DOES EARNINGS MANAGEMENT AFFECT DIVIDEND POLICY? EVIDENCE FROM QUOTED DIVERSIFIED CONGLOMERATE COMPANIES IN NIGERIA

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Abstract

Earnings management is one of the accounting tools employed by managers in order to manipulate the earnings of their companies through the utilization of accounting choices and discretionary accruals. Extant literature posits that different dividend policies tend to have varying effect on earnings management. Prior studies have provided contradictory and conflicting results on the association between earnings management and dividend policy. This study therefore examines whether earnings management affects dividend policy of listed diversified conglomerate companies in Nigeria. The study adopts correlational research design. Secondary data for the study was extracted from the companies' annual reports and accounts. There are six diversified conglomerate companies listed on the Nigerian Stock Exchange as at 31st December 2017. The study took a census approach of all the six listed diversified conglomerate companies over the study period, 2008-2017. Panel regression technique was employed in analyzing the data collected for the purpose of the study. Results revealed that earnings management significantly but negatively affect dividend policy of Nigerian quoted diversified conglomerate companies. In line with the findings, the study recommends that investors whose primary motive is dividend should focus their investment more on quoted diversified conglomerate companies as their earnings is free from earnings manipulation.

Keywords: Earnings Management, Discretionary Accruals, Dividend Policy

Introduction

Stakeholders use financial statements to provide information about the financial activities of an entity for major decision making. One of the fundamental variables of financial statements that stakeholders and regulators use for effective and efficient decision making is the reported earnings numbers. Reported earnings, particularly, the “accounting earnings” indicate firm's direction, reduces information asymmetry and ensures efficient capital allocation. This is achievable only if the managers did not alter the financial statements. The prevalence of corporate scandals that are related to earnings management practices have raised concerns and remain contemporary issues to researchers, regulatory bodies and investing public in the 21stcentury and during the last two decades in particular. Consequent upon the prevalence of these phenomena, a critical examination of dividends, as a means of rewarding investors cannot be overemphasized as dividends are components of reported earnings.

Dividend policy involves the determination of the proportion of earnings to be distributed to investors in form of dividend and the proportion to retain for business growth. It is considered imperative for the companies because it involves a decision on the amount of funds that need to be retained for investment purposes and the amount to be paid out as dividend to investor (Ross, Westerfield, & Jaffe, 2002). Dividend policy also provides information to shareholders with regards to firm performance of a firm (Foong, Zakaria, & Tan, 2007). Dividend policy comprise all the regulations and guidelines used by a company in making dividend decisions (Nissim&Ziv, 2001). These decisions constitute the primary elements of corporate policy.

Earnings management is an unfavorable practice that can affect the reputation and credibility as well as the stock performance of companies. Bello (2011) argues that earnings management in whatever form is misrepresentation of true fact and figures of accounts that erode shareholder's confidence on the reported companies' financials. Moreover, Yero (2012) posits that, management report managed earnings to manipulate information asymmetry and misguide ill-equipped users. Prior literatures have shown that earnings management can affect a company's dividend policy (Ali, Shah, Yuan & Zafar, 2010; Kazemi, Rostami & Ghorbani, 2014). This implies that companies are usually attracted to deliberately alter their earnings, for some reasons such as attracting investors, satisfying shareholders and creditors. This practice distorts the reported earnings which affects their real performance and consequently their ability to pay dividends. A major motivation for companies to engage in earnings management practice is to bolster their earnings and stock price and thus attract investors. However, this practice may lead to an increase in the accrual components of earnings. Consequently, there may be an increase in reported earnings and stock market price without a corresponding increase in dividend payment of the companies.

Most of the previous studies on interaction between earnings management and dividend policy were conducted in the industrialized Western and Asian countries (Savov , 2006 Syed, Hui & Nousheen 2010; Jahanzaib, Akbar & Tahira, 2012;Farhan, Neha & Muhammad 2017, Wen, Lilian, Nataliya & Bohui 2017). In contrast, only few studies have so far been conducted in Nigeria (Augustine, 2014 Idris, Ajide & Aderemi 2014;Idris, Hussaini & Jamila 2015). Similarly, most of the related studies concentrated on quoted non-financial firms in Nigeria. As a result, their findings appeared too generic and not sector specific. More so, most of the studies conducted in this area used ordinary least square and Tobit regression techniques. These techniques fell short of reflecting time variant and other specific characteristics. Therefore, this study employs more robust regression technique (GLS multiple regression technique) to take care of the deficiencies in the OLS and Tobit regression techniques of analysis. Likewise, most of the studies used Jones (1991), Modified Jones (1995) in segregating discretionary and non-discretionary accruals. Most of the prior studies used models of discretionary accruals. These models failed to recognize performance in the non-discretionary portion of accruals, which may influence total accrual, thereby leading to wrong conclusion (Kothari, Leone &Wasley; 2005). Therefore, this study closed the gap by using performance adjusted discretionary accrual model of Kothari et al. (2005).

Nigerian diversified conglomerate companies fall within the important sectors of the economy that engage in different businesses under one corporate group, usually involving a parent company and many subsidiaries. They are often multi-industry and most times, large and multinational. They are made up of different seemingly unrelated businesses, cutting across number of economic subsectors such as consumer goods, oil and gas, banking and so forth. The diversified conglomerate companies despite their importance to the Nigerian economy have not attracted sufficient attention from previous studies sufficiently emphasized on. The listed diversified conglomerate companies are of interest, since it has been argued that they are more likely to manage earning and more precisely through revenue and expenses manipulations and change in accounting estimates as they all impact on the timing and amount of reported earnings.

Therefore, this presents an interesting case for examining whether earnings management can affect dividend policy with empirical evidence from quoted diversified conglomerate companies in Nigeria. To achieve the objective of the study, the null hypothesis below is raised to provide direction to the study:

H_0: Earnings management does not have significant effect on dividend policy of listed diversified conglomerate companies in Nigeria.

The findings from this research have policy implications for shareholders, regulators and researchers. For instance, recently, regulators have made several attempts to improve the quality of financial reporting by strengthening corporate financial structures. On the other hand, investors and shareholder activists have advocated for reduction in fraudulent reporting in order to enhance firm value. Hence, the findings from this study represent an effort towards understanding the factors affecting fraudulent financial reporting in terms of earnings management. The findings of this research are important source of empirical evidence to future researchers and additional contribution to the body of existing literatures on the subject matter of earnings management as they affect dividend policy.

The remaining parts of the paper comprise of four sections. Section 2 reviews prior literatures on earnings management-dividend policy nexus. Section 3 discusses the research method and statistical tools utilized to test the hypothesis of the study. Section 4 reports and discusses the results of the study. Section 5 provides the conclusion and recommendations of the study.

Literature Review

Earnings management is evident where "managers use judgment in financial reporting and in structuring transactions to alter financial reports to either mislead some shareholders about the underlying economic performance of the company or to influence contractual outcomes that depend on reported accounting numbers" (Healy & Wahlen, 1999). It represents a deliberate intervention in the external reporting process in order to obtain private gains (Schipper, 1989). To Gulzar and Wang (2011), Earnings Management differs from fraud as it involves selection of accounting procedures and

estimates that conform to Generally Accepted Accounting Principle (GAAP). It occurs within the bound of accepted accounting procedure. This kind of Earnings Management that is consistent with Generally Accepted Accounting Principle (GAAP) is not regarded as fraudulent financial reporting. Although, there is fear that management may the cross border from the true Earnings Management to fraud. However, once it can be determined that the management manipulated earnings outside the bound of Generally Accepted Accounting Principle (GAAP) with the intention of deceiving the perception of investors; the act is regarded as unethical and fraudulent by many analysts.

Accounting accrual items have attracted much attention as tools for measuring earnings management. The performance matched discretionary accruals model is calculated by incorporating return on assets (ROA) into the Modified Jones model.

Dividend policy indicates the proportion of earnings in which company retains earnings for future investments and the proportion it announces as dividend (Goshen, 1995). Retained earnings are internal financing mechanism used by a company without facing competition from other companies in the capital market. Dividend policy is used to signify how a company can avoid shareholders' scrutiny in the capital markets.

According to section 370 subsection (1) of CAMA, (2004) “a company may in the annual general meeting, declare dividend only on the recommendation of the Directors. The Company may from time to time pay to the members such interim dividends as appear to the directors to be justified by the profits of the company”. According to sub-section (3), “the general meetings shall have power to decrease the amount of dividend recommended by the directors, but shall have no power to increase the amount recommended”. While sub-section (5) stated that, “subject to the provisions of this act, dividend shall be payable only out of the distributable earnings of the company”. The emphasis on earnings in CAMA, (2004) places a burden on company management to reexamine its reported earnings process (Lev, 1989).

Empirical Review

The desirability for earnings management often stems from the need for a firm to maintain a stable dividend payout ratio which is considered to be an indicator of future prospects of a firm (1985; Ambarish, Kose & Joseph 1987). Dividends also address agency problems by mediating between corporate managers and outsiders (Gomes, 1998; Zwiebel, 1996). Dividend is usually a function of a firm's reported earnings. Thus the higher the earnings, the higher would be the expected dividend by the shareholders which will invariably increase on the share value of the firm. On the other hand, lower earnings may signal lower expected dividends which could impact negatively on the market shares of a firm. Prior works in support of this propositions have so far shown mixed results.

Syed, Hui and Nousheen (2010) examined the association between earnings management and dividend policy using a pooled data of 55 Chinese listed companies and 120 Pakistani listed companies during the period 2001 to 2007.The model of the study was tested using Ordinary Least

Square (OLS) method. The regression result showed that earnings management has a strong influence on dividend payout of firms; implying that earnings management has a positive effect on dividend policy. This study is deficient on the basis of the OLS technique it employed and again the outcome of the study may not be applicable to Nigerian environment.

Akbar and Tahira (2012) investigated the influence of earnings management and dividend policy using a sample of 23 companies in Pakistani listed companies between period from 2005 -2009. The study employed multiple regression model in testing the hypothesis. The study found that earnings management has a significant negative influence on dividend payout ratio. The findings of the study may not be the same if conducted in Nigeria, owing to the absolute disparity in environment and the nature of the diversified conglomerate companies in Nigeria.

In another study, Farhan, Neha and Muhammad (2017) investigated the effect of earnings management on dividend policy of Pakistani firms for the period 2006- 2016. The study tested the hypothesis developed using panel regression model based on the assumption that the intercept for each firm will vary and that the firms have constant slope coefficients. The outcome indicates a negative relationship between earnings management and dividend policy. The outcome of the study may not be applicable in Nigeria considering the environment which the companies operate.

Ajide and Aderemi (2014) studied the relationship between earnings management and dividend policy of quoted non-financial firms in Nigeria for the year 2012. The regression result revealed a negative insignificant relationship between earnings management and dividend policy. The value of the result may be reduced as a result of taking just one year into consideration.

Idris, Hussaini and Jamila (2015) examined the impact of earnings management on dividend policy of listed non-financial companies in Nigeria for the period of 2014. The study used cross-sectional data of 86 out of 129 listed non-financial companies. Tobit regression was employed as technique of data analysis. The outcome reveals that earnings management has no significant impact on dividend policy of listed non-financial companies in Nigeria. The result of this study is not robust owing to the fact it covered only one year (2014) and the sample selection technique is not clear. The result may be more robust if more years are included and a better sampling technique is employed.

Control Variables

This study used profitability and firm size as control variables to control for the effect of earnings management on dividend policy.

Profitability:

Profitability is an important control variable in dividend policy studies. Scores of studies have shown over time that the more profitable a firm is, the more it is likely to pay a reasonable proportion of its earnings as dividend. A firm that is making losses will not be able to settle its obligations, and the issue of dividend will not arise except the firm has a large reserve arising from profit made. Mohammed and

Mohammed (2012), found a positive relationship between profitability and dividend policy. Also Turki and Ahmed (2013) documented a positive and significant relationship between profitability and dividend policy. Furthermore, Faruk, Rashel and Akterujjaman (2013), Maniagi, Ondiek, Musiega, Maokomba and Egessa (2013) found a positive and significant relationship between profitability and dividend policy.

Firm Size

The size of firm is crucial to the quantum of dividend to be paid to investors. The expectation is that large firm is assumed to have exhausted all its potentialities within and through diversification which is associated with stability of cash flow, economies of scale and less failure in some areas. In line with the above assertion, larger firms will have enough cash at their disposal from which dividend can be paid.Adelegan (2000), Alkuwari (2009), AL- Shubiri (2011), Kangarlouei, Motavassel, Azizi and Farahani, (2012), Rufus and Soyoye (2014) established a positive relationship between firm size and dividend policy.

Theoretical Framework

Agency Theory

The agency theory is predicated on the assumption that managers will usually pursue self-serving interest to the detriment of shareholders. This tends to create conflict between the managers and shareholders of the firms. Dividend policy is crucial to the conflict because of managers' motive to retain resources and the shareholders' desire to be paid dividend. An agency conflict arises from the divorce between ownership and control. For instance, higher agency cost is incurred by firms where shareholders' rights are severely restricted because of the possibility of exploiting the rights of weak shareholder by managers. The importance of monitoring was reemphasized by Allen, Bernardo and Welch (2000), who noted that firms with regular dividend payment attract more investors with higher monitoring capacity than small shareholders. This viewpoint posits that if dividend is not paid to the shareholder, probably it must have been expropriated by managers rather than being invested in profitable projects. Agency theory explains the possibility for managers to manage earnings; managers may produce a biased financial report without the opportunity of others to see through it. The agency theory of dividends posits dividend payments is a mechanism for resolving agency issues Jensen and Ruback (1983), as cited in Al-Malkawi (2008).

Signaling Theory

The signaling theory posits that “dividend policy can be used as a device to communicate information about a firm's future prospects to investors by reducing information asymmetry and encourage a scenario where the more informed party communicates their private knowledge to the less informed party” (Morris 1987 p.13). The level of disclosure in the financial statements determines the quality of the signal and the reduction in information asymmetry, which in turn affects the financial statements preparation process. However, earnings management can create information asymmetry by sending poor quality signal to the markets. The information irregularity between managers and outside

investors underlies the sentiment for this argument. Outsiders usually lack the private information available to managers with regards to the fortunes of the firm (both current and future).

John and William (1985); Miller and Rock (1985) argued that the signaling role of dividend is precipitated by the prevalence of information asymmetries between insider managers and outsider shareholders. The study revealed how dividend payments communicate private information to outsider shareholders. Regularity in the payment of dividend stands out as the most important element in their theory. Dividend increase announcement communicates good news which is reflected by a favorable share price reaction, and vice-versa.

Agency theory provided the accepted framework upon which this study is based. The relevance of this theory to the current study is predicated on the fact that dividend payment is seen as a mechanism for constraining management from pursing self serving interest and thus reduces the conflict between owners and management (Kazemi et al, 2014)

Methodology

Correlational research design and ex-post facto design were utilized in this study. The population of the study is made up of diversified firms listed on the Nigerian Stock Exchange as at 31st December, 2017. The number of diversified companies listed as at 31st December, 2017 on the Nigerian Stock Exchange (NSE) and shown in Fact book are six, namely:

Table 3.1: List of Quoted Diversified Conglomerate Companies in Nigeria

S/N	Company Name
1	Chellarams PLC
2	John Holt PLC
3	A.G Leventis (Nigeria) PLC
4	SCOA Nigeria PLC
5	Transnational Corporation of Nigeria PLC
6	UAC of Nigeria PLC

Source: Extracted from the Nigeria Stock of Exchange, 2017

The explanation for choosing conglomerate diversified firms is premised on the fact that, it is still an area with paucity of studies. Six firms were used as sample of the study and as such census approach was employed as sampling technique. This is because these firms have available and complete set of financial statements for the periods under study. The study used secondary sources of data since the

models of the study require the use of quantitative data. Panel regression based on fixed effect analysis was used because of the cross sectional and time series characteristics of the data used in the study.

Models Specification

Consistent with Kothari *et al.,* (2005), the performance Adjusted Current Discretionary Accrual (PACDA) is used as follows:

$$\frac{ACCR_{it}}{TA_{it-1}} = \alpha_0 + \alpha_1\left(\frac{1}{TA_{it-1}}\right) + \alpha_2\left(\frac{\Delta REV_{it} - \Delta AR_{it}}{TA_{it-1}}\right) + \alpha_3\left(\frac{PPE_{it}}{TA_{it-1}}\right) + \alpha_4 ROA_{it} + \varepsilon_{it} \quad (1)$$

Where;

$ACCR_{it}$: Accruals for firm i in year t,

TA_{it}: Total assets for firm i end year t-1,

ΔREV_{it}: Revenues in year t less revenues in year t-1 for firm i, ΔARit: Changes in accounts receivable,

PPE_{it}: Gross Property, Plant, and Equipment; Property for firm i at end year t,

ROA_{it}: Return On Assets,

ε_{it}: Error term for firm i in year t.

Discretionary accruals (DAcc) which is measured by the residual of equation (1) is usually the difference between actual total accruals (ACCR) and normal accruals. Thus discretionary accrual is given by the formula:

$$DAcc = \frac{ACCR_{it}}{TA_{it-1}} - \left[\alpha_0 + \alpha_1\left(\frac{1}{TA_{it-1}}\right) + \alpha_2\left(\frac{\Delta REV_{it} - \Delta AR_{it}}{TA_{it-1}}\right) + \alpha_3\left(\frac{PPE_{it}}{TA_{it-1}}\right) + \alpha_4 ROA_{it}\right]$$

The residuals from this industry-year specific regression model are used to determine earnings management.

Following the estimation of the earnings management from model 1, the model of the study from which the hypothesis of the study is tested is as follows;

$DPR= \beta_0+\beta_1EM_{it}+\beta_2PROF_{it}+\beta_3FZ_{it}+\varepsilon_{it}$ ……………………………………………….….iii

Where;

DPR= Dividend Payout Ratio; EM = Earnings Management; Control Variable; PROF=Profitability; FZ= Firm Size

Variables Measurement

Variables	Measurement	
DPR	Dividend Payout	This is the ratio of yearly dividend to net income
EM	Earnings Management	Earnings management measured by discretionary accrual as residual of accrual model of Kothari et al (2005). $TA_{it} = \beta 0 + \beta 1 \Delta REV_{it} / A_{it} 1 + 2PPE_{it} / A_{it} -1 + 3ROA_{it} -1 + \mu_{it}$
PROF	Return on Asset	This is the ratio of earnings before tax to total asset
FZ	Firm Size	Natural log of total assets

Results And Discussion

The result of the descriptive statistics is provided in the table below.

Table 1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
DPR	60	.1002232	.1704768	0	.7877036
EM	60	.0299307	.144092	-.2523	.543322
ROA	60	.045978	.1495068	-.3412175	.8086438
FZ	60	6.329979	1.251812	3.684397	8.266156

Source: Author's Computation, 2018

Table .1 presents the descriptive statistics of the data collected from a sample of 6 listed diversified companies for the 10 year-period leading to the 60 firm-year observations in the analysis. The mean of the dividend payout ratio is .1002232 with a standard deviation of .1704768. Implying that the average dividend payout ratio for the sample firms over the study period is 10 kobo. This showed that dividend payout ratio of Nigerian quoted diversified conglomerate companies deviated from its mean slightly. Some firms made loss in certain financial years and could not pay dividends for those years. This explains the minimum payout ratio of 0.00K and the maximum value of 79 kobo.

Table 1 further shows the extent of earnings management in the sample firms with a mean of 0299307 (0.03%)and standard deviation of 144092 (0.14%).The value of standard deviation signifies that the dispersion of the data from the mean value from both sides is wide, implying that there is a significant variation regarding earnings management of listed diversified conglomerate companies in Nigeria for the period of study. Moreover, table 1 shows a minimum value of -.2523 which is close to zero and a maximum of .543322. This shows that the minimum percentage of earnings management of the sampled firms is -.25% (which is less than 1%).

The control variable, profitability has a mean value of .045978 (0.05%) and standard deviation of .1495068 (0.15%).The standard deviation of the sampled firms for profitability was higher than the mean and this could be explained by the losses suffered by some of the sampled firms. The profitability shows a minimum and maximum of -.3412175 (-.34) and .8086438 (.81%) respectively. The second control variable, firm size has a mean of 6.329979 with standard deviation of 1.251812 and a minimum and maximum range of 3.684397 and 8.266156 respectively. This implies a significant difference across the sample of Nigerian quoted diversified conglomerate companies in Nigeria. This could be attributed to the variation in sizes of quoted diversified conglomerate companies in Nigeria.

Table 2: Correlation Matrix Table

Variable	DPR	EM	ROA	FS
DPR	1.0000			
EM	0.1286	1.0000		
ROA	-0.0767	0.0812	1.0000	
FS	0.3682	0.2885	0.0364	1.0000

Source: Author's Computation, 2018

From Table 2, it can be observed that there is positive relationship between dividend policy and earnings management of quoted diversified conglomerate companies in Nigeria with a coefficient of 0.1286. Additionally, the control variable (ROA) has a negative relationship of -0.0767 with dividend policy. This indicates that there is an inverse relationship between dividend policy and return on asset, while dividend policy is positively correlated with firm size with a correlation coefficient of 0.3682.

Regression Diagnostics

In order to improve the validity of the statistical inference, and to avoid making wrong inferences, some robustness tests were conducted. For the purpose of the study, panel regression was used; as such, various options of panel regression were run. These include OLS regression, GLS regression, random effect GLS regression, fixed effect (within) regression and Hausman specification test. However, the most robust of all is fixed effect regression.

Table 3: Multicollinearity Test

Variable	VIF	1/VIF
EM	1.10	0.911784
ROA	1.09	0.916620
FS	1.01	0.993218
Mean VIF	1.06	

Source: Author's Computation, 2018

Based on the evidence presented in Table 3, it can be concluded that there is no Multicollinearity problem. This is because the VIF values for all the variables are less than 10 and the tolerance values for all the variables are greater than 0.10. The mean VIF is 1.06.

Table 4: Heteroskedasticity Test

Ho: Constant variance	0.69
Prob> chi^2	0.4050

Source: Author's Computation, 2018

Heteroscedasticity arises when the error terms along the regression are not equal. Heteroscedatiscity was tested using Breusch Pagan's test. Based on the results, it can be concluded that there is no problem of heteroscedasticity as the chi square is 0.69 which is insignificant (0.4050), compared to 5% accepted the threshold implying that there is absence of heteroscedasticity.

Table 5: Hausman Test

chi2(3) = (b-B)'[(V_b-V_B)^(-1)](b-B)=	23.59
Prob>chi2 =	0.0003

Source: Author's Computation, 2018

Hausman specification test produced chi-square value of 23.59, which is significant (0.0003) compared to 5% accepted the threshold implying that there is absence of heteroscedasticity. This implies that each entity has its own individual characteristics which do not allow entity's error term and constant to be correlated with other firm's characteristics On this basis, result for fixed effect test was used for analysis.

Table 6: Summary of Regression Result

	Coefficient	Z-value	P-value
EM	-.0533773	-2.42	0.019
ROA	.0819497	3.89	0.000
FS	.0496327	1.45	0.147
R-sq	0.1444		
Wald chi2	24.88		
Prob> chi2	0.000		

Source: Author's Computation, 2018

In table 6, it can be observed that the R2 is 0.1444. This implies that 14.44% of variation in dividend payout of quoted diversified conglomerate companies in Nigeria is explained jointly by the independent and control variables captured in the model. The result suggests that earnings management, profitability and firm size have combined predictive power of 14% in impacting on dividend policy of quoted diversified conglomerate companies in Nigeria. The wald-chi2 is 24.88 which is significant at 5%. This is indicative of the fitness of the model. Moreover, the results indicate that earnings management has significant effect on dividend policy of quoted diversified conglomerate companies in Nigeria

Table 6 also indicates that earnings management has a significant negative effect on the Dividend policy of quoted diversified conglomerate companies in Nigeria, from the coefficient of -0.53 with t-value of -2.42, which is statistically significant at 5%level (p-value of 0.019). This means that earnings management has a negative relationship with dividend policy of quoted diversified conglomerate companies in Nigeria. That is, one percent increase in earnings management will change dividend payout by .05%. Based on these results, it can be observed that quoted diversified conglomerate companies do not engage in earnings management in order to declare the dividends. On the basis of this result the study rejects the null hypothesis which stated that earnings management has no significant effect on dividend policy of quoted diversified conglomerate companies in Nigeria. This finding is consistent with the findings of the following studies; Akbar and Tahira (2012), Farhan, Neha and Muhammad (2017), Ajide and Aderemi (2014), Idris, Hussaini and Jamila (2015).

The results reveal that the first control variable, profitability of Nigerian quoted diversified conglomerate companies has a positive coefficient value of .0819497 which is significant at 1% level. The result indicates that the profitability of the firm is positively and significantly influencing dividend payout of diversified conglomerate companies in Nigeria. This shows that profitability and dividend

payout of the firms move in the same direction; that is the higher the profit earned by the firm, the higher the dividend declared by the firms. This positive impact of profitability on dividend payout of the firm implies that for every 1% increase in profitability, the dividend payout will be increased by 8 kobo.The finding is in tandem with those reported by; Mohammed and Mohammed (2012), Turki and Ahmed (2013), Faruk, Rashel and Akterujjaman(2013), Maniagi, Ondiek, Musiega, Maokomba and Egessa (2013).

The results show that the second control variable, firm size is positively and insignificantly influencing the dividend payout of Nigeria quoted diversified conglomerate companies in Nigeria. This implies that there is no statistical evidence to support the proposition that firm size influences the dividend payout ratio of quoted diversified conglomerate companies. This result is consistent with the findings of the following studies; Adelegan (2000), Alkuwari (2009), AL- Shubiri (2011), Kangarlouei, Motavassel, Azizi and Farahani, (2012), Rufus and Soyoye (2014).

Conclusion And Recommendations

This study has provided an empirical evidence of a negative relationship between earnings management and dividend policy of quoted diversified conglomerate companies in Nigeria. The study further provided evidence of a positive association between profitability and dividend policy of the sampled firms. There was however no evidence of a relationship between firm size and dividend policy of quoted diversified conglomerate companies in Nigeria. On the basis of these findings, this study concludes that earnings management has significant negative effect on dividend policy of quoted diversified conglomerate companies in Nigeria. The study also concludes that profitability has a significant positive impact on the dividend policy of quoted diversified conglomerate companies in Nigeria. In line with the findings, the study recommends that investors whose primary motive is dividend should focus their investment more on quoted diversified conglomerate companies as their earnings is free from earnings manipulation.

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