

# DETERMINANTS OF DIVIDEND PAYOUT POLICY OF LISTED CEMENT COMPANIES IN NIGERIA

Nuruddeen A. Abdullahi

## ABSTRACT

This study examines the determinants of dividend payout policy of cement companies listed on the Nigerian Stock Exchange. It explores the impact of some internal factors in form of financial ratios on the dividend payout ratio or policy of the companies. These financial ratios are profitability, liquidity, leverage, firm size, growth, firm risk and previous year's dividend. Data for the study was extracted from the audited reports and accounts of the cement companies listed on the Nigerian Stock Exchange over a 10-year period (2007 to 2016). A panel data framework was constructed from the secondary data of the cement companies by using Ordinary Least Squares model to estimate the regression equation. The results show that profitability, size, risk and previous year's dividend have positive relationship with dividend payout, but do not exert a significant influence on the magnitude of dividend payments. Whereas liquidity, growth and leverage have inverse and weak linear relationship with dividend payout ratio. Notwithstanding these results, the study did not find conclusive evidence to suggest that the seven identified internal factors or financial ratios are determinants of dividend payout ratio, which proxied for dividend policy of cement companies listed on the Nigerian Stock Exchange during 2007 – 2016.

**Keywords:** Dividend payout policy, cement companies, panel data framework, Nigerian Stock Exchange

Nuruddeen Abba Abdullahi, PhD, Dangote Business School, Bayero University, Kano  
Email: naabullahi@yahoo.com

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## 1. Introduction

Dividend policy is a key financial decision taken by managers in a modern company, due to its crucial impact on the overall market value of shares. It is also a critical decision, since it relates to other financial and investment decisions (Abor & Bokpin, 2010). Indeed, the primary financial goal of management is shareholders' wealth maximization, which translates into maximizing the value of the company as reflected by the price of its shares or common stocks. Companies listed on the stock exchange normally compensate shareholders through distribution of profits in the form of dividends and share repurchase (Abdulkadir, Abdullah & Wong, 2016). This notwithstanding, it is often a difficult decision for both listed and non-listed companies to determine the appropriate level of cash dividend to be paid to shareholders and to decide whether or not to offer non-cash alternatives, such as scrip dividends (Adediran & Alade, 2013). Basically, dividend policy refers to the payout policy that managers follow in deciding the size and pattern of cash distribution to shareholders over time (Gill, Biger & Tibrewala, 2010). So, it is about what proportion of company earnings is paid to shareholders by way of dividends and what proportion is retained in the company for reinvestment purposes (Arif & Akbar, 2013). In essence, dividend policy aims to maximize the wealth of shareholders.

Financial literature offers diverse views on dividend policy. In particular, there are three major views. The first is the view of those who argue that dividend increases the shareholders wealth because it has positive information content (Gordon, 1959; McCluskey, Burton, Power & Sinclair, 2006). The second view argues that dividend is irrelevant (Miller & Modigliani, 1961; Black & Scholes, 1974). The third view argues that dividend decreases the shareholders' wealth, either because it suggests that firms lack positive Net Present Value (NPV) projects needing investment (Soter, Brigham, & Evanson, 1996; Litzenberger & Ramaswamy, 1982; Fama & French, 2002; Naeem & Nasr, 2007), or because of the adverse tax effect on dividends (Bell & Jenkinson, 2002). These views are supported by various theories or models (such as Miller & Modigliani (MM), bird-in-the-hand, tax-preference, clientele effects, signalling, and agency cost hypotheses) relating to dividend policy, which describe the factors that managers should consider when taking dividend policy decisions (Gill, Biger & Tibrewala, 2010). Yet there is no consensus on the observed dividend behaviour of companies as such, the "dividend puzzle" has remained unresolved (Black, 1976). However, most of the studies on the dividend policy seek to answer two pertinent questions: (a) Does the dividend policy affect the value of the firm? and (b) What are the factors that determine the dividend policy? Indeed, the dividend policy debate is second only to the capital structure controversy in the financial literature, and it has remained a major unresolved problem in corporate finance (Brealey & Myers, 2005).

In explaining the reason why companies pay dividend, there is no single explanation to why dividends are paid. As it is difficult to identify one single factor affecting dividend and dividend policy, researchers have explored the determinants of dividend policy by focusing on certain factors that are expected to have effects on dividend policy (Badu, 2013). Generally, the foundation of the empirical literature on dividend policy has been credited to Lintner (1956), who conducted a study on US companies and found that the dividend decision is based on current profitability and previous year's dividends.

Dividend payout ratio is an indicator used to measure a company's dividend policy. It refers to the percentage of overall net income that is paid to shareholders as dividends. The dividend payout ratio depends on several factors, including funds requirements, liquidity, shareholder preference, control and taxes (Pandey, 2017). This is because company profits can be used not only to pay dividends to shareholders, but also to invest in future growth of the company by investing in operating assets, or even to retire existing debt. Therefore, extensive studies both in developed and emerging markets have been conducted to find out the factors affecting dividend payout ratio of a firm. Empirical studies have shown that both endogenous and exogenous factors do play significant role in dividend policy decisions (Jensen & Johnson, 1995).

In Nigeria, the basis for company dividends is legislated by the Companies and Allied Matters Act 1990 (as amended), under part II (379-382), which provides that dividends shall be payable to shareholders only out of distributable profits and that a company should not pay dividends if such payment will affect its ability to discharge its liabilities when they fall due. Certainly, this legislation would have influence on the dividend payout decisions of firms if properly observed. However, the law does not categorically prescribe the mandatory payment of dividends to shareholders. Nigerian companies are at liberty to decide on their dividend payout policy, whether to pay or not pay dividend, how much to pay and whether to pay cash dividend or offer alternative dividend modes, like scrip and share repurchase. It is therefore the prerogative of managers or companies to make dividend payout decisions, perhaps based on the individual peculiarities of the companies or other reasons. In reality, every company adopts a dividend policy, which allows for the retention of a proportion of the net earnings without jeopardising dividend payments, as dividends can influence the stock price of a company (Imran, 2011).

The issue of dividend policy is a serious matter in the corporate sector in Nigeria. In particular, the managers of publicly listed companies are ever-conscious of dividend decisions, because Nigerian investors tend to exhibit high appetite for dividend. This is corroborated by Okezie, as quoted in *Vanguard* (8/08/2016 edition), who stated that companies in Nigeria will find it difficult to raise money from the capital market because of their inability to declare dividend for several

years. The interest in dividend is consistent with the Birds-in-Hand Theory and Signalling Theory. Notwithstanding, a study by Abdulkadir *et al* (2016) found that the pattern of dividend payment by foreign shareholders' dominated listed companies in Nigeria support Agency Cost Theory.

Despite the importance of cement companies in the Nigerian economy, research regarding the examination of the dividend policy in Nigeria focus more on financial and manufacturing companies than cement companies. This indicates a literature gap, particularly since previous studies have shown that industry classification may affect dividend policy (Adediran & Alade, 2013). Therefore, this study seeks to fill the gap by conducting an empirical analysis of the determinants of the dividend payout policy of cement companies listed on the Nigerian Stock Exchange (NSE).

The remaining paper is organized as follows. Section 2 provides a literature review. Section 3 develops the empirical model and econometric methodology. The section 4 consists of the empirical results and the last section concludes.

## **2. Literature Review**

Many studies concluded that dividend payment behaviour in emerging markets is significantly different from that of developed markets due mainly to factors such as culture, perceptions, market size, market depth, efficiency, regulations and taxation (Glen, Karmokolias, Miller & Shah, 1995; Musiega, Alala, Douglas, Christopher & Robert, 2013; Maladjian & El Khoury, 2014). For example, a study found that Indian companies believe that they should pay dividends even if their profit level is low and even if they have to go for external borrowing (Mookerjee, 1992). In contrast to the developed markets, consistency in payments of dividend does not influence the market price of shares (Dobson, Tawarangkoon & Dufrene, 1996). This really accentuates the impact of culture and perceptions in the emerging markets.

Amidu & Abor (2006) examined the determinants of dividend payout ratios in Ghana over a six-year period using an Ordinary Least Squares model. The study concluded that there was a positive relationship between dividend payout ratio and profitability, cash flow and tax, whereas a negative relationship exists between dividend payout ratio, growth and market-to-book value.

Okpara (2010) investigated the determinants of the dividend payout policy of publicly held firms in Nigeria and found that profitability negatively affected the payout ratio, whereas liquidity and previous year's dividend positively impacted on the payout ratio. Hence, the study concluded that three factors (profit, liquidity and previous year's dividends) were good predictors of dividend payout policy in Nigeria.

Imran (2011) studied the factors affecting dividend payout decisions of Pakistan's engineering sector based on the data of 36 listed firms from 1996 to 2008 using the panel techniques like OLS, fixed effects and random effects approach. The results showed that dividend payout was positively affected by last year's dividend, earnings per share, profitability, sales growth and the size of the firm, whereas it was negatively affected by the cash flow.

Islam, Aamir, Ahmad and Saeed (2012) investigated the factors that motivate the dividend policy among the cement sector of Pakistan. Based on the data of eight cement companies (2004-2009) listed on the Karachi Stock Exchange and using OLS, the study found that PE ratio, EPS growth and sale growth have positive relationship with dividend payout, whereas profitability and debt to equity were found to have negative relationship with dividend payout. Thus, the higher the PE of a company, the higher its dividend payout ratio. Similarly, earning per share growth and sale growth also lead to dividend payout.

Labhane and Mahakud (2016) investigated the determinants of dividend payout policy of 240 listed Indian companies on the National Stock Exchange (NSE) from 1995 - 2013. Using the static panel data models, the study identified investment opportunity, financial leverage, and size of the company, business risk, firm life cycle, profitability, tax and liquidity as the major determinants of dividend policy for Indian companies. It was concluded that only three variables: leverage ratio, size of the company and profitability are significantly affected the dividend policy or payout decisions of the companies in India.

Abdulkadir, Abdullah and Wong (2016) examined the phenomenon of disappearing dividends in Nigeria and the possible explanation for the pattern by determining the factors that influence payout decisions. The study found evidence of a decline in the number of dividend payers and downward trend in the amount paid in the later years. This was mainly due to an increase in the level of foreign ownership that showed less preference for dividend paying stocks for tax reasons and the fact that they were predominantly institutional investors. Also, the authors identify a number of determinants of dividend payout on the Nigerian Stock Exchange, which include profitability, investment opportunities, leverage, past dividend, cash flow, crisis, stock market performance and interest rate. The study concluded that foreign ownership, past dividend and interest rate are the most important determinants of dividend payout policies of the listed companies on the Nigerian Stock Exchange, and it also supported the Clientele Theory as the most significant explanation for payout policies in the Nigerian stock market.

Williams and Duro (2017) investigated the impact of dividend policy on performance of 20 quoted companies on the Nigerian Stock Exchange over a period of 2005 to 2016, using regression analysis, OLS estimation technique and ANOVA analysis to test the hypotheses. The study found that there is a significant

positive impact of dividend payout ratio (DPR) on return on asset (ROA) and there is a positive relationship between return on equity (ROE) and DPR.

In summary, the literature on dividend payout policy in emerging markets suggests that there are different determinants that influence dividend payout, particularly profitability, investment opportunities, leverage, cash flow, asset tangibility, business risk, firm maturity, size, previous year's dividend, taxes and liquidity factors and the impact of these factors on dividend payout policy varies across the countries and industries. In this study, the focus is on the internal factors that affect firm's dividend payout policy.

### 3. Methodology

This study focuses on dividend payout policy only in the form of cash dividends rather than share repurchases or stock dividends. The reason for this is because most Nigerian listed companies do not repurchase their shares, and cash dividends are most commonly used mode of dividend by the listed companies (Sunmola & Emmanuel, 2014).

#### 3.1 Source of Data and Econometric Model of Analysis

This study investigates the factors which determine the dividend payout policy of cement companies listed on the Nigerian Stock Exchange (NSE). Data for the study was extracted from the published reports and accounts of the 4 listed cement companies over a ten year period (2007 to 2016). Panel regression model was used to analyse the data with the aid of STATA 14 software. The tests performed are namely Heteroskedasticity, Hausman, Fixed Effect and Random Effect.

In line with previous studies (Amidu & Abor, 2006; Imran, 2011; Maladjian & El Khoury, 2014) the model used in this study to explain the relationships between dividend payout ratios and the determinants of dividend payout policy has the following form:

$$DPR_{it} = \beta_1 + \beta_2 PROF_{it} + \beta_3 SIZE_{it} + \beta_4 LIQ_{it} + \beta_5 GRO_{it} + \beta_6 LEV_{it} + \beta_7 PE_{it} + \beta_8 PYD_{it} + \mu_{it} \text{ ----- (1)}$$

Where, i = the firm, t = year

$DPR_{it}$  = Dividend Payout Ratio of firm i and year t measured as the ratio of Cash Dividend divided by Net Profit

$PROF_{it}$  = Profitability of firm i at year t measured as ROE or Net Profit less Preference Dividends divided by shareholders equity

$SIZE_{it}$  = Size of firm i at year t measured as natural logarithm of total assets

$LIQ_{it}$  = Liquidity of firm i at year t measured as current assets over current liabilities

$GRO_{it}$  = Growth opportunity of firm  $i$  at year  $t$  measured as difference between current revenue and previous Revenue divided by Previous Sales

$LEV_{it}$  = Financial Leverage of firm  $i$  at year  $t$  measured as Total Debt divided by Total Assets

$PE_{it}$  = Firm Risk of firm  $i$  at year  $t$  measured as Market Price per share divided by Earnings per share

$PYD_{it}$  = Previous Year's Dividend Payout or Dividend Payout Ratio of firm  $i$  and year  $t-1$  measured as the ratio of previous year's cash dividend divided by Net Profit

$\mu_{it}$  = error term

### 3.2 Measurement of Variables

This study used dividend payout ratio (DPR) as proxy for dividend payout policy and as dependent variable, whereas the explanatory or independent variables used are internal variables or endogenous factors comprising profitability, size, liquidity, growth, leverage, risk, and previous year's dividend (Maladjian & El Khoury, 2014). The study applied correlational and nonexperimental research design. The process of measurement provides the fundamental connection between empirical observation and mathematical expression of quantitative relationships. The adapted description of the dependent and independent variables is summarised in Table 1 together with expected sign to allow for meaningful comparison of the results with those of prior empirical studies.

**Table 1: Variables and Expected signs**

Variables	Symbol	Description	Expectation
Dividend Payout	DPR	Cash Dividend/ Net Profit	
Profitability	PROF	ROE = Net Profit less Preference Dividends/ Shareholder's Equity	+
Firm Size	SZ	Natural Logarithm of Total Assets	+
Liquidity	LIQ	Current Assets/ Current Liabilities	+
Growth Opportunity	GRO	(Current Revenue - Previous Revenue)/Previous Sales	-
Financial Leverage	LEV	Total Debt/ Total Assets	-/+
Firm Risk	PE	Market Price Per Share/Earning Per Share	-/+

Previous Year's Dividends	PYD	Previous Year's Dividend Payout	+
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Adopted from *Maladjian and El Khoury (2014)*

## 4. Results

### 4.1 Descriptive statistics

Table 2 presents descriptive statistics for all variables explaining the dividend payout policy of cement companies listed on the Nigerian Stock Exchange. The table reports the mean, standard deviation, minimum and maximum for the dependent variable (dividend payout ratio) and the independent variables (profitability, size, liquidity, growth, leverage, risk and previous year's dividend) used in the study.

**Table 2: Descriptive Statistics**

Variable	Obs	Mean	Std. Dev.	Min	Max
dpr	40	0.280	0.235	0.000	1.058
prof	40	0.211	0.126	0.037	0.504
sz	40	18.232	1.531	15.990	21.130
liq	40	1.382	0.806	0.305	4.025
gro	40	0.262	0.811	-0.239	4.738
lev	40	0.433	0.128	0.195	0.694
pe	40	287.628	586.082	2.377	1834.862
pyd	40	0.287	0.268	0.000	1.058

Computed by the author using STATA 14.

Table 2 shows, using a sample of 40 observations, the variable of price earnings ratio has higher standard deviation compared to other variables, implying that it is highly volatile. The mean value of the dividend payout ratio and the previous year's dividend payout ratio are similar at 28 percent and 28.7 percent, respectively. This implies that the average dividend payout of the cement companies was 28 percent for the period. However, there is a variation of 0.23 in the dividend payout ratio across all the cement companies with a minimum of 0.00 and maximum of 1.06 dividend payout ratio.

Further, the mean for profitability recorded 21.12 percent, which indicates that cement companies pay about 21 percent of their profits as dividends to shareholders. The Table also shows that profitability ranges from minimum value



of 0.04 to 0.50 maximum value, indicating a disparity in the performance of cement companies listed on the Nigerian Stock Exchange. Whereas, the average size or log of the total assets was 18.23 and ranges from 16.0 minimum to 21.13 maximum with standard deviation of 1.53, which suggests a considerable level of variation in size of the companies during the period.

The mean for liquidity showed an average of 138 percent and a range of minimum value of 0.30 to maximum value of 4.03, which implies though that average liquidity position of the cement companies is good, there is a disparity in the liquidity position of the companies over the 10-year period under study. The average growth rate in sales ranges from minimum value of 0.30 to 4.74 maximum value, indicates high disparity in the growth sales of cement companies listed on the Nigerian Stock Exchange.

The Table also shows that 43.26 percent of total assets is financed by debts as reflected in the mean value of leverage. This suggests that many of the firms are moderately levered with a variation of 0.13, while the mean of business risk recorded as 287.63 with high variability and minimum and maximum values of 2.38 and 1834.86, respectively. This implies that the cement companies had high disparity in the exposure to risks during the review period, whereas there seems to be convergence in terms of the average of previous year's dividend payout and current payout ratio reflecting an average mean of 28 percent as earlier stated.

#### 4.1.2 Correlation Analysis

Table 3 shows the correlation coefficients on the relationship between the dependent variable (dividend payout ratio) and independent variables (profitability, size, liquidity, growth, leverage, risk and previous year's dividend).

**Table 3: Correlation Matrix**

	dpr	Prof	sz	liq	gro	Lev	pe	Pyd
Dpr	1.0000							
prof	0.1203	1.0000						
Sz	-0.1040	0.2545	1.0000					
liq	-0.1368	-0.2109	-0.2296	1.0000				
Gro	-0.2959	0.1421	0.1452	-0.1346	1.0000			
Lev	-0.1651	0.1625	-0.3486	-0.1829	0.3834	1.0000		
Pe	0.1231	0.5568	0.6489	-0.3017	-0.0166	-0.1806	1.0000	
Pyd	0.2531	-0.1636	-0.1370	-0.1612	-0.3053	-0.0816	-0.0451	1.0000

Computed by Author using STATA 14.

The results in Table 3 show that three of the independent variables (profitability, risk and previous year’s dividend) are positively correlated with the dividend payout ratio variable, while the other four independent variables (size, liquidity, growth and leverage) are negatively correlated with the dependent variable. The positive coefficient correlation between profitability and DPR implies that with the increase in profitability, the payout ratio also increases. Similarly, there was a positive correlation between previous year’s dividend payout ratio with current DPR and the higher the ratio, the higher the likelihood of higher current dividend payout ratio. The negative correlation between growth and DPR implies that the increase in growth opportunity (or projects with positive NPV), the dividend payout decreases since the available cash for distribution to shareholders will likely be invested for future growth. While the negative correlations of size and liquidity indicate that as company size or liquidity increases, the dividend payout decreases, which clearly contradicts the a priori expectation of positive correlation with dividend payout ratio.

Table 4 shows the multi-collinearity test which is measured by variance inflation factor (VIF).

**Table4: Variance Inflation Factor (VIF) test**

Variable	VIF	1/VIF
pe	2.65	0.377356
Sz	2.31	0.432421
prof	1.68	0.595809
Lev	1.66	0.600977
Gro	1.47	0.681494
Liq	1.28	0.780775
Pyd	1.22	0.822795
Mean VIF	1.75	

Computed by Author using STATA 14.

In Table 4, a variance inflation factor (VIF) test was carried out to determine whether there is presence of multicollinearity problem prior to analysing the regression model, because multicollinearity can affect the parameters of a regression model (Field, 2017). The results of the VIF test ranges from a minimum of 1.22 to a maximum of 2.65 of 5.00, which is much lower than the threshold of 10. Since the VIF values are less than 10 then it does not call for concern (Myers, 1990).

This also indicates that the variables are “moderately correlated”. Therefore, the predictive ability of the independent variables is not adversely affected by the relationship.

#### 4.2 Regression Results

The regression results explain the relationship between the dependent and the independent variables used in the study. According to Brooks (2014), there are two types of panel estimator approaches that can be employed; fixed effects models (FEM) and random effects models (REM).

**Table 5: GLS Fixed-Effect Regression Results**

Dpr	Coef.	Std. Err.	t-value	P> t
prof	0.6797031	0.5063932	1.34	0.190
Sz	0.0230878	0.1128933	0.20	0.839
liq	-0.0705739	0.0559501	-1.26	0.217
Gro	-0.009031	0.0763114	-0.12	0.907
Lev	-0.1647135	0.4669763	-0.35	0.727
Pe	0.0001164	0.0001441	0.81	0.426
Pyd	0.0793975	0.1633172	0.49	0.631
_cons	-0.1698799	2.236861	-0.08	0.940
<b>R-squared</b>	0.0343			
<b>F-statistic</b>	0.50			
<b>Prob &gt; F</b>	0.6845			

Computed by Author using STATA 14.

In Table 5, the summary of regression results for the econometric model based on the fixed effects model indicates that the overall  $R^2$  is 0.0343. The coefficient of determination ( $R^2$ ) among all independent variables and the dependent variable recorded a very weak relationship of 0.0343, which indicates that only a mere 3.4 percent of variation are explained by the independent variables or accounted for in the dependent variable DPR and 96.6 percent are accounted for by other factors that are not captured by the model. The fixed effect models show insignificant results, as ‘p-value’ more than 0.05 implies their insignificant relationships. The insignificant value of fixed effect model is (Prob > F = 0.0000), which implies that unsatisfactory results have been obtained.

Further, the table presents the regression result of the dependent variable, dividend payout ratio (DPR), and independent variables (profitability, company

size, liquidity, growth, leverage, risk, previous year's dividend payout). The Table shows that there is positive relationship between DPR and profitability, size, risk and previous year's dividend payout ratio, while there is a negative relationship between DPR and liquidity, growth and leverage. The fixed effect regression shows that none of the seven explanatory variables is a significant determinant of dividend payout ratio.

From the regression result in Table 5, Modified Wald test for groupwise heteroskedasticity in fixed effect regression model reveals the variation of the residuals or term errors is not constant, the significant probability (p-value 0.6845) of the fixed effects chi square of 35.72 (random effects chi square 8.95). The test have a p-value less than a significance level, hence this indicates the presence of heteroskedasticity and the absence of homoskedasticity in the model, so no further corrections for the data of the cement companies under consideration are required. Therefore, the relationship of independent and dependent variables may be explored using different econometric models or time periods.

**Table 6: GLS Random-Effect Regression Results**

Dpr	Coef.	Std. Err.	Z	P>  z
prof	3153727	0.3771499	0.84	0.403
Sz	-0.049146	0.0364008	-1.35	0.177
liq	-0.0497671	0.0514437	-0.97	0.333
Gro	-0.0456671	0.0547515	-0.83	0.404
Lev	-0.4339568	0.3697199	-1.17	0.240
Pe	0.0000587	0.0001018	0.58	0.564
Pyd	0.1297357	0.1506363	0.86	0.389
_cons	1.32353			
R-squared	0.2185			
Adjusted R <sup>2</sup>	0.0476			
Wald chi2 (7)	8.95			
Prob > F	0.2921			

Computed by Author using STATA 14.

Table 6 displays the results of random effect regression. The coefficients of the predictors indicate how much effects of the independent variables on the dividend payout ratio of cement companies listed on the Nigerian Stock

Exchange over a ten-year period, 2007 to 2016. The overall  $R^2$  of 0.2185 indicates that the regressors explained 21.9 percent of the variation in the dividend payout ratio of the cement companies. Three (profitability, risk and previous year's dividend) of the seven explanatory variables examined have positive relationship with the DPR, while the other four variables (size, liquidity, growth and leverage) have inverse relationship with the dividend payout ratio or dividend payout policy of the cement companies listed on the Nigerian Stock Exchange. However, no meaningful comparison with other similar studies could be made since the relationships between DPR and all the seven independent variables (profitability, size, liquidity, growth, leverage, risk and previous year's dividend) are not statistically significant and hence there is no definitive result.

### **Conclusion**

The purpose of investment is to maximise the shareholders wealth, which is reflected in market share price and dividend paid to the investors. Dividend decision is a major financial decision of a company. It allocates the company's net earnings to shareholders in form of dividend and retained earnings based on agreed dividend payout ratio. Dividend policy is thus the practice that management follows in making dividend payout decisions. This study examined the determinants of dividend payout ratios of cement companies listed on the Nigerian Stock Exchange. It focused on some internal factors (profitability, size, liquidity, growth, leverage, risk and previous year's dividend), which affect a firm's dividend payout policy. Although this study used the model of many other studies (Amidu & Abor, 2006; Imran, 2011; Maladjian & El Khoury, 2014), it found that the model is not fit for the study. This is because the relationships between the seven independent variables (profitability, size, liquidity, growth, leverage, risk and previous year's dividend) and the dependent variable (dividend payout ratio) for the cement companies on the Nigerian Stock Exchange over a period of ten years (2007 - 2016) are not statistically significant, hence the factors are not determinants of dividend payout policy of these companies.

Future research may examine the non-linear relationships among independent and dependent variables. More so, important control variables, such as industry sector and pattern of ownership should also be used to determine other factors that influence dividend payout ratios.

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**\*Note:** market price per share (MPPS) used in the computation of price to earnings ratio or firm risk represent the stock market quotation as at the last trading day of each financial year (access from: <http://www.capitalassets.com.ng/TechnicalAnalysis.aspx?sel=8>).