



## **Moderating Role of Financial Constraints on the Relationship between Dividend Policy and Firm Performance of Oil and Gas Companies in Nigeria (2019-2023)**

**Abdulrazaq Suleiman Ibrahim<sup>1</sup>**

*Department of Business Administration, University of Maiduguri, Borno State, Nigeria*  
[abdulrazaq261@gmail.com](mailto:abdulrazaq261@gmail.com)

**Murtala Aminu Ibrahim PhD<sup>2</sup>**

*Department of Business Administration and Entrepreneurship, Bayero University, Kano, Nigeria*  
[maibrahim.bus@buk.edu.ng](mailto:maibrahim.bus@buk.edu.ng)

### **Abstract**

*Good company performance benefits workers, communities, customers, and funds suppliers. Control and coordination between ownership and management are essential for company performance. In Nigeria, most companies employ low payout strategies to maintain shareholder interest. Dividend payouts can lead a company's financial performance, with high payouts leading to slower growth and lower market prices, likewise, financial constraints lead to firm performance. This research aims to propose a framework for the moderating effect of financial constraints on the relationship between dividend policy and firm financial performance. The study employs an exploratory research method using a desktop review to develop persuasive arguments for the topic under investigation. As a result, the study proposed a conceptual framework for the relationships between the variables under study, which will help in carrying out further studies and in making decisions about dividend policy and firm performance that possible financial constraints may hamper.*

**Keywords:** Financial Constraints, Dividends Policy, Firm Performance, Consumer Goods Companies, Nigeria

### **1.0 Introduction**

It is said that good company performance increases firm performance. A company's ability to perform well will also benefit its workers, communities, customers, and funds suppliers, or creditors. The performance of the business demonstrates its capacity to generate debt, capital, and assets as a return on company ownership. The productivity of the company is its work performance. Good control and coordination between the ownership and management functions are essential for achieving company performance (Christian & Dewi, 2022). However, Major corporations like Unilever and GSK have left Nigeria due to the challenging business environment, citing macroeconomic factors impacting dollar-denominated companies. (Iwayemi, 2023).

---

#### Citation:

Ibrahim, A.S., Ibrahim, M.A. (2024) Moderating Role of Financial Constraints on the Relationship between Dividend Policy and Firm Performance of Oil and Gas Companies in Nigeria (2019-2023). FUOYE Journal of Public Administration and Management Vol. 2 (1), pg. 1-12. WWW.FJPAM.COM



This year, there are seven flights from Nigeria by major multinationals; five of them are scheduled to depart between August and December 2023, resulting in the loss of 6,000 jobs. Since 2020, major companies in the oil and gas sector, including Equinor, Shell, Exxon Mobil, and Eni, have been taking £870 million out of Nigeria. This carries on their divesting trend. Over the past ten years, 26 oil mining licences have been sold; ExxonMobil received £11.9 billion for its license, Eni £4 billion, and Shell £1.8 billion. (Punch Editorial Board, 2023). Although most consumer goods companies in Nigeria employ low payout strategies, others still struggle to pay dividends to their shareholders to keep their interest in the business intact. Most of the latter still struggle to record profits at a steady, growing rate (Udoka et al., 2022).

Nonetheless, the effects of dividend payments on businesses are complicated. More current dividends and less retained earnings are the results of a high dividend payout policy, which might result in a decline in market price per share and slower growth. Retained earnings, capital gains, and current dividends are all higher in low payout policies. High-payout companies will probably appeal to some investors more than low-payout companies. It is important to keep in mind that companies must make cash outflows in order to pay dividends, and the amount of cash needed varies depending on the investments and financial decisions the companies make. (Adeiza, et al. 2020). Any management that receives money from its shareholders wants to see them happy. In contrast, a corporate firm's ability to pay dividends to its shareholders depends on its level of profitability. It's interesting to note that most publicly traded consumer goods companies in Nigeria that offer cash dividends have low dividend payout strategies; some use shares to distribute dividends, while others don't offer any at all. All of these tactics are intended to increase the firm's performance while preserving and preserving cash for operations and growth (Udoka et al., 2022).

The financial performance assessment of companies or firms has been reported to have changed because of dividend. In the contemporary business environment, dividend payout is a critical issue, particularly when evaluating a firm's performance. The primary reason why people invest in businesses is because they anticipate receiving a return from them. A dividend is a sum of money that a business pays to its owners, typically as a distribution of profits. When a company is profitable or has excess cash, it may reinvest the profit back into the business or pay a portion of the profit as a dividend to its shareholders (retained earnings). If the company has a dividend reinvestment plan, shareholders may receive the money in cash (usually deposited into a bank account), in the form of new shares being issued, or in the form of share repurchasing (Adeiza et al., 2020).

However, academic research on the relationship between the two has produced conflicting results. One important topic in the field of financing is the relationship between financing constraints and firm performance. Many businesses ignore other financing-related issues in favour of pursuing their economic interests in an attempt to stay competitive in the face of fiercer market competition. Enterprises, being profit-driven economic entities, undoubtedly prioritise short-term financial gains over long-term objectives. Businesses can enhance their corporate performance and advance the sustainable development of their businesses by engaging in financing activities; however, there is a reciprocal influence and promotion between financial constraints and corporate performance.

Citation:

Ibrahim, A.S., Ibrahim, M.A. (2024) Moderating Role of Financial Constraints on the Relationship between Dividend Policy and Firm Performance of Oil and Gas Companies in Nigeria (2019-2023). *FUOYE Journal of Public Administration and Management* Vol. 2 (1), pg. 1-12. [WWW.FJPAM.COM](http://WWW.FJPAM.COM)



Though, the correlation between dividend policy and company performance has garnered substantial global attention, with numerous studies examining this relationship in diverse settings. Several theories, including agency, relevance, pecking order, bird-in-the-hand, residual, and signaling theories, shed light on how decisions about dividend policies impact firm value and performance in both developed and developing countries (Adeiza, et al. 2020; Christian & Dewi, 2022; Nguyen et al., 2021; Perera, 2020; Udoka, et al. 2022; Ugwu, et al. 2020). On the other hand, majority of the studies on the relationship between dividend policy and company performance in developed nations was found to be mostly inconsistent (Christian & Dewi, 2022; Jatoi, et al. 2023; Nguyen et al., 2021; Perera, 2020; Shah, 2023) likewise the developing economies (Adeiza et al., 2020; Bossman et al., 2022; Udoka et al., 2022; Ugwu et al., 2020; Ukpong & Ukpe, 2023), and the data periods of the studies in both context ended in 2020. Equally, the literature has established that dividend policy leads to firm performance (Jatoi, et al. 2023; Perera, 2020) likewise is evident that financial constraint leads to firm performance (Adebawale, 2014; Ahamed, et al. 2023).

Little is known, nevertheless, about how this relationship is affected by the particular business environment in Nigeria, with its features and difficulties. Considering how intricate and quickly evolving the Nigerian market is. Furthermore, just as the proxies of dividend policy may influence the performance of the company, financial constraints may also influence performance. Therefore, based on the aforementioned, this study proposes that the moderating effect of financial constraint needs to be investigated on the association between dividend policy and firm performance in Nigeria.

## **2.0 Literature Review**

### **2.1 Firm Performance**

Diverse viewpoints can be used to assess the performance of different businesses, and there are numerous measurements available to measure a company's success. There are numerous definitions of performance provided by various academics (Adeiza et al., 2020). Rahel and Serkalem (2010) viewed performance as a company's profitability, which serves as a buffer against future slow periods and is the primary financial goal of any enterprise. They suggested that a business's profitability contributes to ensuring its solvency and enables its owners to make long-term investments. Businesses may fail if they experience losses and become insolvent, and profit is typically only realised when a business runs smoothly and profitably.

The concept of "firm performance" is complex, and for academic researchers and working managers, measuring business performance is essential in the current economic environment. Despite being widely used in academic literature, there is little agreement on how to define and quantify the term (Alsurrayi & Alsughayer, 2021). According to scholars, one of the methods for measuring a company's effectiveness in real time with respect to its total assets or investor equity is its performance (Phan & Duong, 2021). Performance of a company is essentially assessed based on how well its operations and functions run. The more efficiently a company completes its responsibilities and runs its operations, the better its organisational performance is. (Ahmed & Duellman, 2007).

#### Citation:

Ibrahim, A.S., Ibrahim, M.A. (2024) Moderating Role of Financial Constraints on the Relationship between Dividend Policy and Firm Performance of Oil and Gas Companies in Nigeria (2019-2023). *FUOYE Journal of Public Administration and Management* Vol. 2 (1), pg. 1-12. [WWW.FJPAM.COM](http://WWW.FJPAM.COM)



## **2.2 Dividend Policy**

Dividend policy is said to be a declaration that a shareholder will receive dividends (DP). A dividend is a payment made to owners from profits. The dividend is given to a shareholder as compensation for their risk. The amount of return on investment that shareholders will receive is decided by management. Factors other than DP primarily impact the firm's performance. Among the four most imperative factors in finance is the dividend distribution choice (Jatoi, et al. 2023). The firm's dividend payment policy determines how much of its earnings are retained. Therefore, a high dividend payout limits investment and profitability by reducing the firm's inclination to acquire more assets. Retained earnings, alternatively, represent the percentage of an entity's income that is held back for investment rather than being distributed to equity holders. (Udoka, et al. 2022).

## **2.3 Financial Constraints**

Several theories have been proposed to explain financial constraints, including those that link them to moral hazard, contract costs, transaction costs, excess debt, and information asymmetry (Hoberg & Maksimovic, 2015). Nonetheless, considering environments characterised by political and economic unpredictability, the imperfect functioning of the capital market, and the highly concentrated ownership of organisations' financial structures, credit availability plays a significant role in the selection of financing sources. (Carvalho & Kalatzis, 2018). Consequently, uncertainty is seen to influence decisions made within the organisation, insofar as to whether this uncertainty stems from the potential existence of financial constraints or not.

According to Portal et al. (2012), an organisation is considered to be financially constrained if it chooses investments that lead to underinvestment and a decrease in the organization's value because they lack both internal and external financing sources. Almeida et al. (2004) draw attention to the cash liquidity characteristics of cash retention patterns, noting that these patterns fluctuate throughout the organisational business cycle, with companies increasing their cash retention during times of financial constraint.

## **2.4 Relationship Between Dividend Policy and Firm Performance**

Jatoi et al. (2023) use regression analysis and descriptive correlation to see if dividend policies affect the performance of Pakistani publicly traded non-financial companies. The study proxied dividend policy with financial leverage, earnings per share, dividend payout ratio, and ROA and ROE as measures for firm performance. The results show a strong positive correlation between ROE and dividend policy. Moreover, a robust positive correlation, accounting for all variables, was found between ROA and Dividend Policy. Thus, this study provides evidence that dividend policy has a major impact on companies' performance.

Equally, Shah (2023) looks at the association between the dividend policy and the performance of 433 Indian firms, and how the pandemic-related crisis period has moderated it. The study uses ROA, EPS, and dividend pay-out as measures for company performance, dividend policy, and dividend policy, respectively. The study demonstrated how the association between dividend policy and a company's performance is

### Citation:

Ibrahim, A.S., Ibrahim, M.A. (2024) Moderating Role of Financial Constraints on the Relationship between Dividend Policy and Firm Performance of Oil and Gas Companies in Nigeria (2019-2023). *FUOYE Journal of Public Administration and Management* Vol. 2 (1), pg. 1-12. [WWW.FJPAM.COM](http://WWW.FJPAM.COM)



moderated by crises. Moreover, the company's performance is positively and significantly impacted by liquidity and leverage, while the firm size and dividend payout have no noticeable impact.

Furthermore, Nguyen et al. (2021) examine the effect of dividend policies on the performance of 450 Vietnamese firms using relevance, pecking order, and signalling theory. The company performance and dividend payment were measured using the dividend rate, dividend decision, ROA, ROE, and Tobin's Q, respectively; control variables included company size, leverage ratio, and growth rate. The results show that, although the decision to pay dividends raises market expectations for businesses, it negatively affects Vietnamese firms. The study also discovers that low dividend rates are accessible by Vietnamese companies, which has a favourable effect on performance yet it negatively affects market expectations.

Furthermore, Perera (2020) evaluates the relationship between 305 Sri Lankan listed companies' dividend policies and their future performance using the bird-in-the-hand, residual, irrelevance, Pecking Order theory, and signalling. The debt-to-equity ratio, company growth, ROA, EBITDA, company growth and DPR are the indicators of the company's financial performance and dividend policy that were used in the study. The results show a strong relationship between revenue growth, total equity debt, net debt to EBITDA, and DPR. The behaviour of the independent and dependent variables for forecasting past and future years has been demonstrated through trend analysis.

Ukpong and Ukpe (2023) use the bird in hand theory and an ex post facto research design, to investigate the effect of dividend policy on the performance of 12 firms in Nigeria between 2015 and 2019. The study uses EPS, timing of dividend payment (TDP), and form of dividend payment (FDP) as measures for dividend policy and company performance respectively. The results indicate that ROA has a negative correlation with timing of dividend payment (TDP) and earnings per share (EPS), but a positive correlation with the type of dividend payment.

Similarly, Bossman et al. (2022) using system generalised methods of moments (SGMM), examine the relationship between 29 Ghanaian listed companies' dividend policy and financial performance. The study measures dividend policy using dividend capacity, which was proxied with free cash flow, dividend payout, and free cash flow savings. It employs ROA, ROE, stock price, and Tobin's Q to measure firm performance and uses capital structure, firm size, firm age, governance, and financial sector clean-up as control variables. The outcome shows that dividend capacity has a major impact on both return on equity and return on assets. It was discovered that free cash flow savings had an indirect relationship with Tobin's Q and stock price, but a direct and significant impact on return on equity and return on assets. The results showed that financial sector clean-ups are negatively affected by the performance of non-financial enterprises.

Udoka et al. (2022) using an ex-post facto study design, dividend relevancy, and the bird-at-hand theory, assess the significance of dividend policy and suggest measures that could enhance its efficacy on the performance of 26 consumer goods companies in Nigeria. The corporate governance index served as a moderating variable. Companies' DPR, DPS, and dividend yield were used as proxies for dividend policy and ROE for firm performance. The results of the analysis showed that the dividend payout ratio was

Citation:

Ibrahim, A.S., Ibrahim, M.A. (2024) Moderating Role of Financial Constraints on the Relationship between Dividend Policy and Firm Performance of Oil and Gas Companies in Nigeria (2019-2023). *FUOYE Journal of Public Administration and Management* Vol. 2 (1), pg. 1-12. [WWW.FJPAM.COM](http://WWW.FJPAM.COM)



statistically insignificant over the long and short terms when the moderating variable, the corporate governance index, was absent.

Likewise, Ugwu et al. (2020) employ data from ten carefully selected listed consumer goods companies in Nigeria between 2015 and 2019 to evaluate the effect of dividend policy on corporate financial performance using ex-post facto research, correlation, agency, signalling, and bird-in-hand theory. The DPR, EPS, and DPS were used as proxies for dividend policy and ROE for financial performance. The results show that the DPR, EPS, and DPS are positively correlated with ROE. Furthermore, it demonstrated that while the DPS and EPS were statistically insignificant in relation to ROE during the study period, while DPR and EPS were statistically significant with ROE.

Furthermore, Adeiza, et al. (2020) using ratio analysis and residual theory, investigate the effects of the DPR on the NPM, ROE, and ROA of two quoted oil and gas companies. ROE, ROA, and NPM were used as proxies for firm performance. Although the results indicated a significant effect for Total Plc in 2015 and 2016, as well as a significant effect for Mobil Plc in 2015 but an insignificant effect in 2016, the study concluded that the DPR had an insignificant and negative impact on the firm performance of both companies in 2017 and 2018.

Ali et al. (2021) examine the impact of dividend payout on a company's performance in light of the manufacturing sector's limited growth prospects in Pakistan using dividend irrelevancy and tax preference theory. A sample of 251 manufacturing companies was chosen over a ten-year period from 2006 to 2015, from among the 378 companies listed on the Pakistan Stock Exchange (PSX). The secondary data was gathered from the State Bank of Pakistan's statistics department and the company's online financials and financial statement analysis. Panel data (fixed effect) analyses were used to ensure the stability of the research. The analysis's conclusions showed that, in the low growth scenarios the study looked at, the dividend payout ratio had no effect on the company's performance.

In the same vein, Islam and Dhar (2021) analyse the connection between dividend determinants and payout. The study design and methodology which is time-series data, comprise a listed pharmaceutical company from 2004 to 2020, were gotten from the financial statements of the sampled companies. ROE, EPS, and ROA were the independent variables, and DPO was the dependent variable. The data analysis methods were multiple regressions, correlation, and descriptive statistics. Taking into consideration, each variable's computed P-value showed the degree of significance for which the variable is regarded as a model. The study's main conclusion was that, unlike EPS, not all factors influencing dividend payout are equally significant. The relationship between the independent and dependent variables is different, which brings about the second point. Thirdly, the degree of connection between the dependent variable's value and the independent variable's value was not equal.

Kemboi et al. (2023) analyse the relationship between the dividend yield and the financial performance of Nairobi-listed companies on the Securities Exchange using the bird in hand theory. The study uses the net profit ratio as a proxy for financial performance. Sixty-two (62) companies that are listed on the Nairobi Securities Exchange (NSE) were selected as samples for an explanatory research design. Using a data

Citation:

Ibrahim, A.S., Ibrahim, M.A. (2024) Moderating Role of Financial Constraints on the Relationship between Dividend Policy and Firm Performance of Oil and Gas Companies in Nigeria (2019-2023). *FUOYE Journal of Public Administration and Management* Vol. 2 (1), pg. 1-12. [WWW.FJPAM.COM](http://WWW.FJPAM.COM)



collection sheet, secondary data from the published financial statements for the years 2018 to 2020 was gathered. Regression analysis and descriptive statistics were then used to analyse the data. The findings showed a substantial positive correlation between dividend yield and NSE listed companies' performance.

From the foregoing, previous studies use the agency, dividend irrelevance, tax Preference, pecking order, bird-in-the-hand, residual, and signaling theory, to test the impact of dividend policy decisions on performance and reveal inconsistent results (Adeiza et al., 2020; Ali et al. 2021; Kemboi et al. 2023; Nguyen et al., 2021; Perera, 2020; Udoka et al., 2022; Ugwu et al., 2020). Aniobi, Adedokun, Akinsanmi and Nweze (2021) revealed that huge successes were recorded from the massive utilization of solid minerals before the discovery of oil in commercial quantity in Nigeria. In measuring both dividend policy and financial performance, Jatoi et al. (2023) use DPR, EPS, financial leverage, ROA and ROE, Shah (2023) employ dividend pay-out, ROA, and EPS, Nguyen et al. (2021) use dividend rate, dividend decision, ROA, ROE, and Tobin's Q, Perera (2020) employ DPR, ROA, debt-to-equity ratio, company growth, and EBITDA, Ukpong and Ukpe (2023) use the timing of dividend payments (TDP), and forms of dividend payment (FDP), EPS and ROA, Kemboi et al. (2023) employ net profit ratio (NPR) and dividend yield (DY), Bossman et al. (2022) employ free cash flow, dividend capacity, payout, savings, ROA, ROE, stock price, and Tobin's Q, Udoka et al. (2022) employ dividend payout ratio (DPR), dividends per share (DPS), and dividend yield and ROE, Ali et al. (2021) use DPO and ROA, Ugwu et al. (2020) use DPR, DPS ROE and EPS, while Adeiza et al. (2020) employ DPR, NPM, ROA, and ROE. Conversely, Islam and Dhar (2021) look at the relationship between financial performance and dividend payout as independent and dependent variables respectively using time series data, while they use ROA, ROE, and EPS to proxy financial performance. Most of the studies use secondary data and the duration of the data used ended 2020. The choice for the proxies by the previous studies was obviously because of the research design and objectives of the studies. However, this study proposed the use of pecking order theory to test the relationship between financial constraints, DPR, DY, DCR and ROE.

## **2.5 Financial Constraints as a Moderator**

Ahamed et al. (2023) examine a meta-analysis of data from 26 New Zealand firms between 2001 and 2018 to see how firm performance is impacted by financial constraints. The study employs corporate governance as a control variable, size and external financing as measures for financial constraints, and ROA and ROE as measures of firm performance. The findings demonstrate a generally positive correlation between firm performance and financial constraints. Furthermore, the meta-regression results demonstrate a significant negative impact on the relationship between financial constraints and firm performance when compared to the mean impact on effect size by external finance and size as measures of financial constraints and by ROA and ROE as measures of financial performance. Comparably, journal quality as the strength of results, corporate governance and size control as control variables, and all of North America and Asia as regional differences, also have a significant negative impact. When compared to the mean impact, the Whited & Wu index—which measures financial constraints—and market value—which measures financial performance—have a significantly positive impact. On the other hand, publication status as a measure of the quality of results, cross-national and regional variations in Europe, and all have a major positive effect.

### Citation:

Ibrahim, A.S., Ibrahim, M.A. (2024) Moderating Role of Financial Constraints on the Relationship between Dividend Policy and Firm Performance of Oil and Gas Companies in Nigeria (2019-2023). *FUOYE Journal of Public Administration and Management* Vol. 2 (1), pg. 1-12. [WWW.FJPAM.COM](http://WWW.FJPAM.COM)



Ames et al. (2022) by applying both the Pecking order and trade-off theories, confirm the impact of cash liquidity and financial constraints on the market performance of 130 Brazilian companies between 2014 and 2018. The study uses the LIQ and KZ index as proxies for cash liquidity and financial constraints. It measures the market's market-to-book (MTB) performance, and its control variables are company size (SIZ), leverage (LEV), and profitability (PROF). Given that the study's performance improved, financial constraints and an organization's cash liquidity are important performance-related phenomena. The findings indicate that because credit is hard to come by, companies decide to underinvest in the environment. Organisations must, therefore, clearly demonstrate liquidity to attract investment opportunities. The organisations are, in part, a good investment option despite their financial constraints because they would rather have extra cash than resources for new investments.

Adebowale (2014) provide empirical evidence on the association between 215 Malaysian listed companies' corporate performance and working capital management in Bursa Malaysia between 2008 and 2012. The study also looks at how this relationship is affected by financial limitations. The study employed the Net trade cycle, current ratio, and dividend as proxies in addition to Tobin's Q for corporate performance. Firm size, leverage, growth potential, and ROA were among the control variables. The findings indicate a significant and positive relationship between corporate performance and the net trade cycle. Additionally, a strong positive correlation between working capital management, corporate performance, and the financial constraints that businesses face is demonstrated by this study. These results suggest that corporate performance is impacted by efficient and effective working capital management and that businesses with fewer financial constraints typically perform better than those with more financial constraints.

However, Akbar et al. (2021) use financial constraints to moderate between environmental investment and financial performance of Chinese of 307 listed firms during 2009–2016. Khan et al. (2020) also use financial constraints to moderate between excess cash holding and performance of 56 firms in Pakistan gathered data over 10 years from 2009-2018. This shows that financial constraints will be a good moderator between dividend policy and financial performance

## **2.6 Theoretical Framework**

### **2.6.1 Pecking Order Theory**

The pecking order theory suggests that businesses often opt for internal financing, such as retained earnings, over external financing like debt or equity due to information asymmetry and adverse selection issues (Myers, 1984). It suggests that Firms prioritize financing sources based on internal financial constraints, using retained earnings, debt financing, and equity financing to meet their financing needs. As a result, companies that are struggling financially might have a more conservative dividend policy, preferring to keep earnings for internal financing and business investments. Several purposes, like poor financial performance or restricted access to credit markets, can lead to financial constraints. To preserve their financial stability and capacity to make investments in the company, companies may need to modify their dividend policy when faced with financial difficulties. Studies have found that, having limited funds can influence decisions about dividend policies, which in turn affects how well a company performs (Chang, 2018; Emiola, 2018). Chang (2018) discovered, for instance, that companies with tight budgets were more

Citation:

Ibrahim, A.S., Ibrahim, M.A. (2024) Moderating Role of Financial Constraints on the Relationship between Dividend Policy and Firm Performance of Oil and Gas Companies in Nigeria (2019-2023). *FUOYE Journal of Public Administration and Management* Vol. 2 (1), pg. 1-12. [WWW.FJPAM.COM](http://WWW.FJPAM.COM)

likely to prioritise holding onto earnings for internal financing, which resulted in a low dividend payout ratio.

## 2.7 Conceptual Model

The moderating effect of financial constraints on the relationship between dividend policy and the financial performance of Nigerian oil and gas companies is suggested to be examined in this study through the proposed framework. It is recommended that dividend policy and financial performance be proxied by return on equity (ROE), dividend payout ratio (DPR), dividend yield (DY), and dividend coverage ratio (DCR). These measures help in the understanding of dividend pay-out behaviour, earnings generation, and expected return on investment by investors. A company's growth potential and potential profitability are captured by ROE, which also helps managers in performance evaluation and problem-solving. Financial constraint is suggested as a moderating variable to either strengthen or weaken the relationship between variables. Based on the explanation given, the research concept is a logical relationship established by the theoretical foundation and empirical studies compiled. It can be expressed in the following:

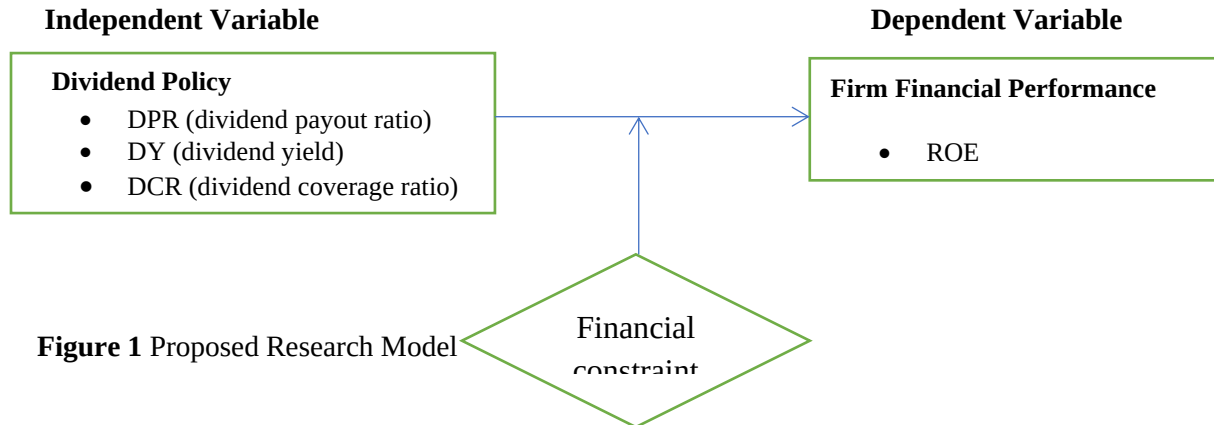


**Figure 1** Proposed Research Model

The syntheses of the literature and theoretical review form the following:

### Propositions

1. Dividend pay-out ratio affects firm financial performance of oil and gas companies in Nigeria.
2. Dividend yield affects firm financial performance of oil and gas companies in Nigeria.
3. Dividend coverage ratio affects firm financial performance of oil and gas companies in Nigeria.
4. Financial constraints affect firm financial performance of oil and gas companies in Nigeria.
5. Financial constraints moderate the relationship between dividends pay-out ratio and firm financial performance of oil and gas companies in Nigeria.
6. Financial constraints moderate the relationship between dividends yield and firm financial performance of oil and gas companies in Nigeria.
7. Financial constraints moderate the relationship between dividends coverage ratio and firm financial performance of oil and gas companies in Nigeria.

#### Citation:

Ibrahim, A.S., Ibrahim, M.A. (2024) Moderating Role of Financial Constraints on the Relationship between Dividend Policy and Firm Performance of Oil and Gas Companies in Nigeria (2019-2023). *FUOYE Journal of Public Administration and Management* Vol. 2 (1), pg. 1-12. [WWW.FJPAM.COM](http://WWW.FJPAM.COM)



### **3.0 Research Method**

The study is entirely exploratory and is based on a desktop review that examines books, journals, news articles, websites, government publications, and earlier research. The majority of the arguments made to evaluate the variables under study are supported by the body of existing literature. This makes it possible for the researcher to conceptualise the moderating effect of financial constraints on the relationship between dividend policy and firm performance of oil and gas companies in Nigeria thanks to the synthesised input from published articles and institutional websites.

### **4.0 Findings**

The study found that, of all the studies analysed, little or none used Perking order theory to test the relationship between financial constraints, dividend policy and firm financial performance before and most especially in the context of Nigeria. Likewise, it was discovered that, from the measures of dividend policy available none of the studies had used dividend payout ratio, dividend yield and dividend coverage ratio in the proposed relationship between the variables under study. Similarly, most of the studies revealed inconsistent results which gave room for the introduction of moderating the variable to either weaken or strengthen the relationship between the independent variables and dependent variable.

### **5.0 Conclusion and Recommendation**

This study proposed a conceptual framework to investigate the moderating effect of financial constraints on the relationship between dividend policy and the firm performance of Nigerian oil and gas companies. The Pecking Order Theory, which contends that financial limitations may affect a company's capacity to obtain outside funding and may result in a preference for internal financing and a more cautious dividend policy, is the basis for the framework that has been put forward. The framework suggested the significance of financial constraints in determining a company's dividend policy and, eventually, its financial performance. Financial constraints are potential factors that could impact the relationship between dividend policy and firm performance. These factors include firm size, profitability, leverage, and growth prospects. The conceptual framework presented in this study can be a useful starting point for empirical research on the moderating effect of financial constraints on the relationship between dividend policy and the firm performance of Nigerian oil and gas companies. Therefore, this study recommended that further studies should investigate the moderating of financial constraints on the relationship between the independent variables and dependent variable. The empirical research can shed light on the efficacy of particular dividend policies when firm performance is financially constrained. It can also advise businesses on how to best implement their dividend policies to improve their financial performance in the Nigerian oil and gas sector.

Citation:

Ibrahim, A.S., Ibrahim, M.A. (2024) Moderating Role of Financial Constraints on the Relationship between Dividend Policy and Firm Performance of Oil and Gas Companies in Nigeria (2019-2023). FUOYE Journal of Public Administration and Management Vol. 2 (1), pg. 1-12. WWW.FJPAM.COM



## Reference

- Adebowale, N. S. (2014). Effect of working capital management and financial constraints on corporate performance. (Master of Science), Universiti Utara Malaysia,
- Adeiza, M. O., Sabo, A., & Abiola, M. A. (2020). Dividend payout effects on firm performance in Nigerian oil and gas sector. *Open Journal of Social Sciences*, 8, 370-385. doi:10.4236/jss.2020.87030
- Ahamed, F. T., Nurul-Houqe, M., & Zijl, T. (2023). Meta-analysis of the impact of financial constraints on firm performance. *Accounting & Finance*, 63, 1671–1707. doi:10.1111/acfi.12923
- Ahmed, A. S., & Duellman, S. (2007). Accounting conservatism and board of director characteristics: An Empirical Analysis. *Journal of Accounting and Economics*, 43, 411-437. <https://doi.org/10.1016/j.jacceco.2007.01.005>
- Akbar, A., Jiang, X., Qureshi, M. A., & Akbar, M. (2021). Does corporate environmental investment impede financial performance of Chinese enterprises? The moderating role of financial constraints. *Environmental Science and Pollution Research*. doi:10.1007/s11356-021-14736-2
- Ali, T., Khurshid, M. K., & Chaudhary, A. A. (2021). Impact of dividend payout on firm's performance under low growth opportunities. *Humanities & Social Sciences Reviews*, 9(3), 1156-1165. doi:10.18510/hssr.2021.93114
- Almeida, H., Campello, M., & Weisbach, M. S. (2004). The Cash flow sensitivity of cash. *The Journal of Finance*, 59(4), 1777-1804.
- Alsurrayi, A. I., & Alsughayer, S. A. (2021). The Relationship between corporate governance and firm performance: The Effect of internal audit and enterprise resource planning (ERP). *Open Journal of Accounting*, 10, 56-76. doi:10.4236/ojacct.2021.102006
- Ames, A. C. S., Nunes, R. V., & Silva, T. P. (2022). Cash liquidity and financial constraints in relation to the market performance of Brazilian companies. *R. Cont. Fin. – USP, São Paulo*, 33(90). doi:10.1590/1808-057x20211391.en
- Aniobi S. C, Adedokun J. O. Akinsunmi J. F. and Nweze N. G. (2021) Economy beyond Oil: Harnessing Nigerian Solid-Mineral Deposits for Sustainable Development. *International Journal of Academic Accounting, Finance & Management Research (IJAAFMR)* ISSN: 2643-976X Vol. 5 Issue 8, August - 2021, Pages: 24-31
- Bossmann, A., Agyei, S. K., Asiamah, O., Agyei, E. A., Arhin, E. Y., & Marfo-Yiadom, E. (2022). Dividend policy and performance of listed firms on Ghana stock exchange. *Cogent Economics & Finance*.
- Carvalho, F. L., & Kalatzis, A. E. G. (2018). Earnings quality, investment decisions, and financial constraint. *Revista Brasileira de Gestão de Negócios*, 20(4), 573-598.
- Chang, Y. K. (2018). Financial constraints and dividend payout policy in the US. *International Journal of Economics, Commerce, and Management*, 6(4), 1-11.
- Hoberg, G., & Maksimovic, V. (2015). Redefining financial constraints: A text-based analysis. *The Review of Financial Studies*, 28(5), 1312-1352.
- Islam, M., & Dhar, P. (2021). Impact of dividend payout on firm's performance: study on a pharmaceutical company in India in 2004 to 2020. *Multidisciplinary Research Journal*, 1(2).
- Iwayemi, Z. (2023, December 7). Unilever, GSK, 4 other major foreign companies that exited Nigeria in 2023. *Legit.ng - Nigeria News*. [https://www.legit.ng/business-economy/industry/1567488-list-foreign-companies-exited-nigeria-2023/#google\\_vignette](https://www.legit.ng/business-economy/industry/1567488-list-foreign-companies-exited-nigeria-2023/#google_vignette)

### Citation:

Ibrahim, A.S., Ibrahim, M.A. (2024) Moderating Role of Financial Constraints on the Relationship between Dividend Policy and Firm Performance of Oil and Gas Companies in Nigeria (2019-2023). *FUOYE Journal of Public Administration and Management* Vol. 2 (1), pg. 1-12. [WWW.FJPAM.COM](http://WWW.FJPAM.COM)



- Jatoi, M. Z., Rasheed, A., & Wahla, K. (2023). Impact of dividend policy on firm performance: evidence from nonfinancial firms of Pakistan. *Pakistan Journal of Humanities and Social Sciences*, 11(2), 1252–1260. doi:10.52131/pjhss.2023.1102.0430
- Kemboi, N., Kinyariro, D. K., Gesage, M. B., & Maina, J. N. (2023). Relationship between dividend yield and financial performance of listed firms at the Nairobi securities exchange. *Financial Studies*, 1.
- Margono, F. P., & Gantino, R. (2021). The Influence of firm size, leverage, profitability, and dividend policy on firm value of companies in Indonesia stock exchange. *Copernican Journal of Finance & Accounting*, 10(2). doi:10.12775/CJFA.2021.007
- Myers, S. C. (1984). The Capital structure puzzle. *The Journal of Finance*, 39(3), 575
- Nguyen, A. H., Pham, C. D., Doan, N. T., Ta, T. T., Nguyen, H. T., & Truong, T. V. (2021). The Effect of dividend payment on firm's financial performance: an empirical study of Vietnam. *Journal of Risk and Financial Management*, 14(353), 2-11. doi:10.3390/jrfm14080353
- Perera, A. A. S. I. (2020). Impact of dividend policy on firm financial performance. (Master Thesis), Riga Technical University,
- Phan, T. A., & Duong, L. H. (2021). The Effects of corporate governance mechanisms on firm performance: Empirical evidence from Vietnam. *Journal of Asian Finance, Economics and Business*, 8(4), 0369–0379. doi: 10.13106/jafeb.2021.vol8.no4.0369
- Portal, M. T., Zani, J., & da Silva, C. E. S. (2012). Fricções financeiras e a substituição entre fundos internos e externos em companhias brasileiras de capital aberto. *Revista Contabilidade & Finanças*, 23(58), 19-32.
- Punch Editorial Board. (2023). Flight of multinationals exposes economy's underbelly. *Punch Nigeria Limited*. Retrieved from [www.punchng.com](http://www.punchng.com)
- Rahel, T. Z., & Serkalem, T. B. (2010). The Impact of board composition on accounting profitability of the firm.
- Shah, A. (2023). Firm performance and dividend policy in India – moderating effect of crisis (pandemic) period. *International Journal of Management, Public Policy and Research*, 2(1), 117-124.
- Udoka, C. O., John, J. I., & Orok, A. B. (2022). Dividend policy and the performance of firms listed on the Nigerian stock exchange. *Paradigm Academic Press Law and Economy*, 1(3). doi:10.56397/LE.2022.10.01
- Ugwu, C. C., Onyeka, V. N., & Okwa, I. E. (2020). Dividend policy and corporate financial performance: Evidence from selected listed consumer goods firms in Nigeria. *Journal of Economics and Business*, 3(3), 1055-1065. doi:10.31014/aior.1992.03.03.262
- Ukpong, E. G., & Ukpe, E. A. (2023). Assessment of dividend policy practices and the performance of firms: Evidence from listed Nigerian companies. *European Journal of Business, Economics and Accountancy*, 11(2), 54-68.

Citation:

Ibrahim, A.S., Ibrahim, M.A. (2024) Moderating Role of Financial Constraints on the Relationship between Dividend Policy and Firm Performance of Oil and Gas Companies in Nigeria (2019-2023). *FUOYE Journal of Public Administration and Management* Vol. 2 (1), pg. 1-12. [WWW.FJPAM.COM](http://WWW.FJPAM.COM)