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Accounting Information and Dividend Pay-Out in Nigerian Listed Oil and Gas Firms

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ABSTRACT: Dividend pay-out policy plays an important role in firm's decision to determine the amount to be declared as dividend. The study aim to analyse the impact of accounting information on the dividend pay-out of listed oil and gas firms in the Nigerian Stock Exchange. The study employs the use of secondary data obtained from annual reports and accounts. The population of the study is ten oil and gas firms listed in the Nigeria Stock Exchange, the sample of the study ten oil and gas firms and the period covered by the study is from 2015-2019. The data is panel in nature and regression was used to analyse the data. The result shows profitability is having a positive and significant relationship on dividend pay-out of the listed oil and gas firm in Nigeria. Whereas, liquidity revealed a negative and insignificant relationship. On the other hand, firm size was found to be negative and significant influence on the listed oil and gas firms in Nigeria. Finally, a positive and insignificant relation was found respectively. This implies that individual investor who prefers high dividend should invest on profitable company, while management should announce the dividend after considering their profit. Also, Investors who are trying to predict future dividends will therefore need to get some relevance and useful information on the firm to invest in. Furthermore, Managers may also use the study when determining the dividend pay-out since they will be given relevance information for decision making.

1. INTRODUCTION

The two important characteristics of good accounting information are that the information is relevant and fairly presented in order to assist users in decision making. Relevant and well-presented information enables users to make investment decisions by examining past and current financial statements in other countries to be able to predict future events through them (ICAN, 2014). The importance of accounting information can be judged by the ability of the financial information contained in the financial statements (Paul and Juliana, 2015). Reliable accounting information is a basic requirement for growth as investors require sufficient information about the nature of dividend for the company before making an investment decision (Oyerinde, 2006). Hence, it is important to note that financial statements will only be employed by the investor when valuing the shares of a company in the stock market only if they provide useful information for them. As such, inform the accounting (Patrick 2016).

Accounting information plays an important role in corporate management and is seen as important tool in implementing the guidelines and policies of entities and their continuous development in the field of information suitable for both managers and external users. This information focuses on providing relevant, reliable and timely information to decision makers who use this information in making decisions about their investments in the oil and gas sector. Investors are often recognized as one of the end users of accounting information because they are eager to get more information regarding their capital and returns in the form of dividend. However, the accounting information is expected to serve as a guide in anticipating the returns on their investment in the company. Nwidobie (2016) states that the investor's perceived earnings as a measure of good performance thus encouraging potential investors to invest more in companies that pay high dividends. As stated by Mayer (2007), accounting information plays an important role in the generating and communicating the wealth of companies. Its importance has led standard-setters and stock market regulators to formulate means to constantly improve the quality of information (Halonen, Pavlovia, & Pearson, 2013).

Gordon (1963) stressed that in an environment surrounded by economic and political instability along with exchange rate instability, hyperinflation and high interest rate. Investors will prefer to have their returns in form of dividends over capital gains. With regard to the important investments needed for the success of companies, profit plays a major role in determining the dividends of companies because it is from the profit earned from operating activities that dividend are paid. Profitability ratio is used in evaluating the ability of management to generate additional profit from the operating activities of companies for the period. As such, profitability is viewed as the backbone of every business being it a small scale or large scale as such all operating activities depend on the profit earned by the company. Theoretically, increasing company profitability tends to increase the dividend payout due to profit as a signal for investors. The higher the profitability of the company the more investors are confident in the shares of the company (Tui, Nurnajamuddin, Sufri and Nirwana, 2017). Rahel and Serkalem (2010) posited that profitability also helps a firm to ensure its solvency for owners to invest in the future and firms can go out of business, if it incurs loses and become insolvent and profit is generally attained only when company operates effectively and efficiently (Mayliza and Sari 2018).

In a firm the proportion of capital financed through debt as opposed to equity causing an increase in the debt capital an also resulting to an increase in the shareholders' wealth and financing risk is associated to leverage. Enekwe, Agu and Eziedo (2014) reported that leverage is a measure to how a firm uses its equity and debt to finance its operational activities. However, leverage is an important financing decision component for achieving a favourable capital structure of the firm. It also serves as a tools used in measuring the firm's level of exposure to financing risk. Therefore, a careful use of leverage help the firm in achieving higher return on the fixed interest sources of financing than their costs and this consequently results in the maximization of shareholders' wealth. Leverage arises because the firm will carry out its operations using assets and funding income which has flat costs and can increase returns for the company (Hasibuan, 2017).

The percentage of distributable profits payable to investors as returns is directly related to the firm size. Larger firms have the tendency to pay higher dividends (Kumar and Sujit, 2018). Firm size is considered to have an impact on the dividend payout due to continuous increase in company value thereby making it easy for the company to source fund that can be used in financing the affairs of the firm (Indriyani, 2017). Suwardika and Mustanda (2017) state that, if the firm size is observed from sales or total assets the increasing assets of the company can be an indication that the company has reached its maturity stage. Companies that are already in their maturity stage is a sign the firm is having a positive cash flow and is expected to have a long term profitable outlook.

However, a poor liquidity position may mean fewer dividends due to shortage of cash (Omaliko and Okpala, 2020). Liquidity of a company is an essential aspect that must be considered before taking a decision on how to determine the amount of dividend to be paid to shareholders because dividend is seen as cash outflows (Riyanto, 2015: 202). It is important to compare a firm's liquidity position in relation to its dividend payment. Logically, a firm will only pay dividend if it has a strong cash position. According to Liu and Hu (2005) if the cash dividend is less than the cash flow, it means the firm has residual cash, if cash dividend is more than the cash out flow then it means the firm needs financing to be able to issue out dividend. A poor liquidity position is likely not able to issue dividend due to shortage of cash. Payments depend more on cash flows, which reflect the company's ability to pay dividends than on current earnings which are less heavily influenced by accounting practices.

The Nigerian economy entered a technical recession in the second quarter of 2016, leaving domestic companies especially oil and gas companies which are vulnerable to threats due to liquidity fears. Due to the continuous rise in non-performing bank loans, financial institutions are reluctant to provide credit to companies. This may be due to the recent oil price shock (a sharp drop in the price of Oil), which had a significant impact on banks exposed to the oil and gas sector. In addition, the Nigeria economy has experienced an increase in inflation and a chronic devaluation (Patrick 2018). Limento and Djuaeriah (2013) and Aliyu (2015) argue that macroeconomic factors such as interest rate, gross domestic product, inflation rate, money supply, and risk free rate also cause movement in the share prices of companies. On the other hand, it is also argued that dividend could be influenced by microeconomic variables like dividend pay-out, return on equity, earnings per share, profitability, firm size, and leverage (Stephen and Okoro, 2014, Taimur, Harsh, and Rekta, 2015, Zeeshan, Ali, Sohail and Sulaiman, 2015 and Adenugba, Ige and Kesinro, 2016).

However, given the importance and the viability of the oil and gas sector which according to Odularu (2008) has contributed to the Nigeria economy in the area of job creation, contributing to government revenues, Gross Domestic Product (GDP), which according to the Nigerian Bureau of Statistics (2016), contributed 10.29% of total real GDP, foreign reserves and supply of energy to industry and commerce. A high dividend pay-out policy means more current dividends and less retained earnings on

the other hand, Low pay-out policy means less current dividends and more retained earnings. Companies are established with the sole aim of maximizing the wealth of their shareholders and the value of the company as well. Efficient dividend pay-out will enhance the growth of the oil and gas sector thereby increasing the rate of investment and also help in the growth and development of the country at large. Reliable accounting information is set to be considered as an essential factor for growth in investment as investors will require adequate information about the oil and gas firms before taking any investment decision.
Following the shock caused by the global financial crisis which had an adverse effect on the prices of the equity shares of companies in Nigeria, most companies had made efforts in raising funds to finance their investment and projects in order to recover and continue with their business. The oil and gas firms in Nigeria especially Oando Plc, Conoil and several others create capital reserve for long term capital investment projects, there reserve is made to guarantee availability of fund to finance their anticipated projects which might include fixed asset replacements that are neither expenditure on purchase of goods nor period expenses. The oil and gas firms are highly capital intensive industry in Nigeria which largely automated their production lines. In October 2021Total Nigeria took the lead in oil & gas sector with N2.06 billion pay-out. The COVID-19 pandemic has significantly hampered the growth of the market, mainly due to global oil and gas demand contraction and global economic slowdown. The outbreak of COVID-19 led to the crude oil price crash of April 2020, leading to a significant reduction in CAPEX spending by oil and gas companies globally. The country's national oil and gas companies were already struggling with liquidity and cash shortage, and due to the outbreak of COVID-19, the situation has further deteriorate. However, some of the major factors driving the market include increasing investments in the upstream sector and the development of large-scale and modular refineries in the country. Oil and gas production had been hampered in Nigeria in the past few years due to the attack on oil and gas infrastructure by militants. Furthermore, oil theft has been one of the major issues faced by the oil and gas market in Nigeria, which resulted in huge losses to operating companies in the country. Such factors are expected to have a negative impact on the market growth during the forecast period.

As part of the effort to regain the confidence of shareholders, companies had also adopted dividend policies that would maximize the market values of their shares and boost the shareholder's wealth. Adamu , (2009) contended that the companies in Nigeria that were affected by the global financial crisis were mostly those in the oil and gas sector and this has had a severe effect on the economy as revenue from the sector is the major source of financing the Nigerian budget. This sector has suffered challenges posed by the fall and fluctuation in the price of crude oil at the international market over the years, which affected the revenue of the sector in particular and Nigerian economy in general (Adamu, 2015and Ogochukwu, 2016). In the world today, crude oil is the major source of foreign exchange and energy that powers the global economy and its industrialization processes and fluctuation in the price of crude oil in the global market is expected to have significant impact on both importing countries and the exporting countries of the product (Abubakar and Umar, 2013 as cited in Inyiama and Ugah, 2015).

The oil and gas sector was mostly dominated by multinational corporations until the early 1990's when Nigerian companies began to venture into the industry. Local participation was boosted with the implementation of the Nigerian Content Directives issued by the Nigerian National Petroleum Corporation (NNPC) about a decade ago, and eventually, by the promulgation of the Nigerian Oil and Gas Industry Content Development (NOGIC) Act (The Act) in 2010. The Act seeks to promote the use of Nigerian companies/resources in honour of oil licenses, contracts and projects. In terms of structure, the industry is broadly divided into: Upstream sector and Downstream Sector, The Upstream sector is characterized by exploration and production of crude oil and gas (petroleum operations). The upstream oil sector is the single most important sector in the Nigerian economy, accounting for over 90% of the country's exports and about 80% of the Federal Government (FG's) revenue. The Downstream Sector on the other hand consists of; Transmission and Conveyance which involves the transportation of oil and gas to the refinery and gas stations. There is a pipeline network from the wellhead to the refinery or plant tankers and purpose built vessels are also used for this purpose. Refining which involves transforming the crude oil to various products such as petrol (PMS), diesel, kerosene, etc. Distribution involves the transportation of refined petroleum products from the refineries through pipelines, coastal vessels, road trucks, rail wagon etc. to the storage/sale depots.

According to Odularu, (2008) 80% of Nigeria's energy revenues flow to the government and about 4% go to investors. It is worthy to note that this revenue figures run into billions of dollars. Over the years, the petroleum industry has attracted stakeholders from foreign and local explorers whom have benefited as a result of increase in its price. Oil and gas firms in the Nigerian Stock Exchange (NSE) are believed to be financially viable and as a result, shareholders require favourable dividend policies which will maximize their wealth as a result of effective utilization of resource and firms' performance. Managers are saddled with the responsibility of making optimal investment decisions on behalf of the firm and ensuring the maximization of

shareholders' wealth. This can be achieve when firms generate profits and deliberately decide the amount to be reinvested into the firm or distributed to shareholders. The distributed funds to shareholders are known as dividends.

Research in dividend policy shows not only that a general theory of dividend policy remains elusive, but also that dividend payout varies over time among firms and across countries. The pattern of dividend policies does not only vary over time but also across countries, especially between developed and emerging financial institutions. However a large number of firms in the developing economies are still apathetic about their dividend decisions as they are unaware of the connection between accounting information and dividend decisions. Based on this observation, this study considered it imperative to examine the relationship between accounting information and dividend pay-out of listed oil and gas firms in Nigeria (Ross 2009). Many dividend theories have been propounded to give an explanation on how the dividend decisions are being undertaken. Many factors affect the distribution of cash dividends such as the profitability, assets size, low level of current liabilities, good relations with suppliers, and sound liquidity position. The main purpose of this study is to examine the impact of profitability, liquidity, leverage and firm size on dividend pay-out of listed oil and gas firms in Nigeria.

Triani and Tarmidi, (2019) for companies, the choice to distribute profits in the form of dividends will reduce their source of internal funding; on the other hand, if the company retains its earn profits in form of retained earnings, the ability to ascertain internal funds will be greater which can be used to finance operational activities of the companies, thus reducing dependence on external funds and minimizing the risk of the company simultaneously. It is the responsibilities of management to make decision on the percentage of profit realize to be distributed in form of dividends (Uzomah, 2021). The payment of dividend in oil and gas firms differs as each firm decide on how and when dividend is to be paid to shareholders. Some firms may decide to pay high dividend due to profit realized. Managers tend to be efficient when distributing excess cash flow as dividend to shareholders rather than investing in an unprofitable venture. Zayol, Mya and Muolozie (2017) clearly see dividend policy as policy that mangers follow in deciding the pattern and size of cash distribution to shareholders in the form of dividend. Dividend pay-out is important for investors because dividends provide certainty about the company's financial well-being, dividends are attractive for investors looking to secure current income and dividends also help maintain the market price of shares. This research will be conducted due to the incompatibility phenomenon between the theories and the results of prior study. For instance, profitability in the theory has a positive impact on dividend pay-out, however the results of Pratama's and Wiksuana's (2016) reported profitability having a negative impact on dividend pay-out, firm size which theoretically has a positive impact on dividend, yet Hirdinis (2019) reported firm size having a negative impact on dividend; leverage in the theory has a negative impact on dividend, but Markonah (2020) reported leverage to be having a positive impact on dividend pay-out.

The relationship between accounting information and dividend pay-out is well documented in developed economies few studies been carry out in emerging economies. According to the standards of Wall Street, London, and Tokyo, the emerging capital markets in the post-communist countries are very small, but they can be a major source of capital for economic growth and development. In addition to the economic development role, the emerging markets may provide external investors with a good source of diversification for international portfolio management. The International Finance Corporation, a development institution of the World Bank, has been actively involved in the development of emerging markets. For investors, investment decisions about stock should be made by analysing factors that can influence their return in investment. Investors need to have information to determine whether they can benefit from the shares they bought.

This study seeks to address the issue of the dividend puzzle, studies carried out in this area of dividend policy, shows that there is no conclusive consensual solution in the aspect of dividend. Investor's curiosity on the worth of their investment could be resolved with the availability of sufficient information in predicting their returns. Studies has linked dividend pay-out to performance of the oil and gas firms in Nigeria but few consider information as a signal, the study examine the impact of account information in predicting investors returns. The study seek to address the following questions,

i. To what extend is profitability impacting on dividend pay-out of listed oil and gas firms in Nigeria?
ii. Does leverage have a positive relationship on dividend pay-out of listed oil and gas firms in Nigeria?
iii. Is firm size of significant influence on dividend pay-out of listed oil and gas firm in Nigeria?
iv. Does liquidity have a significant influence on dividend pay-out of listed oil and gas firms in Nigeria?

The study tend to shade more light on how manager can decide on the dividend pay-out and what should be consider before making decision which is essential to management and it will also help in creating a benchmark and maintaining an overall health of the company. The amount declared as dividend in the listed firms is decided by various boards of directors of the listed firms on when and how dividends are paid to shareholders. Some companies may decide to pay high dividends because of their

financial strength and on the basis of profits earned during the year. The question now is how the oil and gas companies set their dividends, as there is no unified amount to be paid as a dividend in the listed firms.

This paper addresses some determinant of accounting information variables that determine the dividend payment behaviour of listed oil and gas firms in Nigeria.

Therefore this study seeks to examine the impact of accounting information and dividend pay-out of listed oil and gas firms in Nigeria. With the following specific objectives;

I. To determine the influence of profitability on dividend pay-out of listed oil and gas firms in Nigeria
II. To evaluate the impact of leverage on dividend pay-out of listed oil and gas firms in Nigeria
III. To examine the impact of firm size on dividend pay-out of listed oil and gas firms in Nigeria
IV. To investigate the exam the impact of liquidity on dividend pay-out of listed oil and gas firms in Nigeria

In order to achieve these specific objectives, the following hypothesis where formulated:

Ho1: Profitability has no significant relationship on dividend pay-out of listed oil and gas firms in Nigeria.
Ho2: Leverage has no significant impact on dividend pay-out of listed oil and gas firms in Nigeria.
Ho3: Firm size has no significant impact on dividend pay-out of listed oil and gas firms in Nigeria.
Ho4: Liquidity does not have significant relationship on dividend pay-out of listed oil and gas firms in Nigeria.

The study is structured as section two is based on review of relevant literature, section three methodology of the study, section four results and discussion while section five is based on summary and conclusion.

2. LITERATURE REVIEW

Dividends are paid by companies to their shareholders. It is the part of the companies that distribute the profits paid to shareholders subject to which the companies have been able to pay their debit at maturity. The dividend can also be seen as the distribution of profits from companies to their shareholders, which is usually decided by the directors. It is basically the proportion of profits that is paid as a dividend to shareholders. The payment of dividend to shareholders depends on the company management's willingness to distribute their surplus from their net income to shareholders or to retain it for re-investment opportunities.

According to Sadalia (2010), the payment of dividends to current shareholders is decided by the board of directors. The Board meets to determine the amount to be paid as a dividend, as well as to determine the amount to be declared, it is necessary to evaluate the financial situation of the last period and that of the following period.

2.1 Profitability and dividend pay-out

Profitability is the company's ability to earn profits with sales, total assets, and its capital. According to Kasmiati and Santosa (2019), profitability ratios are beneficial for the survival of the company because it help companies to determine the profits in the short or long run. Profitability is a measurement in detecting profit as a criterion for evaluating the results of the company's activities in a certain period. Pandey (2004) describe profitability as the state of yielding financial earnings or gain. Furthermore, profits depend on three primary structural aspects of financial institutions: financial leverage, net interest margin and non-portfolio income sources. Blakely, (2017) view profitability as the ability of the firm to create profit through the effective utilization of firm's resources in generating more revenue in excess of its expenses. Dividend is paid out of the profit generated annually by the firm. As profit increases, it is an indication the availability of cash flow to managers in other to increase the firm's growth. Dividend came be seen a payment made by firm to its shareholders as a reward for their investment. Pander (2010), defines dividend as the portion of a company's net earning which the directors recommend to be distributed to shareholders in proportion to their shares.

Profitability is the ability of a firm been able to make profits at the expense of sales, assets and capital. Long-term investors will be mainly interested in the profits made. Gitman (2003), profitability shows the relationship between revenues and costs generated by the use of company assets. As profitability is increasing, the amount to be paid as dividend will also increase, so the amount to be declared as a dividend will be based on the profit realized after which the firm has fulfilled all its obligations.

The amount to be declared as dividend is determined by the company. Fama and French (2005), Amidu and Labor (2006) and Al-Malkawi (2007) in their studies conducted in advanced countries found that a positive and a significant relationship linking profitability and dividend pay-out while. Malik et al. (2013) in his studies found an insignificant relationship existing between profitability and dividend pay-out.

2.2 Leverage and dividend pay-out

The primary objective of every financial manager in an organization is to maximize the value of the company. This can be achieved by creating an appropriate financing mix that includes careful selection of the level of debt capital with equity capital for investment in a profitable venture. Leverage primarily relates to financial activities that involve raising funds from external sources and incurring fixed fees for them (Javid, 2012).

Radeviv, Lekpek, and Siljkovic (2013) see leverage as a measure of the impact of an enterprise's business activities in the presence of constant financial outlays. The effect of financial leverage can be positive or negative depending on whether the interest expense is covered by EBIT, and strong or weak, depending on the participation of borrowed resources in the total resources. As long as a higher rate of return can be earned on assets than is paid for the capital used in acquiring the assets, the rate of return to owner can be increased.

Leverage is the total debt a company uses to finance its operation with the expectation of profit. It also indicates the ability of companies to obtain higher returns through the use of fixed assets or debt. Debt is one of the tools used by many companies to leverage their capital in order to increase their profits. When the firms leverage is high, it is believed that the firm is connected with more liabilities. The demand for external finance by the company usually arises on account of constraints imposed by its internal resources since the company cannot continue with the investment opportunities with the limited internal resources.
Baker and Powell (2001) also stated that firms with less financing outside will lower dividend pay-outs. In his research, he states that firms with higher levels of debt will need higher levels of liquidity to allow payoffs on potential implicit claims and firms will normally choose to use more equity instead of financing outside to avoid costs of financial distress.

Muyoka (2015) in his study on the effect of dividend policy on the financial performance of listed firms in Nairobi stock exchange, were 20 companies were used as the sample size for the period of 5 years. From the result shows that all the variables have a significant relationship except leverage and firm size which has a negative effect.

Nuredin (2012), in his study on the determinant of dividend policy, using growth, size profitability and liquidity of insurance company in Ethiopia, using panel data. The result revealed that profitability and liquidity has a positive and significant impact on dividend with growth been negative and insignificant.

Faris (2011), Gul et al (2012), Mushtaq (2016) and Mahdzan et al (2016). In their studies, found a positive and significant reletionship on dividend payments. Also, Al-Twaijry (2007), Al-Kawari (2009), Morakinyo et al (2018), Madeem et al (2018) and Okoro et al (2018) found a negative and significant relationship exist connecting leverage and dividends. In contrast, the study of Pandey and Ashvini (2016) and Brahmaiah (2018) reveal a significant an negative impact connecting leverage and dividend payout.

2.3 Firm size and dividend payout

Firm Size describes the size of a company in which large companies will find it easier to get loans from outside both in the form of debt and share capital because usually large companies will be accompanied by a fairly good reputation in the eyes of the community. The size of the company can determine the level of investor confidence, with the bigger the company, the more it will be known and recognized by the wider community, which means the easier it is to get information. Basically, the size of the company is only divided into categories, namely large, medium, and small (Hirdinis, 2019).

In real world, it is claimed bigger firms are projected to pay more dividend since the bigger firms tend to be matured with a high cash flow. Bigger firms have more liability than the smaller firms. Also debt holders and creditors tend to be confident in bigger firms and the bigger firms can easily assess funds from the capital market at a lower cost without much constraint. Firm size have great influence, not only on whether firms pay dividends or not, but also on the profitability of the firm. Big companies are more liable to pay high dividends, compare to the smaller companies. This is consistent with Aivazian (2003) who mentioned that larger firms tend to have easy access to the market and are expected to pay more dividends.

The reason is that when firms pay dividends they limit their cash available for investments. If new investment opportunities present themselves the firms have to fund them with either retained earnings or by issuing new debt or equity.
Firm size (SIZE) is measured as natural logarithm of market capitalization. A wide series of financial literature have documented that firm size is a significant determinant of corporate dividend payment policy and which is positively associated with dividend payment rates in developed and emerging markets.

However, previous studies by Al-Kuwari (2009), Alzomaia and AlKhadhiri (2013) and Amina (2015) report a related results of firms listed under the Gulf Cooperation Council (GCC) stock markets. However, studies conducted by Al-Ajmi and Abo Husain

(2011) shows that, there is no significant relationship between firm size and dividend payment in Saudi Arabia. It is argued that, bigger companies are liable to disburse high dividends as larger companies are more established and have higher cash flows.

2.4 Liquidity and dividend pay-out

Investors may define liquidity as the ability to turn an investment portfolio into cash with little or no loss of value (Patrick2018). These concepts are critical to a company's success since a firm's understanding of liquidity and how to manage it ensures the company's survival, even as a stakeholder. Liquidity is seen as a complex but important concept that defines the reliability and stability of the financial system. Because capital is essential at the beginning of any business, thus emphasizing on the relevance of liquidity not only to the financial system but to all industries. Most business failures in the past is been attributed to business owners' incapacity to properly manage their firms' liquidity. Ehiedu (2014) argued that liquidity should not be excessive or insufficient. Excess liquidity refers to accumulated cash that does not generate profit for the firm or organization.

The cash flow or liquidity is essential when it comes to dividend payout. Bhunia (2010) defines liquidity as a means by which a firm been able to meet up its short term obligation. Liquidity is significant in the success of a firm. A firm with weak liquidity position imposes a threat to its solvency as well as its profitability and also making it unsafe and unsound. Brealey (2012) defines liquidity as assets which can be easily transformed into quick cash at a lower cost which can be express in term of liquidity ratio. Liquidity is the degree at which an asset's property been sold and easily converted into cash without affecting its value. Liquidity also defines as the ability of a firm to be able to easily convert its assets into cash to settle debt and other obligation. The payment of dividends by firms is basically based on the revenue generated and it also reveals the firms' ability to pay its shareholders dividend.

Aivazian (2007), Kuwari (2009) and Baker and Wurgeler (2004). Suggested that, liquidity is an essential factor affecting the payment of dividend. A firm can only pay dividend base on the strength of the firms' cash flow. The level of dividend payment is determined once a firms financing and investment decision is been made, also the decision is taken alongside with that of financing and investment.

2.5 Theoretical Framework

2.5.1 Bird in the Hand Theory (Dividends Preference)

According to the bird-in-the-hand theory, investors prefer dividends (certain) to retained earnings. This proposed by Gordon (1959,1963) and Lintner (1956, 1962), if all other factors are equal, investors prefer dividends to capital gains because they perceive dividends today as a certain cash flow, as opposed to capital gains in the future which are uncertain.

The name "bird in hand" is the umbrella term for all studies arguing that dividends are positively correlated with company value, and therefore company value acts as a catalyst to drive dividends. It is based on the statement that "a bird in the hand is worth more than two in the bush." Expressed in financial terms, the theory says that investors are more willing to invest in stocks that pay current dividends than in stocks that hold dividends and pay dividends in the future. They argue that the combined value of dividends and capital gains diminishes when the dividend pay-out ratio increases.

According to Bird in Hand theory, in a world of uncertainty and imperfect markets, dividends are said to be valued differently than capital gains. Hence, investors will have a preferential dividend pay-out ("bird in hand") today rather than "two per bush" (capital gains) due to uncertainty. Gordon and Shapiro (1956) recommend that shareholders prefer cash dividend payments over capital gains, and companies with high dividend ratios tend to have higher market value. The rationale behind this theory is that a higher dividend yield ratio is positively correlated to cash flows rather than the pattern in which profit will be distributed as dividend. As a result, they disagreed with the theory by calling it a "bird-in-hand fallacy". Similarly, Bhattacharya (1979) shares the same view with Miller and Modigliani (1961), by suggesting that the reasoning behind the bird-in-hand theory is wrong. He went on to say that fixed dividend payments are affected by the cash flow threat, although any increase in dividends will not mitigate the company's risk. In conclusion, dividends fall while company risk increases, which goes against the theory of birds on hand.

2.5.2 Life Cycle Theory

The life cycle theory is also cited as one of the explanations for dividend payment. Mueller (1972) proposed a formal theory that a firm has a relatively well-defined life cycle, which is fundamental to the firm life cycle theory of dividends. The theory explains that as firms pass through the various stages in their lives, they tend to alter the dividend policy depending on the financial needs of each stage. Implied in this theory is the fact that firms that are in their growth stages are less likely to pay more dividends as compared to firms that are at their maturity stages. Old firms therefore, because they do not have a lot of growth

opportunities to fund, are expected to pay more dividends. Therefore, the underpinning theory for the study is the bird in hand theory.

3. METHODOLOGY

The objective of this section is to describe the methodology of use for this study. The section will be discussed under the following headings, 3.1 research design, 3.2 variable measurement, 3.3 model specification and 3.4 on diagnostic test.

3.1 Research Design

The study employs co relational research design because it examine the relationship between accounting information and dividend pay-out of listed oil and gas firm in Nigeria.

The study uses panel regression this is because the data is panel in nature. The population of the study include the listed oil and gas firms listed in the Nigeria stock exchange and the sample size include the listed firms. Secondary data was use for the study which was extracted from the audited financial report and accounts of the listed firms from the period of 2015 -2019.

3.2 Variable Measurement

The study aim to establish the relationships that exist between accounting information and dividend payout of listed oil and gas firms in Nigeria. The measurements of the variables are shown in a tabular form below,

Measurement of Variables

Variables	Acronyms	Measurement	Source
Dividend pay-out	Dvd pay-out	DPR = Total dividends/Total net earnings X 100%	Moghri and Galogah, 2013
Profitability	Prof	ROE = EBIT / Equity	Cruiz and Luiz, 2015
Firm size	Fsize	Natural Logarithm of Total Assets	Hamza and Lakhal, 2010 Bonga (2015), Dada, Malomo and Ojediran (2015
Leverage	Lev	Short Term & Long Term Liability / Total Assets	Arise, 2015
Liquidity	Liq	Current ratio = Current Asset / Current Liability	Gupta and Parua (2012); Bonga (2015), Dada, Malomo and Ojediran (2015)

3.3 Model Specification

The regression model below was use for the study.

Formulation of model

$DVP_{it} = \beta 0 + \beta 1 PROF_{it} + \beta 2 SIZE_{it} + \beta 3 LEV_{it} + \beta 4 LIQ_{it} + e_{it}$

Where;

DVP= Dividend pay-out
PROF = Profitability
SIZE = Firm size
LEV = Leverage
LIQ = Liquidity
βo = Constant
β1 - β4= Coefficients of slope parameters
e = Error term
i = Firm
t = Time

3.4 Diagnostic Test

Post estimated test were carried out for the study whereby the p-values found to be insignificant.

4. RESULT AND DISCUSSION

This section of the studies present the descriptive statistics describing the nature of the variables, followed by the correlation matrix which analyses the relationship that exist between dependent and each independent variable individually. In addition, the regression result examines the model which captures the dependent variable together with all the independent variables.

4.1 Descriptive Statistics of Variables

Variables	Mean	Std. Dev.	Min	Max
DVD	1.12	1.01142	0	3.64
PROF	4.45	3.73412	.1988	12.49
LIQ	1.36	.644141	.0994	3.08
LEV	0.847	.592797	.0549	3.80
FSIZE	17.94	1.99169	13.0036	21.23

The above table represent the result of the descriptive statistics of the variable for the period of study. The mean dividend payout as 1.1206 and standard deviation of 1.0114 while the minimum value of dividend is 0 and the maximum of dividend is 3.64. Looking at profitability the mean was found to be 4.4492 with standard deviation of 3.7342 with maximum value 12.49 and minimum of 0.1988. The mean value of debt in the case of leverage in the oil and gas firms is found to be0.8476 with the highest debt of 3.80 and the lowest as 0.0549.

In addition, the mean for liquidity ratio was found to be 1.36 with the maximum ratio of 1.36 and the minimum of 0.10 for the year also, the standard deviation was found to be 0.6441for the year.

Finally, the mean natural logarithm of t0tal assets over the period was found to be 17.94with a standard deviation of 1.99 and the value of 21.2537 as the maximum and 13.0036 as the minimum respectively.

4.2 Correlation Matrix

	DVD	PROF	LIQ	LEV	FSIZE
DVD	1.0000				
PROF	0.4194	1.0000			
LIQ	-0.2743	-0.1332	1.0000		
LEV	0.2730	0.1853	-0.2868	1.0000	
FSIZE	-0.1741	-0.0422	-0.2660	0.0595	1.0000

The correlation matrix in the regression model which shows the correlation between all variables in the model. The result indicates that, profitability and leverage has a positive relationship on dividend payout with correlation coefficient of 0.4194 and 0.2730 respectively. On the other hand, Liquidity and firm size indicate a negative relationship with the correlation coefficients of -0.2743 and -0.1741.

4.2.1 Variance Inflation Factor

Variables	VIF	1/VIF
LEV	1.12	0.895706
FSIZE	1.08	0.923075
PROF	1.05	0.952645
LIQ	1.18	0.846516
Mean VIF		1.11

From the result of the variance inflation factor (VIF), the check for multicollinearity was carried out and the test is necessary as multicollinearity can change the parameters of the regression model. The mean VIF is 1.11 which is an indication that there is no multicollinerity in the variable since the VIF is less than 5.

4.3 Regression Result

Variables	Coefficient	t-value	p-value
PROF	.0512731	0.96	0.034
LIQ	-.2712189	-1.34	0.190

LEV	.2553629	1.12	0.271
FSIZE	-.5978631	-2.55	0.015
Constant	11.77382	2.80	0.008
R-sq.			0.2658
Adj. R-sq.			0.0993
Prob > F			0.0222

From the result of regression analysis shown in Table 4, looking at the relationship between profitability and dividend pay-out of listed firm oil and gas in the Nigeria, the result indicates a positive and significant relationship between profitability (PROF) and dividend pay-out (DVD) of listed firms. This was proved by the value of coefficient which is (0.5127) with p-value (0.0346) found to be significant at 5%, it means the relationship is statistically significant. It implies that any increase of #1 in the profit of the listed firms, will also lead to an increase of (0.5127) in the amount to be paid as dividend to the prospective shareholders. However, this result is in line with the researcher's expectation which is the higher the profit, the higher the amount to be declared as dividend to the shareholders and also in line with the result of Jensen (1992), Fama and French (2005), Amidu and labor (2006) and Al- Malkaidi (2007). However, the result also formed a basis for the rejection of the null hypothesis which states that, there is no significant influence connecting profitability and dividend pay-out.

In the case of liquidity and dividend pay-out of listed oil and gas firms, the sign is negative with the value of (-0.2712) and with p-value of (0.190) found to be greater than 10%. It therefore implies that, a negative and insignificant relationship exist between liquidity and dividend pay-out. Which implies that as liquidity is increasing by 1, dividend is pay-out is reducing by #0.2712

However, in the case of leverage and the dividend pay-out, the coefficient found is positive with coefficient value of (0.2553) and with p-value of (0.271) which is greater than 10%, it implies that a positive an insignificant relationship exists between liquidity and dividend pay-out of listed oil and gas firms in Nigeria. However, the end result is in line with the result of Faris (2011), Gulet el al. (2012), Mushtaq (2016) and Mahdzan et al. (2016). Hence, the result forms the basis for accepting the null hypothesis and fails not to accept the alternate hypothesis

Finally, In the case of firm size and dividend pay-out, the result found is negative with the coefficient value of (-0.5978) which is statistically significant at 1% this is because the p-value found is (0.015). This implies that, a negative and significant relationship exist between firm size and dividend payout. This implies that the larger the firm in terms of assets and revenue generation the higher the amount to be declares as profit. A firm with many assets tends to generate more revenue thereby determining the amount to be declared as dividend due to the revenue generated. Also, the result is in agreement with reality and also in line with the findings of Alzomaia and AlKhadhiri (2013), Amina (2015) and Al-Ajmi and Abo Husain (2011). Hence base on the result, we reject the null hypothesis

The regression result, it shows cumulatively, the relationship between the proxies which was given by the value of R-square which is 0.2658. Going by the result probability of F-statistitics is significant since it's less than 5% which implies that collectively profitability, liquidity, leverage and firm size have significant impact on dividend payment.

4.4 Summary

The chapter aimed to present findings and discussion on the findings. STATA was use to run descriptive statistic, correlation analysis and regression analysis results. The result revealed that profitability is having a positive and significant relationship on dividend pay-out of the listed oil and gas firm in Nigeria. Whereas, liquidity revealed a negative and insignificant relationship. On the other hand, firm size was found to be negative and significant influence on the listed oil and gas firms in Nigeria. Finally, a positive and insignificant relation was found respectively.

5. CONCLUSION

The study is conducted on the impact of accounting information and dividend pay-out of listed oil and gas firms in Nigeria stock exchange. In line with the findings, the model of this study is explaining and predicting the dividend behaviour of the sampled listed oil and gas firms. From the analysis of the study, it was found that profitability has a positive significant impact on dividend pay-out of listed oil and gas firms in Nigeria. This implies that individual investor who prefers current high dividend should invest on profitable company, while management should announce the dividend after considering their profit. Whereas, Liquidity was found to be negative and insignificant respectively. Also the result of firm size was found to be negative and significant relationship on dividend payout of listed oil and gas firms in Nigeria. Therefore investor should invest on larger company to earn higher dividend despite its negative coefficient value found.

Finally, the result of leverage was found to be positive and insignificant on dividend pay-out of listed oil and gas firms in Nigeria. Despite the fact that shareholders usually prefer company with stable and predictable dividend. Investors who are trying to predict future dividends will therefore need to get some relevance and useful information on the firm to invest in. Furthermore, Managers may also use the study when determining the dividend pay-out since they will be given relevance information for decision making.

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APPENDIX

```
. summarize dvd prof liq lev fsize
```

Variable	Obs	Mean	Std. Dev.	Min	Max
dvd	50	1.1206	1.011425	0	3.64
prof	50	4.449285	3.73419	.1988	12.49
liq	50	1.362132	.6441409	.0994	3.0887
lev	50	.8476318	.5927975	.0549	3.8094
fsize	50	17.94454	1.991696	13.0036	21.2537

```
. sktest dvd prof liq lev fsize
```

Skewness/Kurtosis tests for Normality

				joint	
Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	adj chi2(2)	Prob>chi2
dvd	50	0.0109	0.6485	6.20	0.0450
prof	50	0.0238	0.3812	5.60	0.0608
liq	50	0.0460	0.1982	5.42	0.0665
lev	50	0.0000	0.0000	42.56	0.0000
fsize	50	0.0718	0.1994	4.85	0.0886

```
. corr dvd prof liq lev fsize
(obs=50)
```

	dvd	prof	liq	lev	fsize
dvd	1.0000				
prof	0.4194	1.0000			
liq	-0.2743	-0.1332	1.0000		
lev	0.2730	0.1853	-0.2868	1.0000	
fsize	-0.1741	-0.0422	-0.2660	0.0595	1.0000

```
. ovtest

Ramsey RESET test using powers of the fitted values of dvd
       Ho:  model has no omitted variables
                  F(3, 42) =      1.03
                  Prob > F =      0.3902
```

```
. imtest

Cameron & Trivedi's decomposition of IM-test
```

Source	chi2	df	p
Heteroskedasticity	7.91	14	0.8938
Skewness	8.18	4	0.0851
Kurtosis	3.13	1	0.0769
Total	19.23	19	0.4423

```
. vif
```

Variable	VIF	1/VIF
liq	1.18	0.846516
lev	1.12	0.895706
fsize	1.08	0.923075
prof	1.05	0.952645
Mean VIF	1.11	

```
. xtreg dvd prof liq lev fsize, fe

Fixed-effects (within) regression               Number of obs      =        50
Group variable: id                              Number of groups   =        10

R-sq:  within  = 0.2658                         Obs per group: min =         5
       between = 0.0927                                        avg =       5.0
       overall = 0.0993                                        max =         5

                                                F(4,36)            =      3.26
corr(u_i, Xb)  = -0.7971                        Prob > F           =    0.0222
```

dvd	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
prof	.0512731	.0536545	0.96	0.346	-.0575433	.1600895
liq	-.2712189	.2028291	-1.34	0.190	-.6825754	.1401377
lev	.2553629	.228451	1.12	0.271	-.2079572	.718683
fsize	-.5978621	.234224	-2.55	0.015	-1.07289	-.1228338
_cons	11.77382	4.202006	2.80	0.008	3.251753	20.29588
sigma_u	1.148253					
sigma_e	.80817344					
rho	.66872864	(fraction of variance due to u_i)				

```
F test that all u_i=0:     F(9, 36) =     2.00                 Prob > F = 0.0678
```