
RELATIONSHIP BETWEEN CORPORATE TAX AND DIVIDEND POLICY DECISIONS OF QUOTED MANUFACTURING COMPANIES IN NIGERIA

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Abstract

This paper examined the relationship between corporate tax and dividend policy decisions of quoted manufacturing companies in Nigeria. Specifically, the paper examined the relationship between corporate tax and progressive, constant and zero dividend policy decisions. Towards achieving the objectives of this paper, related prior empirical studies were carried out. The paper further employed ex-post facto research design as data were collected from published annual reports of the sampled 13 quoted manufacturing companies in Nigeria for a period covering 2013-2020 resulting to 104 observations. Descriptive statistics was done, giving summary of data used, furthermore, the data were subjected to multicollinearity test via variance inflation factor (VIF). The paper further conducted multiple regression analysis with the aid of STATA to test the formulated hypotheses. The study found that corporate tax has no significant relationship with progressive dividend, constant dividend and zero dividend of quoted manufacturing companies in Nigeria. This implies that there exists no significant relationship between corporate tax and dividend policy of quoted manufacturing companies in Nigeria. The study recommends among others that quoted manufacturing companies should not take tax into consideration before opting for type of dividend policy to adopt as corporate tax has no influence on dividend policy.

Keywords: *Constant dividend, corporate tax, dividend policy, progressive dividend, and zero dividend.*

1. Introduction

Every nation all over the world is faced with the responsibility to provide to the masses basic infrastructural facilities such as security, steady electricity, good road, good healthcare, good education and employment to enhance quality of living. In order to achieve this task, the government is then faced with the question on how to raise revenue. In quest to finding ways to finance the needs faced by the government, birth taxation. Nigeria, like other developing nations of the world, has numerous forms of taxations in practice. These taxes afford communities to be relieved from external attack or aggression. It is a civil responsibility of players in a society paid as a compulsory levy contributed by the populace towards societal administration and sustenance.

The relationship between corporate taxes and dividend policies first flickered in the Modigliani and Miller (1961) thesis. The thesis of Modigliani and Miller operated in a world without taxes, or at least neutral during income realisation. This hypothesis is not consistent with reality. Generally, dividends are taxed as capital gains, especially for people whose tax rate is in the highest brackets (Lamyaa & Karima, 2017). This form of tax is called corporate tax. Corporate tax, also called corporation tax or company tax, is a direct tax imposed by a jurisdiction on the income or capital of corporations or analogous legal entities (Odia & Ogiedu, 2013). These taxes may also be referred to as income tax or capital tax. In general, dividend policy becomes relevant if investors' dividend income tax rates are higher than their capital gains tax rates. Thus, dividend policy may affect investors' after-tax income and therefore, the cost of capital and the value of the firm.

The problem of whether or not there is a fundamental effect of taxes on dividend policy drives this research study. This is of considerable importance not only to management of financial institution but also to investors planning portfolio, trying to develop a flow of investments. According to Egbunike & Abiahu (2017), "this information is important for the users, as they use the statements to assess the financial condition and performance of related companies". Amahalu, Abiahu, Okika and Obi (2016) were of the opinion that managers of firms need to identify the relationships between certain measures like profitability, liquidity growth opportunity, dividend policies, size, non-debt tax shields, ownership structures, et cetera on financing decisions of the firm.

Noticeably, studies that focused on the impact of corporate taxes on dividend policy in Nigeria failed to measure dividend policy in terms of its core policies like progressive, constant and zero dividend policy (Onwuka, 2019; Oloyede, Olaoye & Oluwaleye, 2018; Uwuigbe & Olowe, 2013; Odia & Ogiedu, 2013; Samuel & Inyada, 2010). Almost all existing studies in Nigeria at the researcher's disposal made use of dividend earnings indicators such as dividend per share, dividend pay-out ratio and dividend yield, which does not in any way, represent policies. It is in view of this that this paper examined the relationship between corporate taxes and dividend policy measured by progressive dividend policy, constant dividend policy and zero dividend policy of quoted manufacturing companies in Nigeria.

2. CONCEPTUAL CLARIFICATION AND EMPIRICAL REVIEW

2.1 Conceptual Clarification

Corporate Tax

Corporate tax also known as company tax, is a direct tax imposed by a jurisdiction on the income or capital of corporations or analogous legal entities (Odia & Ogiedu, 2013). These taxes may also be referred to as income tax or capital tax. A corporate tax is a levy

placed on the profit of a firm to raise taxes. After operating earnings is calculated by deducting expenses including the cost of goods sold and depreciation from revenues, enacted tax rates are applied to generate a legal obligation the business owes the government. Rules surrounding corporate taxes vary greatly around the world and must be voted upon and approved by government to be enacted.

Dividend Policy

Dividend policy is the exchange between retained earnings and paying out cash or issuing new shares to shareholders. Some organizations pay out low dividend because management is expecting some positive results about company's future and need to retain their earning in future aspects. It is difficult to deny that taxes are important to investors. While, dividend affects the liability of shareholders tax, in general, it does not change the taxes that must be paid in or the company distributes and retains its profit. According to Oloyede, Olaoye and Oluwaleye (2018), dividend policy is a decision that borders on the amount of profits to be retained by the company and that to be distributed to the shareholders of the company. Theoretically, there are different types of dividend policies. The dividend policy of a firm is purposefully planned because of the market reactions or dividend signaling (Odia & Ogiedu, 2013)

Dividend Policy Decisions

Nuredin (2012) stated that firms are faced with dilemma of sharing dividend to stockholders and retaining their earnings with a view to reinvesting it into the business so as to promote further growth. There are different kinds of dividend policy. These include constant pay-out, progressive policy, residual policy and zero policy and non-cash policy (Uwuigbe & Olowe, 2013).

a. Constant pay-out policy

This is dividend policy where the company pays out a fixed amount of its profits after tax as dividend (Uwuigbe & Olowe, 2013). Thus, the company maintains a fixed payout ratio of dividend. A company may as a matter of policy decide to constantly payout sixty percent of its after-tax profit as dividend to its shareholders and retaining the fraction. This type of policy allows the shareholders the opportunity to clearly know the amount of dividend to expect from their investments in company. The policy could be traumatic to companies experiencing a volatile or fluctuating profit earnings. This is because of the uncertainty of its profit. If capital projects are to viable capital projects, the policy can be chaotic. It is measured by indicating 1 if progressive dividend policy is adopted by a Deposit Money Bank otherwise 0 (Watson & Head, 2004). The study therefore hypothesised that;

Ho₁: *Corporate tax has no relationship with progressive dividend policy of quoted manufacturing companies in Nigeria.*

b. Progressive policy

This is a dividend policy whereby payments on dividend are on a steady increase usually in line with inflation (Oloyede, Olaoye, & Oluwaleye, 2018). This could result in increasing dividend in money terms. The firm uses the policy as a ratchet. Every effort is made to sustain the increase even though marginal. Seldom, the company may be constrained to cut down on dividend pay-out. This is to enable it sustain its operations, this though not a frequent action as it sends a wrong signal to investors, firms operating this policy will opt to avoid paying dividends during the period rather than consistently cut down on the dividend. It is measured by indicating 1 if constant dividend policy is adopted by a Deposit Money Bank otherwise 0 (Kolb & Rodriquez, 1996). The study therefore hypothesised that;

Ho₂: *Corporate tax has no relationship with constant dividend policy of quoted manufacturing companies in Nigeria.*

c. Zero dividend policy

Some firms may decide not to pay dividend. This is especially common in newly formed companies that rather require capital to execute its projects. All the profit is thus retained for expansion of the business. Investors who prefer capital gains to dividends because of corporate taxes will naturally be lured by this kind of policy. This type of policy is quite easy to operate and avoids all the costs associated with payment of dividend. It is measured by indicating 1 if zero dividend policy is adopted (Watson & Heach, 2004). The study therefore postulates that;

Ho₃: *Corporate tax has no relationship with zero dividend policy of quoted manufacturing companies in Nigeria.*

2.2. Empirical Review

Chuang, Chen, Lin and Lee, (2018) investigate whether dividend payouts are influenced by this tax reform. In addition, whether the companies known for stable dividends have changed their dividend payout ratios. The study uses 1,661 observations of company/year, comprised of 790 observations before the cut in tax credits and 871 observations after the cut in tax credits. All the variables are retrieved from the database of Taiwan Economic Journal. Multiple regression analysis results show that the dividend payout ratios decreased after the tax reform was reduced, indicating that companies used this tax reform to enact tax planning for stockholders. This study also finds that companies offering stable dividends maintain similar dividend policies in the dividend payout ratios.

Oloyede, Olaoye and Oluwaleye, (2018) examined the impact of corporate taxes on dividend policy of selected quoted firms in Nigeria. Specifically, it analyzed the impact of company income tax and educational tax on dividend per share of 10 randomly sampled consumer goods firms. Data used were collected from the published annual reports of the selected firms over a period of 5 years spanning from 2011 to 2015. Panel data estimation techniques employed in the study are pooled OLS estimation, fixed effect estimation and random effect estimation. It was concluded in the study that corporate taxes have no clear-cut influence on dividend distribution policy of quoted consumer goods firms in Nigeria. Thus, firms are advised to devise investment and financing framework that will give room for adequate and consistent dividend distribution and strive toward capacity expansion and operational efficiency to foster increased profitability, which is a *sine-qua-non* for higher dividend distribution.

Chidoziem and Ndubuisi, (2017) determined the relationship between dividend and taxes and to find out whether taxes affect the dividends of the quoted deposit money banks in the Nigerian Stock Exchange from 2006 to 2015. Three specific objectives were derived. In pursuance of the objectives of this study, ex-post facto research design was adopted. The study made use of secondary data obtained from the Nigeria Stock Exchange (NSE) publications, fact books, annual reports and account of the selected quoted banks. The relevant data were subjected to statistical analysis using Pearson coefficient of correlation, and Ordinary Least Square (OLS) regression. The result of the study reveals that there is a negative significant relationship between tax and dividend policy. More so, that tax has statistically significant effect on dividend policy of -banks. The study recommends amongst others, that management of banks should design a dividend policy that will better the lots of shareholders and maximize the value of the bank.

Mohammed and Hauwa, (2015) assessed the effect of corporate taxation on dividend policy of listed consumer goods companies in Nigeria over the periods 2009 to 2013. Data for the study was collected from the annual reports and accounts of the companies. A panel data methodology was employed specifically using pooled OLS, fixed effect and random effect regression methods in analyzing the data. The paper demonstrated that corporate taxation and board structure have no effect on dividend policy of firms. The results also imply that performance of companies is an important determinant of dividend policy. The study recommended that companies should pay more attention to other determinants of dividend like liquidity and not to concentrate on taxes since taxes have no effect on dividend policy. Also, companies should devise other means of generating funds by expansion and diversification in order to boost their earnings.

Odia and Ogedu, (2013) investigate the effect of taxes on the dividend policy of banks in Nigeria. The study was set out to examine the relationship among profit, dividend and taxes and to find out whether profitability and taxes affect the dividends of the nineteen banks quoted in the Nigerian Stock Exchange between regression analysis was used to test the hypotheses. The analyses of the results show that profitability is a major determinant of the dividend policy as there is sign have negative and non- significant impact on the dividend policy of the banks. The study concludes that there are other factors that determine the dividends of Nigerian banks other than profitability and taxes.

2.3 BASELINE THEORY

Dividend Irrelevancy Theory

The dividend irrelevancy theory proposed by Miller and Modigliani (1961), argues that in a perfect market; one with independence of investment and dividend policies of firms, perfect capital markets, no taxes, perfect information, no transaction or flotation cost, markets are complete and no agency costs or contracting cost associated with stock ownership dividend payments will not affect firm value. Modigliani and Miller (1961) put forward the irrelevance theorems more commonly known as the MM theorems and argued that dividend policy has no effect on either the price of a firm's stock or its cost of capital. If dividend policy has no significant effects, then it would be *irrelevant*. The reason is that in the presence of perfect marked conditions, investors can create their own dividends without cost. If investors want a dividend they can simply sell off some of their shares. Equally if investors are paid a dividend, which they do not want, they can merely use the dividend to purchase additional shares in the firm. So, if investors can create their own dividend policy without incurring extra costs, dividends are indeed irrelevant.

3. METHODOLOGY

This study adopts ex-post facto research design in the investigation. This research design was adopted because data used for the study were extracted from already existing published annual reports of the 13 sampled quoted manufacturing companies for the period covering 2013-2020. Summary statistics, diagnostic test was done and multiple regression were conducted with the aid of STATA.

3.1 Model Specification

To determine the relationship between corporate tax and dividend policy of quoted manufacturing companies in Nigeria, a regression model is developed thus:

(Dividend policy) = $f(\text{Corporate Tax})$

(PDP, CDP and ZDP) = (Corporate Tax)

$$PDP_{it} = \beta_0 + \beta_1 CT_{it} + \varepsilon_{it} \quad - \quad - \quad - \quad - \quad 1$$

$$\begin{aligned} \text{CDP}_{it} &= \beta_0 + \beta_1 \text{CT}_{it} + \varepsilon_{it} & - & - & - & - & 2 \\ \text{ZDP}_{it} &= \beta_0 + \beta_1 \text{CT}_{it} + \varepsilon_{it} & - & - & - & - & 3 \end{aligned}$$

Where:

PDP = Progressive dividend policy

CDP = Constant dividend policy

ZDP = Zero dividend policy

CT = Corporate tax

β_0 = coefficient of regression constants

β_1 = coefficient

ε = error term

it = firm i in year t

Data Presentation and Analysis

Summary Statistics

This section of the chapter presents the result of descriptive statistics. Descriptive provides summary to the data set used in the study.

Table 1.1: Descriptive Statistics Results

Variables	Obs	Mean	Std. Dev	Min.	Max.
PDP	104	.37	.486	0	1
CDP	104	.4	.493	0	1
ZDP	104	.36	.483	0	1
CT	104	5.88	2.97	0	10.28

Source: STATA

Table 1.1 presents the descriptive statistics for both the dependent and explanatory variables of the study. Therefore, the number of observation as shown in table 1.1 is 104.

Progressive dividend policy (PDP) reveals a mean of 0.37 with a fluctuation of 0.49. This implies that on average, progressive dividend policy of quoted manufacturing companies under investigation stood at 0.37. The minimum and maximum value is estimated at 0.00 and 1 respectively indicating minimal dispersion.

Constant dividend policy (CDP) reflects a mean of 0.4 with fluctuations of 0.49 indicating minimal dispersion. This means that on average, constant dividend policy is estimated at 0.4 during the period under investigation. The minimum and maximum value is estimated at 0 and 1 respectively further confirming minimal dispersion across data values.

Zero dividend policy (ZDP) stood at 0.36 with a fluctuation of 0.48 indicating minimal fluctuations. This means that on average, ZDP during the period under study is estimated at 0.36. The minimum and maximum value is estimated at 0 and 1 respectively further confirming minimal dispersion across data values.

Finally, table 1.1 reflects a mean in respect to the log of corporate tax to be 5.88 with a fluctuation of 2.97 indicating minimal dispersion. This implies that on average, selected firms during the period under study pay tax to the tune of 5.88. These minimum and maximum values stand at 0 and 10.28 respectively thus further confirming minimal dispersion.

Regression Results

Table 1.2: Summary of RE Regression Results for Progressive Dividend Policy

PDP	Beta Coef	Z-values	P > /Z/
CT	-0.0244889	1.34	0.181
Constant	-3.642277	-3.15	0.002
R ²		0.2342	
Wald chi2 (4)		20.18	
Prob > chi2		0.0002	

Source: Researcher's Computation Using STATA

Table 1.2 reveals an R² value of 0.2342. The R², which represents the coefficient of multiple determination implies that 23.42% of the total variation in the dependent variable: progressive dividend policy (PDP) of quoted manufacturing companies in Nigeria is explained by the predictor variables [Corporate Tax (CT)]. The remaining 76.58% of the variation could be explained by other variables not captured in the study model but could help to determine dividend policy such as board size, earnings management and management decisions.

The Wald- chi square statistics value of 20.18 (Prob.>F = 0.0002) indicates that the model is fit to explain the relationship expressed in the study model further suggests that the explanatory variable is properly selected, combined and used in predicting the explained variable. The nature and extent of relationship between the dependent variable and each of the independent variables of the study in terms of coefficients and p- values are explained further:

The regression results as presented above reveals an intercept of -3.64. This simply implies that when no other variables are considered, progressive dividend policy is significantly estimated at -3.64 occasioned by factors not examined in this study but help to determine dividend policy. However, the estimated model shows a beta coefficient -0.024 in respect to corporate tax (CT). A negative coefficient indicates a negative effect on progressive dividend policy of quoted manufacturing companies in Nigeria. This result could be interpreted to mean that a unit change in CT will lead to a decrease in progressive dividend policy of quoted manufacturing companies. This effect is however insignificant as (p-value = 18.1%), implying that corporate tax insignificantly affects progressive dividend policy of quoted manufacturing companies during the period under study.

Table 1.3: Summary of RE Regression Results for Constant Dividend Policy

CDP	Beta Coef	Z-values	P > /Z/
CT	-0.0281639	-1.56	0.119
Constant	4.65603	3.36	0.001
R ²		0.2365	
Wald chi2 (4)		13.96	
Prob > chi2		0.0030	

Source: Researcher's Computation Using STATA, Version 15

Table 1.3 reveals an R² value of 0.2365. The R², which represents the coefficient of multiple determination implies that 23.65% of the total variation in the explained variable (CDP) of quoted manufacturing companies in Nigeria is explained by the predictor variables (Corporate Tax (CT)). The remaining 76.58% of the variation could be explained by other variables not captured in the study model but could help to impact dividend policy such as corporate governance mechanisms, earnings management and management decisions etc.

The Wald- chi square statistics value of 13.96 (Prob.>F = 0.0030) indicates that the model is fit to explain the relationship expressed in the study model and further suggests that the explanatory variables are properly selected, combined and used in predicting the explained variable. The nature and extent of relationship between the dependent variable and each of the independent variables of the study in terms of coefficients and p-values are further explained:

The regression results as presented above reveals an intercept of 4.66. This simply implies that when all variables are not considered, constant dividend policy is significantly estimated at 4.66 occasioned by factors not examined in this study but has an effect on dividend policy. However, the estimated model shows a beta coefficient -0.028 in respect to corporate tax (CT). A negative coefficient indicates a negative effect on constant dividend policy of quoted manufacturing companies in Nigeria. This result could be interpreted to mean that a unit change in CT will lead to a decrease in constant dividend policy of quoted manufacturing companies. This effect is however insignificant as (p-value = 0.119%), implying that CT has an insignificant relationship with constant dividend policy of quoted manufacturing companies in Nigeria during the period under study.

Table1.4: Summary of FE Regression Results for Zero Dividend Policy

ZDP	Beta Coef	t-values	P > /t/
CT	.0199515	1.41	0.163
Constant	6.201134	2.36	0.013
R²		.1369	
F(3, 57)		3.20	
Prob > chi2		0.0301	

Source: Researcher's Computation Using STATA

The result as presented in Table1.4reveals an R² value of 0.1369. The R², which is otherwise known as the coefficient of multiple determination implies that 13.69% of the total variation in the explained variable (ZDP) of quoted manufacturing companies in Nigeria is explained by the predictor variables (Corporate Tax (CT)). The remaining 86.31% of the variation could be explained by other factors not captured in the study model but could affect zero dividend policy.

The extent of the relationship between the dependent variable and each of the independent variables of the study in terms of coefficients and p-values are further explained: The regression results as presented above reveals an intercept of 6.2. This simply implies that when other variables are not considered, constant dividend policy is significantly estimated at 6.2 occasioned by factors not examined in this study but has an effect on dividend policy. However, the estimated model shows a beta coefficient 0.02 in respect to corporate tax (CT). A positive coefficient indicates a positive effect on zero dividend policy of quoted manufacturing companies in Nigeria. This result could be interpreted to mean that a unit change in CT will lead to an improvement in zero dividend policy adoption by quoted manufacturing companies. This effect is however insignificant as (p-value = 0.163), implying that CT has an insignificant effect on zero dividend policy of quoted manufacturing companies in Nigeria during the period under study.

3.2 Test of Research Hypotheses

This section of the chapter presents a test of research hypotheses earlier formulated in chapter one of the study. Results in tables 1.2, 1.3 and 1.4 were used to test these hypotheses.

The p-values were used to test the null formulated hypotheses and to determine whether to accept or reject the null hypotheses.

H₀₁: Corporate tax has no relationship with progressive dividend policy of quoted manufacturing companies in Nigeria.

Result presented in Table 1.2 reveals that corporate tax (CT) has a p-value of 0.181 which lies outside the 5% accepted level of significance in social science; this leads to the acceptance of the null hypothesis (H_{01}). The study therefore concludes that corporate tax has no significant relationship with progressive dividend policy of quoted manufacturing companies in Nigeria.

H₀₂: Corporate tax has no relationship with constant dividend policy of quoted manufacturing companies in Nigeria.

The result of this study as presented in Table 1.3 reflects a p-value of 0.163. This value is greater than 5% level of significance. This provides evidence for the acceptance of the null hypothesis. The researcher therefore concludes that corporate tax has no significant relationship with constant dividend policy of quoted manufacturing companies in Nigeria.

H₀₃: Corporate tax has no relationship with zero dividend policy of quoted manufacturing companies in Nigeria.

The result of this study as presented in Table 1.4 reflects a p-value of 0.119. This value is greater than 5% level of significance. This provides evidence for the acceptance of the null hypothesis. The researcher therefore concludes that corporate tax has no significant relationship with constant dividend policy of quoted manufacturing companies in Nigeria.

4. Discussion of Result

This study sought to examine the extent of the relationship between corporate tax and dividend policy decisions measured by progressive dividend policy, constant dividend policy and zero dividend policy. The findings emanating from this study are discussed in the subsequent subsections:

In the test of the first hypothesis of the study which sought to examine the extent of the effect of corporate taxes on progressive dividend policy, it was found that corporate taxes have an insignificant effect on progressive dividend policy of quoted manufacturing companies in Nigeria. The analysis of regression result reveals a positive beta coefficient implying that corporate taxes enhance the tendency to adopt progressive dividend policy by quoted manufacturing companies in Nigeria. Therefore, as per empirical finding of this study, this finding is supported by findings of Oloyede, Olaoye, and Oluwaleye, (2018) who found an insignificant effect of corporate tax on dividend policy of listed firms in Nigeria. This finding is also congruent with findings of Odia and Ogiedu, (2013) who investigate the effect of taxes on the dividend policy of quoted manufacturing companies in Nigeria and concludes that taxes are insignificant determinants of the dividends policy of Nigerian manufacturing companies.

From the test of the second hypothesis of the study, it was found that corporate taxes exert an insignificant effect on constant dividend policy of quoted manufacturing companies in Nigeria. The analysis of regression result reveals an insignificant negative beta coefficient implying that corporate taxes have an insignificant decreasing effect on constant dividend policy of quoted manufacturing companies in Nigeria. This finding implies that quoted

manufacturing companies with variations in annual tax payment are not better off with constant dividend payment policy. This finding is also in line with findings of Onuorah and Chigbu (2013) who found a negative impact of corporate tax on dividend policy.

Finally, the test of the third hypothesis the study that aimed to find out the extent of the effect of corporate taxes on zero dividend policy of quoted manufacturing companies revealed that corporate taxes exert an insignificant effect on zero dividend policy of quoted manufacturing companies in Nigeria. The analysis of regression result reveals an insignificant positive beta coefficient implying that corporate taxes insignificantly increase the tendency of quoted manufacturing companies not to pay dividend. This finding implies that with unnecessary tax burden, quoted manufacturing companies may decide not to pay dividend thus zero dividend policy. This finding agrees with findings of Odia and Ogiedu (2013) who investigate the effect of taxes on the dividend policy of manufacturing companies in Nigeria and concludes that taxes are insignificant determinants of the dividends policy of quoted manufacturing companies in Nigeria.

5. Conclusion and Recommendation

The objective of this paper was to examine the relationship between corporate taxes on dividend policy of quoted manufacturing companies in Nigeria. The study findings establish that corporate tax has an insignificant relationship with dividend policy of quoted manufacturing companies in Nigeria. The direction of the relationship varies with the form of dividend policy adopted. While taxes exert an insignificant negative effect on progressive and constant dividend policy implying that corporate taxes decrease progressive and constant dividend policy. The relationship between corporate tax and zero dividend policy on the other hand is positive implying that firm will prefer not to pay dividend in the face of high tax burden. In view of these findings, this study concludes that corporate taxes insignificantly influence the kind of dividend policy in different direction.

Consequently, the paper recommends that quoted manufacturing companies should not take tax into consideration before opting for type of dividend policy to adopt as corporate tax has no influence on dividend policy. Dividend policy of quoted manufacturing companies in Nigeria should be strictly considered on the unique circumstances of the manufacturing companies not necessarily based on age long traditional factors often formulated by academics before adopting the constant dividend policy. This is essential in order to maintain a steady and reasonable dividend payment. Quoted manufacturing companies should discourage the idea of adopting zero dividend payment in the face of unbearable tax burden. This can be achieved by investing in other income sources that will help buffer tax burden.

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