

Cash Flow Activities and Stock Returns: Evidence from Nigerian Consumer Goods Firms

Ojimba, Francisca; Okegbe, T. O.; Ifurueze, M. S.

Department of Accountancy, Nnamdi Azikiwe University, Awka, Nigeria

ABSTRACT

Proponents believe that increase in cash flows could potentially increase the stock returns of consumer goods firms quoted in Nigeria Stock Exchange while opponents argue and equally criticize that fact. Hence, this study examined the effects of cash flow on stock returns of consumer goods firms for a period of 2010-2019. The study was anchored on agency theory. Panel data were gotten from the Nigerian Stock Exchange (NSE) and the data collected were analyzed using multiple regression analysis. The findings revealed Cash flows from operating activities has no significant effect on stock returns of consumer goods firms in Nigeria, cash flow from investing activities does not have significant effect on the stock returns of consumer goods firms in Nigeria, Cash flows from financing activities has no significant effect on stock returns of consumer goods firms in Nigeria, Free cash flow has positive and significant effect on stock returns of consumer goods firms in Nigeria. On the basis of the findings of the study, it was recommended among others that there is need for consumer goods industry to improve on their operating cash flow by making money available for this purpose for the general benefit of the economy. The management should embark on effective intermediation drive which will provide deep source of fund for this industry. Government should adopt a viable policy that will enable this industry to expand their scope of business and firm size of this industry should be improved. The study also revealed that if free cash flow will be well managed, it will affect the stock returns policy of a firm positively.

Keywords: Operating activities, Investing, Financing activities and Stock returns

INTRODUCTION

Cash flow analysis is often used to assess the liquidity position of the company and it gives a snapshot of the amount of cash coming into the business from, where and amount flowing out (Bingilar & Oyadonghan, 2014). According to Kew and Walson (2016); and Powers & Needles (2010), cash flow has three (3) main components which include cash flows from operating activities, financing activities and investing activities. Duru, Okpe and Chito (2010) assert that for cash flows to be well structured and effectively utilized, an entity must be able to devise various ways for selecting the best components of its cash flows which will be used in its operation to raise its productivity or achieve its goal.

As observed by Kiremu, Galo, Wagala and Muteyi (2013), stock prices is not only the reflection of

How to cite this paper: Ojimba, Francisca | Okegbe, T. O. | Ifurueze, M. S. "Cash Flow Activities and Stock Returns: Evidence from Nigerian Consumer Goods Firms" Published in International Journal of Trend in Scientific Research and Development (ijtsrd), ISSN: 2456-6470, Volume-5 | Issue-6, October 2021, pp.1259-1266,

URL:
www.ijtsrd.com/papers/ijtsrd47626.pdf



Copyright © 2021 by author (s) and International Journal of Trend in Scientific Research and Development Journal. This is an Open Access article distributed under the terms of the Creative Commons Attribution License (CC BY 4.0) (<http://creativecommons.org/licenses/by/4.0>)



historical information but also it involves the reflection of newly publicly available information which involves dividend payments. Proponents believe that increase in cash flows could potentially increase the stock of firms while opponents argue and equally criticize this fact. Besides, there seems to be so many issues surrounding the cash flows and stock returns amongst which includes weak governance of cash flows in the industries which allows managers to pursue personal goal whereby putting management's interest at odds with the interest of shareholders. Numerous researchers such as Yazan, Islam and Tunku (2017); Sayed (2017); and Ndungu (2016) revealed that cash flows have negative effect on stock returns. Contrarily, a study by Ali and Mohammed (2010) revealed that cash flows have a positive effect

on stock returns of consumer goods firms. Consequently, there are conflicting findings in literature as regards the effect of cash flows on stock returns. More also, prior studies did not use free cash along with other three components of cash flows to determine their effect on stock returns. The problem of data collection is one of the constraints in the sense that most of companies hardly provide complete dataset and not having consistent dataset needed for the study. Hence firms with complete dataset were sampled leaving some other firms out of the study sample.

The specific objectives are to investigate:

1. The effect of cash flow from operating activities on stock returns of consumer goods firms quoted on Nigeria Stock Exchange (NSE)
2. The effect of cash flow from investing activities on stock returns of consumer goods firms quoted on Nigeria Stock Exchange (NSE)
3. The effect of financing activities on stock returns of consumer goods firms quoted on Nigeria Stock Exchange.

Review of Related studies

Okeke, Ezejiofor and Okoye (2021) examined the effect of leverage on cash ratio of Nigerian conglomerates firm. The study adopted Ex-Post facto research design, and data were extracted from the annual reports and accounts of the sampled firms and analyzed using Pearson correlation and Ordinary Least Square (OLS) regression analysis with aid of E-Views 9. 0 statistical software. The study found that leverage has a significant negative effect on cash ratio of conglomerates firm Nigeria at 5% level of significance. Rihfenti and Robiyanti (2016) studied the effect of cash flows, gross profit and company size on the Indonesian stock returns. The aim of the research is to test the effect of cash flows, gross profit and company size and stock returns by means of regression analysis. They find out that cash flows, gross profit and the size of company have an effect on stock returns. A study on all cash is not created equal: detecting fraudulent cash flows by Prakash and Cathy (2016) revealed that the components of cash flows are vital for understanding a firm's financial health. Also, that operating cash flows provide a check into the quality of earnings in income statement as well as quality of accounts in the statement of financial position. Osisoma, Okoye, Ezejiofor and Okoye (2020) ascertained the effect of operating cash flow on earnings management of Nigerian Banks. The study adopted Ex post Facto research design. The study used sample of fifteen (15) Nigerian banks from 2010 to 2019. Data for the study was collected from annual reports and accounts of the banks. Regression

analysis was used to test the hypothesis with the aid of E-view 9. 0. Based on this, the study revealed that operating activities are not statistically significant and have a negative effect on total accruals earnings of Nigerian banks. The study concludes that the importance of risk management activities is aimed at reducing future cash flow.

Anwaar (2016) studied the impact of firm performance on stock returns. The study test the impact of firm performance on stock returns of 30 firms listed on FTSE-100 index, London Stock Exchange from 2005-2014. The study used five independent and one dependent variables and panel regression analysis was used to analyze the data. Finding showed that net profit margin on return on assets has significant positive impact on stock returns while earning per share has significant negative impact stock returns. Abhay R, Jhanvi Sangani and Khushboo Joshi(2015)assessed the Dividend declaration and stock Price Behaviour ;Indian Evidence. The researchers investigated on changes and the determinats of dividend announcement on share price listed in Bombay Stock Exchange(BSE). The judgemental sampling of BSE-100 FROM 2008-2009 to 2012-2013 and Capital asset pricing model(CAPM) is the statistical tool used to signify the result of dividend declaration on share price. The study deems to measure the relationship between the share price and dividend announce. It verifies that the dividend announcement does not affect share prices on the long term. Maringka, Moeljadi, Atim and Ratnawati (2016) analyzed the features of variable of a free cash flow and company's leverage free cash flow and interest rates and the effect of these variables on stock returns. The regression approach was used to analyze data and the result showed that leverage, free cash flow and interest rate charge has no significant effect on stock return while financial performance has an indirect effect on stock return. Amah, Ogbonna, Ekwe and Ihendinihu (2016) evaluated the relationship between cash flow ratios and financial performance of listed banks in emerging economies. Survey method of research design was used and data was collected via audited statement of account of four (4) banks quoted on the Nigeria Stock Exchange (NSE). Using correlation analysis technique, the study found that operating cash flow has a significant and strong positive relationship with performance.

Foerster, Tsagarelis and Wang(2017) investigated if cash flows are better stock returns predictors than profit. The study was carried out to see if operating cash flow information, cash taxes and capital expenditures provide incremental predictive power.

The survey method was used and data analyzed using regression Zhi (2009) examined the association between cash flow, consumption risk and stock returns. The study linked assets risk premium to two characteristics of its underlying cash flow: covariance and duration. The dynamic interaction of two factor model was used and findings showed that cash flow characteristic are fundamental in determining risk exposure of an assets and accounting earnings. Ibrahim Marwan Khanji and Ahmad Zakaria Siam (2015) investigated on effect of cash flow on share price of the Jordanian commercial Banks listed in Amman Stock Exchange. The linear regression coefficient is used to analyze data. The researcher based his work on the population of Jordan Commercial Bank listed in Amman Stock Exchange 2010-2015. The findings is that there is no statistically significant relationship between operational, Investment Share price of the Jordan Commercial Banks listed in Amman Stock Exchange. Findings of the study revealed that cash flow information and cash taxes provide incremental predictive power compared to capital expenditure. Duru, Okpe and Chitor (2015) investigated on the effects of cash flow statement on performance of Food and Beverages Companies in Nigeria. Data was obtained from annual reports and accounts of the companies under study and multiple regression techniques was used in analyzing the data. The study found that operating and financing cash flows have significant positive effect on corporate performance. In addition, it was found that investing cash flows has significant negative relationship with corporate performance. Mackenzie (2018) examined sustainable free cash flow analysis and resource equities in the United Kingdom and found that free cash flows is capable of sustaining resource equities. The paper utilized regression in the analysis of data.

Methodology

The study used panel data and was based on ex-post facto research design. The panel data used has the characteristics of time series and cross sectional as the data was collected from many companies in many years. The data collected already exist and the study made no attempt to manipulate its nature or value.

The study was conducted using quoted companies under the consumer goods sector in the Nigerian Stock Exchange. The sector is one among the eleven sectors which all quoted firms are grouped under and the study used secondary data that was collected from the quoted firms in the consumer goods sector within the period of 2010 and 2019. The data was collected from the published financial statement of the various quoted firms selected for the study and the stock exchange Fact-book.

Population of the study

The Population of the study is the twenty nine firms quoted under the consumer goods sector of the Nigeria Stock Exchange. That is, the twenty nine consumer goods sector firms constitute our population of the study. The sector has a total of twenty eight quoted firms.

Sample size

The sample size is the thirteen firms which disclosed their free cash flow and paid dividend within the period. Hence, the sample size of the study is thirteen firms under the consumer goods firms quoted in the Nigeria stock as at December 2019. The consumer goods sector has a total of twenty nine quoted firms. The thirteen quoted companies used in sample size are: FLOUR MILLS OF NIGERIA, VONO PRODUCT, UNILIVER NIG PLC, HONEY WELL, PZ CUSSON, 7-UP BOTTLING COMPANY, DANGOTE SUGAR REFINERY, NIGERIA BOTTLING COMP, NESTLE NIG PLC, DN MEYER PLC, UTC OF NIG, UNION DICON SALT, FLOURMILL PLC.

Method of Data Collection

The data used for this study was collected from secondary sources. The data were collected from the published audited financial statement of the quoted consumer goods sector firms used in this study and the Nigeria Stock Exchange Fact Book.

Method of Data Analysis

The secondary data collected was analyzed using descriptive statistics, correlation analysis, regression and interaction analysis. Multiple regression analysis was used to evaluate the effect of the independent variables. The result reveals the degree of influence and the level of significance. The interaction was used to select the best combination of the ownership structure variables that minimize the reporting lag.

Data and Variable Description

The study used a panel data collected from the quoted consumer goods firms in Nigeria within the period covering 2010 - 2019. The study used operating cash flow, investing cash flow, financing cash flow and free cash flow as explanatory variables, while dividend paid out was used as response variable. The study used a secondary data from 2010 - 2019 collected from the listed consumer goods firms. The study used firm size as control variables. Below are the dependent and independent variables and their proxy.

Model Specification

The model used was premised on the main objectives and anchored on the sub-objective. The model was adopted from the work of Takiah, Rin and Zuraidah

(2012) and Takiah, et al (2012) model is $PERF = (OPECFL, INVCFL, FINCFL)$. The Takiah, et al (2012) model was modified to suit the variables to be used. Hence the model for the study was anchored on the objective.

The model for the study is anchored on the objective.

$$DIV = f(OPECFL, FINCFL, INVCFL) \dots\dots\dots 1$$

This can be express econometrically as follows

$$DIV_{it} = d_0 + d_1OPECFL_{it} + d_2FINCFL_{it} + d_3INVCFL_{it} + \mu_{it} \dots 2$$

Equation 2 is the linear regression model used in t

OPECFL = cash flow from operating activivites

FINCFL = cash flow from financing activities

INVCFL = Investing cash flow

$d_0 =$ Constant $d_1 \dots d_6 =$ are the coefficient of the regression equation.

$\mu =$ Error term;

$i =$ is the cross section of firms used;

$t =$ is year (time series)

Data Presentation, Analysis and Interpretation

Data analysis

In analyzing the data, the study adopted multiple regression analysis. However, some preliminary analysis such as descriptive statistics, and correlation analysis in other to ascertain normality of the data, check for the presence of multi-collinearity among the variables used in the study.

Descriptive Statistics

Table 1 provides the summary of the descriptive statistics analysis result. The detail result is presented in table 2 under the appendix.

| | DIVPAY | OPECFL | FINCFL | INVCFL |
|--------------|-----------|-----------|-----------|-----------|
| Mean | 0. 785650 | 0. 276114 | 0. 180211 | 0. 247780 |
| Median | 0. 750000 | 0. 456022 | 0. 080000 | 0. 170000 |
| Maximum | 1. 500000 | 0. 774310 | 0. 670000 | 0. 820000 |
| Minimum | 0. 000000 | 0. 010000 | 0. 000000 | 0. 010000 |
| Std. Dev. | 0. 410537 | 0. 235780 | 0. 127320 | 0. 246226 |
| Skewness | 1. 632596 | 1. 962415 | 0. 581374 | 17. 72859 |
| Kurtosis | 7. 252520 | 6. 126588 | 1. 337995 | 415. 7402 |
| Jarque-Bera | 191. 6360 | 774. 2802 | 126. 5129 | 5277058. |
| Probability | 0. 000000 | 0. 000000 | 0. 000000 | 0. 000000 |
| Sum | 140. 7600 | 3856. 000 | 266. 0000 | 3774. 000 |
| Sum Sq. Dev. | 6. 763390 | 49061. 84 | 170. 1247 | 4940. 439 |

Sources: Researcher’s summary of descriptive statistics 2021

Table 1 shows the mean (average) for each of the variables, their maximum values, minimum values, standard deviation and the Jarque-Bera (JB) statistics. The result provided some insight into the nature of the selected companies that used for the study. Firstly, it was observed that within the period under review, the sampled companies dividend payout have a mean value of 0. 79, a maximum and minimum value of 1. 50 and 0. 00 respectively. The minimum value reveals that not all firm pays dividend within the period under study. The large difference between the maximum and mean value shows that the sampled companies used for the study are not dominated by either high and low dividend paying firms.

| | DIVP | OPECFL | FINCFL | INVCFL |
|-------------|-----------|-----------|-----------|-----------|
| Mean | 0. 785650 | 0. 276114 | 0. 108229 | 0. 247780 |
| Maximum | 1. 500000 | 0. 774310 | 0. 230000 | 0. 820000 |
| Minimum | 0. 000000 | 0. 010000 | 0. 000000 | 0. 010000 |
| Probability | 0. 000000 | 0. 000000 | 0. 000000 | 0. 000000 |

The table shows mean operating cash flow value of 0. 276 maximum and minimum 0. 774 and 0. 01 respectively. While financing cash flow has a mean value of 0. 18, maximum of 0. 67 and minimum of 0. 00. Free cash flow has an average value of 0. 237, maximum of 0. 64 and minimum of 0. 00. These values indicate that the firms generate more cash flow from operating activities than from financing activities, investing activities and from free cash flow. Thus firms generate more of cash flow in operating activities, followed by free cash flow, investing cash flow and the least from the financing cash flow. Lastly, the Jarque – Bera (JB) statistics which test for normality or the existence of outlier or extreme value among the variables shows that all

the variables are normally distributed at 1% level of significance except the dividend payout and firm size which were significant at 5% level. The result reveals that there is no variable with outlier to distort our conclusion and are therefore it can be reliable for drawing generalization. The result means that all the explanatory variables are normally distributed, hence no presence of outlier. However, this was tested further using the Shapiro-Wilk test. The result of the Shapiro-Wilk test is shown below.

| Variable | Obs | W | V | z | Prob>z |
|----------|-----|---------|---------|--------|---------|
| DIVP | 130 | 0.31141 | 464.648 | 15.254 | 0.00000 |
| OPECFL | 130 | 0.40559 | 400.761 | 14.886 | 0.00000 |
| FINCFL | 130 | 0.36878 | 425.934 | 15.038 | 0.00000 |
| INVCFL | 130 | 0.02033 | 663.304 | 16.141 | 0.00000 |

SOURCE: STATA 13

Lastly, the Shapiro-Wilk test for normality shows that dividend payout, cash flow from operating activities, cash flow from investing activities, cash flow from financing activities, free cash flow, are normally distributed at one percent significant. The normality test result reveals the all of the variables used are normally distributed, hence the result of the data analysis can be relied upon in making generalization and for policy. The Shapiro-Wilk test for normality result is similar to the normality test result produce by the Jarque-Bera statistics probability under the descriptive statistics.

Table 2 Correlation analysis

TAAhe study used the pearson correlation analysis in examining the association between the variables used in the study, the result is presented below in table 2

| | DIVP | OPECFL | FINCFL | INVCFL |
|--------|----------|----------|----------|----------|
| DIVP | 1.000000 | 0.035420 | 0.185839 | 0.028439 |
| OPECFL | 0.035420 | 1.000000 | 0.044694 | 0.044869 |
| FINCFL | 0.185839 | 0.044694 | 1.000000 | 0.121913 |
| INVCFL | 0.028439 | 0.044869 | 0.121913 | 1.000000 |

The finding from the correlation analysis table shows that dividend payout has positive association (0.035) with cash flow from operative activities. This reveals that the more cash flow from operative activities, the higher the dividend payout among Consumer goods firms. The result also shows that corporate dividend payout has strong positive association (0.185) with cash flow from financing activities, this reveals that the higher the cash flow from financing activities, the better/ higher the corporate dividend payout of the firm. The result also shows that corporate dividend payout has positive association (0.12) with free cash flow. Cash flow from investing activities has positive association with corporate dividend payout (0.028). This has reveals that Cash flow from investing activities has positive effect on the corporate dividend payout of Consumer goods firms in Nigeria. In checking for the presence of multi-colinearity using the correlation analysis result, the study observed that no two explanatory variables were perfectly correlated. This indicates the absence of multi-colinearity problem in the model used for the analysis and also justifies the use of the ordinary least square. This was further checked by the use of Variance inflation factor test.

Table 3: Variance inflation factor test:

| Variable | VIF | 1/VIF |
|----------|------|---------|
| DIVP | 1.01 | 0.99009 |
| OPECFL | 1.03 | 0.97087 |
| FINCFL | 1.00 | 0.99999 |
| INVCFL | 1.01 | 0.99009 |
| Mean VIF | 1.07 | |

Source: STATA 13

The Variance inflation factor test result table above shows the mean value of 1.07 which is less than 10 benchmark. The mean value indicates the absence of multi-colinearity in our model. This result confirms the finding from the correlation analysis which shows the absence of multi-colinearity using 75 percent acceptance region in determining the level of association among the variables used.

Fixed and Random Effect Test

The summary result of multiple regression analysis is presented below. However, the study takes into cognizance the heterogeneity nature of the agricultural firm data, hence the need for testing its effect on the data.

The study therefore used Hausman effect test to select between fixed and random effect that is best to be adopted in the study. Below is the summary of the Hausman test result, details of the result is presented in table 4 under the appendix.

| under Correlated Random Effects - Hausman Test | | | |
|--|-------------------|---------------|---------|
| Equation: Untitled | | | |
| Test cross-section random effects | | | |
| Test Summary | Chi-Sq. Statistic | Chi-Sq. d. f. | Prob. |
| Cross-section random | 1. 582477 | 4 | 0. 8119 |

Source: researcher summary of regression analysis result using E-view 9

The Hausman test result shows a chi-square corporate dividend payout of 1. 58 and probability corporate dividend payout 0. 811, the chi-square probability is above 10. Based on the result, the study accepts the random effect and rejects the fixed effect, hence we use the random effect to correct the problem of heterogeneity in the data used for the study and the random effect regression result is presented below. Table 4. 4 below is the summary of the regression result adjusted for fixed effect (details of the result are presented in table 4 the appendix).

Regression Analysis

To evaluate the effect of board diversity on corporate dividend payout and to test our formulated hypotheses, we used regression analysis. The result obtained is presented in table 4. 4 below

| Cross-section random effects test equation: | | | | |
|---|-------------|-----------------------|-------------|---------|
| Dependent Variable: DIVP | | | | |
| Method: Panel Least Squares | | | | |
| Date: 05/01/21 Time: 15:08 | | | | |
| Sample: 2010 2019 | | | | |
| Periods included: 10 | | | | |
| Cross-sections included: 13 | | | | |
| Total panel (balanced) observations: 130 | | | | |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| C | 3. 500243 | 1. 319965 | 2. 651769 | 0. 0212 |
| OPECFL | 4. 429088 | 1. 077503 | 4. 110511 | 0. 0000 |
| FINCFL | 0. 156290 | 1. 650232 | -0. 094708 | 0. 9247 |
| FCF | 0. 119068 | 0. 066775 | 1. 783122 | 0. 0839 |
| INVCFL | 0. 456090 | 0. 205607 | 2. 218261 | 0. 0263 |
| Effects Specification | | | | |
| Cross-section fixed (dummy variables) | | | | |
| R-squared | 0. 545584 | Mean dependent var | 0. 879750 | |
| Adjusted R-squared | 0. 496451 | S. D. dependent var | 0. 206245 | |
| S. E. of regression | 0. 177005 | Akaike info criterion | -0. 430174 | |
| Sum squared resid | 3. 884999 | Schwarz criterion | 0. 261740 | |
| Log likelihood | 70. 41393 | Hannan-Quinn criter. | -0. 149212 | |
| F-statistic | 12. 62489 | Durbin-Watson stat | 1. 908751 | |
| Prob(F-statistic) | 0. 000050 | | | |

The above table report, the OLS regression result. The result study R-sq(Adj.) 0. 496 (49. 6%) this indicates that cash flow variables jointly explain about 49. 6% of the variation/changes in dividend payout of listed Consumer goods firms in Nigeria. Hence about 49. 6% of changes in cash dividend payout can be attributable to the level of cash flow of the firms used in the study. The F-statistics value of 12. 41 and its probability value of 0. 00 shows that the model used was appropriate and is statistically at 1% levels. The Durbin Watson statistics result was 1. 908 can be approximated into 2, this indicates the absence of autocorrelation in our model hence the model used is appropriate for the study.

Hypothesis 1

Ho: Operating cash flow has no significant effect on dividend payout of Consumer goods firms in Nigeria.

The analysis result of the showed a coefficient value of 4. 43, t-value of 4. 11 and a p- value of 0. 00. The positive coefficient value of 4. 43 shows that operating cash flow has positive effect of about 4. 43

percent on dividend payout. The probability value reveals that the effect of operating cash flow on dividend payout is statistically significant at 1% level. Based on the result, the study accepts the alternate hypothesis and concludes that operating cash flow has statistical significant effect on dividend payout among consumer goods firms in Nigeria.

Hypothesis 2

Ho: Investing cash flow has no significant effect on dividend payout of Consumer goods firms in Nigeria.

The analysis result of the effect of Investing cash flow on dividend payout showed a coefficient value of 0.456, and a probability value of 0.263. The coefficient value of 0.456 shows that investing cash flow has positive effect on contribution of about 0.03 percent to dividend payout of the firms used in the study. The probability value of 0.793 shows that the effect of investing cash flow on dividend payout is not statistically significant even at 5% level. Based on the result, the study rejects the alternate hypothesis and concludes that investing cash flow has positive statistical significant effect on dividend payout of Consumer goods firms in Nigeria.

Hypothesis 3

Ho: Cash flow from financing activities has no significant effect on dividend payout of Consumer goods firms in Nigeria

The analysis result of the effect of cash flow from financing activities on dividend payout showed a coefficient value of 0.156, and a probability value of 0.924. The coefficient value of 0.156 shows that cash flow from financing activities has positive effect on dividend payout of the firms used in the study. However, the probability value shows that the effect of cash flow from financing activities on dividend payout is statistically insignificant. Based on the result, the study rejects the alternate hypothesis and concludes that cash flow from financing activities has insignificant effect on dividend payout of Consumer goods firms in Nigeria.

Discussion of Finding

The study examines the effect of cash flow on stock returns of consumer goods firms listed in Nigeria Stock Exchange.

The descriptive analysis shows that the data of the variables collected from the firms used were all normally distributed. The study finds that there is no presence of multi-collinearity and autocorrelation in our model. The study finds that cash flow has about 49.6% effect on the dividend payout of consumer goods firms. Thus about 49.6% of changes in the dividend payout of consumer goods firm can be attributable to the level of cash flow of the firms.

The regression analysis reveals that cash flow from operating activities has positive significant effect on the dividend payout policy. This indicates that an effective Management of cash flow from operating activities can significantly affect the level of dividend payout of Consumer goods firms in Nigeria. This was in line with the study of Qian, Yungb, and Hamid (2012) but contrary to the findings of Rasoul, Saeid and Farzad (2012).

Cash flow from investing activities has positive significant effect on the dividend payout of Consumer goods firms in Nigeria. This indicates that more an increase in the level of cash flow from investing activities can possibly have significant effect on dividend payout. This finds was in line with the find from the study of Saman, Mohammad and Omid (2012) and Yoon and Miller, (2012).

Cash flow from financing activities has insignificant effect on dividend payout of listed Consumer goods firms in Nigeria. This indicates that that cash flow from financing activities though has positive contribution to the dividend payout of Consumer goods firms in Nigeria though the level of effect is not significant. This finding is in line with that of Saman, Mohammad and Omid (2012) and Yoon and Miller, (2012) but contrary to that of Qian, Yung, and Hamid (2012). The result reveals that free cash flow has positive and significant effect on the dividend payout of Consumer goods firms in Nigeria. When the free cash flow is effectively managed, it positively affects the dividend payout policy of firms.

Conclusion and Recommendation

The study explored cash flows on stock return of consumer goods firms in quoted on Nigeria Stock Exchange. This has become necessary in the face of evolving developments in the industry in Nigeria especially now that the issue of unemployment and other environmental factor is concern. Consumer goods industry in Nigeria need to be in a good direction in order to join among the trains of industries that will salvage the economic situation and also this industry need to grow financially for the sake of their shareholders, it is therefore important that cash flow should be yearly looked at for improvement. The conclusion reached in this study is that cash flow has no significant effect on stock returns in Nigeria.

Recommendations

In view of the findings of the study, the following recommendations were given:

1. Effective Management of cash flow from operating activities significantly affect the level of stock returns of consumer goods.

2. There is need for consumer goods industry to improve on their operating cash flow by making money available for this purpose for the general benefit of the economy.

References

- [1] Abhay, R., Jhanvi Sangani & Khushboo. J. (2015). The dividend declaration and stock Price behavior: Indian Evidence. <http://www.researchgate.net/publication/272421212>
- [2] Amah, K. O., Ekwe, M. C., & Ihendinihu J. U. (2016). Relationship of cash flow ratios and financial performance of listed banks in emerging economies –Nigeria. *European Journal of Accounting, Auditing and Finance Research*, 4(4), 1-12.
- [3] Anwaar, M. (2016). Impact of firms performance on stock returns: Evidence from listed Companies of FTSE-100 Index London, UK. *Global Journal of Management and Business Research*, 6(1), 109-112
- [4] Duru, A. N., Okpe, I., Chitor, L. I. (2015). Effects of cash flow statement on company performance of food and beverages companies in Nigeria. *World Applied Sciences Journal*, 33(12), 17-33.
- [5] Foerster, S., Tsagarelis, J. & Wang, G. (2017). Are cash flows better stock returns predictors than profits?. *Forthcoming In Financial Analysts Journal* January 5, 2017.
- [6] Ibrahim Marwan Khanji & Ahmad Zakaria Siam (2015). The effect of cash flow on share price of the Jordanian Commercial Banks listed in Ammaman Stock Exchange. *International Journal of Economics and financial*. vol7(5). ISSN1916-971X E-ISSN1916-9728.
- [7] Maringaka, T. S., Moeljadi, P., Atim, D., & Ratnawa, K. (2016). An indepth understanding of the leverage free cash flow and interest rates influence on stock returns and financial performance as intervening variables. *International Journal of Business and Management invention*, 5(3), 28-38.
- [8] Osioma, B. C., Okoye, P. V. C., Ezejiofor, R. A. & Okoye, J. N. (2020). Operating cash flow and earnings management: evidence from Nigerian banks. *International Journal of Advanced Academic Research (Social and Management Sciences)*. 6(12). ISSN: 2488-9849' www.ijaar.org Journal DOI: 10.46654/ij.24889849 Articles DOI: 10.46654/ij.24889849.s61221 53
- [9] Okeke, L. N., Ezejiofor, R. A. Okoye, N. J. (2021). Leverage and cash ratio: an empirical study of conglomerates firm in Nigeria. *American Journal of Contemporary Management Sciences Research (AJCMSR)* ISSN: 0092-119X (July, 2021) www.foreignjournals.org/USA/AJCMSR-113876
- [10] Prakash, D. & Cathy, Z. L. (2016). All cash is not created equal: Detecting fraudulent cash flows. *Journal of Forensic & Investigative Accounting*, 8(2), 325-337
- [11] Rihfentian, G. & Robiyanti, H. (2016). The effect of the cash flows, gross profit and company size on the Indonesian stock returns. *International Journal of Applied Business and Economic Research*, 14(3), 60-66
- [12] Sayed Abbas Bala (2017). The relationship between cash flows and stock returns. *Applied finance and Accounting* vol3 (2). URL: <http://afa.redfame.com>.
- [13] Zhi, D. A. (2009). Cash flow, consumption risk and the cross –section of stock returns. *Journal of Finance*, 64(2), 44-61