



Agency Conflict and Corporate Dividend Policy Decisions in Nigeria

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SUMMARY

This study was conducted in Nigeria on the title, Agency conflict, and Corporate Dividend Policy decision, by Nwidobie Barine Michael. The study aimed to investigate how corporate can decide the dividend decision during the existence of agency problems in the case of Nigeria. It was used the multiple regression equation models to identify dividend policy determinants of quoted firms in Nigeria showed that solutions to agency problems past dis satisfactory behaviors of shareholders (complaints of shareholders) are not a determinant of current and future dividend decisions while there exists an inverse relationship between the needs and desires of shareholders and the Naira (Nigerian money) dividend paid by the firms. To resolve the agency problems in quoted firms in Nigeria good corporate governance structure should be enhanced for a better decision structure for dividends; shareholders should be increasingly represented on the board of quoted firms in Nigeria improving on the chance of consideration of their interests incorporating dividend decisions.

The rationale for the article (statement of the problem)

- ❖ **From** the empirical literature review, the researcher identified that there is an Agency conflict during the Corporate Dividend Policy decision has seen in Nigeria to agency problems the dis-satisfactory behaviors of shareholders and complaints of shareholders are identified and seen by the researcher.
- ❖ **Therefore**, the rationale behind this article is to fill this gap in the literature and to investigate the effect of Agency conflict during Corporate Dividend decision Policy in the case of Nigeria.

Research Design and Sampling Technique

The research design adopted for the study was a descriptive survey design descriptive, inferential, and a quantitative analytical technique was used in the study.

Data collection and analysis method

For this article, the researcher was used the Questioner as the method of data collection and employed the ordinary least squares multiple regression econometric model with estimations from the Statistical Package for Social Sciences (SPSS). Statistical tools such as frequency distribution tables were employed.

The Econometrics Model employed and used by the Researcher

The researcher used the ordinary least square method (OLS) The principal-agent model by Jensen and Meckling (1976) distinguishes between two types of agency costs: the agency cost of equity arising from conflicts of interests between insiders and outside equity holders; and the agency costs of debt arising between equity holders and debt holders was used by the researcher $Y = X_1 + X_2 + X_3 + X_4 + X_5 + X_6 + X_7$

This model has been extensively used in the finance literature to understand corporate decisions, including dividend payout ratio (Jensen, 1986; Kim and Sorenson, 1986; Mello and Parsons, 1992; Leland, 1998; Ang et al., 2000). but I cannot find the reason why and the relevance of this model for the researcher problem at hand.

Findings

After analyzing data, the researchers find that the Determinants of firm dividend policy (measured by the Naira dividend) from regression results are profitability of the firm, cost of paying the dividend, stability of earnings, prospects of raising capital from the capital market, shareholder characteristics, availability of investment opportunities, growth prospects of the firm, the market value of the firm, shareholders' needs and requests, firm policy, competitors declaration rates, and industry declaration rate.

CONCLUSIONS AND RECOMMENDATION

To resolve agency problems existing in quoted firms in Nigeria:

- I. Good corporate governance structures should be enthroned in quoted firms creating better decision structure for dividends, forcing managers/management-shareholders to
- II. Consider shareholder's interest in dividend policy decisions;
- III. There should be an increased representation of shareholders on the board of quoted firms in Nigeria to improve the probability of consideration of shareholders' interest incorporate
- IV. Dividend decisions;
- V. The needs of shareholders should be considered in dividend policy design to give them a sense of belonging, increase satisfaction and reduce agency conflict;
- VI. Corporate boards of quoted firms in Nigeria should realize that withdrawal of shareholding by shareholders will affect firm value, and thus should increasingly incorporate shareholder interest in their corporate dividend decisions; and
- VII. Shareholders of quoted firms in Nigeria should protest to the board of directors at the firm annual general meetings the lopsidedness of dividend-factor determinants favoring the firm and the near nil consideration of their interest in corporate dividend decisions.

The strength of the article

When conducting this study, the researcher has some strength. These are:

- a. The article raised very relevant and hot issues in the world today about the impact of agency problems on corporate dividend decision policy.
- b. The researcher had reviewed several related and empirical literature; this enables the researcher to identify different problems and gaps that motivate him to conduct this study successfully.
- c. The article addresses many general findings and recommendations that can be used to solve the immediate problem of dividend decisions during agency problems.
- d. The theoretical interpretation for the solution of the problem in the article is very interesting and something that everyone could think of and use as a remedy for the impact of the agency problem on the corporation dividend decision policy.

Weakness of the Article

In general, the article has many weaknesses I have covered as Master's Student these are as follows

- The case study and reason for the selection of only three firms in Nigeria Lagos city as the sample is not clear.
- The researcher's general and specific objective is not clear and easily seen from the article.
- The methodology of data collection, organizing, analyzing, and interpreting is not clear and easily understandable.
- Although the statement of the problem is very interesting and clear in the article there is no sufficient background justification for the study.
- The finding of the article is not clear whether it is connected with the objective statement or not is clear from the article.
- The target population and sample size and sampling method are not clear from the article.

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