

***Board Gender Diversity and Dividend Policy  
in Nigerian Listed Firms***  
***Genderová diverzita ve správních radách  
a politika vyplácení dividend vybraných  
nigerijských firem***

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**Abstract**

This paper assessed the effect of proportion of female directors in corporate boards on dividend policy of 19 Nigerian listed consumer goods and industrial companies for the seven-year period, 2010–2016. Using Random Effects Generalised Least Squares (REGLS) model as estimation technique, the result indicated a positive and significant association between the number of women in corporate boardrooms and dividend policy. The outcome is consistent with the view that female directors are more involved in monitoring activities than their male counterpart in boardrooms. The finding also provides empirical evidence in support of outcome hypothesis where dividend payment is related to the corporate governance regime that is in place in an organisation.

**Keywords**

agency, corporate governance, dividend, gender diversity, Nigeria, outcome hypothesis, substitution hypothesis

**JEL Codes**

D21, G02

**Abstrakt**

Příspěvek hodnotí vliv podílu žen v řídicích orgánech z hlediska dividendové politiky 19 nigerijských firem spotřebního průmyslu kótovaných v sedmiletém období 2010–2016. Využití modelu Random Effects Generalized Least Squares (REGLS) jako metody odhadu naznačilo pozitivní a významný vztah mezi počtem žen v představenstvech firem a dividendovou politikou. Výsledek je v souladu s hypotézou, že ženské ředitelky se více podílejí na monitorovacích činnostech než jejich mužské protějšky v představenstvech. Toto zjištění poskytuje rovněž empirické důkazy na podporu hypotézy, že výplata dividend souvisí s režimem správy a řízení společnosti, který je v organizaci zaveden.

**Klíčová slova**

agentura, správa a řízení společnosti, dividenda, genderová rozmanitost, Nigérie, hypotéza výsledku, hypotéza substituce

# 1 Introduction

Dividend policy studies have continued to receive greater attention from academics, investors, policy makers and the general public due to two major reasons. Firstly, dividend policy decision is an important function of corporate financial managers and the financial policy direction of companies is affected by their actions or inactions. Secondly, proponents of agency theory (Jensen and Meckling, 1976 and Jensen, 1985) argue that dividend is a tool employed by corporate board to reduce the agency conflict between the management and owners in a corporate organisation.

Prior empirical studies on dividend policy decision focused on dividend policy and financial performance; determinants of dividend policy and influence of corporate governance attributes on dividend. In various studies, substantial empirical evidences supported a direct relationship between dividend policy and profitability (Ehikioya, 2015, Ngo & Tuan, 2016 and Abata, Tijani & Oranyelu). Variables such as profitability (Marfo-Yiadom and Agyei, 2011), liquidity (Hosain, 2016), leverage and company size (Awad, 2015) are important predictors of dividend policy in both developed and developing economies. Regarding corporate governance mechanisms and dividend policy, some factors such as good reporting quality (Jiraporn, Kim, & Kim 2011), independent board and long tenured board (Sharma, 2011) and board size (Uwuigbe, Olusanmi and Iyoha, 2015) have been found to influence positively payment of dividends.

Recent academic studies on corporate governance (such as Rose, 2007, Adams and Ferreira, 2009, Nielsen and Huse, 2010 and Pucheta-Martinez and Bel-Oms, 2015), have documented that board gender diversity may influence the supervision and control of activities of corporate boards.

As significant as the role of women in corporate board is, it is unfortunate to note that most of the dividend policy studies, especially in the developing economy, such as Nigeria, did not explore the influence of gender diversity on dividend payment. In Nigeria for instance, gender diversity studies are not taken seriously perhaps due to the fact that membership of corporate boards based on gender (male versus female) is not made mandatory in the various codes of corporate governance issued till date. This is despite convincing discussion of gender diversity in accounting literature as an important aspect of corporate board composition. Surprisingly too, most of the studies conducted in the developed economies produced mixed or unclear results (Carter et al., 2010 and Dowling & Aribi, 2013 and Pucheta-Martinez & Bel-Oms, 2015).

The primary objective of the present work is to empirically examine the influence of gender diversity in corporate boards on dividend policy of firms in the Nigerian business environment. The knowledge gap which currently exists in this type of study in Nigeria and other developing countries is expected to be bridged by this study.

## 2 Literature review

### Theoretical framework

#### Agency theory

The theory was initially propounded by Berle and Means (1932) cited in Wagana and Nzulwa (2016) but later modified by Jensen and Meckling (1976). It suggests that as a result of separation of ownership and control, management of an organisation (agents) may behave in such a manner which is likely to be detrimental to the interest of the owners (principal) of the business. This may be in form of investing in projects that will cause reduction in the shareholders' value (negative NPV projects) but which will profit them as managers or deliberately increasing their personal entitlements despite the fact that the business is not showing improvement in its financials. The agency theory stresses that managers may prefer dividend policy that pays lower dividends. This is because paying high dividend will reduce the amount of cash that will be available to them to play with or for personal consumption.

Curtailling the improper actions of managers and protection of the owners of businesses require concrete actions from within and outside of the organization. That is the reason why various corporate governance mechanisms are put in place by corporate entities, government regulatory institutions and agencies. One of such regulations is establishment of corporate board of directors by public limited liability companies in Nigeria. The corporate board of an entity, as part of its functions, oversees and monitors the activities of the management, in such a way that only things that will improve the fortunes of the business are expected to be pursued and sanctioned by the board.

The agency theory asserts that membership and characteristic of the board have a major say in determining the success or otherwise of the corporate governance mechanisms put in place. It suggests that a board that is diverse tends to increase its independence and by extension controls and monitors the activities of management efficiently and effectively.

Regarding corporate dividend policy decision and corporate governance mechanisms (of which gender diversity is among), the agency theory provides two different perspectives –outcome and substitution hypotheses (Sawick, 2009, Jiraporn et al., 2011 and Elmagrhi, Ntim, Crossley, Malagila, Fosu & Vu, 2018).

The payment of dividend can be related to corporate governance mechanism in place in an organisation, according to outcome hypothesis (La-Porta et al., 2000). In this case, organisations that are poorly governed face a situation where managers there pay little or no dividend to shareholders because of their personal aggrandizements (Chen & Steiner, 1999, and Al-Taleb, 2012). On the other hand, in organisations that are well-governed, managers usually act in a manner that will increase the shareholders' value thereby paying high dividend. The direction of linkage between corporate governance mechanism and dividend payment according to this hypothesis is positive.

The substitution hypothesis opines that dividend payment is a surrogate for quality of corporate governance. Poorly governed firms tend to pay larger dividends in order to

maintain excellent reputation with owners (La Porta et al., 2000) and mitigate potential conflict with owners (Sawicki, 2009). An indirect association between corporate governance mechanism and dividend policy is expected.

### **Empirical studies**

Bolbol (2012) investigated the influence of board characteristics on dividend policy of 50 Malaysian construction firms during the 2010 financial year. Seven corporate governance features including gender diversity were tested against dividend payment. Result of the regression analysis, among others, revealed that board gender had negative but insignificant relationship with dividend payment. The result further indicated that managerial ownership had positive but insignificant relationship with dividend payment while CEO duality had inverse association with amount of dividend paid.

Pucheta-Martinez and Bel-Oms (2015) studied the effect of gender diversity on dividend policy of companies listed in Spain. Result revealed that the proportion of female directors and shares held by female directors, are directly associated with dividend pay-out. It further revealed a negative effect of percentage of institutional women directors on dividend policy and that of executive women directors produced no effect.

Chen, Leung and Goergen (2017) investigated whether female directors on boards of 1,691 S&P 1500 companies in the USA influence high payment of dividends over the period of study, 1997–2011. Using various multivariate econometric specifications, finding indicated a direct association of gender composition on dividend payments.

Benjamin and Otiso (2017) assessed the effect of gender and age of directors on policy of dividend adopted by 49 Kenyan firms during 2007–2013. Regression results showed that gender diversity was the most important factor that affected dividend policy as it had a positive relationship with dividend policy.

Nguyen (2017) studied the effect of female directors on firm performance and dividend pay-out policy of 647 Vietnamese listed companies for the period covering 2010–2015. By applying fixed and random effects methods of analysis, the result produced negative association between women directors and performance, but insignificant relationship with dividend policy.

Saeed and Sameer (2017) investigated the influence of gender diversity on dividend policy of three countries – India, China and Russia during the financial year, 2007–2014. Finding revealed an inverse effect of gender diversity on payment of dividend in the countries studied.

Al-Amarneh, Yaseen and Iskandrani (2017) explored the effect of board gender diversity on dividend policy of 13 banks in Jordan. The period covered by the study was from 2005–2014. With the adoption of simple pooled Ordinary Least Squares (OLS) as analysis technique, result suggested a strong positive association between female directors and dividend payment.

Elmagrhi et al. (2018) assessed the influence of board attributes on the level of dividend policy of United Kingdom's small and medium-sized companies. Fixed effects, lagged

effects and 2-stage least squares were adopted as data analytical tools. Result suggested that female directors in boardroom had an inverse association with dividend policy.

Muhammad (2018) assessed the influence of board gender diversity and ownership concentration on dividend policy of 387 companies in Indonesia for 2014–2016. The study used generalized least squares as estimation technique and result revealed a direct association between board gender diversity and dividend policy.

### 3 Methodology

The study adopted an ex-post facto research design. This is in form of historical published data obtained and utilized in order to establish the link between women in corporate boardrooms and dividend policy of listed companies in Nigeria. Secondary data obtained from published annual audited accounts of the selected companies were employed for the study. These accounts were available in the websites of the selected firms and Nigerian Stock Exchange Fact Book for various years.

The study population consists of fifty-one (51) listed firms in consumer and industrial sectors of the Nigerian Stock Exchange as at 31<sup>st</sup> December, 2018. By adopting purposeful sampling technique, nineteen (19) firms with complete data set required for the study were sampled for the period 2010–2016. The list of the sample firms (comprising 11 listed consumer goods and 8 listed industrial goods firms) is provided in Appendix 1.

Dividend pay-out policy, the dependent variable, describes the policy being used by a firm to determine the proportion of the profit to be made available to shareholders as dividend and the portion to be ploughed back for the business to be utilized in future for investment purpose. Following the studies of Jiraporn et al. (2011), Esqueda (2016) and Elmagrhi et al. (2018), the study adopts dividend per share (*DPS*) as a surrogate for dividend policy. The *DPS* is computed as the ratio of dividend paid to the total number of equity shares.

Board gender diversity is the only independent variable. Two different measurements were used to determine this variable. Firstly, (*WOMp*) is the percentage of female directors in the boardroom (Bolbol, 2012, Saheed et al., 2016, Nguyen, 2017 and Elmagrhi et al., 2018). Secondly, in line with Dao, Brown and Hsu (2015), *WOMa*, the absolute number of female directors in the boardroom is used as a measurement of board diversity.

Some variables were employed in the study as control variables because of the fact that some other factors that were not captured by the study have the tendency to influence the dependent variable (dividend pay-out policy). Firm size (*FSZ*), board size (*BSZ*) and profitability (*PRF*) were utilized as control variables. Firm size was included because some prior empirical studies showed that firm size affected dividend payment positively (Pucherta-Martinez & Bel-Oms, 2015 and Al-Najjar & Kilincarslan, 2016) *FSZ* is measured as logarithm of total asset. Board size is an important corporate governance mechanism because decisions concerning dividend pay-out policy are taken collectively by the entire

board members (comprising both male and female). *BSZ* is computed by finding the log of the total board membership per year (Nguyen, 2017, Kajola, Agbatogun & Adewumi, 2017 and Elmagrhi et al., 2018). Profitability is also controlled because some prior studies provided empirical evidence that profitability influenced dividend payment positively and significantly (Kajola, Adewumi & Babatolu, 2015, Kajola, Desu & Agbanike, 2015, Ben-Nasr, 2015 and Muhammad, 2018). Also, only companies that are profitable are required by law (Nigerian Companies and Allied Matters Act, 2004), institutional and professional regulations to pay dividend. Theoretically, higher profits should translate to higher dividend payment to shareholders. Profitability is computed as profit after tax divided by total asset per year.

### Hypothesis

The hypothesis of the study in its null form is as follows:

Ho: There is no significant relationship between board gender diversity and dividend policy.

### Model specification and data analytical technique

Panel data methodology was adopted due to the panel character of the data. Panel data simultaneously combine cross-section and time series data. Specifically, the models of the study are as stated in equations 3.1a and 3.1b:

$$\text{Model 1: } DPS_{it} = \beta_0 + \beta_1 WOMp_{it} + \beta_2 FSZ_{it} + \beta_3 BSZ_{it} + \beta_4 PRF_{it} + e_{it} \dots \dots \dots \quad (3.1a)$$

$$\text{Model 2: } DPS_{it} = \beta_0 + \beta_1 WOMa_{it} + \beta_2 FSZ_{it} + \beta_3 BSZ_{it} + \beta_4 PRF_{it} + e_{it} \dots \dots \dots \quad (3.1b)$$

Where,

- DPS* = Dividend pay-out
- WOMp* = Proportion of female directors to total board membership
- WOMa* = Absolute number of female directors on board
- FSZ* = Size of the firm
- BSZ* = Board size
- PRF* = Profitability
- e* = Error term

Consistent with some prior studies (see Nhuyen, 2017 and Muhammad, 2018) multivariate regression approach including Fixed effects and Random effects GLS models were initially adopted to test the association between gender diversity and dividend policy decision. Hausman (1978) specification test was later employed to determine which of the two models should be used to make unbiased inference.

## 4 Results and discussion

### Descriptive statistics

The result of descriptive statistics results are depicted in Table 1 under 3 panels, A, B and C. Panel A reports on the whole sample; B presents results when there was no female director in the boardroom in each of the years of study and C shows when at least a woman director was represented on corporate board in at least a year during the period of study.

From Table 1, the average value of dividend payment in panel A (whole sample) is 28.2% and profitability is 12.3%. However, the mean dividend value when there was at least a woman director is in boardroom (Panel C) is 35.4% and average profitability is 15.5%. When no female director was on board as shown in Panel B, the average dividend payment is 24.8%, while profitability is 10.9%. Thus, there could be a relationship (to be tested later) that the financial performance and dividend payment are higher when female directors are represented in the boardrooms than when none was in the boardroom.

**Table 1:** Summary of descriptive statistics

Variable	A		B		C	
	Mean	Standard deviation	Mean	Standard deviation	Mean	Standard deviation
<i>DPS</i>	0.282	0.429	0.248	0.457	0.354	0.356
<i>WOMp</i>	0.068	0.079	0.000	0.000	0.099	0.078
<i>WOMa</i>	0.444	0.499	0.000	0.000	0.684	0.480
<i>FSZ</i>	9.670	0.770	0.101	0.635	9.475	0.751
<i>BSZ</i>	0.922	0.154	1.004	0.106	0.884	0.158
<i>PRF</i>	0.123	0.087	0.109	0.090	0.155	0.074
Cross-section	19.000		6.000		13.000	
Observations	133.000		42.000		91.000	

Source: Results from the study (2018)

### Correlation

Correlation matrix which shows the association between the variables is presented in Table 2. From Table 2, board gender diversity (*WOMp* and *WOMa*) has at 1% level a direct and significant association with dividend policy (*DPS*). This indicates clearly importance of female presence in boardrooms as this has a positive influence on dividend payment by Nigerian firms. Two of the control variables (*FSZ* and *PRF*) have positive and significant association with dividend policy, while the third control variable, *BSZ* has a positive but insignificant association with dividend policy.

**Table 2:** Correlation matrix

	<b>DPS</b>	<b>WOMp</b>	<b>WOMa</b>	<b>FSZ</b>	<b>BSZ</b>	<b>PRF</b>
<i>DPS</i>	1.000					
<i>WOMp</i>	0.283*** (0.001)	1.000				
<i>WOMa</i>	0.242*** (0.004)	0.824*** (0.000)	1.000			
<i>FSZ</i>	0.206** (0.017)	0.406*** (0.000)	-0.271*** (0.002)	1.000		
<i>BSZ</i>	0.119 (0.173)	0.571*** (0.000)	-0.241*** (0.005)	0.716*** (0.000)	1.000	
<i>PRF</i>	0.271*** (0.002)	-0.072 (0.409)	-0.105 (0.228)	0.161* (0.065)	0.028 (0.745)	1.000

\*\*\*, \*\*, and \* represent 1%, 5% and 10% levels of significance, respectively

Source: Results from the study (2018)

### Collinearity test

Test for the presence of multicollinearity between the explanatory variables was conducted with Variance Inflation Factor (*VIF*) approach. Table 3 shows the multicollinearity test result. Gujarati (2003), Rumsey (2007), Gujarati and Porter (2009) and Wooldridge (2009) argue that *VIF* of any explanatory variable above 10 shows multicollinearity problem between it and any other explanatory variables. The *VIF* of the variables ranges from 1.048 to 2.598 and with average value of 1.674, hence no problem of multicollinearity among the explanatory/control variables.

**Table 3:** Result of multicollinearity test

<b>Variable</b>	<b>VIF</b>	<b>1/VIF</b>
<i>WOMp</i>	1.491	0.671
<i>WOMa</i>	1.090	0.917
<i>FSZ</i>	2.141	0.467
<i>BSZ</i>	2.598	0.385
<i>PRF</i>	1.048	0.954
Average	1.674	0.679

Source: Results from the study (2018)

### Regression

Three econometric specifications-pooled OLS, Fixed effects least squares and Random effects GLS were carried out. However, the OLS was used as a robustness check. Tables 4 and 5 indicate that the Hausman specification test result supports Random effects GLS in arriving at unbiased inferences for each of the two models ( $p > 0.05$ ). The F-statistic

values for the Random effects models are significant at 1% level in the two board gender diversity models. It depicts that the model as a whole is fit. Durbin-Watson values of 2.540 and 2.506 for models 1 and 2 respectively are within the acceptable threshold of 1 to 3 (Gujarati, 2003, Asaeed, 2005, Gujarati & Porter, 2009 and Wooldridge, 2009) hence the models have no serial autocorrelation issues.

From Table 4, using the Random effects GLS result, board gender diversity (proxy by percentage of female directors in the boardrooms) has a direct relationship with dividend policy (represented by dividend per share) at 10% level.

**Table 4:** Regression Results (WOMp as independent variable)

Variable	Fixed Effects	Random Effects
	Model 1 DPS	Model 1 DPS
Constant	0.688 (0.493)	0.705 (0.482)
WOMp	2.205** (0.030)	1.977* (0.051)
FSZ	-0.842 (0.402)	-0.970 (0.334)
BSZ	0.968 (0.335)	1.046 (0.298)
		0.954
PRF	0.787 (0.433)	0.659 (0.511)
R <sup>2</sup>	0.394	0.374
Adjusted R <sup>2</sup>	0.231	0.248
F-stat	2.417***	2.981***
Prob (F-stat)	0.001	0.000
Durbin-Watson	2.540	2.490
Hausman Chi-square	2.788	
Hausman Prob	0.594	
Observations	133	133

\*\*\*, \*\*, and \* represent 1%, 5% and 10% levels of significance, respectively

Source: Results from the study (2018)

When the absolute number of female directors on corporate boards is used as a variable of gender diversity, as shown in Table 5, gender diversity has a direct association with dividend policy at 5% level. The outcome shows that firms having women representation on corporate boards positively influence dividend payment. This suggests that with female directors on corporate boards, dividend is effectively used as a monitoring device and thereby mitigating agency problem to the barest level.

The study's finding is consistent with prior studies of Jurkus et al. (2011), Al-Rohahleh (2017), Al-Amarneh et al. (2017) and Muhammad (2018) and provides evidence in support of Outcome Hypothesis of Agency theory. It is however contrary to the findings of Nguyen (2017), Saeed and Sameer (2017) and Elmagrhi et al. (2018), which produced negative relationship between the two variables in their various studies. Thus, the null hypothesis is rejected.

All the three control variables on the other hand produced insignificant relationship with dividend policy.

**Table 5:** Regression Results (WOMa as independent variable)

Variable	Fixed Effects	Random Effects
	Model 1 DPS	Model 1 DPS
Constant	0.837 (0.405)	1.006 (0.317)
WOMp	2.774*** (0.007)	2.462** (0.015)
FSZ	-0.890 (0.375)	-1.149 (0.253)
BSZ	0.265 (0.792)	0.445 (0.658)
PRF	0.768 (0.444)	0.657 (0.513)
R <sup>2</sup>	0.410	0.385
Adjusted R <sup>2</sup>	0.251	0.262
F-stat	2.576***	3.132***
Prob (F-stat)	0.000	0.000
Durbin-Watson	2.558	2.506
Hausman Chi-square	4.227	
Hausman Prob	0.376	
Observations	133	133

\*\*\*\*, \*\*, and \* represent 1%, 5% and 10% levels of significance, respectively

Source: Results from the study (2018)

### Robustness check

In order to further validate the result based on Random effects GLS technique, an additional alternative econometric test, pooled OLS regression, which was considered to be a good analytical tool by some prior researchers (see Bolbol, 2012, Benjamin and Otiso, 2017 and Al-Amarneh, 2017) for this type of study, was conducted. The result is presented in Table 6.

From Table 6, board gender diversity has a positive and significant relationship with dividend policy in the two models. This provides additional evidence that gender diverse board has a significant influence on dividend pay-out of companies in Nigeria. The null hypothesis is also rejected. However, contrary to the regression result based on Random effects GLS technique, two control variables, firm size (in model 2) and profitability (models 1 and 2) have positive relationship with dividend policy.

**Table 6:** Regression result (pooled OLS)

Variable	Model 1 DPS	Model 1 DPS
Constant	-2.431** (0.016)	-2.402** (0.018)
WOMp	2.439** (0.016)	
WOMa		2.713*** (0.008)
FSZ	1.443 (0.151)	1.832* (0.078)
BSZ	0.960 (0.339)	0.078 (0.938)
PRF	3.069*** (0.003)	3.114*** (0.002)
R <sup>2</sup>	0.141	0.150
Adjusted R <sup>2</sup>	0.114	0.123
F-stat	5.241***	5.634***
Prob (F-stat)	0.001	0.000
Durbin-Watson	1.643	1.660
Observations	133	133

\*\*\*, \*\*, and \* represent 1%, 5% and 10% levels of significance, respectively

Source: Results from the study (2018)

## 5 Conclusion and recommendations

The study investigated the influence of gender diversity in corporate boards on dividend policy of 19 quoted consumer goods and industrial firms in Nigeria covering 2010–2016. The finding using Random effects GLS technique indicated a positive and significant relationship between gender diversity and dividend pay-out policy. This outcome showed that women on corporate boards tend to involve deeply in monitoring of the management than their male colleagues. It also implied that women on board used payment of dividend as a means of controlling the managers and thereby mitigating agency conflicts that may occur between owners and management. This is consistent with theoretical belief of Agency theory.

It is recommended that shareholders (owners) of corporations should seek to promote board gender diversity by putting more female directors in the boardrooms. The regulatory agencies (Securities and Exchange Commission and Financial Reporting Council of Nigeria) and other policy makers are advised to amend the various corporate governance, particularly the one issued in 2011 and other sectorial codes, by mandating corporate organisations to reserve a specific proportion (not less than one-third) of their board membership solely for women, as this will be of immense benefits to the shareholders, board of directors, creditors and other stakeholders.

This study is limited to 19 firms in two sectors (out of 11) of the Nigerian economy and study time frame of 7 years. For a more robust result, other sectors such as, conglomerate, financial services, oil and gas and others should be comprehensively studied too with more sample size. Further, in order to grow the empirical literature of corporate governance, similar study can be replicated in other climes, especially developing and emerging countries.

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### Appendix 1: Sampled Firms

S/N	Name of firm	Sector
1	Nigerian Breweries Plc	Consumer goods
2	Guinness Nigeria Plc	Consumer goods
3	7up Bottling Company Plc	Consumer goods
4	Dangote Sugar Refinery Plc	Consumer goods
5	Flour Mills of Nigeria Plc	Consumer goods
6	Honeywell Flour Mills Plc	Consumer goods
7	UTC Nigeria Plc	Consumer goods
8	Cadbury Nigeria Plc	Consumer goods
9	Nigeria Enamelware Plc	Consumer goods
10	Vitafoam Nigeria Plc	Consumer goods
11	PZ Cussons Nigeria Plc	Consumer goods
12	Berger Paints Plc	Industrial goods
13	CAP Plc	Industrial goods
14	DN Meyer Plc	Industrial goods
15	IPWA Plc	Industrial goods
16	Lafarge Africa Plc	Industrial goods
17	Beta Glass Plc	Industrial goods
18	Avon Crown Caps and Containers Nig. Plc	Industrial goods
19	Nigerian Ropes Plc	Industrial goods

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I hereby certify that this paper has not been sent to another publication outlet either in Nigeria or any other part of the world.

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