt / Total Assets	Guglar and Yurtoglogly(2003)	-
Firm Growth	GROWTH	Current Sales Revenue-Previous Sales Revenue/ Previous Sales Revenue	Delmar (1997)	-
Tax	TAX	Total Tax Expenses/Earning Before Tax	Mehar (2007)	-
Firm Age	AGE	Date of Incorporation + 1 (leadtime)	Ilaboya and Ohioka (2016)	+
Firm Size	SIZE	Natural Log of Total Assets	Holder et al (1998)	+

Sources: Researchers' Computation

4.0 Results and Discussion

The statistical results such as the descriptive statistics, correlation analysis, multi collinearity test, normality test, and the panel regression together with their discussions are presented in this section as follows:

Table 2: Summary statistics

Stat	DIV	PREVD	ROA	LEV	GROWTH	TAX	AGE	SIZE
Mean	.3294667	.3250407	.2230367	.5298133	.03146	.5738667	44.5	23.02267
Median	.20065	.1646	.03965	.5628	.06285	.32325	43.	23.352
Sd	.3464142	.3546512	.8775787	.1676603	.3237178	1.218516	21.38925	1.207872
Min	0	0	-.009	.0544	-.903	.1117	15	18.352
Max	.9849	.9849	4.8285	.967	.8363	6.9918	75	24.161
N	30	27	30	30	30	30	30	30

Source: Researchers' Computation, 2022

The mean value of dividend payout (DIV) for the sampled firms was 0.3294 while the median value was 0.20065. The standard deviation from the mean was 0.3464. This means the data was consistent. The minimum value of dividend payout was 0 while the maximum was 0.9849. This means that some firms that do not pay and those that paid above-average dividends above average were included in the sampled firms. There were 30 observations. The mean value of previous dividend (PREVD) for the sampled firms was 0.3050 while the median value was 0.1646. The standard deviation from the mean was 0.3546. This means the data was consistent. The minimum value of PREVD was 0 while the maximum was 0.9849. This means that some firms that do not pay

4.1 Descriptive Statistics

The descriptive statistics for all of the study's relevant variables are shown in this section. Each variable's mean, median, maximum, and lowest values are investigated. The study's summary data are shown in Table 2.

together with those that paid above-average dividends were included in the sampled firms. There were 27 observations.

The mean value of return on assets (ROA) for the sampled firms was 0.2230 while the median value was 0.03965. The standard deviation from the mean was 0.87757. This means the data was consistent. The minimum value of ROA was -0.0097 while the maximum was 4.8285. This means that some firms that return loss and those that were efficient in asset utilization were included in the sampled firms. There were 30 observations.

The mean value of financial leverage (LEV) for the sampled firms was 0.5298 while the median value was 0.5628. The standard deviation from the mean was 0.1676. This means the data was consistent.

The minimum value of LEV was 0.0544 while the maximum was 0.967. This means that both less-levered and highly-levered firms were included in the sampled firms. The mean value of firm growth (GROWTH) for the sampled firms was 0.03146 while the median value was 0.06285. This means the data was free from outliers. The standard deviation from the mean was 0.3237. This means the data was consistent. The minimum value of GROWTH was -0.903 while the maximum was 0.8363. This means that some firms that were not growing and those experiencing much growth at a point in time were included in the sampled firms. The mean value of tax (TAX) for the sampled firms was 0.5738 while the median value was 0.3232. The standard deviation from the mean was 1.2185. The minimum value of TAX was 0.1117 while the maximum was 6.9918. This means that some firms that were charged tax even at less and those charged higher were included in the sampled firms.

The mean value of firm age (AGE) for the sampled firms was 44.5 while the median value was 43.5. This means the data was free from outliers. The standard deviation from the mean was 21.3892. This means most of the data were dispersed. The minimum value of age was 15 while the maximum was 75. This means that new and older firms were included in the sampled firms. The mean value of firm size (SIZE) for the sampled firms was 23.0226 while the median value was 23.352. This means the data was free from an outlier. The standard deviation from the mean was 1.2078. This means the data was consistent. The minimum value of SIZE was 18.352 while the maximum was 24.161. This means that smaller and bigger firms were included in the sampled firms.

4.2 Correlation Matrix

This subsection presents the correlation table which used to assess the strength of relationship among the variables. Table 3 below depicts the relationship coefficients.

Table 3: Correlation Matrix

	DIV	PREVD	ROA	LEV	GROWTH	TAX	AGE	SIZE
DIV	1.0000							
PREVD	0.0487	1.0000						
ROA	0.0459	-0.1508	1.0000					
LEV	0.1510	-0.1164	0.4257	1.0000				
GROWTH	-0.1098	0.0740	-0.0892	0.0336	1.0000			
TAX	-0.1647	-0.2029	-0.1300	0.0811	0.0483	1.0000		
AGE	0.1041	0.0602	0.2212	0.0769	-0.1794	0.2175	1.0000	
SIZE	-0.0538	0.0800	-0.7829	-0.4588	0.0096	-0.0611	-0.4214	1.0000

Source: Researcher's computation, 2022

The correlation between PREVD and DIV (0.0487) is weak positive. The correlation between ROA and DIV (0.0459) is weak positive; ROA and PREVD (-0.1508) is weak negative. The correlation between LEV and DIV (0.1510) is very weak positive; LEV and PREVD (-0.1164) is very weak positive; LEV and ROA (0.4257) is moderate positive. The correlation between GROWTH and DIV (-0.1098) is very weak negative; GROWTH and PREVD (0.0740) is very weak positive; GROWTH and ROA (-0.0892) is very weak negative; GROWTH and LEV (0.0336) is very weak positive. The correlation between TAX and DIV (-0.1647) is very weak negative; TAX and PREVD (-0.2029) is weak negative; TAX and ROA (-0.1300) is weak negative; TAX and LEV (0.0811) is very weak positive; TAX and GROWTH (0.0483) is very weak positive.

The correlation between AGE and DIV (0.1041) is very weak positive; AGE and PREVD (0.0602) is very weak positive; AGE and ROA (0.2212) is weak positive; AGE and LEV (0.0769) is very weak positive; AGE and GROWTH (-0.1794) is weak negative; AGE and TAX (0.2175) is weak negative. While the correlation between SIZE and DIV (-0.0538) is very weak negative; SIZE and PREVD (0.0800) is very weak positive; SIZE and ROA (-0.7829) is very strong negative; SIZE and LEV (0.4588) is moderate positive. Contrarily, SIZE and GROWTH (0.0096) is very weak positive; SIZE and TAX (-0.0611) is very weak negative. While SIZE and AGE (-0.0045) also, is very weak negative. All the coefficients suggest an absence of multicollinearity.

4.3 Normality Test

This subsection presents the normality p-values to assess the fitness of the variables for regression analysis in Table 4.

Table 4: Normality Test

Variable	Obs	W	V	Z	Prob>z
DIV	30	0.92634	26.116	7.863	0.00000
PREVD	27	0.90262	31.458	8.273	0.00000
ROA	30	0.54149	162.558	12.270	0.00000
LEV	30	0.98453	5.485	4.102	0.00002
GROWTH	30	0.39053	216.080	12.956	0.00000
TAX	30	0.48596	182.247	12.546	0.00000
AGE	30	0.98592	4.993	3.876	0.00005
SIZE	30	0.80643	68.628	10.192	0.00000

Source: Researcher's computation

Shapiro Wilk normality test was conducted for the individual variables; the result is presented in Table 2. The p-value for each of the variables (DIV, PREVD, ROA, LEV, GROWTH, TAX, AGE, and SIZE) is 0.000 which is less than 5% respectively. This

means the error terms are not normally distributed.

4.4 Panel Regression Results

The regression results for both random and fixed effect regressions are presented in Table 5 below.

Table 5: Panel Regression

	Random
PREVD	0.010(1.33)
ROA	0.092(5.44)***
LEV	0.250(10.44)***
GROWTH	-0.011(-1.27)
TAX	0.098(3.42)***
AGE	0.000(0.59)
SIZE	0.035(4.60)***
Cons	-0.001(-0.79)
Chi	8386***
F statistics	
R ²	0.84
Hausman	Chi 2.27 (Prob0.9434)

Source: Researcher's computation

Note. This table demonstrates the T or Z Statistic in parentheses. *** p<0.01, *p<0.05, *p<0.1 To choose between random and fixed effect model in order to determine whether the random effect model or the fixed-effect model is preferable, the Hausman test was carried out. According to the Hausman test's p-value of 0.943, the null hypothesis cannot be ruled out at a significance level greater than 5%. This suggests that conclusions and suggestions should be based on the random effect panel regression result.

The chi-square value of (8386, p< 1%) for the random effect model shows that for the study population, the model is valid and well-specified for drawing inference since

it is statistically significant at 1%. This is corroborated by the coefficient of determination (R-squared overall), it was observed in the sample, that 84% systematic variations in Dividend Payout (DIV) was explained jointly by the independent variables (PREVD, ROA, LEV, GROWTH, TAX, AGE and SIZE) in the random effect model. This means the model is a perfect match. The following list includes the precise results from each explanatory factor in the random effect panel regression models:

It was found that Previous Dividend (PREVD) has a negligible impact (0.010,

$p > 0.05$) on Dividend Payout (DIV) of selected quoted health sector firms in the Nigerian Stock Exchange at greater than 5% p-value. The coefficient is positive. It means for every 1 % increase in PREVD, DIV increases by 1 %, For this reason, the null hypothesis (H_0) which states that previous dividend has no significant effect on dividend policy of selected quoted health sector firms in the Nigerian stock exchange is not rejected. The finding is contrary to that of Gayathridevi (2017). This because the study was conducted in faraway Indian textile firms

Return on Assets (ROA) was found to have a significant effect (0.092, $p < 0.01$) on dividend payout (DIV) of the selected quoted health sector firms in the Nigerian Stock Exchange at less than 1% p-value. The coefficient is positive. It means for every 1% increase in ROA, DIV increases by 9%, for this reason, the null hypothesis (H_0) which states that Return on Asset has no significant effect on dividend payout of selected quoted health sector Nigerian Stock Exchange companies is rejected. This study, therefore, accepts the alternative hypothesis that returns on assets has a significant effect on dividend payout of selected quoted health sector Nigerian Stock Exchange companies. This finding disagreed with that of Muhammad et al (2021) but conforms to that of Ahmad et al. (2018).

Furthermore, financial leverage (LEV) has a significant effect (0.250, $p < 0.01$) on dividend payout (DIV) of quoted non-financial firms in Nigeria at greater than 1% p-value. The coefficient is positive. It means for every 1 % increase in LEV, DIV will increase by 25%, For this reason, the null hypothesis (H_0) which states that financial leverage has no significant effect on dividend payout of selected quoted health sector firms in the Nigerian Stock Exchange is rejected. This study, therefore, accepts the alternative hypothesis that financial leverage has a significant effect on dividend payout of selected quoted health sector firms in the Nigerian Stock Exchange. This finding is contrary to that of Ahmad et al. (2018) who reported a significant and negative effect.

On the contrary, growth (GROWTH) was found to have an insignificant effect (-0.011, $p > 0.05$) on dividend payout (DIV) of quoted non-financial firms in Nigeria at more than 5 % p-value. The coefficient is negative. This means for every 1 % increase in GROWTH, DIV will decrease by 1.1%, For this reason, the null hypothesis (H_0) which states that growth has no significant effect on dividend payout of selected quoted health sector firms in the Nigerian Stock Exchange Group is accepted.

Tax (TAX) has a significant effect (0.098, $p < 0.01$) on dividend payout (DIV) of quoted non-financial firms in Nigeria at less than 1 % p-value. The coefficient is positive. This means for every 1% increase in TAX, DIV will increase by 9.8%, and for this reason, the null hypothesis (H_0) which states that Dividend distribution is not significantly impacted by tax of selected quoted health sector firms in the Nigerian Stock Exchange is rejected. This study therefore, accepts the alternative hypothesis that tax has a significant effect on the dividend payout of selected quoted health sector firms in the Nigerian Exchange Group. This is not in line with the findings of Ofori (2018).

Furthermore, firm age (AGE) was found to have an insignificant effect (0.000, $p > 0.05$) on dividend payout (DIV) of quoted non-financial firms in Nigeria at more than 5 % p-value. The coefficient is positive. This means for every 1 % increase in AGE, DIV will increase by nothing 0.00%. For this reason, the null hypothesis (H_0) which states that firm age has no significant effect on dividend payout of selected quoted health sector firms in the Nigerian Exchange Group is not rejected.

However, firm size (SIZE) has a significant effect (0.035, $p < 0.01$) on dividend payout (DIV) of quoted non-financial firms in Nigeria at less than 1% p-value. The coefficient is positive. This means for every

1% increase in SIZE, DIV will increase by 3.5%, For this reason, the null hypothesis (H_0) It claims that company size has no bearing on dividend payout of selected quoted health sector firms in the Nigerian Stock Exchange is rejected. This study, therefore, accepts the alternative hypothesis that the size of a company significantly affects dividend payout of selected quoted health sector firms in the Nigeria Stock Exchange. In the absence of all the explanatory variables, dividend payout (DIV) is expected to insignificantly decrease by 0.1 (-0.001, $p > 0.05$). This finding is conformity with that of Aulia and Alfarisi (2019).

5.0 Conclusion and Recommendations

This study examined the determinants of dividend policy of selected quoted health sector firms in Nigeria. It is evident that return on assets, financial leverage, tax, and firm size accounts for the nature of dividend payment by selected quoted healthcare sector firms in Nigeria. However, previous dividend, firm growth and firm age do not account for nature of dividend payment of the quoted firms in the health sector. This means they cannot be used for inference. Based on this, the following are recommended.

The management should, continue ensuring efficient utilization of assets to generate more profit through prudential management

of resources. This may involve optimizing asset allocation, improving operational efficiency and implementing effective cost-control measures.

Also, the management of the firms should also set aside some funds from profit being made to meet its debts obligation in the capital structure as dividend is being paid. This involves careful monitoring of debt levels and the ability to generate cash flows to support both dividend payments and debt obligations.

Moreover, government should encourage/support the firms by reducing income tax through implementing policies that reduce income tax burdens, thereby incentivizing firms to increase dividend payouts.

Lastly, firms should extend their reach by investing more on projects/assets with a positive net present value. This can be done through identifying and pursuing opportunities for growth and strategically allocating resources to fuel expansion.

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