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Influence of company income tax on dividend pay-out: evidence from listed consumers' goods firms in Nigeria

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Abstract

In spite of the surfeit of the availability of the literature on the influence of company income tax on dividend pay-out in Nigeria, particularly after the adoption of the International Financial Reporting Standards (IFRSs). This study, therefore examined the influence of company income tax on dividend pay-out, providing evidence from listed consumers' goods firms in Nigeria. To achieve the objective of this study, fifteen (15) listed firms were selected, using judgmental sampling technique. Secondary data, which covered years 2012 to 2019 were retrieved from audited financial reports of the quoted consumer goods firms. Based on the stationarity properties, these data were analysed using pooled, fixed and random effects of ordinary least square. Finding showed that

company income tax does not significantly influence dividend payout of listed consumers' goods firms in Nigeria ($\alpha=0.1578$; $p\text{-value} > 0.05$), on the basis of which the study concluded that company income tax does not significantly influence dividend payout of listed consumers' goods firms in Nigeria. Consequently, it was recommended that in order to improve the performances of listed consumer goods firms in Nigeria, and put them in a position to pay more dividends, enabling and favourable business climate should be envisaged, engineered and created, as doing this will increase their profitability. To increase company income tax rate would end up being counter-productive.

Keywords: company income tax, consumers' goods firms, dividend payout, profit before tax

1. Introduction

Globally, tax is said to be one of the main sources of government income. Every government would use taxes to meet their basic responsibilities and functions, e.g the provision of basic amenities, providing of public goods, law and order maintenance, public defense against internal and external aggression, trade and business regulation to ensure social and economic maintenance (Azubike 2009) [18]. Many times, in Nigeria, succeeding governments employed tax policy instruments in order to encourage business growth and development in the private sector (Nwaobia 2014) [57]. On the other side in Nigeria, taxation and tax policies would similarly serve as a hindrance to manufacturing outfits in order to allow stakeholders have value and also, improve in the value of their firms (Gatsi, et al. 2013) [36]. Noted that taxation especially corporate tax observably, plays a vital part in the misfortunes of the manufacturing sector because tax policies generate income to the government at any level, also serve many other purposes such as stimulant to the economy etc. Also, it serves as an avenue to protect local and baby industries, create inducement for investors to invest in certain areas of the economy and discourage other activities (Gatsi, et al. 2013) [36]. Unfriendly or strict tax policies are accountable for the growth of the developed economy especially in Africa, where law-abiding individual and corporate citizens seek refuge from wrongs inflicted by government (Dickson and Nwaobia 2012) [30]. However, dividend policy of any entity is a compound and complex challenge in business and strategic corporate finance. Dividend Policy is basically all about the management decisions which relate to the payment of dividend and retaining profit or reserve for business expansion. It is also a decision that revolves around on that part of profits made by an entity to be retained and shared among the owners of the corporate entities (Watson and Head 2004) [74]. Practically saying, different types of dividend policies exist among which constant payout or consistent payout of dividend, progressive policy of dividend payout, residual policy of dividend payout, zero policy of dividend payout and non-cash policy. A good number of investors used to belong to a set of group or clientele, reason being that they tend to use and loyal to a particular policy that is very okay for them. This is the investors effect of dividend policy (Hutchinson 1995) [40]; (Kolb and Rodriguez 1996) [47].

Though shareholders would generally agree on some key factors of their entities dividend policy and the effect of dividend policy on firm value is usually debated as some of them who need cash would want dividend to be paid and vice versa. One crucial important of Dividend policy as one of the financial policies from the corporate entities is that it does not affect the shareholders alone, other stakeholders such as the consumers, employees, regulatory bodies and the Government are also affected by the policy. Simply put, it is a focal policy in which other financial policies revolves around and rotate (Alii, Khan and Ramirez 1993) ^[8].

In the olden days, government-imposed taxes to generate enough revenue solely to cover the cost of administration and defense. In modern economies taxes are the important source of government revenue. They are compulsory levies that are regularly imposed and as a rule, not designated for a special purpose, they are regarded as a contribution to the general revenue pool from which most government expenditures are financed (Ogbonna and Ebinobowei 2012b) ^[59].

A number of studies (Arnott and Asness 2003) ^[17]; (Farsio, Geary and Moser 2004) ^[34] and (Nissim and Ziv 2001) ^[56] have been done with regard to dividend policy and firm performance, and most of them concentrated on developed economies that have varieties of corporate tax rate. Can the findings of those studies (Aivazian, Booth and Clearly 2003) ^[4] and (Al-Haddad 2011) ^[7] be replicated in emerging economies? In Nigeria which is classified as a developing economy, few empirical studies have been done to establish the nexus between corporate taxes and dividend payouts. This study therefore comes to fill the gap by establishing whether there is a relationship between company income tax and dividend payout among listed consumer goods firm in Nigeria. The singular objective of this work was to examine the influence of company income tax on Dividend Payout of selected consumer goods firms in Nigeria. From the objective of the study stated above, this study asked the question: does company income tax influence dividend payout of selected listed consumer goods firms in Nigeria?

2. Review of Literature

2.1 Conceptual Review

Dividend is one of the returns company pays to its shareholders from the profit made for a period of time which could either be cash, script or bonus dividend. It is either paid as interim or final dividend to the shareholders. Different types of dividend policies exist and are paid by companies, they are: constant payout, progressive policy, residual policy, zero policy and non-policy (Kolb and Rodriguez 1996) ^[47] and (Beasley, Myers and Marcus 1991) ^[22]. (Hutchinson 1995) ^[40] stated in his study that there are various factors affecting the companies' dividend policy which ranges from capital availability, industry norms, expected earnings of the firm, profitability, capital project execution, liquidity of the firm, and also the clientele or investors group.

It was fact that Dividend payout policy is a vital corporate contention which may be passionately and closely related to, and interacts with most of the financial and investment decisions firms make. A good understanding and critical examination of dividend payout policy and its determinants which influence it is very important in many areas of corporate and business finances such as capital structure, capital budgeting, asset pricing, and mergers and acquisitions. The level and amount of profit, directors' wages and costs, taxes, risk factor, firms size and corporate

governance practice among other factors are responsible for corporates' dividend decisions as observed by (Baker, Powell and Veit 2001) ^[19]. (Abor and Bokpin 2010) ^[1] Stated that dividend policy was acknowledged to be as a major corporate decision faced by directors of firms, as it ruins one of the puzzles in corporate and business finance. In addition to this, it is also vital for business owners to know factors that influence dividend payment so that they can make decisions when investing. There has been emerging consensus that there is no single explanation of dividends. Of course, (Böhren, Josefsen and Steen 2012) ^[25] agreed that, corporate dividend policy is driven by a single goal from the investor. (Bar-Yosef and Huffman 1986) ^[21]. A firms dividend policy affects the long-term financing decisions and wealth of shareholders. High dividend payout may be adverse in the long term because profits would not be used for further expansion of the company. This policy will be beneficial to raise the company's share prices in the short run but in the other hand, low dividends and higher retained profits of the companies will increase long term earnings and dividends of such companies. A company's dividend policy may also be restricted by the availability of liquid funds (Pandey 2011). If only a limited amount of cash can be made available; a high dividend policy would not be possible (Abor and Bokpin 2010) ^[1]. Stated that profits have been regarded as the main factor of a firm's capacity to pay dividends. The current and past years' earnings are important variables that affect the dividend payments.

(Baker and Weigand 2015) ^[20] Confirmed that predicted level of future incomes served as a major determinant of dividend payment. The risk of year-to-year variability of earnings determines the firms' dividend payout (Al-Malkawi, Rafferty and Pillai 2010) ^[11]. Most companies that have relatively stable earnings is likely to forecast roughly what companies' future earnings will be, and such companies is therefore likely to pay out higher rate of companies' earnings, compare to the companies with fluctuating earnings.

(Twaijry 2007) ^[71] Studied the emerging market in Malaysia. The study stated that current dividends are being affected by the past and future earnings. Dividends were also associated with the net earnings but less strongly (Eriotis 2015) ^[32]. Confirmed that Greek firms had a long – run and constant dividend pay-out policy. The study stated that the entities' distributed earnings and size according to Lintner model which described that an increase in the profits did not change the dividend distribution pattern of the firms (Lintner 1956) ^[49]. Also asserted that factors such as sales growth and other performance measurements in the companies had a negative impact on dividend decision (Bhayani 2008) ^[24]. Studied the influence of earnings on dividend policy of quoted companies in India and concluded that the current year's earnings are the foremost factor affecting the dividend behaviour of a firm and that Indian companies follow a stable cash dividend policy (Kanwal and Kapoor 2008) ^[43]. Also examined the dividend policies of companies in the information technology sector in India, where various factors such as profitability among others were explored and they established that profitability did not significantly affect dividend payout.

2.1.1 Corporate Profits after Tax

Profitability is a mechanism used to measure the firms' efficiency utilization of resources. It is the ability of a firm to generate revenue that is capable of absorbing all necessary, exclusive and reasonable expenses, inclusive of tax while

leaving the balance to be revolved back into the business for expansion (Peavier 2012) ^[65]. Defined profitability as the organizational performance indicator which reveals the return on sales and return on investment. Profit after tax is the net amount earned by a business after all necessarily, exclusively and reasonably tax expenses have been considered (Ezegwu and Akubo 2014) ^[33]. The corporate profits after tax are expected to accrue in Nigeria wherever they have arisen (worldwide) and whether or not they have been brought into or received in Nigeria (Ugochukwu and Azubike 2016) ^[72]. These include profits in respect of any trade or business, rent on use of property, dividends, interest, royalty, discounts, charges, annuities, fees for services rendered and other sources of annual profits or gains.

2.1.2 Company Income (CIT) Tax in Nigeria

Company Income Tax represents the tax payable by all incorporated corporate entities in Nigeria on profits derived in Nigeria which also includes taxes on the profits of non-resident companies carrying on business in Nigeria. It is paid by both private and public limited liability entities. It was created and legally backed by the Companies Income Tax Act (CITA) 1979 as rightly emanated from Income Tax Management Act of 1961. It is one of the taxes administered and collected by the Federal Inland Revenue Service (FIRS). The company income tax being one of the most important sources of revenue to the Nigerian government contributes significantly to the revenue profile of the government and is collectible from both Nigerian and foreign companies. The effects of company Income Tax on a company's profits reduces the available fund for expansion, dividends re-investment and the working capital availability for production of goods and services. It may also serve as a disincentive to the investing public (Ezegwu and Akubo 2014) ^[33].

2.2 Theoretical Review

Numerous dividend theories asserted by various academicians (Stulz 2000) ^[70]; (Pandey 2003) ^[63]; (De Angelo, DeAngelo and Stulz 2006) ^[28] where in their views regarded dividends as either relevant or irrelevant in making financial decisions. They proposed that in a capital market where there are no imperfections such as transaction costs, taxes, asymmetric information and agency costs, the dividend policy of a firm is irrelevant for the share value in the stock market.

Bird-in-the-hand theory

"Bird in Hand" theory (Gordon 1963) ^[38] reported that the higher dividend policy prefers by the outside owners or shareholders as compared to the future investment, the shareholders prefer the dividend of today in uncertain capital gain. Several studies suggest that this approach fails, and make a perfect market completion along with shareholder, who act regarding the ideas of rational behavior (Bhattacharya 1979) ^[23] and (Modigliani and Miller 1961) ^[53]. In the Bird in hand theory, it was stated that a nexus exists between firm value and dividend payout, while dividends are less risky than capital gains since they are more certain. Investors would prefer dividends to capital gains (Amidu 2007) ^[12]. Because dividends are expected to be less risky than capital gains, firms are expected to set a high dividend payout ratio and offer a high dividend yield to maximize stock price.

Signaling Theory

The signaling theory stated that dividend policy can be used as a mechanism to communicate information about a firm's future prospects to investors. Cash dividend announcements convey valuable information to shareholders about management's assessment of a firm's future profitability while reduces the information asymmetry. Investors may consider this information in assessing a firm's share price. Dividend policy under this model is therefore regarded as relevant (Al-Kuwari 2009) ^[9]. (Amidu 2007) ^[12], stated that signaling theory and information outline of dividend policy informed that capital gain by investment decisions encourage payment of dividend to connect the future prospects of the investor. This argument of underlying by the intuition is totally based on the information collected among the manager (insiders) and outside shareholders, whereas the firm's managers have a lot of information about the current and future position of the firm which is not for outsiders.

Agency theory

According to Agency theory that to control the over investment problem the investor might use the dividend payments even in case of the firm doesn't have a free cash flow. (Easter book and Hood 1984) ^[31] Stated that the problem of over investment may also reduce by payment of dividend because the dividend payout enhanced the occurrence with which the firm can get investment by the equity markets, for the purpose of raising the extra investment. For the attraction of new investor, the firm may follow themselves to observing and disciplining of these markets. It will lower the agency cost. Agency cost theory also suggested that, dividend policy is a major determinant by agency costs which could arise from the different view of control and ownership. Decision makers or directors may not choose dividend policy that is value-maximizing for owners of business but would prefer to choose a policy that would maximizes their own private benefits. Payment of dividend payouts reduces the free cash flows available to the managers and ensure that managers maximize shareholders' wealth rather than using the funds for their private benefits (De Angelo, DeAngelo and Stulz 2006) ^[28].

Three Views of Dividend Taxation

There are three prevailing views on how dividend taxes imposed on shareholders may have impact on corporate investment, financial policy and equity values. The three views are commonly known as:

- 1) The "new" view;
- 2) The "traditional" view; and
- 3) The "tax irrelevance" view. The new and the traditional views of dividend taxation started with the belief that dividends are taxed at a higher *effective* rate above the capital gains. Emphasis needs to be laid on the word "effective", because capital gains may not face a lower statutory rate above dividends, but can typically be taxed upon realization and not on accrual. The *effective accrual equivalent* capital-gains rate, takes account of the fact that the present value of capital-gains taxes can be lowered by postponing realization, and can also in principle, be quite low while many researchers presumed that it is closer to zero. The major difference between the new and the traditional views concerns the marginal source of equity funds used to finance incremental investment, in particular whether the marginal source of equity is retained earnings (as presumed under the new view),

new share issues, or some combination of both (as presumed under the traditional view). In other hand, the tax irrelevance view, concerns the tax characteristics of the marginal investors. It rejects the assumption of the new and the traditional views that the effective tax rate on dividends need be higher than the effective tax rate on capital gains for the marginal investor. (Poterba and Summers 1985) ^[67], in their study examined the impacts of changes in the dividend tax rate and payout ratios. They came up with a very strong negative relationship, which is consistent with the traditional view, and contrary to the new view. (M. Poterba 1987) ^[68]. Extends the analysis to the United States and also found support for the traditional view. Finally, (Nadeau 1988) ^[55], using United States data, finds dividend payouts to be very sensitive to taxes.

(Brennan 1970) ^[26], (Masulis and Trueman 1988) ^[51] argue that taxes affect the dividend policies of organizations. In fact, changes in corporate dividend payout would be expected whenever the government changes her tax policy (Wu 1996). (Lintner 1956) ^[49]. Asserts that the major determinants of dividend policy are the anticipated level of future earnings and the pattern of past dividend.

When dividends are taxed at much higher rates than capital gains, taxable shareholders would prefer capital gains to dividends. One reason could be the “bird in hand” approach. Another reason could be tax implications (Brennan 1970) ^[26] predicts a higher pre-tax stock return to compensate shareholders for the tax disadvantage of dividends. But (Miller and Scholes 1978) ^[52] argue that taxable shareholders are eventually indifferent between dividends and capital gains, and changes in tax rates will neither affect dividend policy nor the firm’s market value.

Ability-To-Pay Approach Theory

Ability-To-Pay Approach theory was advocated by (Kendrick 1939) ^[44], and stated that tax should be imposed on individuals and corporate bodies according to their ability to pay. According to the scholar, it was stated that tax burden should be placed on companies and individuals with higher income. He said money for the public expenditure should come from “him that hath” instead of “him that hath not”. This implies that more tax burden should be imposed on companies and individuals with higher income. (Akakpo 2009) ^[6]. Stated that the ability to pay theory is one of the principles of taxation which based on the ability of the taxpayers to pay thus there is no quid pro quo. This principal belief is that, taxes are paid and seen as a sacrifice made by the tax payers which also raised the issues of what amount of the sacrifice of each tax payer should be, and how it should be measured. This theory then came up with the following principles as an addendum;

- Equal sacrifice: This states that the proportional loss of utility suffered as a result of tax paid should be equal irrespective of taxpayers so that those that can afford to pay higher taxes are made to pay than those who cannot afford to pay.
- Equal proportional sacrifice: This principle states that the proportional or quantity of proportional loss as a result of tax paid should be equal for all taxpayers such that the payment of tax paid should not deprive anybody of what he or she would have sacrificed previously.
- Equal marginal sacrifice: The instantaneous loss of utility measured by the derivative of the utility function as a result of taxation should be equitable to all taxpayers

which will require the least collective sacrifice. This current study evaluates the finding to assess whether the principles under the ability to pay theory is fully adhered to in the case of company income tax in Nigeria.

2.3 Empirical Review

(Onwuka 2019) ^[61], empirically concluded in his study where the impact of corporate taxation on dividend payments of selected deposit money banks in Nigeria was carried out and the findings confirmed that Profit will bring a positive increase in dividend payments of deposit money banks while corporate taxes will cause a decrease in dividend payments of deposit money banks in Nigeria. The study recommended that adoption of a dividend policy by deposit money banks in Nigeria should be strictly considered on the unique circumstances of the banks not necessarily based on age long traditional factors often formulated by academics. This is essential in order to maintain a steady and reasonable dividend payment.

(King’wara 2015) ^[46]. Established that the growth rate, debt ratios and firm size would adversely affect dividend payout ratio of non-financial firms in Kenya while earnings, market-to-book ratio and retained earnings to total assets ratio would affect dividend payout ratio positively. Another study sought to assess the effects of profitability on dividend payout by commercial and services firms listed in the Nairobi Securities Exchange (NSE) in Kenya. The likes empirical works of (Yarram 2015) ^[78], (Arko, et al. 2014) ^[16], (Gill, Biger and Tibrewala 2010) ^[37], (Al-Malkawi 2007) ^[10], (Anand 2004) ^[14] and (Olantundun 2000) ^[60] have established different factors affecting dividend payout in many divergent firms and sectors. Same in Kenya, (Maniagi, et al. 2013) ^[50] discovered that profitability growth opportunities, firm size and current earnings, are the fundamental factors of dividend payout for non- financial firms most especially on Nairobi Stock Exchange (NSE).

The findings of (Perretti, Allen and Weeks 2013) ^[66] showed that profitability with other variables was the main factor for the dividend payment where study used multinomial logit regression to measure the relationship of paying firms to pay such returns as dividends with the probability of improve payment of dividend. It was also discovered that entities which have high profit and profitability pay dividend than their counterparts with low profit and profitability. Nevertheless, their research work was based on macro-economic variants with companies’ specific variables while the current study only isolates firm specific factors.

(John 2013) ^[42], examined the relationship between corporate tax and financial performance. The study covered 10 manufacturing companies for a period of 7 years spanning from 2005 to 2012 found that a significant negative relationship exists between company income tax and financial performance, on the other hand firms’ size, age of the firm, growth of the firm showed significant positive relationship with financial performances. From this backdrop, it was recommended that manufacturing companies should employ the services of tax consultants who would assist them in tax planning in other to reduce the net tax payment so as to increase their financial performance. Again, they should increase their asset size and ensure efficient use of those assets to reflect in the production turnover of the companies.

(Uwaigbe and Olowe 2013) ^[73], in Nigeria context did a research work which investigated the effect of corporation

tax on the dividend policy where 40 quoted companies of the stock market were chosen as samples. The researchers used the audited financial reports of the forty (40) sample listed entities with the statistical bulletin form the apex bank which is central bank of Nigeria as data between period 2006-2010. It was found out that there is a significant positive relationship between the company income tax and the dividend payout of the listed sampled firms in Nigeria and while the study concluded that any variation in company income tax rate would significantly affect the dividend policies of the listed sampled firms in Nigeria.

(Sajid and Muhammad 2012) ^[69] on taxes and dividend policy. The study investigated the association between dividends, profit and taxes of 120 companies listed in Karachi Stock Exchange from 2000-2011. Data were sourced from Karachi Stock Exchange, Securities and Exchange Commission of Pakistan, State Bank of Pakistan and the Audited Annual Reports, Panel data technique and standard multiple regression were used to analysed the data. It was found that there is statistically insignificant but positive link between profit and taxes while dividend has direct positive correlation with profit.

(Fatemi and Bildik 2012) ^[35] studied about 17,000 companies from thirty-three (33) nations of the world on dividend disappearance. It was discovered that the greatest fall in the propensity to pay dividend among the less profitable firms with more investment opportunities compared to larger, more profitable, low-growth companies, therefore were able to conclude that all listed firms are less likely to pay dividend, even after controlling for firms' characteristics. The studies of (Gill, Biger and Tibrewala 2010) ^[37] who studied service and manufacturing entities in America found out that the dividend payout ratio is dependent of profit margin and sales growth with other factors. For the services industry, the dividend payout ratio was found to be a function of profit margin, sales growth, and debt-to-equity ratio. For manufacturing firms, the dividend payout ratio was found to be a function of profit margin, tax and market-to-book ratio. (Hamid, et al. 2012) ^[39] study investigated the impact of taxes on dividend policy using banking sector in Pakistan. The data were obtained from the audited financial statements of twenty (21) quoted banks on Karachi Stock Exchange for a period of five years from 2006 to 2010. The results revealed that a significant correlation between taxation and dividend income of the banks and asserted that the tax-rate is a vital factor of dividend policies Pakistan banking sector.

However, (Amidu and Abor 2006) ^[13], explored the variants of dividend policy in Ghana and the outcome of the study concluded that the profitable entities tend to pay more dividends than entities with little or no profitability. According to (Ahmed and Attiya 2009) ^[3] investigated from a sample of three hundred and twenty (320) quoted non-financial firms in KSE from year 2001 to 2006. Results revealed that Pakistani companies fix their dividend payments through past dividends and current earnings and stable entities pay more dividends than their counterparts. (Afzal and Mirza 2010) ^[2] found out there was positive relationship between operating cash flow and profitability with dividend policy. While negative relationship was discovered for ownership, cash flow sensitivity, size and

leverage promoting economic growth (Kiabel and Nwukah 2009) ^[45].

3. Materials and Methods

Ex post facto research design was adopted by this study, because of its appropriateness in quantitatively analysing historical data collected from events that have occurred (Osuagwu 2006) ^[62]; (Kothari and Garg 2014) ^[48]. It collected secondary data gleaned from the audited financial statements of fifteen (15) listed consumer goods firms in Nigeria. The data collected covered eight (8) years, from 2012 to 2019. The need to ensure the comparability of data informed the choice of the period, as all the financial statements were prepared based on International Financial Reporting Standard framework. Fifteen (15) listed consumer goods firms were selected as samples from the population, after applying filter driven by the need for a complete dataset.

The paper assessed the influence of company income tax on dividend pay-out of selected consumer goods firms in Nigeria. While the dependent variable is dividend pay-out, the independent variable, however, company income tax. Dividend pay-out is measured by gross annual dividends, while income tax expense in the statement of comprehensive income was employed to measure company income tax. Profit before tax and size were employed as control variables, consistent with related studies.

These variables are operationally defined in the table below:

Variables	Measurements
PBT	Profit Before Tax to Revenue
DIV	Gross Dividends
TAX	Income Tax Expense
SZ	Natural Logarithm of Total Assets

The model below was estimated:

$$DIV_{it} = \alpha_1 + \alpha_2 TAX_{it} + \alpha_3 PBT_{it} + \alpha_4 SZE_{it} + \mu_{it} \dots \dots (1)$$

Based on the results of unit root test, ordinary least square method of regression was employed to analysed the data, highlighting the pooled, fixed and random effects, while post-estimation test of multicollinearity was carried using correlation matrix.

4. Results

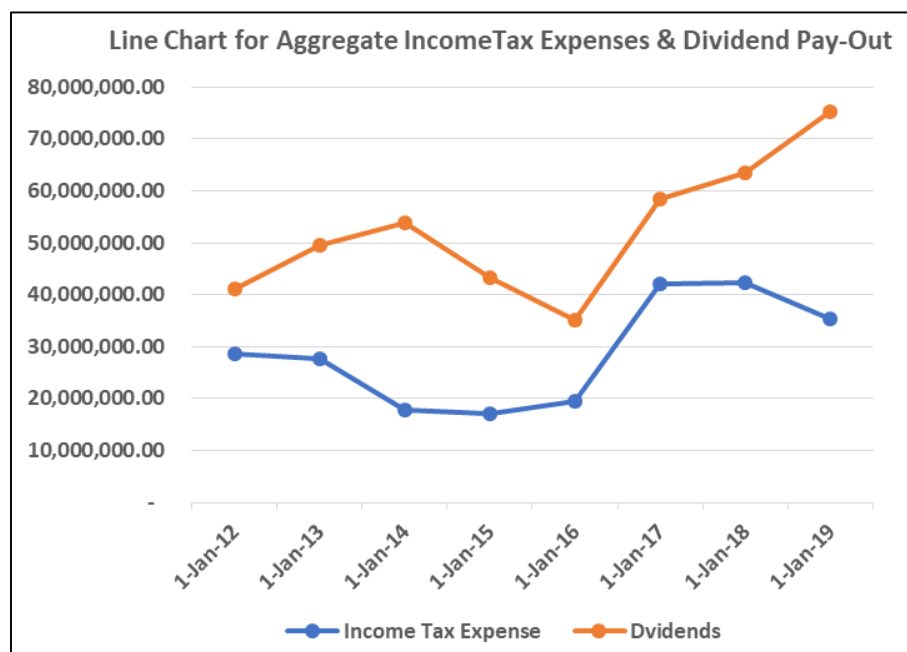
Results in table 4.1 showed the descriptive statistics which provided stylised fact about certain statistical properties of the data. From the results, it can be deduced that dividend pay-out over the eight-year period averaged N3.22 billion and the firm with the highest dividend pay-out paid N50.3 billion. Average profit before tax revolved around N6.60 billion, while the mean of total asset, the proxy for size was about N69.87 billion. An average of N1.82 billion was charged as income tax expense, while the firm that charged the highest amount as income tax expense over the period under consideration had the sum of N25.4 billion. The skewness, kurtosis and Jarque-Bera statistics showed the non-symmetric distribution of the data.

Table 1: Group Descriptive Statistics on Variables in N'000

Statistic	DIV	PBT	SIZE	TAX
Mean	3218930	6591456	69869956	1828378
Median	395510	2496008	38668792	578697
Maximum	50333672	71123824	3.44E+08	25440711
Minimum	0	-10071943	56806	-4183014
Std. Dev.	7062557	12185655	80206381	3907883
Skewness	4.153314	2.880568	1.438666	3.32749
Kurtosis	23.60263	13.00444	4.580582	16.84435
Jarque-Bera	2446.78	660.8439	53.43731	1169.942
Probability	0.0000	0.0000	0.0000	0.0000
Sum	3.83E+08	7.84E+08	8.31E+09	2.18E+08
Sum Sq. Dev.	5.89E+15	1.75E+16	7.59E+17	1.80E+15
Observations	120	120	120	120

(Source: Authors' Computation aided by EVIEWS, version 10.0)

(DIV represents Dividend; PBT stands for Profit before Tax; Size of firm).
Tax represents Income Tax Expense, while SIZE stands for

**Fig 1:** Line Chart for Aggregate Income Tax Expenses and Dividend Payment

4.2 Stationarity Properties

Results in table 4.2 revealed the results from the unit root test, from which it can be deduced that all the variables were stationary at levels. The clearly demonstrates the constancy

over time, of their means, variances and autocorrelations, implying that long run analyses can be carried out on the data. As a result, using ordinary least square to estimate the model was econometrically fit for purpose.

Table 2: Results of Unit Root Test using Levin, Lin & Chu t* Model

Variables	Levin, Lin & Chu t*		Order of Stationarity
	Statistic	p-value	
Dividend (DIV)	-5.32589	0.0000	I(0)
Profit Before Tax (PBT)	-1.97293	0.0243	I(0)
Company Income Tax (TAX)	-5.19069	0.0000	I(0)
Size (SIZE)	-6.8964	0.0000	I(0)

(Source: Authors' Computation aided by EVIEWS, version 10.0)

***p<0.01; **p<0.05; *p<0.10

4.3 Test of Hypothesis

In line with the research objective and research question, the hypothesis below was formulated and tested and the results shown in table 4.3.

Hypothesis One

H_0 : Company income tax does not significantly influence

dividend payout

From the results in table 4.3, fixed effect model seems to be the fittest, based on the magnitude of its R^2 of 87.95%. For the fixed effect model, the partial coefficients of income tax expense, profit before tax and size with respect to dividend payout are 0.158, 0.39 and 0.002 respectively. This suggests positive relationship between income tax expense and

dividend pay-out; between profit before tax and income tax expenses and between dividend pay-out and size. Only the coefficient of profit before tax with respect to dividend payout is statistically significant at 1%, 5% and 10%. However, all the regressors have a joint significant influence on dividend pay-out, when combined, as shown with a F-statistic of 36.88. In support of these results, the R^2 suggests

that about 87.95% of the variations in dividend payout are attributable to income tax expense, profit before tax and size, while the balance of 12.05% are accounted for by other variables, not captured in the model. With these results, the null hypothesis that company income tax does not significantly influence dividend payout cannot be rejected.

Table 3: Results of Test of Hypothesis

Variables	Pooled	Fixed	Random
Constant	0.190153 (402958.2)	0.305905 (596596)	0.19331 (615195.8)
TAX	-0.869748 (0.229511)	0.837446 (0.188444)	0.249114 (0.18280)
PBT	7.530994*** (0.078607)	5.265045*** (0.074367)	6.830207*** (0.067052)
SIZE	-1.246981 (4.53E-03)	0.32879 (7.27E-03)	0.142943 (4.97E-03)
R2	78.42%	87.95%	67.89%
F-Statistic	143.9703***	36.88401***	84.1705***

(Source: Authors' Computation aided by EVIEWS, version 10.0)

Standard Errors in parenthesis

***p<0.01; **p<0.05; *p<0.10

(DIV represents Dividend; PBT stands for Profit before Tax; Tax represents Income Tax Expense, while SIZE stands for Size of firm).

4.4 Test of Multicollinearity

Table 4.4 contain results on correlation matrix. From the table, the relationship between profit before tax, income tax expense and size are moderate, suggesting no serious problem of multicollinearity, that would have created problem of spurious regression and wrong signs of regression coefficients.

Table 4: Results of Correlation Matrix

	DIV	PBT	SIZE	TAX
DIV	1			
PBT	0.88679	1		
SIZE	0.39412	0.48779	1	
TAX	0.82172	0.53535	0.36167	1

(Source: Authors' Computation aided by EVIEWS, version 10.0)

(DIV represents Dividend; PBT stands for Profit Before Tax; Tax represents Income Tax Expense, while SIZE stands for Size of firm)

5. Discussion of Findings

The analyses of data showed that dividend pay-out over the eight-year period averaged N3.22 billion and the firm with the highest dividend pay-out paid N50.3 billion. These findings imply that many of the firms did not report and declared huge amounts as dividends during the period, when the mean pay-out is juxtaposed with the maximum pay-out. Average profit before tax revolved around N6.60 billion, while the mean of total asset, the proxy for size was about N69.87 billion. Given the average profit before tax of N6.60, it thus suggests that about 48.8% of this amount was, on the average paid out as dividends by these firms. Besides, an average of N1.82 billion was charged as income tax expense, while the firm that charged the highest amount as income tax expense over the period under consideration had the sum of N25.4 billion.

Further, finding from the hypothesis tested provided a demonstrable evidence that company income tax does not significantly influence dividend payout of selected listed consumers' goods firms in Nigeria. This finding, in one breadth, is consistent with that of (Uwaigbe and Olowe 2013) ^[73] whose study revealed positive relationship between company income tax and the dividend payout of the sampled firms in Nigeria, while the finding of this current study, in another breadth, sharply disagreed with that of (Uwaigbe and Olusegun 2013) ^[74] whose study found a significant relationship between the company income tax and the dividend payout of the sampled firms in Nigeria. It is pertinent to add that the finding also run contrary to that of (Anton 2016) ^[15], (Uwaigbe, Jafaru and Ajayi 2012) ^[75], (Jabbour and Abd 2014) ^[41], (Budagaga 2017) ^[27] and (Odia and Ogiedu 2013) ^[58].

6. Conclusion

In spite of the surfeit of literature on the influence of company income tax on dividend pay-out, not much is known in relation to listed manufacturing firms in Nigeria, particularly after the adoption of the International Financial Reporting Standards (IFRSs). This study makes a modest attempt to contribute to existing literature by investigating the influence of company income tax on dividend pay-out of selected listed manufacturing firms in Nigeria, using data which spanned the IFRS period from year 2012 to year 2019. While company income tax was measured using income tax expense per statement of comprehensive income, dividend pay-out was measured using gross amount of dividend declared. Using a sample size of fifteen (15) listed manufacturing firms, secondary data were obtained from the audited financial statements of these firms. Finding showed that company income tax does not significantly influence dividend payout of listed manufacturing firms in Nigeria, on the basis of which the study concluded that company income tax does not significantly influence dividend payout of listed manufacturing firms in Nigeria.

Consequently, it was recommended that in order to improve

the performances of listed manufacturing firms in Nigeria, and put them in a position to pay more dividends, enabling and favourable business climate should be envisaged, engineered and created, as doing this will increase their profitability. To increase company income tax rate would end up being counterproductive.

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