

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

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SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING AND FINANCE

**IMPACT OF DIVIDEND POLICY ON THE PERFORMANCE AND VALUE OF
FIRMS LISTED ON THE GHANA STOCK EXCHANGE**

BY

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DECLARATION

I hereby declare that this submission is my work towards the Master of Business Administration in Finance and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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DEDICATION

I dedicate this work to my husband and children for the support and love.

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ABSTRACT

This study examines the impact of dividend policy on the financial performance and value of listed firms in Ghana. The study employs purposive sampling technique to select 15 firms listed on the Ghana Stock Exchange and uses secondary data from the audited financial statement of the firms that meet the inclusion criteria of the study. The study uses an ordinary least square regression model to establish the relationship between dividend policy and financial performance and firm value and simultaneously examines the effect of other control variables (leverage, liquidity, and firm size) on financial performance and firm value. From the findings of the study, the researcher concludes that dividend policy has a significant impact of the financial performance of listed firms in Ghana, thus firms perform well when dividend shareholders receive increases. More so, the findings also indicate that larger firms tend to perform better than firms of small sizes. Also, the researcher concludes that firms with higher levels of liquidity tend to perform better than firms with lower levels of liquidity. Furthermore, firms with a higher degree of leverage, thus using debt to finance their operations, perform better financially. Notwithstanding this, on the basis of the findings of this study, the researcher concludes that firms with higher degree of leverage experience a significant decrease in the valuation of the firm. However, liquidity does not have any significant effect on the value of listed firms in Ghana. Financial managers need to carefully evaluate the level of leverage that is right for their business, weighing the possible advantages of debt financing operations against the impact on the firm's valuation. For the firm to avoid taking on excessive risk and to maintain its overall financial stability, a careful approach to controlling leverage is essential. Financial managers should evaluate the company's financial standing and, if feasible, explore raising dividend payments. Since dividend policy has a substantial impact on the financial performance

of listed corporations in Ghana, this may help the company attract investors and possibly improve its financial performance.

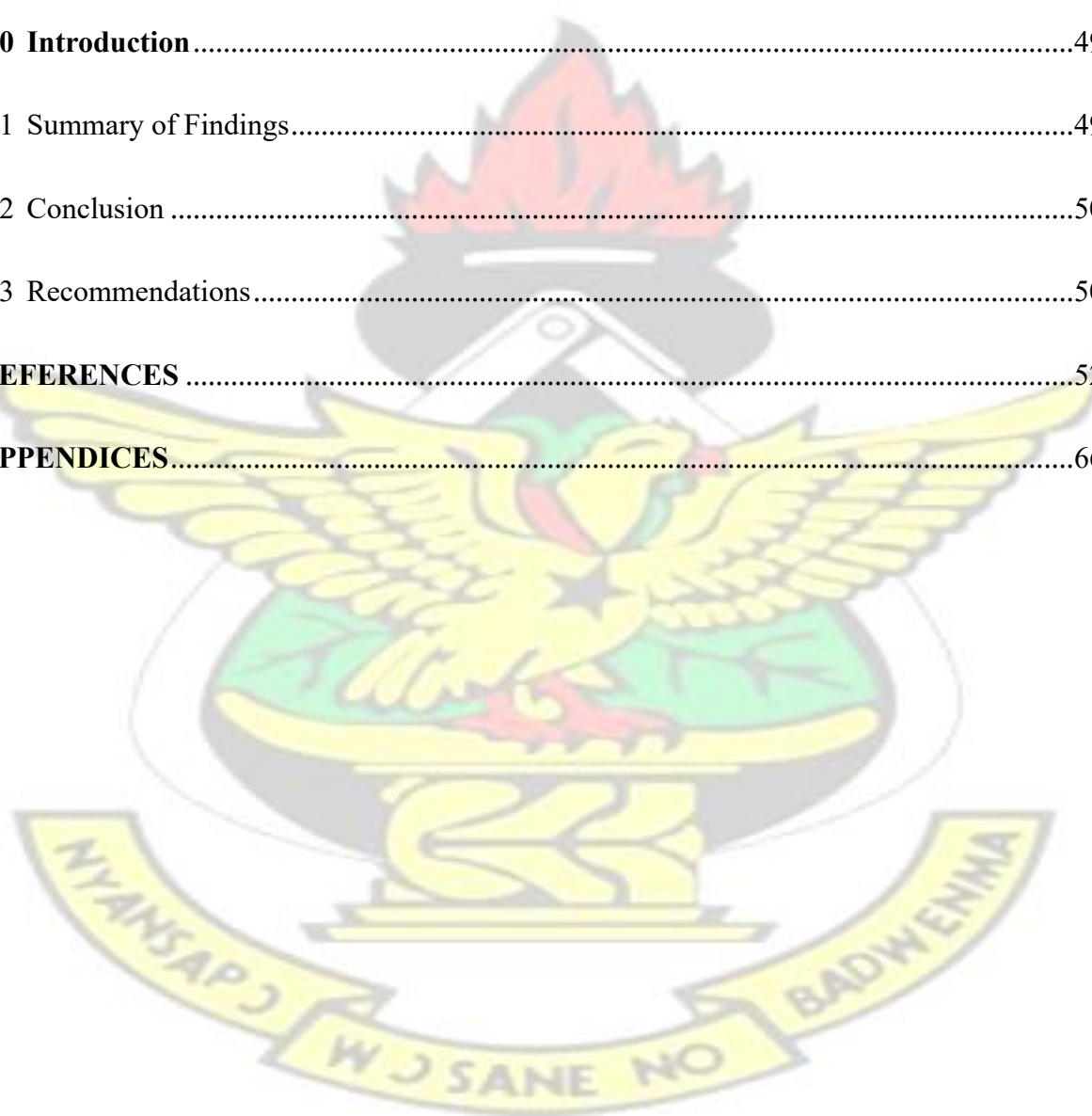
TABLE OF CONTENT

DECLARATION.....	i
DEDICATION.....	ii
ACKNOWLEDGEMENT	iii
ABSTRACT	iv
TABLE OF CONTENT	v
LIST OF TABLES	ix
LIST OF FIGURES	x
CHAPTER ONE	1
1.0 INTRODUCTION.....	1
1.1 Background Information.....	1
1.2 Problem Statement.....	3
1.3 Aim and Objectives of the Study	4
1.3.1 Aim of Study.....	4
1.3.2 Specific Objectives	4
1.4 Research Questions.....	4

1.5 Significance of Study	4
1.6 Scope of Study	5
1.7 Brief Methodology	5
1.8 Organization of Chapters	6
CHAPTER TWO	7
LITERATURE REVIEW	7
2.0 Introduction	7
2.1 Conceptual Review	7
2.1.1 Dividend Policy	7
2.1.2 Firm Performance	8
2.1.3 Firm Value	9
2.2 Theoretical Review	9
2.2.1 Dividend Irrelevance Theory	10
2.3 Empirical Review	13
2.4 Conceptual Framework	24
CHAPTER THREE	25
METHODOLOGY	25
3.0 Introduction	25
3.1 Study Design	25
3.2 Study Population and Sample Size	26

3.2.1 Population	26
3.2.2 Sampling Technique and Sample Size	26
3.3 Data Collection Technique	26
3.4 Study Variables	27
3.4.1 Dependent Variables	27
3.4.2 Independent Variables	27
3.4.3 Control Variables.....	27
3.5 Estimation Technique.....	28
3.6 Model Diagnostics	29
3.6.1 Multicollinearity Test.....	30
3.6.2 Normality Test.....	31
3.7 Data Analysis and Presentation.....	32
CHAPTER FOUR	33
RESULTS AND DISCUSSION.....	33
4.0 Introduction.....	33
4.1 Results.....	33
4.1.1 Descriptive Statistics.....	33
4.1.2 Test for Normality	34
4.1.3 Multicollinearity.....	34
4.1.4 Model Summary and Test for Autocorrelation.....	36

4.1.5 Analysis of Variance	37
4.1.6 Regression Analysis of Study Variables.....	38
4.2 Discussion	43
CHAPTER FIVE	49
SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS	49
5.0 Introduction.....	49
5.1 Summary of Findings.....	49
5.2 Conclusion	50
5.3 Recommendations.....	50
REFERENCES	52
APPENDICES.....	66



KNUST

LIST OF TABLES

Table 3.1: Definition and source the operational variables of the study	28
Table 4.1: Descriptive statistics of study variables	33
Table 4.2: Kolmogorov-Smirov test of normality	34
Table 4.3: Value inflation factor (VIF) and tolerance values for the explanatory variables ...	35
Table 4.4: Correlation matrix of study variables	35
Table 4.5: Durbin-Watson test for autocorrelation	36
Table 4.6: Analysis of Variance for the model with ROA as the dependent variable	37
Table 4.7: Analysis of Variance for the model with ROE as the dependent variable	37
Table 4.8: Analysis of Variance for the model with TQ as the dependent variable	38
Table 4.9: Relationship between dividend policy, liquidity, leverage and size, and the performance and value of listed firms	40

LIST OF FIGURES

KNUST



CHAPTER ONE

1.0 INTRODUCTION

1.1 Background Information

A firm's payout of profits to its shareholders is known as a dividend. A firm is able to distribute a portion of its profit as a dividend to shareholders when it generates a profit or surplus (Sondakh, 2019). Retained earnings, or the profit that remains after the dividend, will be reinvested in the future. Many have long disputed the dividend and how it impacts how investors assess stocks (Amidu, 2007a; Shah & Noreen, 2016). For a company's stock price to remain stable and rise, as well as to boost investor returns, its financial performance and value are crucial.

A finance manager's top priority is to maximize shareholder wealth, which serves as return on investment and is reflected in the firm's value. Dividend decisions are crucial to a company's valuation and performance, which literally translate to capital gains in share prices (Selvam *et al.*, 2016). Despite the inverse relationship between dividend and earnings ratio, return is made up of two parts: dividends and rising stock prices (capital gains) (Adam *et al.*, 2017; OforiSasu *et al.*, 2017). Dividends and retained earnings both aim to maximize shareholders' wealth; retained earnings are used to finance viable expansion projects, while dividends give stakeholders more negotiating power (Eka, 2018a).

Increasing a company's profitability and cash flow is associated with maximizing shareholder wealth (Obaidat, 2019). The idea behind dividend policy is to maximize shareholder wealth by paying out long-term dividends or raising share prices for capital gains (Husain & Sunardi, 2020; A. Rahman, 2018). Even though it's one of the most difficult things to understand, dividend policy is nonetheless crucial to a company's success. The conflict over how much

must be given in dividends to shareholders and how much must be kept for investment and growth is very important since it affects how investors act generally (Nkn, 2018).

Numerous academics from all around the world have conducted studies on how the dividend policy affects a company's financial performance and value. According to several academics, this subject presents one of the most difficult study problems (Eka, 2018b; Onanjiri & Korankye, 2014). Others believe that the firm's plan for distributing revenue to shareholders, known as its dividend policy, is more than just a financial transaction (M. N. Khan *et al.*, 2016; Obayagbona & Ogbeide, 2018).

Despite different research, the earlier studies have shown that there are disparities in the way that dividend policies affect a company's financial performance and value. According to some academics, dividend policy has a considerable and favorable impact on financial performance and firm value (Pradana, 2021; Rizqia & Sumiati, 2013). Others claimed that the dividend policy had a big, negative impact on the performance of the company (Onanjiri & Korankye, 2014). Inconsistencies exist not just between study years but also between countries (Kim & Kim, 2020), and even between different economic sectors within a single nation (Nguyen Trong & Nguyen, 2020; Shao *et al.*, 2010). Using path analysis for the variable profitability of company value with dividend policy as an mediating variable, it was discovered that profitability has a significant positive influence on dividend policy and dividend policy has a huge positive effect on firm value (Husain & Sunardi, 2020). However, Sugiastuti *et al.*, (2018)'s conclusion demonstrated that business value is not significantly increased by profitability or dividend policy.

Despite the significance of dividend policy, little is still known about how it affects the performance and value of a company in Ghana. As mentioned above, numerous research have investigated the impact of dividend policy on business performance and value, but the findings

are still contradictory and inconclusive. This study aims to examine the effect of dividend policy on the performance and value of enterprises utilizing firms listed on the Ghana Stock Exchange, taking into account the gaps in the available literature.

1.2 Problem Statement

While investors are curious in the dividend value, researchers and businesses are constantly worried about dividend payments. There have been some questions raised over the amounts of dividend from income that should be sent to shareholders, including whether they should receive a cash dividend, a stock dividend, or nothing at all (Jabbouri, 2016; Ozuomba *et al.*, 2016). The effect of dividend distribution on firm value and performance has been investigated extensively (Husna & Satria, 2019; Ngo & Dang, 2016; Seth & Mahenthiran, 2022), yet the findings are still contradictory and ambiguous.

It is impossible to overstate the competing interests of shareholders on dividend policy; every rational shareholder will consistently demand that a bigger dividend be paid, regardless of the firm's investment choices. As seen by the rise in stakeholder value, finance managers are faced with a difficult issue regarding how to balance the two decisions (dividend and investment) (Banerjee, 2015; Yuniningsih *et al.*, 2019). Most of the studies that assess the connection between dividend policy and firm performance and value have used data from developed economies. Evidence from developing economies such as Ghana is yet to clearly elucidate the effect of dividend policy on financial performance and value of firms. This leaves a gap to be bridged. This study responds to this using the Ghana Stock Exchange's data. The choice is informed by data availability.

1.3 Aim and Objectives of the Study

1.3.1 Aim of Study

The study seeks to examine the impact of dividend policy on the performance and value of firms listed on the Ghana Stock Exchange

1.3.2 Specific Objectives

The specific objectives of the study are:

1. To examine the impact of dividend policy (dividend per share) on the performance (ROE and ROA) of firms listed on the Ghana Stock Exchange
2. To assess the impact of dividend policy on the value of firms listed on the Ghana Stock Exchange
3. To examine the impact of other variables (firm size, liquidity and leverage) on the performance and value of firms listed on the Ghana Stock Exchange.

1.4 Research Questions

1. Is there an association between dividend policy and the performance of firms listed on the Ghana Stock Exchange?
2. Is there an association between dividend policy and the value of firms listed on the Ghana Stock Exchange?
3. Do other factors such as firm size, liquidity, and leverage influence the performance and value of firms listed on the Ghana Stock Exchange?

1.5 Significance of Study

Empirically, the study will supplement the current literature on the subject matter as it would enable researchers and academicians in the field to better appreciate the effect of dividend policy on the performance and value of listed firms. It will also provide information on the

mediating effect of liquidity, financial leverage, and firms size on the performance and value of firms considering the existing dividend policy of the listed firms The findings of the study will be useful to the management of the organizations understudied and those of firms in other industries where decision making on dividends is critical.

1.6 Scope of Study

The study will focus on dividend policy and its impact on the performance and value of firms listed on the Ghana Stock Exchange. Purposeful sampling as the mode of sampling for the study. Purposeful sampling strategy will be used because the study will involve only firms listed on the Ghana Stock Exchange and have remained listed for the last 10 years. The population of the study will comprise all listed firms. The study will make use of pre-designed data collection sheets to aid the researcher in collecting the need data from the financial records of the listed firms.

1.7 Brief Methodology

In terms of methodology, the study will be limited to the use of the quantitative methodology. A firm is chosen provided the firm remains listed in the market for at least two-thirds of the period and paid dividends for at least ten years, firm-year observations from financial reports of the firm on the website of the Ghana Stock Exchange is examined. This is to ensure a majority of paying dividend-paying firms are included in the study with the assumption that dividends are relevant to corporate financial managers. Panel data for the period 2010-2021 will be used.

1.8 Organization of Chapters

The study is organized as follows: Chapter One covers the introduction of the study, the background to the study, statement of the problem, aim, objectives of the study, research questions, and significance and brief methodology of the study. Chapter Two covers literature review. Chapter three covers the methodology and estimation procedures adopted for the study. Chapter four covers the data analysis and Chapter Five presents a summary of findings, conclusion and recommendations.



CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews literature important to the subject of this study. It covers conceptual review, theoretical review and empirical review. These three reviews are used to develop the conceptual framework of the study.

2.1 Conceptual Review

2.1.1 Dividend Policy

The distribution of earnings between retained earnings and payouts to shareholders is based on the dividend policy. The importance of dividend strategy is dependent on how well the company's management can balance growth with dividend payments to shareholders. As a result, dividend policy plays a significant part in the firm's value. Companies could use fixed or residual dividend policies (Oppong, 2016).

Dividends are the incentives given to shareholders of corporations in the form of money, stock, or other items (Aryati, 2017). The board of directors of a corporation determines the dividend, which must be approved by the shareholders. Dividend payments are not required, but they are a well-liked practice for rewarding shareholders with a portion of the company's leftover profits. The money that is still available after fulfilling other commitments, such as paying creditors, is referred to as residual rewards (Olang & Grace, 2017). According to (Bataineh, 2021), the company must take into account two major goals when establishing a dividend policy: first, to have enough money to pay dividends; and second, to maximize the wealth of the shareholders.

2.1.2 Firm Performance

Financial performance is a gauge of how effectively a company can use resources from its main line of business to increase profits and expand its operations (Jihadi *et al.*, 2021). There are numerous techniques to measure financial performance, but they should all be combined (Akisik & Gal, 2019). Financial ratios from financial statements are considered a trustworthy source of data to evaluate financial achievement Restianti & Agustina, (2018). Net earnings, which are divided into retained earnings and dividends, are another metric used to assess financial performance. The company's retained earnings can be invested in and used as a source of long-term capital (Triani & Tarmidi, 2019). The shareholders receive dividend payments to increase their wealth because they invested their money to do so.

A performance metric known as profitability focuses on the relationship between revenues and costs as well as the level of profits concerning the amount of capital invested in the company (M. M. Rahman *et al.*, 2015). The operating profit margin, net firm income, return on equity (ROE), and return on total assets (ROA) are the four most frequently cited indicators of a company's profitability (Enekwe *et al.*, 2015). With each cedi of shareholder stock, a company's return on equity (ROE), a measure of profitability, determines how much profit it makes. ROE is calculated using the formula $ROE = \text{Net Profit} / \text{Shareholders' Equity}$. Return on equity is also known as return on net worth. Return on assets is a measure of a company's profitability in relation to its total assets (Sausan *et al.*, 2020; Utami, 2017). The ROA reveals how well management uses its resources to produce profits. ROA is expressed as a percentage and is calculated by dividing a company's annual earnings by its total assets. ROA is calculated as $\text{Net Profit} / \text{Total Assets}$.

2.1.3 Firm Value

The total value of all a company's financial rights can also be thought of as its value. The worth of the firm is based on the ongoing anticipation of all the predictable future cash flows that the assets will generate, discounted at the corporation's weighted average cost of wealth (Chowdhury & Chowdhury, 2010). According to Pandey (2005), a company's worth is equal to the sum of its financial instruments' value. The total cash flow that assets generate should equal the money streams obtained by the necessary claims. The issue of exploitation gets considerably more complicated in a variety of circumstances where the company's earnings differ. The dividend streams that the stockholder will get throughout the company's existence, discounted back to the current value, can be used to determine the value of the company (Parkinson & Waweru, 2010).

A key factor in an investment criterion is a firm's value. Different metrics, including net sales, paid-up capital, total assets, capital employed, and others, can be used to determine a company's value (Sharma, 2011). It is assumed that a company's worth will account for both its tangible and intangible assets. Tobin's Q is a widely used tool for determining a company's value. Tobin Q often represents a ratio of a company's market worth to the cost of replacing its assets (Taslim, 2013). Tobin Q compares market-based measurements to book value when determining a company's value. A corporation is said to be valuable according to its q proposition if investment returns outweigh investment costs (Taslim, 2013).

2.2 Theoretical Review

Several theories have been proposed regarding the dividend policy. Several scholars have examined these theories over the years. To examine and give a theoretical explanation of the impact of dividend policy on a firm's valuation and performance, the current research explores the dividend irrelevancy theory postulated by Miller & Modigliani, (1961).

2.2.1 Dividend Irrelevance Theory

One of the most important dividend theories was provided by Modigliani & Miller in 1961, and although being created more than 50 years ago, it is still regarded as one of the most reputable theories. The theory's presentation in the essay "Dividend policy, growth, and the valuation of shares" set a new standard and altered the perception of dividends among academics and practitioners alike. The prevalent belief prior to the publication of Modigliani and Miller's irrelevance argument was that dividends were closely tied to stock valuation (Tanushev, 2016). As the name of the theory suggests, under ideal capital markets, the dividend policy is independent of the firm's price and does not depend on whether the company pays out high or low dividends.

The theory makes the following assumptions: there are no taxes, or the tax rates on cash dividends and capital gains are equal; there are no transaction costs for the process of selling or buying shares, so if the investor needs cash, he or she will be able to sell his or her shares without losing commissions and fees instead of cash dividends; the investor is rational in his or her decisions; and there are no agency costs, meaning that companies will not have to pay commissions. The theory also assumes that there is no information gap and that the company operates in a full and efficient market. A full and efficient market is one in which information is simultaneously available to all participants at no cost, reflects this information, and is influenced by it at the time it is provided. Last but not least, the theory makes the supposition that all investors' expectations and knowledge of the company's performance in the future are uniform.

According to MM, given a world in which investor behaviour is not irrational, that is, where investors constantly desire to have more wealth rather than less, regardless of whether it comes from a cash or capital gains, where there is "perfect certainty" on investors' behalf that they will invest and their returns are certain, and where the market is perfect, that is, where no single

entity can influence the market, the firm value does not depend upon the dividend policy, The equation below, which was provided by Miller & Modigliani, (1961), proves this assertion:

$$V(t) = n(t)p(t) = \frac{1}{\rho(t)} [X(t) - I(t) + V(t - 1)]$$

The basic assumption of their argument was that the value of a company is decided by its earning potential and is based on the profits it makes by making the finest investments feasible (investment policy). When the investment decision is made, the payout policy loses significance to the firm's value. This is done to ensure that the residual (the difference between investments and earnings) accurately represents the net payout. In other words, the company's worth is decided by the income generated by its assets, not by how this money is distributed between retained earnings and dividends. Dividend policy is meaningless from the standpoint of the investor because prudent equity purchases and sales can mimic the desired stream of payments. With a balancing adjustment to the number of shares outstanding, a firm can change its dividends to any level. The authors contend that dividend policy is irrelevant as it cannot alter the shareholder's wealth, to the shareholder hence, investors will follow whatever dividend policy there is and maybe disregard the premium.

The dividend irrelevance theory has been supported by several authors. Hansda *et al.*, (2020) investigate the relationship between dividend policy and firm value in the context of the financial crisis. The analysis is based on data from 500 BSE-listed firms from 2001 to 2017. It is used the dynamic panel regression using a two-step approach Generalised Method of Moments (GMM). The findings indicate that dividend policy has no effect on firm value. Another study has been conducted by Hasan *et al.*, (2015) to check an association between dividend policy and earnings per share in the textile and energy sectors of Pakistan. The findings of logarithmic regression revealed that dividend payout ratio had a negative influence

on firm earnings regardless of industry. Rizwan *et al.*, (2016) conducted a recent study on companies listed on the Pakistan stock exchange. According to their research, dividend policy has no effect on return on equity. Another study conducted by Tahir *et al.*, (2016) tested the effect of dividend policy on firm performance and concluded that there is a positive significant association between the performance of firms and their respective dividend payout policy.

The irrelevance argument of Miller and Modigliani (MM) has been questioned by several academics who have studied the impact of dividend policy on firm value and performance (Ayunku & Apiri, 2020; Budagaga, 2017 Singh & Tandon, 2019). They contended that the assumptions made by MM do not hold in an imperfect market. As an illustration, while investors pay transaction costs every time they sell or buy shares, firms do so while trying to obtain new money. Companies in Ghana must cover brokerage costs or underwriting expenses when issuing new shares. In Ghana, capital gains are tax-free, however dividends are subject to a 10% withholding tax. Furthermore, because insiders have access to more knowledge than outsiders, the market does not accurately reflect all facts. These obviously prove that dividend policy has a significant impact on the pricing of shares in a flawed market like the Ghana Stock Exchange.

Transaction costs, ambiguity tenacity, taxes, accounting manipulation, behavioural finance, cash flow, agency costs, and signalling are a few of the aspects that have been discovered in prior empirical investigations about the relevance of dividend policy of corporations (Abor & Amidu, 2006; Allen & Michaely, 2003; Amidu, 2007b; Ayunku & Apiri, 2020; Budagaga, 2017). Transaction cost is a logical justification for dividends. Buy dividend-paying stocks and take the dividend payments, or buy non-dividend-paying equities and periodically sell a portion of your portfolio, if you wish to get a regular income from your securities holdings. The transaction costs connected with collecting dividends may be much lower for a small individual

investor than the transaction expenses involved with selling a portion of the equities (Busse *et al.*, 2021).

2.3 Empirical Review

The impact of dividend policy on a company's performance and value has been a contentious issue with divergent opinions from academics. The return on assets (ROA) and ROE are a metric used in finance to assess how well assets have been used to produce profits. A higher Return on Assets (ROA) denotes a company's performance because of the higher rate of return on investment (Suardana *et al.*, 2018). Profits before interest expenses for a given period are what is referred to as return on equity (ROE), which is a dividend of total shareholder equity.

Khan *et al.*, (2018) use the ordinary least square method to create the connection between dividend policy and the performance of firms listed in Pakistan. The study examines the effect of dividend policy on company performance using data from 9 cement manufacturing companies for the years 2012 to 2016. Dividend per share, earnings per share, business size, and leverage serves as proxies for dividend policy, whereas the ROE serves as company performance proxy. The study discovers a significant positive association between earnings per share and ROE in Pakistan's cement industry. Dividend per share financial leverage and return on equity do not, however, have a meaningful correlation. Return on equity and firm size have a significant association with the financial performance of the selected cement manufacturing companies.

Narang, (2018) investigates the relationship between the dividend payout and financial performance among listed companies on the National Stock Exchange (NSE). The study employs correlation and regression analysis as its methodology to analyse data from 2012 to 2017. Earnings per share, dividend payout ratio, and price-earnings ratio are the metrics used to gauge dividend policy, while return on equity and return on the asset are used to gauge

business performance. The study discovers that return on equity and return on an asset does not correspond with earnings per share, dividend payout ratio, or price-earnings ratio.

In a related study by Ugwu *et al.*, (2020), the researchers examine dividend policy's impact on firm financial performance among consumer products companies in Nigeria from 2015 to 2019. The study employs OLS and correlation matrix methods and chooses 10 consumer food companies that are listed on the National Stock Exchange. Dividend policy is proxied by dividend payout ratio (DPR), earnings per share (EPS), and dividend per share (DPS), and ROE serves as a gauge of a firm performance. The study makes use of firm size (FSZ) and financial leverage (FLV) as control variables. According to the results, the researcher concludes that DPS and return on equity have a statistically significant association. The relationship between the variables DPR, EPS, and FSZ and return on equity is statistically insignificant. FLV does, however, have a weak and insignificant association with return on equity.

Nguyen *et al.*, (2021) investigate the effect of a company's dividend policy on its financial success. The study uses ROA, ROE, and Tobin's Q as dependent factors and dividend rate and dividend choice, as independent factors, the article analyzes the research gap. The source of data for the study is the financial records of the 450 listed companies on the Vietnam Stock Exchange between the years 2008 and 2019. The results of the study demonstrate that despite improving market expectations for businesses, paying dividends has a negative impact on Vietnamese companies as measured by accounting-based performance. The study also finds that Vietnamese companies' low dividend rates have a impact on accounting-based performance that is favourable yet has an adverse effect on market expectations.

A company's ability to provide enough cash to fulfil its short-term obligations is measured by its liquidity, which is stated as a ratio of current assets to current liabilities (debt) (Rashid, 2018). The fast ratio and the current ratio are the two most popular liquidity ratios. The current

ratio shows the extent to which assets that are anticipated to be turned into cash in a time frame roughly matching the maturity of the liabilities are used to pay short-term creditors' claims. A company's current liabilities are sums of money that are due within the next year or less. A study by Li *et al.*, (2020) on the association between liquidity and firm performance, uses panel data from the publicly available annual reports of 15 entities covering the years 2008 to 2017. The study uses a random effect generalized model to assess the association between liquidity and firm performance. The Return on Equity (ROE) of a corporation is strongly impacted negatively by liquidity, according to estimates from a random effect generalised least squares (GLS) regression, but is only marginally impacted favourably when ROE is measured using the cash flow ratio.

A related study in Kenya by Akenga, (2017) examines how the performance of companies listed on the Nairobi Securities Exchange is impacted by liquidity. The study uses current ratio, cash reserves and debt ratio as representations for liquidity and ROA as a representation for financial performance, while employing correlational analysis and a multiple regression model to establish the relationship between the study variables. According to the study's findings, cash reserves and the current ratio have a big impact on ROA. However, ROA, a metric of the financial success of the listed companies on the Nairobi Securities Exchange, is unaffected by the debt ratio in a major way.

Bibi & Amjad, (2017)'s study investigates the relationship between a firm's liquidity and profitability. In order to conduct an empirical analysis of the relationship between liquidity and business profitability, data from 50 companies listed on the Pakistani Karachi Stock Exchange were gathered. The research employs the use of panels based on secondary data from 2007 to 2011. Utilizing net operating income and return on assets, one can gauge a company's profitability. The cash gap in days and the current ratio are used to assess the firm's liquidity.

Regression analysis is used in the study to analyse how liquidity affects profitability. To determine the significance of particular model variables, incremental tests are run. According to the results of correlation and regression analysis, the cash gap and return on assets have a strong inverse link, but the profitability and current ratio have a substantial inverse relationship. Kong *et al.*, (2019) explore the relationship between liquidity and the financial performance of listed non-financial firms in Ghana. The study uses correlational analysis as it sought to examine the relationship between liquidity and the firms' performance. The study employs the Pearson Product-Moment Correlation Coefficient technique of data analysis and it shows that liquidity has a significant relationship with the firms' financial performance as measured by ROA, but an insignificant relationship with the firms' financial performance as measured by ROE and ROCE.

The size of a firm has a variety of effects on its financial success. In comparison to small businesses, large corporations can take advantage of economies of scale and breadth, making them more effective (Wells, 2016). Additionally, small businesses might not have as much clout as big businesses, making it challenging for them to succeed, especially in marketplaces with fierce competition. On the other side, as businesses become bigger, they may experience inefficiencies that worsen their financial performance. Therefore, the exact relationship between size and performance is unclear according to theory.

Olawale *et al.* (2017) also investigates the effect of firm size on the performance of firms in Nigeria using panel data set of 12 non-financial firms operating in Nigeria from the period 2005-2013 and analyzing the panel data using a pooled regression model, fixed effect model and random effect model to identify the relationship between firm size and the performance of firms listed on the Nigeria stock exchange. The result of the study reveals that firm size in terms

of the total asset has a negative effect on performance while in terms of total sales firm size has a positive effect on performance.

In Eyigege, (2018)'s study, the author examines the influence of firm size on the financial performance of deposit money banks quoted on the Nigerian stock exchange. The study selects five deposit money banks using the Taro Yemeni sampling technique to represent the entire banking industry in Nigeria. The study uses a log of total assets as a proxy for firm size and ROA as a proxy for financial performance. Pooled OLS regression and fixed effect/random effect regression for panel regression serves as the statistical tools for analysing the panel data from the financial records of the selected banks. The finding of the study indicates that firm size insignificantly negatively influenced financial performance as a result of diseconomies of scale.

The study by Musah & Kong, (2019) examines the performance of non-financial companies listed on the Ghana Stock Exchange and the relationship between firm size and performance.

The uses return on assets (ROA), return on equity (ROE) and return on capital employed (ROCE) as a proxy for financial performance. The study takes a quantitative approach to gather balanced secondary panel data from the sampled companies' audited and published annual reports for the years 2008 to 2017. The research uses correlational analysis. The research uses the Pearson Product-Moment Correlation Coefficient a method of data analysis to determine the bivariate relationships between firm size and financial performance. According to the study's correlational estimates, size is considerably correlated favourably with the firms' ROA based financial success. However, there is a negligible negative correlation between company size and ROE and ROCE.

The debt-to-equity ratio (debt/equity ratio) is a way to quantify debt leverage and it demonstrates the extent to which a company uses borrowed funds (Atidhira & Yustina, 2017).

High-leveraged businesses run the risk of going bankrupt if they are unable to fulfil their loan payments, and they may also have trouble finding new lenders down the road. However, leverage is not always a bad thing; it can boost shareholders' returns on investment and make the most of the tax benefits linked to borrowing (Ahmed *et al.*, 2018). A firm's financial status or the level of leverage can be determined by using indicators like the debts to equity ratio and the debts to total assets ratio (Enekwe *et al.*, 2014; Widyastuti, 2019). When it comes to raising production levels, increasing shareholder value, or acquiring new assets, financial leverage is crucial for every firm.

Bunyaminu *et al.*, (2021) investigate the influence of financial leverage on the profitability of recapitalized banks in Ghana from 2008 to 2017. The study employs ROA as a proxy for profitability from secondary data obtained from the financial statement of the banks. Based on the estimation methodologies for random effects and fixed effects, the results of the study reveal that debt which is defined as the ratio of total debts to total assets exerts a significant negative effect on banks' profits regardless of the proxy of profitability.

In Gathara *et al.*, (2019), the study's goal is to look into the impact of leverage on the performance of companies listed on the Nairobi Securities Exchange (NSE). The study uses a causal or explanatory research design to collect and analyse quantitative secondary data for 30 selected companies from the period 2007 - 2015. The study further uses multivariate tests using a panel data model to examine the effects of the independent (leverage) variable on a company's financial performance. The study reports that Leverage had a significant positive effect on the financial performance of selected companies listed at NSE, Kenya.

The research of Iqbal & Usman, (2018) Examine the relationship between financial leverage and the performance of Pakistani Textile Composite Companies. Pakistan Textile Composite Companies listed on the PSX (100-index) are chosen. From 2011 to 2015, 5-year data is

collected, and the top 16 organisations are chosen as a sample. To identify the outcomes, descriptive statistics, correlation analysis, and a regression model were used. Financial leverage has a negative and substantial effect on business ROE, but a positive and significant effect on firm ROA, according to the findings. According to the study, a high interest rate and a large quantity of debt reduce the value of equity and have a negative influence on business performance. The quantity of debt, on the other hand, has a positive impact on the firm's ROA. Financial leverage has a beneficial impact on firm performance when the quantity of debts does not exceed the amount of equity, according to the findings.

The decision regarding the company's dividend policy is crucial, so how managers approach this decision-making process, as well as whether or not they keep an eye on a specific set of rules or detailed plans to implement these adoptions, will affect the firm's worth. Tobin's Q as a company value indicator has been taken into account by Amidu, (2007), Dang *et al.*, (2021) and Kadim *et al.*, (2020). This ratio assesses the value offered by financial markets to any management or organisation as a growing business. Tobin's q also demonstrates how far a company's value can be created in relation to the quantity of capital invested. The bigger the value of Tobin's q, the better the company's growth chances. (Setiyawati *et al.*, 2017). When market value and replacement cost are equal, equilibrium is achieved. At its most basic level, the Q Ratio best expresses the relationship between market valuation and intrinsic value. It is a technique for analysing if a certain company or market is overvalued or undervalued. Tobin's Q is anticipated to have a positive association with the dividend policy

Ofori-Sasu *et al.*, (2017)'s research examines the effect of dividend policies on shareholder value amongst firms listed in Ghana. The study makes use of pooled OLS for the years 2009 to 2014, panel regression is used to analyse data from Ghana Stock Exchange-listed companies.

The study uses secondary data from the financial records of the listed firms on the Ghana Stock Exchange. The study discovers a positive relationship between dividend per share and shareholders' value. However, the study reports a negative and strong association between dividend yield and shareholders' value.

Emeni, (2017) explores the influence of stock dividend policy on company market value. The researcher uses 142 businesses listed on the Nigerian Stock Exchange (NSE) for the fiscal years 2002 to 2011 in his study on the correlation between a company's market value and its cash and stock dividend policies. The technique of ordinary least squares is used to analyze the data gathered from the financial statement of the selected business. The findings demonstrate that (a) cash dividends and investment philosophy have a weak but significant negative relationship with the market value of companies listed on the NSE, while (b) stock dividends and earnings have a strong and positive relationship with the market value of companies listed on the NSE.

The study conducted by Lumapow & Tumiwa, (2017) examines the effects of business size, productivity, and dividend policy on firm value. The researchers use purposive sampling to choose the sample, which is manufacturing companies listed on the Indonesia Stock Exchange (IDX) between 2008 and 2014. Panel data regressisson with a Random Effect Model (REM) approach is the analysis method used in this study. The findings of their tests indicate that the dividend policy is negatively and significantly correlated with firm value, that firm size is positively and significantly correlated with firm value, and that firm productivity is positively and significantly correlated with firm value.

Hansda *et al.*, (2020) investigate the connection between dividend policy and corporate value. Data from 500 firms listed on the BSE from 2001 to 2017 serves as the foundation for the investigation. The data is analysed using the two-step dynamic panel regression Generalized Method of Moments (GMM). The results demonstrate that dividend policy had no significant

impact on firm value. The study does note, however, that the association between dividend behaviour and business value is altered by the financial crisis.

The study by Odum *et al.*, (2019) investigates the impact of dividend payout ratio on the value of a corporation. The study also investigates other characteristics (profitability, leverage policy ratio, dividend policy ratio, cash holding, and firm size) that affect firm value while using companies listed on the Nigerian stock exchange. In order to analyse the data, the study used Panel Ordinary Least Square Regression Techniques. The analysis exclusively includes breweries and beverage companies that were listed on the Nigerian stock exchange between 2007 and 2016. The results reveal that the profitability ratio and leverage ratio have a positive and considerable impact on the firm's worth. This shows that only Firm Leverage and Profit after Tax are major drivers driving firm value in both breweries and beverage companies among Nigerian listed companies. The data also show that there is no significant association between dividend pay ratio and company valuation among the study's sample firms.

Azaro *et al.*, (2020)'s research aims to establish the effect of firm size, leverage, profitability, and price-earnings ratio on firm value. The study uses 11 manufacturing companies sector consumer goods industry listed on the Indonesian Stock Exchange from 2013-2017 as its sample size and employs purposive sampling as its sampling technique. This study is quantitative research with a descriptive approach which employs multiple linear regression as the study's analytical technique. The results of the statistical analysis show that partially variables of profitability and price-earnings ratio have a significant influence on firm value. Meanwhile, firm size and leverage do not have a significant influence on firm value. Simultaneously all independent variables have a significant influence on firm value.

Markonah *et al.*, (2020)'s research is to ascertain the impact of profitability (ROA), leverage (DER), and liquidity (CR) on corporate value (PBV) in food and beverage manufacturing

businesses listed on the Jakarta Stock Exchange. The study adopts a regression analysis method with a fixed effect model using panel data from 14 publicly traded firms from 2010 to 2016.

The F test results reveal that profitability as measured by ROA, leverage (DER), and liquidity (CR) effectively account for the influence on firm value (PBV). According to the findings of the study, profitability (ROA) and leverage (DER) have a substantial effect on the company value variable (PBV), however liquidity (CR) has no significant effect on the company value variable (PBV).

In a similar study, Sondakh, (2019) investigates the impact of dividend policy, liquidity, and firm size on firm value in the financial services sector industries listed on the Indonesian Stock Exchange. The study comprises 12 firms that met the sampling standards by adopting purposive sampling from 99 financial services firms between 2015 and 2018. The panel data gathered from the financial statements of the selected organisations is analysed using multiple linear regression in this study. According to the findings of this study, dividend policy has a negative and considerable impact on business value. Firm value is positively affected by liquidity and firm size, but profitability has an insignificantly beneficial effect on firm value.

The aim of Setiadharmas & Machali, (2017)'s research is to examine the direct and indirect effects of asset structure and firm size on firm value. This study's samples are thirty-four property and real estate enterprises that were listed on the Indonesia Stock Exchange between 2010 and 2014. The findings of this study show that (1) asset structure has a direct effect on firm value, (2) capital structure has no indirect effect on firm value with capital structure as an intervening variable, (3) firm size has no direct effect on firm value, and (4) capital structure has no indirect effect on firm value with capital structure as an intervening variable.

The study conducted by Ibrahim & Isiaka, (2020) examines the impact of financial leverage on firm value using secondary data from 18 Nigerian companies. The study uses Tobin's Q ratio

as an independent variable and controls variables like Total Asset, Return on Asset, and years in operation. The study uses estimation techniques and a pairwise correlation matrix to determine the degree of causality. The results show a significant negative effect of financial leverage on firm value, with no significant linear relationship between leverage and firm value. In Dutta *et al.*, (2018), the researchers look into the effects of financial leverage on firm value. Based on purposive sampling, the study selects 31 NSE listed companies as a sample size from six different sectors, namely, consumer goods sector, energy sector, industrial manufacturing sector, automobile sector, pharmaceutical sector, and financial services sector. The study spans ten years and employs uniformly organised data organised by fiscal year. Tobin's Q measures firm value as a dependent variable, whereas financial leverage is an independent variable. To determine the impact of financial leverage on firm value, the study employs the Fixed Effect (within) Regression Model as suggested by the Hausman Test. After controlling for the variable firm size, the study's findings show that there is a significant negative relationship between degree of financial leverage and firm value.

Nguyen & Dinh Vu, (2017) explore the effect of stock liquidity on firm value in the context of Vietnam. The study uses secondary data from the financial records of the 30 selected firms listed on Ho Chi Minh Stock Exchange (HOSE) for the periods of 2012 to 2016. Firm value as the dependent variable is proxied by Tobin's Q and the independent variable, stock liquidity is measured by turnover and Amihud Illiquidity. Based on a sample of largest firms in Vietnam from 2012 to 2016 and panel regression models, the study reports that there is no relationship between Tobin's Q and turnover volume as a proxy of stock liquidity. However, there exists a significant relationship between Tobin's Q and Amihud Illiquidity as confirmed from the random effect regression model.

2.4 Conceptual Framework

The conceptual framework is employed to evaluate the research's findings. Based on Figure 2.1 below, it was determined how the dividend policy affected the performance and value of companies listed on the Ghana Stock Exchange. The dependent variables in the study are accounting performance measures such as Tobin's Q, Return on Assets (ROA), and Return on Equity (ROE). Dividend payout ratio and dividend per yield, which serve as proxies for dividend policy, are among the explanatory variables. Other control variables that the dividend policy does not account for but which could impact a firm's value and performance are included in the study. As depicted in Figure 2.1, the control variables are firm size, leverage, and liquidity.

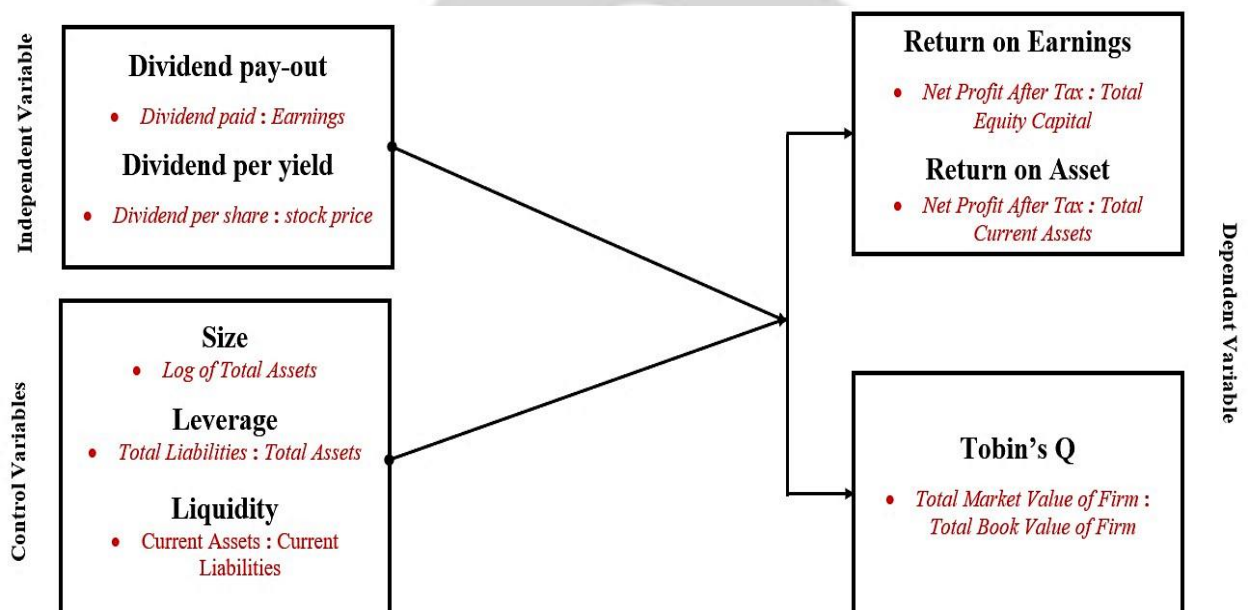


Figure 2.1: Conceptual framework for the study

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CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter describes the research methodology used in this study. Specifically, a detailed description of the study design, sample size and sampling procedure and research instruments that the study uses as well as data collection procedure and analyses

3.1 Study Design

The study is a descriptive study that uses quantitative approach involving panel estimation and logistic regression technique. Variables and correlations are the main concepts in quantitative research. Consequently, a quantitative approach is selected for this study. A significant number of data is collected and tested for the study, which is the first of several important justifications for the choice of study design. Secondly, because correlations and regression analysis is employed in the study, which requires a substantial amount of comparable data, quantitative approach of study design is the best choice for the research. Finally, after all the test and analysis is done, the quantitative research approach gives the researcher absolute values to make interpretations and come up with empirical evidence to make conclusions.

3.2 Study Population and Sample Size

3.2.1 Population

The study involves all firms listed on the Ghana Stock. According to the website of the Ghana Stock Exchange, there are now 39 firms listed on the exchange, which represent some of the key industries in the Ghanaian economy. Firms in industries like finance, pharmaceuticals, manufacturing, mining, trading, and breweries are among them.

3.2.2 Sampling Technique and Sample Size

The study uses purposive sampling technique which sets paying of dividend as the criteria for firm selection. Also, it selects firms that have not experienced any events that can have an impact on its financial position during the study period, such as integration, mergers and acquisitions, etc.; information readily available on the movement of its shares traded during the study period in the financial market; and availability of financial records. This results in the selection of 18 firms that meet the requirements for this study's selection.

3.3 Data Collection Technique

The study uses secondary data obtained from the Ghana Stock Exchange website. Audited annual financial statement of the listed firms is source of information for the dividend policy (dividend per share) and financial indicators of performance and firm value of the listed firms on the Ghana Stock Exchange (<https://gse.com.gh/financial-statements/>). The researcher uses panel data constructions from the financial records of firms listed in Ghana for a period of 5 years, from 2018 – 2022. The study collects data from 2018 because the financial sector of the country experienced a major clean-up which affected majority of the financial institutions in Ghana. Some of these institutions are listed on the Ghana Stock Exchange and therefore the study collects data from 2018 to eliminate firms that have undergone mergers and acquisitions. The sample is checked for duplicated data.

3.4 Study Variables

3.4.1 Dependent Variables

Performance and value of firms are used as the dependent variables of the study. Return on Equity and Return on Assets are used as the indicators of performance in separate models and Tobin's Q serves as proxy for the value of the listed firms. The return on equity is measured as ratio of net profit after tax to total equity capital and the return on assets is also measured as the ratio of net profit after tax to total current assets. Tobin's Q is calculated as the ratio of the firm's total market value to its total book value.

3.4.2 Independent Variables

Dividend yield and dividend pay-out ratio are used to evaluate the dividend policy independent variable. Dividend yield is the sum of a company's annual dividends paid to its shareholders on their investments. It also demonstrates a company's share price appeal as an investment. It is calculated by dividing the current market value of the share by: Dividend Yield equals dividends per share divided by market stock price. The second method for evaluating dividend policy is the dividend pay-out ratio, which compares a company's dividend payments to its earnings.

3.4.3 Control Variables

Firm size, leverage, and liquidity are employed as control variables in the current study. In this study, the logarithm of the total assets of the firm serves as proxy for firm size; the larger the company's total assets, the bigger the firm. The total assets log is used to calculate company size. Because large companies are able to pay out greater dividends, the log of total assets is

employed to lessen the significant disparity between the size of the too-large company and the market average (Phornlaphatrachakorn & Na-Kalasindhu, 2020). The study also uses liquidity as a control variable and measures the liquidity of a firm as the ratio of its current assets to its current liabilities. Leverage ratios represent the amount of external funding from short- and long-term borrowing. Total debts divided by total assets serves as the benchmark for this ratio.

Table 3.1: Definition and source the operational variables of the study

Variable	Code	Calculation/Definition	Source	Expected Sign
Dependent Variables				
Return on Assets	ROA	The ratio of net profit after tax to total current assets	Annual report	
Return on Equity	ROE	The ratio of net profit after tax to total equity capital	Annual report	
Tobin's Q	TQ	The ratio of Total Market Value of Firm/Total Book Value of Firm	Annual report	
Independent Variables				
Dividend per yield	DY	The ratio of dividends per share to stock price.	Annual report	+
Dividend payout	DP	The ratio dividends paid to earnings.	Annual report	+
Control Variables				
Size	S	Log of total assets	Annual report	+
Leverage (LEV)	LEV	The ratio of total liabilities to total assets	Annual report	-
Liquidity (LIQ)	LIQ	Current assets over current liabilities	Annual report	-

3.5 Estimation Technique

A panel data regression analysis is used in the study. This is due to the fact that the data set contains observations of multiple variables over multiple time periods. This panel data incorporates both time series and cross-sectional information. It gives the researcher the

freedom to model differences in behaviour across individual firms. It is also appropriate for this study due to its ability to account for heterogeneity issues or individual effects in crosssectional data and provide more informative results (Bell *et al.*, 2019). The panel regression equation is different from a regular time-series or cross-section regression by the double subscript attached to each variable. The general form of the panel data model is specified as:

$$y_i = \beta_0 + \beta X_{i,t} + \varepsilon_{i,t} \quad (1)$$

The subscript “*i*” represents the cross-sectional dimension, and the subscript “*t*” represents the time-series dimension. The model's dependent variable, represented by the left-hand variable “*y*”, is the performance of banks listed on the Ghana Stock Exchange. The “*x*” contains the estimation model, which is assumed to be constant over time *t* and unique to the individual cross-sectional unit “*i*”.

Pearson’s Correlation is used in this study find out the relationship between different variables.

This is done by using the econometric model:

$$r = \frac{n \sum x_i y_i - (\sum x_i)(\sum y_i)}{\sqrt{[n \sum x_i^2 - (\sum x_i)^2][n \sum y_i^2 - (\sum y_i)^2]}} \quad (2)$$

For the correlation between any two variables *x* and *y*

3.6 Model Diagnostics

Several inferential statistics are used in the study. All units for the study period are considered in the cross-section data. As a result, because the data in this study is made up of cross-section and time-series data, it contains some information about all of the selected eighteen listed firms on the GSE sampled for the five years. This explains why the study uses the balanced panel estimation method. In all cases, the panel data model considers the heterogeneity of the

individual group variables and thus provides the effect of the factors with less collinearity within the variables with a higher grade of choice and efficacy. For each of the dependent variable in this study, the panel model proposed is:

$$ROE = \alpha_0 + \alpha_1DY + \alpha_2DP + \alpha_3SIZE + \alpha_4LIQ + \alpha_5LEV + \varepsilon \quad (3)$$

$$ROA = \beta_0 + \beta_1DY + \beta_2DP + \beta_3SIZE + \beta_4LIQ + \beta_5LEV + \varepsilon \quad (4)$$

$$TQ = \lambda_0 + \lambda_1DY + \lambda_2DP + \lambda_3SIZE + \lambda_4LIQ + \lambda_5LEV + \varepsilon \quad (5)$$

Where; ε = the stochastic error term

ROE = Return on Equity,

ROA = Return on Assets,

TQ = Tobin's Q,

DY= Dividend Yield,

DP = Dividend pay-out ratio,

SIZE = Firm size,

LIQ = Liquidity,

LEV = Leverage

3.6.1 Multicollinearity Test

One of the assumptions of the classical linear regression model is that the explanatory variables in the regression model are not multicollinear. The statistical tests used in the study to detect the presence of multicollinearity are the Variance Inflation Factor (VIF) and tolerance. The Variance Inflation Factor is calculated as follows:

$$VIF(x_i) = \frac{1}{1 - R^2} \quad (6)$$

The R^2 is the coefficient of the determination of the results of the regression of x_i against the explanatory variables. A high VIF means that the variable x_i is collinear with the other explanatory variables. VIF value of a variable that is more than 10 is deemed too be highly collinear as a rule of thumb (Lavery *et al.*, 2019). However, some authors use a more conservative threshold value of 30 (Alauddin & Nghiem, 2010; Jauk *et al.*, 2013).

The measure of tolerance is given by:

$$TOL(x_i) = \frac{1}{VIF(x_i)} \quad (7)$$

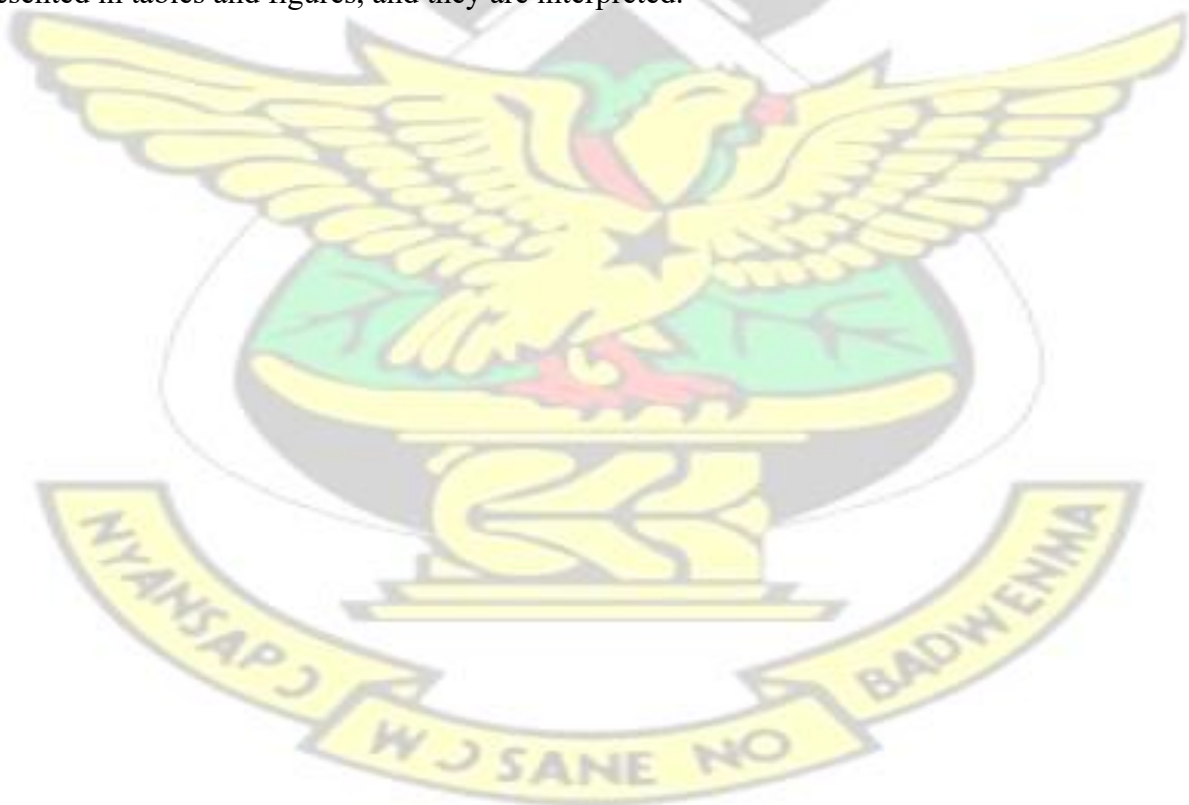
If the tolerance value equals 1, then x_i is not correlated with the other explanatory variables. If the tolerance value equals 0, then x_i is said to be perfectly correlated with the other explanatory variables.

3.6.2 Normality Test

This can be done graphically or mathematically, and it can be verified through visual inspection or statistical analysis. Given this condition, Alpu & Yuksek, (2016) argue that a study satisfies the multivariate normality requirement when all of its variables reach univariate normality. In order to visually determine whether the sample originates from a normal distribution, a normal probability map is created. The present study uses Shapiro-Wilk W, D'Agostino-Pearson, and Kolmogorov-Smirnov to test for the normal distribution of the panel data.

3.7 Data Analysis and Presentation

The quantitative data analysis method is used to collect and analyse the data. To assist in the analysis and evaluation of the data, financial analytical tools and techniques involving the statement of financial position and income statement items financial ratios such as liquidity, leverage, and return on asset and equity ratios are calculated using Microsoft Excel version 2019. The data is analysed in accordance with the study's primary objectives. Pearson To determine the relationship between dividend policy and the performance and value of firms listed on the Ghana Stock Exchange, correlation analysis and panel data multiple regression analysis are used. The study employs GraphPad Prism 8.0 as the primary statistical tool for analysis because it allows the researcher to conduct a thorough analysis of the data collected and presents the results in a colourful and easy-to-understand format. The findings are presented in tables and figures, and they are interpreted.



CHAPTER FOUR

RESULTS AND DISCUSSION

4.0 Introduction

This chapter covers the analysis of the data collected and the interpretation of the results of the study. It provides details of descriptive and inferential statistics the study employs to examine the impact of dividend policy on firm performance and firm value.

4.1 Results

4.1.1 Descriptive Statistics

The study reports a mean of 0.995 ± 1.215 for ROA, while the mean ROE and Tobin's Q for the listed firms is 0.196 ± 0.107 and 0.315 ± 1.189 respectively. Table 4.1 gives a detailed description of the descriptive statistics of the measures of dividend policy and other control variables the study employs from 2018 to 2021. This study records a mean dividend pay-out and a dividend yield of 0.459 ± 1.233 and 0.503 ± 0.759 respectively. Also, the mean for Liquidity in this study is 2.167 ± 3.009 , while the study records 0.960 ± 1.510 as the mean for Leverage, and the mean size of the listed firms is 14.600 ± 2.060 .

Table 4.1: Descriptive statistics of study variables

Variable	N	Minimum	Maximum	Mean	SD
Return on Assets (ROA)	60	-0.003	4.730	0.995	1.215
Return on Equity (ROE)	60	-0.003	0.517	0.196	0.107
Tobin's Q (TQ)	60	-0.001	5.539	0.315	1.189
Dividend pay-out (DP)	60	0.000	8.766	0.459	1.233

Dividend yield (DY)	60	0.000	2.950	0.503	0.759
Liquidity (LIQ)	60	0.099	15.000	2.167	3.009
Leverage (LEV)	60	0.026	9.081	0.960	1.510
Size (SIZE)	60	8.801	17.130	14.600	2.060

N= Number of observations, SD: Standard Deviation

Source: Researcher's Construct, 2023

4.1.2 Test for Normality

The study uses the Kolmogorov-Smirnov test to determine whether the data set follows the Gaussian distribution. Table 4.2 gives a detailed description of the Kolmogorov-Smirnov test of normality for all the study variables, which reports p-values less than the 0.05 alpha value. This implies that all the study variables do not follow the Gaussian normal distribution and the alternative hypothesis that the data do not follow the normal distribution should be accepted.

Table 4.2: Kolmogorov-Smirnov test of normality

Variable	n	Statistic	df	p-value
Return on Assets (ROA)	60	0.213	59	<0.001
Return on Equity (ROE)	60	0.119	59	0.035
Tobin's Q (TQ)	60	0.501	59	<0.001
Dividend pay-out (DP)	60	0.355	59	<0.001
Dividend yield (DY)	60	0.314	59	<0.001
Liquidity (LIQ)	60	0.316	59	<0.001
Leverage (LEV)	60	0.411	59	<0.001
Size (SIZE)	60	0.130	59	0.013

N= number of observations, df = degree of freedom

Source: Researcher's Construct, 2023

4.1.3 Multicollinearity

Table 4.3 gives a detailed description of the Value Inflation Factor (VIF) and tolerance test for multicollinearity between the study dependent variables and the independent variables in the three different models the study uses to establish the impact of dividend policy on firm performance and value. In model 1, all the explanatory variables have VIF between 1.084 and

1.191 as well as tolerance values above 0. Nonetheless, dividend pay-out (DP) has a higher tolerance level in model 1 in comparison to the other explanatory variables. In model 2, the highest VIF value (2.546) is observed in the SIZE of listed firms and the lowest in Leverage (LEV). The tolerance values in model 2 with Return on Equity as the dependent variable is well below 1 and above 0. Model 3 also has VIF and tolerance values within acceptable ranges and this suggests that there is no collinearity between the variables and makes the subsequent regression analysis unbiased.

Table 4.3: Value inflation factor (VIF) and tolerance values for the explanatory variables

Variable	Model 1		Model 2		Model 3	
	VIF	Tolerance	VIF	Tolerance	VIF	Tolerance
DP	1.084	0.923	1.233	0.811	1.080	0.926
DPY	1.097	0.912	1.227	0.815	1.133	0.883
LIQ	1.191	0.840	1.348	0.742	1.216	0.822
LEV	1.160	0.862	1.056	0.947	1.295	0.772
SIZE	1.150	0.870	2.546	0.393	1.373	0.728

Dependent variable: Model 1 – ROA; Model 2 – ROE; Model 3 – TQ

Source: Researchers construct, 2023

As a rule of thumb, a correlation of 0.800 or more between independent variables suggests collinearity between the variables. In Table 4.4, all the correlation coefficients are well below 0.8 which indicates there is no form of multicollinearity. Nonetheless, there is a significant association between ROA and Liquidity, Leverage, Tobin's Q, and ROE. Similarly, Firm size has a significant association with Tobin's Q, Dividend yield, and Leverage. Table 4.4 gives a detailed description of the correlation matrix of the study variables.

Table 4.4: Correlation matrix of study variables

Variable	ROA	ROE	TQ	DP	DPY	LIQ	LEV	SIZE
ROA	1.000							

ROE	0.325	1.000						
TQ	-0.387	0.047	1.000					
DP	0.245	-0.013	0.030	1.000				
DPY	0.109	0.239	-0.271	0.323	1.000			
LIQ	-0.521	-0.150	0.183	0.058	0.030	1.000		
LEV	0.266	-0.097	-0.461	-0.019	0.181	-0.230	1.000	
SIZE	0.420	0.179	-0.367	0.199	0.230	-0.209	0.555	1.000

Boldened values are statistically significant at $p < 0.05$

Source: Researcher's Construct, 2023

4.1.4 Model Summary and Test for Autocorrelation

The study employs the Durbin-Watson test for serial correlation to evaluate the data for autocorrelation which is the similarity of a time series data over a successive time interval and can lead to underestimation of standard error. This consequently masks the predictors as falsely significant. Table 4.5 gives a detailed description of the Durbin-Watson test for autocorrelation for the study variables across the three models the study examines. All three models have positive autocorrelation with values in the normal range of 1.5 to 2.5.

In Table 4.5, the R^2 value for Model 1 is 0.263 which indicates that 26.3% of the variations in the dependent variable, return on asset (ROA) as a measure of firm performance is explained by the independent and control variables. The remaining 73.7% is explained by other factors and the error term in the model. Also, in Model 2, the independent and control variables explain 34.3% ($R^2 = 0.343$) of the variation in the dependent variable, return on equity which also serves as an indicator of firm performance in this study. The error term and other variables explain the remaining 65.7% of the variation in the dependent variable, ROE. In Model 3, the independent and control variables explain 64.9% of the variation in the dependent variable Tobin's Q (TQ), which serves as an indicator for firm value in the study. The error term and other factors explain the remaining 35.1% of the variation in the dependent variable, Tobin's Q.

Table 4.5: Durbin-Watson test for autocorrelation

Model	R	R ²	Adjusted R ²	Standard Error of Estimate	Durbin-Watson
1	0.513	0.263	0.195	1.043	1.519
2	0.585	0.343	0.228	0.209	1.509
3	0.806	0.649	0.607	0.713	1.61

Predictors (constant): Dividend pay-out, Dividend yield, Liquidity, Leverage, and size

Dependent variable(s): 1. Return on Assets, 2. Return on Equity, 3. Tobin's Q **Source:**

Researcher's construct, 2023

4.1.5 Analysis of Variance

As Table 4.6 shows, the statistic value is 6.838 which is significant at a 5% significance level with a p-value <0.001. These ANOVA findings indicate that the regression model is significant and a good predictor of the relationship between dividend policy and firm performance using ROA as a proxy of performance.

Table 4.6: Analysis of Variance for the model with ROA as the dependent variable

Model: 1	Sum of Squares	df	Mean Square	F	p-value
Regression	6.659	5	1.332	6.838	< 0.001
Residual	8.569	54	0.195		
Total	15.23	59			

Dependent Variable: Return on Asset (ROA)

Predictors: (Constant), Dividend pay-out, Dividend yield, Liquidity, Leverage, and Firm size.

Source: Researcher's construct, 2023

Table 4.7 depicts that the statistic value of 1.694 is not significant at the alpha value of 0.05 and this finding from the ANOVA test indicates that there is no significant association between dividend policy and firm performance using return on equity as a proxy for firm performance. Therefore, the model may not predict the true nature of the relationship between dividend policy and firm performance.

Table 4.7: Analysis of Variance for the model with ROE as the dependent variable

Model: 2	Sum of Squares	df	Mean Square	F	p-value
Regression	0.434	5	0.087	1.694	0.156
Residual	2.254	54	0.051		
Total	2.688	59			

Dependent Variable: Return on Equity (ROE)

Predictors: (Constant), Dividend pay-out, Dividend yield, Liquidity, Leverage, and Firm size.

Source: Researcher's construct, 2023

In Model 3, as Table 4.8 shows, the statistic 15.200 is significant at a 5% significance level with a p-value of <0.001. These findings from the Analysis of Variance indicate that the regression model is significant and a good predictor of the relationship between dividend policy and firm value using Tobin's Q (TQ) as a proxy of firm value.

Table 4.8: Analysis of Variance for the model with TQ as the dependent variable

Model: 3	Sum of Squares	df	Mean Square	F	p-value
Regression	43.340	5	8.668	15.200	< 0.001
Residual	23.380	54	0.570		
Total	66.720	59			

Dependent Variable: Return on Equity (ROE)

Predictors: (Constant), Dividend pay-out, Dividend yield, Liquidity, Leverage, and Firm size.

Source: Researcher's construct, 2023

4.1.6 Regression Analysis of Study Variables

The regression analysis in Model 1 shows that there is a significant positive association between return on assets (ROA) as an indicator of performance and dividend pay-out (DP) which serves as an indicator for dividend policy ($\beta = 0.379$, $t = 1.164$, $p = 0.022$). Also, ROA has a significant and strong positive association with liquidity ($\beta = 0.643$, $t = 3.884$, $p < 0.001$) and firm size ($\beta = 2.146$, $t = 2.181$, $p = 0.035$) as Table 4.9 depicts. Furthermore, ROA has an insignificant but

positive association with dividend yield ($\beta = 0.133$, $t = 1.612$, $p = 0.114$) and leverage ($\beta = 0.287$, $t = 1.661$, $p = 0.104$) in firms listed in Ghana.

In Model 2, return on equity (ROE) has a significant and positive association with dividend pay-out ($\beta = 0.351$, $t = 0.534$, $p = 0.047$) but has an insignificant and negative association with dividend yield ($\beta = -0.146$, $t = -1.037$, $p = 0.306$). In Table 4.9, it is observed that ROE has an insignificant but positive association with liquidity ($\beta = 0.158$, $t = 1.117$, $p = 0.271$) and firm size ($\beta = 0.727$, $t = -0.922$, $p = 0.362$) of firms listed in Ghana. Furthermore, the study reports a negatively insignificant association between ROE and leverage ($\beta = -0.088$, $t = 0.306$, $p = 0.761$) as Table 4.9 depicts.

In Model 3, Tobin's Q (TQ) as a measure of firm value has a significant and positively strong association with firm size ($\beta = 12.980$, $t = 8.465$, $p < 0.001$) and also has a significant but negatively strong association with leverage ($\beta = -0.826$, $t = 2.067$, $p = 0.045$). In the same model, ROE has an insignificantly positive association with dividend pay-out ($\beta = 0.424$, $t = 1.571$, $p = 0.125$). As Table 4.9 depicts, ROE has an insignificantly negative association with dividend yield ($\beta = -0.266$, $t = 1.736$, $p = 0.091$) and liquidity ($\beta = -0.333$, $t = 1.002$, $p = 0.323$).

The regression results in Table 4.9 leads to the formation of the following equations:

Model 1:

$$ROA = 0.379 (DP) + 0.133 (DPY) + 0.643 (LIQ) - 0.289 (LEV) + 2.146 (SIZE) - 2.767$$

2:

$$ROE = 0.351 (DP) - 0.146 (DPY) + 0.158 (LIQ) - 0.088 (LEV) + 0.727 (SIZE) - 0.991$$

3:

$$TQ = 0.424 (DP) - 0.266 (DPY) - 0.333 (LIQ) - 0.826 (LEV) + 12.980 - 10.470$$

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Table 4.9: Relationship between dividend policy, liquidity, leverage and size, and the performance and value of listed firms

Variable	Model 1				Model 2				Model 3			
	β	SE	t	p-value	β	SE	t	p-value	β	SE	t	p-value
Intercept	-2.767	1.164	2.377	0.022	-0.991	0.713	-1.39	0.015	- 10.470	2.213	4.729	<0.001
DP	0.379	0.144	2.631	0.012	0.351	0.657	0.534	0.047	0.424	0.270	1.571	0.125
DPY	0.133	0.082	1.612	0.114	-0.146	0.057	-1.037	0.306	-0.266	0.153	1.736	0.091
LIQ	0.643	0.166	3.884	<0.001	0.158	0.043	1.117	0.271	-0.333	0.332	1.002	0.323
LEV	0.287	0.173	1.661	0.104	-0.088	0.094	0.306	0.761	-0.826	0.400	2.067	0.045
SIZE	2.146	0.984	2.181	0.035	0.727	0.505	-0.922	0.362	12.980	1.534	8.465	<0.001

Dependent Variable(s): Model 1 – Return on Assets; Model 2 – Return on Equity; Model 3 – Tobin's Q

β : Coefficient of Regression, SE: Standard Error of Coefficient, DP: Dividend pay-out, DPY: Dividend yield, LIQ: Liquidity, LEV: Leverage, SIZE: Firm Size

Source: Researcher's construct, 2023

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40



4.2 Discussion

This study examines the connection between dividend policy, as measured by dividend payout and dividend yield, and firm performance, as measured by return on asset and return on equity, as well as the connection between dividend policy and firm value, as measured by Tobin's Q. Based on the data in Table 4.9, it appears that dividend payout and dividend yield positively affect ROA and ROE for publicly traded companies in Ghana. There was also statistical evidence that dividend distribution had an effect. According to the data, dividend yield has a positive and statistically significant effect on ROA but a small and inconsequential effect on ROE (Table 4.9). This research's results are in line with those of a paper from Vietnam by Nguyen *et al.*, (2021) where the researchers indicate in their report that dividend pay-out has a positive and significant impact on ROA. Similarly, Kanakriyah, (2020) and Habumugisha & Mulyungi, (2018) also report a positive association between dividend pay-out and firm performance (ROA and ROE) which are consistent with the discoveries of this research. However, the finding of this study varies from that of Narang, (2018) who concludes that there is no significant association between return on asset and dividend pay-out, which is similar to the report of Ugwu *et al.*, (2020) where the authors indicate that dividend pay-out has a negligible relationship with ROE. The findings of the study indicate that an increase in dividend pay-out leads to an increase in the financial performance (ROA and ROE) of listed firms and this also supports the Bird-In-Hand Theory. ROA offers an idea of how effective management is at utilizing its assets to create profits and indicates how efficient management is (Puspitasari *et al.*, 2021). If the company is doing well financially, it can decide how much of a dividend to pay out in accordance with the hopes of its shareholders without jeopardizing its own ability to thrive. The dividend pay-out ratio is a useful measure of both the company's current financial health and the confidence of its shareholders in the company's future prospects.

Researchers found that listed companies whose liquidity was high also performed better. Also, Table 4.9 shows that while liquidity has a favorable impact on ROE for shareholders, this effect is too small to be statistically significant. Kong *et al.*, (2019) find similar results, demonstrating that liquidity significantly correlates with a firm's financial performance as assessed by ROA but has no bearing on the firm's financial performance as evaluated by ROE. The results of this study are consistent with those of another Nigerian study by the same author, which also found that increased liquidity improved financial performance (Horsfall, 2022). In addition, the findings of this study are comparable with those of another Pakistani study (Samo & Murad, 2019), that reports liquidity has a negative effect on return on equity (ROE) and a positive effect on return on assets (ROA). Li *et al.*, (2020) find that the opposite is true, arguing that increased liquidity significantly reduces ROE. One reason why liquidity has a negative impact on return on equity is because public companies tend to overinvest in current assets like inventory that are difficult to turn over (Li *et al.*, 2020). Stockpiles have a detrimental impact on a company's performance measured by return on equity because of the significant storage and other carrying costs they incur over time (Cappa *et al.*, 2021). One possible explanation for the positive correlation between ROA and liquidity is that an increase in ROA favorably affects both current assets and net working capital. Both the composition of financing sources and the composition of assets have an impact on a company's liquidity and profitability. From a financial liquidity standpoint, the most important issue is the percentage of short-term liabilities in capital financing projects. Once the level of financial liquidity falls below a predetermined minimal level, the level of profitability also begins to fall. If a company has insufficient cash on hand, it will be unable to meet its debt obligations on time.

Return on assets (ROA) is positively affected by leverage, whereas return on equity (ROE) is negatively affected by it. Furthermore, Table 4.9 shows that there is no statistically significant relationship between leverage and financial performance. However, Bunyaminu *et al.*, (2021)

find that leverage significantly reduces banks' earnings regardless of the proxy for profitability used in their study. There is some inconsistency between the conclusions of this study and those of Gathara *et al.*, (2019), who suggest that leverage had a significant favorable influence on the financial performance of selected companies listed at NSE, Kenya. Financial leverage, as reported by Iqbal & Usman, (2018) and Das *et al.*, (2021), has a considerable negative impact on a firm's return on equity and a significant favorable impact on its return on assets. Higher levels of debt have a negative impact on a company's performance and lower stock value (Kalantonis *et al.*, 2021). This is because enterprises are more likely to borrow money and make their contractual payments on time if they expect a higher return on equity. This research lends credence to the Pecking Order Hypothesis. However, return on asset (ROA) is positively affected by leverage in this study, suggesting that the greater a company's asset base, the greater its ability to earn income without increasing its debt load.

Return on assets is shown to be positively strong and substantial regardless of the size of the firm, but return on equity is found to be insignificantly strong (Table 4.9). This finding is consistent with the results of a similar study conducted in Pakistan (Aydin-Unal *et al.*, 2017), which found that a company's size has a considerable positive influence on the ROA. Aduralere-Opeyemi, (2019), Eyigege, (2018) and Olawale *et al.*, (2017), in contrast to the results of this study, report a positive but insignificant effect of firm size on return on equity but a negative but insignificant effect of firm size on return on assets. According to the findings of another study by Almashhadani & Almashhadani, (2022), firm size has no bearing on a company's success. Similar findings were found in a study conducted in Ghana by Musah & Kong, (2019), which demonstrated a positive relationship between firm size and return on investment (ROI). This study did discover a small negative correlation between business size and return on equity, but the effect was not statistically significant. There is a positive correlation between the size of a company and its performance, as measured by ROA, which

suggests the company is expanding; a higher ROA corresponds to a larger business, therefore the more assets and revenue a company has, the bigger it is.

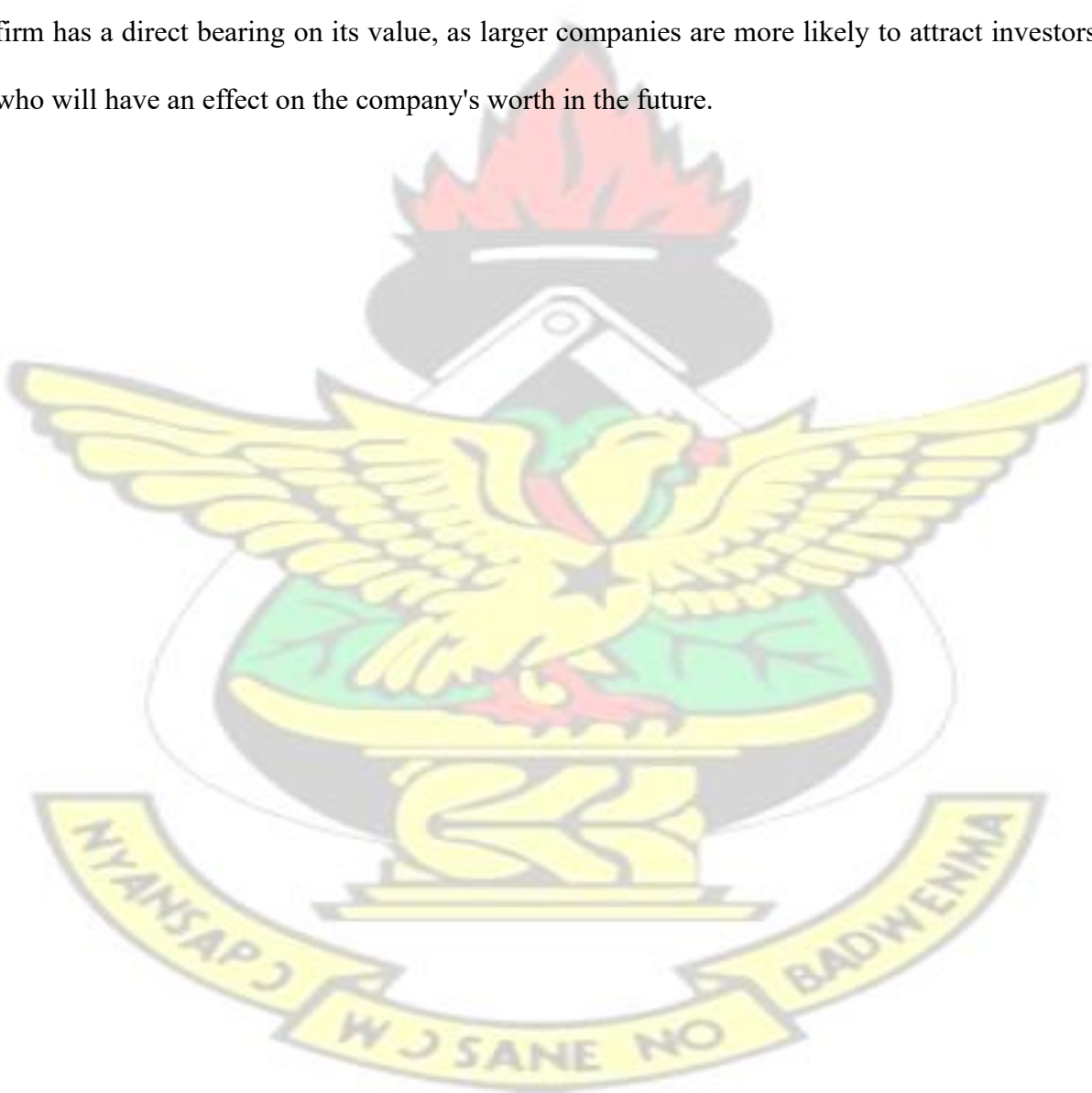
Several studies have investigated how dividend policy affects the value of businesses. Firm value is affected in a complex way by dividend policy, according to our analysis (Table 4.9). When dividends are used as a proxy for dividend policy, Tobin's Q (a measure of firm value) rises slightly but not noticeably. In addition, the dividend yield has a little negative impact on the market value of publicly traded companies in Ghana. Results from this study differ from those reported by Dang *et al.*, (2021), who claim that corporations with a larger dividend payout policy tend to be more valuable. In addition, the findings of this study conflict with those of a study conducted in Nigeria (Nympha *et al.*, 2021), which found that dividend pay-out has a negligible negative effect on company value while dividend yield has a sizable negative effect on firm value. However, other Indonesian research (Nurokhmah *et al.*, 2023; Sondakh, 2019) demonstrate a favourable influence of dividend pay-out on firm value, which is consistent with the results of our study. In addition, Bezawada & Tati, (2017) discover that dividend yield has a negative effect on company value, which is consistent with the results of the present investigation. This research shows that dividend policy has little effect on firm value for firms that either do not pay dividends at all or pay them at a low rate. Regular dividend payments demonstrate to investors that the company's leadership is confident in its ability to continue generating profits. This boosts the company's allure to investors, which in turn raises the stock price and improves the company's value.

Table 4.9 shows that the influence of liquidity on firm value is small and statistically negligible. Batten & Vo, (2019) also show a negative effect of liquidity on business value, which is consistent with the results of this study. Liquidity also has a little negative impact on business value, according to an Indonesian study (Zuhroh, 2019). On the other hand, multiple researchs

(Jihadi *et al.*, 2021; Putra & Astika, 2019; Rafid *et al.*, 2019; Sondakh, 2019) also find that liquidity has a considerable positive influence on the value of a corporation. The higher the liquidity ratio of a corporation, the greater the proportion of its liabilities that are covered by current assets, which in turn increases investor confidence and the firm's value. Even though this study found a negative influence, it's likely that investors don't pay much attention to a company's liquidity because the current ratio simply reflects the company's capacity to meet its short-term obligations with its current assets. The stock market responds favourably to a firm's capacity to satisfy its short-term obligations because, according to the signal theory, this suggests the company will be able to sustain its success, which in turn should increase its value. However, this research shows that increasing debt levels considerably reduces a company's worth. As can be seen in Table 4.9, there is a negative correlation between leverage and business value, corroborated by the research of Ibrahim & Isiaka, (2020). Another study conducted in Nigeria (Akani & Ifechi, 2017) confirms the detrimental impact of financial leverage on business value found in this one. The findings of this study are consistent with those of other studies conducted in Vietnam (Luu, 2021; Mai, 2020; Nguyen-Trong & Nguyen, 2020), all of which reveal a strong negative effect of leverage on business value. A number of other research, however (Aprilyani *et al.*, 2021; Jihadi *et al.*, 2021; Nurokhmah *et al.*, 2023; Santosa, 2020), indicate a strong beneficial effect of leverage on business value. Consistent with the "Pecking-Order Theory," this study finds that a company's value and attractiveness to investors both peak at high levels of leverage or debt to equity.

Value of listed firms is positively correlated with firm size, as measured by the natural logarithm of total assets (Table 4.9). Researchers in Vietnam found that larger firms have a more positive effect on company value, and that this link is statistically significant (T. D. Dang & Do, 2021; Nguyen-Trong & Nguyen, 2020). In addition, Sondakh (2019) found similar results in

Indonesia, reporting that larger firms have a greater favorable impact on company value. This study's conclusions are at odds with those of other researchers, such as Aprilyani *et al.* (2021), who found only a little negative influence of firm size on firm value. Firm size has a large positive effect on firm value, according to Lumapow & Tumiwa, (2017), but Nurokhmah *et al.*, (2023) report an insignificant positive effect on company value. A different study (Luu, 2021) finds the opposite, that larger firms have a negative influence on smaller ones. The size of a firm has a direct bearing on its value, as larger companies are more likely to attract investors who will have an effect on the company's worth in the future.



CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter is divided into three sections. The first section covers the summary of the main findings of the study that accomplish the objectives of the study. The second section covers the conclusions the researcher draws from the findings of the study and the final section covers relevant recommendations based on the findings of the study.

5.1 Summary of Findings

From the analysis of the data the study uses, dividend policy has a substantial impact on financial performance. except when dividend policy is proxied by dividend yield, which shows both insignificant positive and negative effects of ROA and ROE respectively.

The study reveals that liquidity and firm size have a significant positive impact on firm performance (ROA) but shows an insignificant positive effect on ROE as a measure of financial performance. Leverage has an impact on ROA and ROE in both positive and negative ways respectively.

Dividend policy affects firm value both positively and negatively when dividend pay-out and dividend yield serve as a proxy for dividend policy respectively.

With regards to the size of the listed firm, it shows a substantial positive impact on firm value, while leverage exerts a considerable negative influence on the value of the listed firms. Also, liquidity has an insignificant impact on the value of listed firms in Ghana.

5.2 Conclusion

This study examines the impact of dividend policy on the financial performance and value of listed firms in Ghana. The study employs purposive sampling technique to select 15 firms listed on the Ghana Stock Exchange and uses secondary data from the audited financial statement of the firms that meet the inclusion criteria of the study. The study uses an ordinary least square regression model to establish the relationship between dividend policy and financial performance and firm value and simultaneously examines the effect of other control variables (leverage, liquidity, and firm size) on financial performance and firm value. From the findings of the study, the researcher concludes that dividend policy has a significant impact of the financial performance of listed firms in Ghana, thus firms perform well when dividend shareholders receive increases. More so, the findings also indicate that larger firms tend to perform better than firms of small sizes. Also, the researcher concludes that firms with higher levels of liquidity tend to outperform firms with lower levels of liquidity. Furthermore, firms with a higher degree of leverage, thus using debt to finance their operations, perform better financially. Notwithstanding this, on the basis of the findings of this study, the researcher concludes that firms with higher degree of leverage experience a significant decrease in the valuation of the firm. However, liquidity does not have any significant effect on the value of listed firms in Ghana.

5.3 Recommendations

Based on the current study's findings, the researcher suggests the following. Financial managers need to carefully evaluate the level of leverage that is right for their business, weighing the possible advantages of debt financing operations against the impact on the firm's valuation. For the firm to avoid taking on excessive risk and to maintain its overall financial stability, a careful approach to controlling leverage is essential.

Financial managers should evaluate the company's financial standing and, if feasible, explore raising dividend payments. Since dividend policy has a substantial impact on the financial performance of listed corporations in Ghana, this could aid the company attract investors and possibly improve its financial performance.

Financial managers should work to increase their companies' size and growth potential. This can be accomplished by tactics including acquisitions, market expansion, and the creation of new product lines.

Despite the study's conclusion that value is not significantly affected by liquidity. of Ghana's listed companies, financial managers should nonetheless take into account other aspects that affect firm valuation. When making strategic financial decisions, other factors including profitability, growth prospects, market conditions, and industry-specific dynamics should be taken into consideration.

Future studies should focus on other variables when evaluating the impact of the dividend policy (earnings per share, dividend per share) on financial performance (Return on Investment), and firm value, since the results of the study indicate the absence of a statistically significant impact of the dividend yield on firm performance and value, and to also apply more control variables such as board structure, governance techniques, and internal or external auditing, and business risk to enhance and make the results tougher and stronger.

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APPENDICES

APPENDIX I: List of Selected Firms

Ecobank Ghana Limited

Anglogold Ashanti

Access Bank

Benso Oil Palm Production

Cal Bank

Enterprise Group Limited

Ecobank Transactional Incorporated

GCB

Guiness Ghana Brewery Limited

MTN Ghana

Republic Bank Ghana PLC

Goil Ghana PLC

Total Energies

Standard Chartered Bank Limited APPENDIX II: Similarity Index

Impact of dividend policy on financial performance and firm value

ORIGINALITY REPORT

20%	16%	12%	9%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	www.researchgate.net Internet Source	2%
2	ir.jkuat.ac.ke Internet Source	1%
3	phd-dissertations.unizik.edu.ng Internet Source	1%
4	Perdana Wahyu Santosa, Ovinda Aprilia, Martua Eliakim Tambunan. "The Intervening Effect of the Dividend Policy on Financial Performance and Firm Value in Large Indonesian Firms", International Journal of Financial Research, 2020 Publication	1%
5	krishikosh.egranth.ac.in Internet Source	1%
6	"From the Internet of Things to the Internet of Ideas: The Role of Artificial Intelligence", Springer Science and Business Media LLC, 2023 Publication	1%