ISSN: 2251-032X Volume 14, Issue 1, Pages 1-28: 2024

Dividend Policies and Stock Price Volatility of Firms Listed on the Nigerian Exchange Limited

Henry Usunobun OGIUGO, Ph.D[1] & Mr. OMEHE Raphael[2]

[1] *Department of Accounting and Finance,*
Faculty of Management Sciences,
Ajayi Crowther University,
Oyo State, Nigeria.
ogiugohenry@yahoo.com

[2] *Department of Banking and Finance,*
Faculty of Management Science,
University of Benin, Nigeria.
08063310477
omeheralph@yahoo.com

Abstract

Research purpose: This study investigates the relationship between dividend policy and share price volatility by using empirical data from firms listed on the Nigerian Exchange Limited.

Methodology: Panel regression analysis and Generalized Methods of Moments (GMM) was employed in analyzing the data spanning the period from 2011 to 2022. The findings of the study revealed a negative relationship between dividend yield and share price volatility. A statistically significant negative relationship was observed between dividend yield and share price.

Findings: Based on the research findings, a significant and positive relationship has been observed between the size of firms and the volatility of stock prices.

Recommendations: Consequently, the study suggests that stakeholders of publicly listed firms should ensure that the dividend payout ratio consistently and positively impacts the valuation of the company's common stock on the stock market. Stakeholders are advised to consistently monitor the annual dividend-to-share price ratio of a publicly traded firm, as it can significantly impact the value of the company's common shares on the stock market. Moreover, it is imperative for stakeholders in

publicly listed corporations to formulate strategies for expanding their asset portfolio and establishing other business units. By adopting this approach, these enterprises have the potential to expand their customer base and enhance their financial performance, therefore augmenting the market value of the company's ordinary shares.

Keywords: *Dividend Payout, Share Price, Nigerian Exchange Limited, JEL Classification: O13, Q17.*

Introduction

The issue surrounding dividends remains unresolved even after the passage of nearly six decades since the seminal contributions made by Gordon (1959), Lintner (1956), and Miller & Modigliani (1961). The Bird-in-hand theory, often referred to as the dividend relevance doctrine, was initially proposed by Lintner (1956) and Gordon (1959). According to this theory, shareholders exhibit a preference for receiving immediate dividends rather than future payouts, which subsequently leads to a positive impact on the market value of companies. They thought that distributing a significant sum as a dividend decreased risk and eventually had an impact on stock prices. The authors included that the dividend policy of a corporation has been subject to comparisons with other signaling mechanisms, and the declaration of a dividend by a company can significantly rationalize the stock price dynamics of such a company. Modigliani and Miller (1961) provided empirical support for the theory of dividend irrelevance. In contrast, they argued that the value of a firm is determined by the risk associated with its investments and its prospects for future earnings. Consequently, they concluded that dividend decisions have no impact on a company's overall value. This observation suggests that an increase in stock price is not necessarily guaranteed upon the distribution of dividends. Several studies, beginning with Lintner's seminal work in 1959, have provided answers about the rationale behind corporations' dividend payments and the subsequent impact on a firm's value. However, it is important to note that a definitive, universally applicable solution to the subject of dividends remains elusive, as highlighted by Singh and Tandon (2019).The topic of dividend decision has been extensively explored via both theoretical and empirical research.

However, as highlighted by Nazimud-Din (2012), there is still ongoing debate around this issue. The authors Koleosho et al. (2022) and Loretta et al. (2016) have provided empirical evidence supporting a strong positive correlation between dividend policy and stock prices. In contrast, Shah et al. (2016) have shown a noteworthy inverse link between stock price volatility and dividend policy.

The existing literature lacks clarity in elucidating the effect. The existing body of research unequivocally highlights the presence of two contrasting concepts, namely the dividend relevance and irrelevance theories, as expounded by Ajayi (2010). A comprehensive examination of contemporary scholarly literature on Nigeria's dividend policy, as documented by Koleosho et al. (2022), Alajekwu and Ezeabasili (2020), Okafor, Mgbame, and Chijoke-Mgbame (2011), Adaramola and Oyerinde (2014), Uwuigbe, Jafaru, and Ajayi (2012), among others, has also shown a notable absence of consensus. According to Camilleri, Grima, and Grima (2018), additional parties such as business executives and government entities demonstrate a vested interest in the value of an investor's shares.

The influence of a firm's dividend policy on the value of its stocks has substantial importance, not only for the managerial personnel responsible for determining the policy, but also for investors devising portfolio strategies and economists seeking to explain and assess the functioning of capital markets. According to Garba (2014), the major motivation behind investing in stocks and other financial assets is the expected positive returns. Shareholders are consistently concerned about the returns on their investments, which often manifest as dividends in the form of cash or bonus shares, as well as capital gains (Mohammed, 2013). The appreciation of asset values over a period of time leads to the realization of capital gains, which ultimately manifest as actual financial gains. Both dividend income and revenue from capital gains contribute to the economic advantages, while benefiting shareholders. Nevertheless, empirical evidence suggests that global stock markets have experienced significant capital development, indicating that stock prices are equally susceptible to both upward and negative price fluctuations, hence presenting a potential danger (Olaoye & Owoniya, 2017).

The volatility of the Nigerian stock market has eroded investor trust and led to fluctuations in stock prices, hence causing financial losses for investors. The capital market has a consistent interest in stock price volatility and trend changes due to their

significant influence on stock market stability and investment strategies (Singh & Tandon, 2019). The Nigerian Stock Exchange, being a developing market, frequently displays characteristics of an immature market and retains permissive regulatory frameworks, in contrast to the developed markets in Europe and the United States. Since the share price of a firm might be affected by the market's high risk and undiversified volatility, dividend yields become more important to shareholders in such a market. This means that companies and investors alike need to pay attention to stock prices. The dividend policy argument has not been settled despite much theoretical and empirical research. There is a link between dividend policy and stock price swings, according to research (Shojik, 2014).

Research on the effects of changes in dividend policy on share price fluctuations has produced inconsistent results across different countries. Previous research has demonstrated a noteworthy positive correlation between stock price and dividend payment, as evidenced by studies utilizing data from various stock markets such as the US, Japan, and Singapore (Kennedy, 2015; Lhain, 2017). However, previous research conducted by Jakata and Nyamugure (2014) has shown contrasting results, indicating a negative association. In a study conducted by Umwari (2015), it was shown that the volatility of share prices in South Africa is influenced by factors such as dividend policy, asset growth, and leverage. Wodung (2014) conducted a study in the Nigerian environment to investigate the link between dividend policy and stock market volatility. The research findings indicate that there is a statistically significant negative relationship between dividend yield, dividend payout ratio, and stock price volatility. The relationship between dividend policy and stock price volatility remains unresolved as researchers have been involved in continuous discussions over the influence of dividend policy on stock price volatility (Koleosho et al., 2022). The existence of conflicting study results indicates the necessity for more research to ascertain the impact of dividend policy initiatives on the volatility of share prices. Although these studies have the ability to provide evidence for their findings, significant limitations in the research have been noted.

In the context of the NSE, the study's goal is to determine if dividend policy and stock price variations are related. The significance of this study lies in its pertinence to the target audience, given the limited amount of research available on the attributes of dividend policies and share price volatility among Nigerian listed firms. The objective

of this study is to contribute to the existing literature by investigating the causative relationships between dividend policy and volatility in stock market prices. This will be achieved by leveraging a broader range of data, including more up-to-date information.

The major goal of this research is to explore the influence of dividend policy on share price Fluctuation, with a particular focus on firms listed on the Nigeria Stock Exchange.

Literature review

Share Price Volatility

At the end of each trading day, the market or share price of any corporation indicates the value per share. Though prices change during the day, the closing price is the market's ultimate valuation at the end of the trading session (Nigerian Exchange, 2021). The market capitalization is calculated by multiplying the price per share by the number of shares outstanding at a certain point in time. Since 2009, NGX-listed firms' market capitalisation has grown steadily. The overall market capitalisation more than doubled, from N7.03 trillion in 2009 to N18.9 trillion at the end of 2014. The total market value of the Nigerian Stock Exchange increased by 17.5% between December 2016 and June 2017. There was a 26.1% increase from June 2017 to June 2018 (Central Bank of Nigeria, 2018) and a 76% increase from N13.69 trillion to N23.99 trillion in the market capitalization of the 278 stocks listed on NGX by June 2018. By the end of 2020, the Nigerian stock market had grown by around 50%, finishing at a value of $40,270.72 (Nigerian Exchange, 2020). At the close of each trading day, the market price of shares is set by the forces of supply and demand. Value of equity shares as listed on the NGX on a daily basis is the market price per share (Olowe, 2017).

Market price volatility, also known as stock price volatility, quantifies the degree of price swings in the shares of firms as a result of market-relevant information, rendering the prediction of future prices a tough task. According to Alajekwu and Ezeabasili (2020), the authors suggest that there exists significant variations in share price volatility across different time periods, hence posing challenges in accurately predicting future prices. As a result, decreased volatility in the price of a stock enhances its attractiveness to existing and potential investors (Okafor, Mgbame, & Chijoke-Mgbame, 2011).

Dividend Policy

Dividends play a crucial role in the decisions made by financial managers and represent the amount distributed to equity holders. According to Brealey and Myers (1996), dividend decisions are often intertwined with other financing and investment choices. Some firms opt for low dividend payouts based on management's expectations for the company's value and the necessity to retain earnings for future growth and expansion. Dividend decisions are considered when a company doesn't have immediate strategic needs for business growth (Pandey, 2000). Information regarding dividends, released by companies, significantly influences the valuation of their shares (Brealey & Myers, 1996). Harley and Duro (2017) view dividends as the allocation of past or present earnings in tangible assets among equity holders, depending on their ownership structure. The proxies for dividend policy used in this study are elaborated below.

Dividend per Share

Various corporate action announcements are frequently included with every company's financial report. When a company announces that it will pay dividends to its current shareholders on a certain day, those owners have a right to expect to receive those dividends on that due date. Divide the entire anticipated dividend by the total number of eligible shares to get the dividend per share (Hirschey & Nofsinger, 2008). It is expected that the dividend per share will stay unchanged from the time of the announcement until the following payment period. Alajekwu and Ezeabasili (2020) note that dividends are paid in arrears rather than as a percentage of the relevant period.

Dividend Yield

The dividend yield represents the rate of return to the market based on dividends declared by an organization. This financial ratio indicates how much a company distributes in dividends to its existing shareholders (CFA, 2018). When dividends are declared, investors are primarily concerned with the return these dividends will provide based on the stock prices at the time of purchase. As stock prices change daily, the current yield on the declared dividend fluctuates from the date of declaration until

the dividend closure date when the entity's share price is adjusted on the exchange floor (Adesola & Okwong, 2009; Ehikioya, 2015; Olowe, 2017).

Dividend Payout Ratio

The payout ratio is the proportion of after-tax earnings distributed as dividends to existing shareholders upon the closing of the register. Dividends represent a portion of the net income or post-tax profit that an entity pays to shareholders (Akintoye, 2006). Depending on the organization's dividend policy, post-tax profit can either be fully retained, fully paid out to shareholders, or distributed between retention and dividends at any given period. Black (1996) emphasizes the significance of dividends in determining the fundamental value of a company's shares, urging companies to pay out a portion of their profit to enhance value. The signaling effect of dividends, established by Gordon (1959), means that both the payout ratio and the retention ratio indicate whether a company has the potential to grow its earnings over time. In the dividend valuation model, the amount of dividends plays a vital role in assessing a company's growth prospects (Brealey & Myers, 1996). Miller and Modigliani (1961) challenged the impact of dividend payouts, suggesting that in a perfect market, dividends do not affect a company's share value; instead, investment decisions over time influence corporate performance and earnings growth, ultimately affecting share prices (De Villiers, Apopo, & Phiri, 2020). Numerous studies have emphasized the crucial role of the payout ratio in determining a company's value.

Theoretical Framework

Various researchers have conducted studies on corporate dividend policy, leading to diverse conclusions. This discourse examines two prominent theories: Dividend Relevance Theory and Dividend Irrelevance Theory.

Dividend Relevance Theory

Graham and Dodd (1934) introduced the Dividend Relevance Theory, also known as the Rightist Theory, asserting that a given amount of dividends has four times the impact on stock prices compared to the same amount of retained earnings. This theory suggests that companies should distribute higher dividends, as this practice will significantly boost the value of their shares (Brealey & Myers, 1996). Advocates of this theory believe that the stock market favors generous dividend payments over meager

ones, encouraging corporations to continuously distribute dividends to shareholders. Notable supporters of this theory include Walter (1956) and Gordon (1959).

Walter (1956), as cited by Brealey and Myers (1996), Akintoye (2006), and Olowe (2017), argued that a company's dividend decisions are influenced by the profitability of available investment opportunities. They maintained that maximizing shareholder returns depends on choosing between the firm's internal rate of return and its cost of capital. Walter's model is grounded in several assumptions: the entity relies solely on equity financing, investors are risk-averse, investment opportunities are mainly funded through retained earnings, there is no external financing or new fund raising, internal rate of return, earnings per share, dividend per share, and cost of capital remain constant over time, all earnings are either paid out as dividends or retained for reinvestment, and the entity has a perpetual earnings stream (Araoye et al., 2019).

Gordon (1959) argued that paying dividends to shareholders increases stock prices on the exchange (Hirschey & Nofsinger, 2008). Lintner (1956) proposed two key ideas to underscore the importance of consistent dividend payouts:

1. Establishing a long-term target dividend payout ratio for mature firms with stable earnings, leading them to pay a higher percentage of profits to investors. Conversely, growth-oriented firms tend to maintain lower payouts to ensure business stability (Akintoye, 2006).
2. Assumption that managers prioritize changes in dividend levels over absolute levels in previous years, resulting in higher dividends in the current year. This is expected to enhance the firm's value, as investors rush to acquire shares in anticipation of dividend payments.

Dividend Irrelevance Theory

The primary advocate of the Dividend Irrelevance Theory is Miller and Modigliani (1961), who posited that the payment or non-payment of dividends does not affect firm value. They argued that a company's dividend payout ratio has no bearing on shareholders' wealth (Alajekwu & Ezeabasili, 2020). They further contended that a firm's value is primarily influenced by its earnings and investment policies, and the allocation of earnings between dividends and retained earnings is unnecessary and does not alter the stock's value (Bhalla, 2013; Black, 1996; CFA, 2018).

The Dividend Irrelevance Theory is built upon several assumptions:

1. A perfect capital market with balanced investors and perfect certainty of market prices (Olowe, 2017). In a perfect market, no individual buyer or seller has a significant impact on market prices, ensuring that all participants have equal access to information affecting prices and other relevant share characteristics.
2. Absence of brokerage fees and transaction costs when buying and selling securities on the exchange, which do not influence share values.
3. Uniform taxation on distributed and undistributed profits, as well as dividends and capital gains (Araoye et al., 2019). This assumption implies that the same tax rate applies to both dividends and capital gains (Agila & Jerinabi, 2018).
4. Rational behavior among investors, where they prioritize increasing their wealth and are indifferent to whether this increase comes in the form of cash payments or an increase in the market value of their shares (Brealey & Myers, 1996).
5. Perfect certainty among investors regarding firms' future investment plans and profit positions.
6. No distinction in market value between dividend-paying and non-dividend-paying firms as long as they are in the same risk category.

The Dividend Irrelevance Theory has faced criticism from scholars due to its reliance on assumptions of a perfect market, neglect of tax effects and transaction costs. Detractors argue that share trading on the exchange always involves transaction costs, tax implications, and potential bankruptcy costs (Alajekwu & Ezeabasili, 2020). Miller and Modigliani (1961) responded to these concerns, acknowledging that the theory of dividend irrelevance remains a puzzle both globally and in Nigeria.

Empirical Review

Ugwu, Onyeka, and Okwa (2020) conducted a research study utilizing multiple regression analysis to investigate the impact of dividend policy on the financial performance of firms operating in the consumer products sector of the NGX. A systematic collection of data was obtained from a representative sample of ten

companies functioning within the consumer products sector, including the period spanning from 2015 to 2019. The researchers examined the dividend payout ratio (DPR) and dividend per share (DPS) as measures of dividend policy, while return on equity (ROE) was applied as a statistic to evaluate the financial performance of the firm. The results of the study revealed a statistically significant correlation between the proxy indicators of dividend policy and return on equity (ROE). The findings of the study indicate that the variable of DPS had a large and beneficial impact on corporate performance. However, the variables of DPR and profits per share did not demonstrate any statistically significant effects on corporate performance.

In their study, Hossin and Ahmed (2020) conducted an analysis to investigate the impact of dividend policy on the volatility of stock prices in the capital market of Bangladesh. The study focused on the period spanning from 2009 to 2017. An experimental analytic strategy was applied in this study, employing fixed and random effects models to analyze data collected from a sample of 10 organizations. The investigation encompassed an examination of both cash and stock dividends and their influence on the volatility of stock prices. The findings of the research indicate that the issuance of both cash and stock dividends is associated with an increase in stock price volatility. The research findings also indicated that investors in the Bangladeshi market exhibited a preference for stock dividends as opposed to cash dividends. This preference stemmed from the anticipation that stock dividends would rise in value over time, hence possibly yielding greater future profits upon the sale of shares.

In a study conducted by Koleosho, Adegbie, and Ajayi-Owoeye (2020), the researchers examined the importance of the correlation between dividend per share and market price per share, focusing on the concept of informational efficiency. The researchers collected data from a total of 57 firms spanning the time period from 2008 to 2019. They utilized the fixed effects model to conduct an analysis on the combined dataset. The research findings indicate that dividends have a significant impact on forecasting fluctuations in stock prices. This underscores the significance of prompt dividend disbursements and announcements in bolstering the long-term value of shareholders' investments.

The study conducted by Ohiaeri et al. (2019) examined the influence of dividend policy on the stock prices of firms listed on the Nigerian Stock Exchange (NGX) over the

period from 2009 to 2017. The researchers employed dividend per share as a proxy variable in their study, specifically examining data from a sample of ten Nigerian firms throughout the specified time frame. By employing the multiple panel least squares estimate technique and conducting Hausman's test on secondary data, the researchers reached the conclusion that there exists a positive relationship between dividend per share and market price per share across the examined time frame.

Uniamikogbo et al. (2019) conducted a research to investigate the impact of accounting information on stock price volatility in Nigeria. The study utilized data from 22 businesses listed on the Nigerian Exchange (NGX). The researchers utilized the ordinary least squares (OLS) regression technique to examine the relationship between dividend per share and stock price volatility in Nigeria. Their findings revealed a statistically significant and negative impact of dividend per share on stock price volatility. The aforementioned discovery presented a contradiction to prior research and emphasized the significance of accounting information in the dynamics of stock prices.

The study conducted by Aribaba, Ahmodu, Ogbeide, and Olaleye (2017) aimed to examine the impact of dividend per share on fluctuations in stock prices throughout the period of 2008 to 2014. The researchers utilized data obtained from 15 businesses listed on the NGX. The regression analysis conducted in this study utilized the estimated generalized least squares approach. The findings of this research indicate that there is a negative relationship between dividend per share and stock price fluctuations throughout the specified time. However, it is important to note that this relationship was found to be statistically insignificant. The study posited that investors exhibited a preference for cash dividends as opposed to prospective future capital gains, hence corroborating the principles of the bird-in-hand theory and signaling theory. Nevertheless, the research conducted in this study exhibited a temporal interval and only concentrated on fluctuations in stock prices.

In their study, Egbeonu et al. (2016) performed a cointegration analysis to examine the relationship between dividend policy and share price volatility across businesses listed on the Nigerian capital market. The study specifically focused on the year 2015, using data as of December 31st of that year. The findings from their Granger causality analysis revealed that investors exhibited a preference for firms characterized by

stable and consistent dividend policies, while displaying less interest in companies that offered lower dividend distributions. The findings of the investigation demonstrated a strong correlation between dividend per share and stock price volatility, underscoring the importance of dividend payments in influencing fluctuations in stock prices. The study posited that investors had the ability to achieve higher profits during periods characterized by increased market volatility, as a result of the announcement impact associated with dividends. Nevertheless, the study did not investigate the influence of dividend policy on other indicators of shareholders' wealth or take into account potential moderating variables such as the number of outstanding shares, ownership structure, and company size.

Methodology

The research design serves as the foundational framework for addressing any problem, and it plays a crucial role in shaping the outcomes of hypothesis testing. In this investigation, we adopted an ex-post facto research design, which relies on historical data to draw conclusions about future scenarios. This approach aligns with the study's objective of generalizing insights pertaining to the determinants of dividend payouts within publicly traded companies that were examined. The choice of this research design is driven by the aim of assessing potential impacts among multiple quantitative factors. It is well-suited to examine whether such impacts exist and to what extent. Furthermore, this design offers an effective means to derive conclusive results and to either substantiate or refute hypotheses through the application of readily available statistical and econometric tools, such as correlations and regression analysis. To carry out the statistical analysis for this investigation, we employed the STATA application program.

This study is centered on corporate entities operating within the confines of Nigeria. Specifically, our focus is directed towards companies that maintain a consistent practice of dividend distribution and are listed on the Nigerian Stock Exchange (NSE) Which includes : Zenith, GTBank, Nig Brew, Flour Mill, Nestle, J Berger, Guiness, Okomu, Mobil, Dangote Sugar, C & I leasing, Fidson, NEM, SCOA, Glaxosmith, Vitafoam, FCMB, Custodian, Access, Unilever

Method of analysis

Our analysis commences with an assessment of the stationary properties of the variables in our models. This is imperative to ensure that none of the variables exhibits second-order integration or higher, and to guarantee the validity of the estimates obtained. The hypotheses are evaluated using a combination of various techniques as outlined below:

1. Descriptive Statistics
2. Panel Data Regression (Common Effect and Generalized Methods of Moments)
3. Granger Causality Methods

Model Specification

Panel data models can take various forms, including pooled regression, fixed effects, random effects, and random parameters (Greene, 2007). In the context of this study, we have employed the following models:

Common Effect Panel Regression Model

In line with Bruce (2016), panel regression models generally take the form:

$Yit = \alpha + \beta Xit + \mu it$

Where:

Y = Stands for dependent variable, X = Stands for independent variables, α and β = coefficients

i = ith firm, t = time period , μ = error term

Following Okafor et al (2011) and De Wet and Mpinda (2013), we adapted the general model mentioned above:

Stock Price = f(EEPS, DDPS, DDYD)

The model is further specified as:

$FFSP\ it = \beta 0 + \beta 1\ DDPSit + \beta 2\ DDYDit + \beta 3\ EEPSit + \beta 4\ logFit + \mu$

Where:

- β0 = constant
- β1, β2, β3, β4 = coefficients
- μ = stochastic error term

GMM Model

The study employed both two-step "differenced" and "system" GMM models to test the relationship between stock volatility and dividend policy for our sample. We have also incorporated lagged variables of DDYD, DDPS, and EEPS to assess the relevance of past dividend policy.

The equations for the differenced GMM and the difference GMM with lags can be presented as follows:

$\Delta FFSPi,t = \alpha i + \beta i \Delta FFSPi,t-1 + \gamma i,t\ \Delta DDYDi,t-1 + \delta i,t\ \Delta DDPS\ i,t-1 + \varphi\ i,t\ \Delta EEPSi,t-1 + \theta i,t\ \Delta Xi,t + \Delta\omega i + \Delta\mu t + \Delta\ i,$

Difference GMM with lags

$\Delta FFSPi, = \alpha i + \beta i \Delta FFSP_{\ i,-1} + \beta i,t\ \Delta DDYD_{\ i,t-1} + \gamma i,tL.\ \Delta DDYD_{\ i,-1} + \delta i,t \Delta DDPS_{\ i,t-1} + \vartheta i,tL.\ \Delta DDPS_{\ i,-1} + \varphi_{\ i,t} \Delta EEPSi_{,t-1} + \Pi L.i,t \Delta EEPS_{\ i,t-1} + \theta i,t \Delta X_{i,t} + \Delta\omega_i + \Delta\mu_t + \Delta_{\ i,t}$

Where:

FFSP*i*, = Firm's Stock price

*D*DY*D*i, = Dividend yield

*L.D*DY*D*i, = Lag of Dividend yield

*D*DP*S*i, = Dividend payout ratio

*L.D*DP*S*i, = Lag of Dividend payout ratio

φ*i*,ΔEE*P*S*i*,*t*−1= Earnings Per Share

Π*L.i*,ΔEE*P*S*i*,*t*−1= lag of Earnings Per Share

Xi, = Vector of control variables

ωi= Cross-sectional (firm-specific effect)

μt= Period (specific effect)

i, = Error term

Apriori Expectations

Drawing from our review of theories and empirical studies, we anticipate the following relationships: EEPS: +, DDPS: +/-, DDYD: +/_, F: +/_

Findings

This section provides an overview of the results obtained from the investigation conducted on the influence of Dividend Policies on Market Share Prices among a selected group of Nigerian firms. The presentation is structured into two primary components: a descriptive segment and an empirical analysis.

During the descriptive analysis phase, several statistical measures such as the mean, standard deviation, minimum, and maximum values of the variables under consideration are examined. The presented statistics serve the purpose of providing a concise overview of the selected factors within the research.

The empirical analysis involves evaluating the degree of relationship among variables using pairwise correlation. Furthermore, this study examines the determinants of market share prices for the selected publicly traded companies in Nigeria by the use of recognized panel regression methodologies, such as Pooled Ordinary Least Squares (OLS) regression, Random Effects regression, and Fixed Effects regression.

Table 1. Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
EEPS	200.00	410.890	729.090	-294.00	5426.000
DDPS	200.00	257.000	562.980	0.000	4750.000
DDYD	200.00	5.000	3.2900	0.000	16.4700
FFSP	200.00	78.770	211.020	0.500	1555.990
F	200.00	196396.600	302593.40	719.570	1269778.000

Source: Author's, 2023.

The table presents descriptive statistics for various variables across 200 companies. Here's an interpretation of the statistics:

1. EEPS (Earnings per Share):

- Mean: The average earnings per share across the sample of companies is approximately 410.89.
- Standard Deviation: The earnings per share values exhibit a relatively high degree of variability, with a standard deviation of about 729.09.
- Minimum: The lowest recorded earnings per share in the sample is -294.00, which implies that some companies might have negative earnings per share.
- Maximum: The highest recorded earnings per share is 5426.00, indicating substantial variability in profitability among the sampled companies.

2. DDPS (Dividend per Share):
    - Mean: The average dividend per share across the sample is approximately 257.00.
    - Standard Deviation: Dividend per share values show considerable dispersion, with a standard deviation of around 562.98.
    - Minimum: The lowest recorded dividend per share is 0.00, suggesting that some companies did not pay dividends during the period.
    - Maximum: The highest recorded dividend per share is 4750.00, indicating significant variation in dividend payments among the companies.
3. DDYD (Dividend Yield):
    - Mean: The average dividend yield among the companies is 5.00.
    - Standard Deviation: Dividend yield values exhibit some variability, with a standard deviation of approximately 3.29.
    - Minimum: The lowest recorded dividend yield is 0.00, suggesting that some companies might not have paid dividends relative to their stock price.
    - Maximum: The highest recorded dividend yield is 16.47, indicating variability in the dividend yield across the companies.
4. FFSP (Firm Share Price):
    - Mean: The average market share price is approximately 78.77.
    - Standard Deviation: Market share prices show a wide range of values, with a standard deviation of about 211.02.

- Minimum: The lowest recorded market share price is 0.50, indicating that some companies have very low share prices.
- Maximum: The highest recorded market share price is 1555.99, showing substantial variation in share prices among the sampled companies.

5. F (Firm Size):
   - Mean: The average firm size, as measured by the variable F, is approximately 196,396.60.
   - Standard Deviation: Firm sizes exhibit significant variability, with a standard deviation of around 302,593.40.
   - Minimum: The smallest firm in terms of size has an F value of 719.57.
   - Maximum: The largest firm in terms of size has an F value of 1,269,778.00, indicating substantial differences in the sizes of the sampled companies.

In summary, these descriptive statistics provide an overview of the distribution and characteristics of the variables across the 200 companies in the sample, highlighting variations in earnings, dividends, dividend yields, share prices, and firm sizes. The standard deviations indicate the extent of variability within each variable.

Table 2. Correlation Matrix

	FFSP	EEPS	DDPS	DDYD	F
FFSP	1.00000				
EEPS	0.87630	1.00000			
	(0.00000)				
DDPS	0.92210	0.92540	1.00000		
	(0.00000)	0.00000			
DDYD	-0.19810	-0.07380	-0.07980	1.0000	
	(0.00490)	(0.29870)	(0.26110)		
F	0.51270	0.42510	0.48290	-0.0237	1.0000

	(0.00000)	(0.00000)	(0.00000)	(0.7393)	

Source: Author's , 2020.

The table presents a correlation matrix showing the relationships between different variables for all the companies in the sample.

FFSP (Market Share Price):

- Correlation with itself (MMSP): This value is always 1.00000 because a variable is perfectly correlated with itself.
- Correlation with EEPS (Earnings per Share): There is a strong positive correlation of approximately 0.87630 between market share price (MMSP) and earnings per share (EEPS). This indicates that as earnings per share increase, the market share price tends to increase as well.
- Correlation with DDPS (Dividend per Share): There is a very strong positive correlation of approximately 0.92210 between market share price (MMSP) and dividend per share (DDPS). This suggests that companies paying higher dividends per share tend to have higher market share prices.
- Correlation with DDYD (Dividend Yield): There is a weak negative correlation of approximately -0.19810 between market share price (MMSP) and dividend yield (DDYD). This indicates that higher dividend yields are associated with slightly lower market share prices.
- Correlation with F (Firm Size): There is a moderate positive correlation of approximately 0.51270 between market share price (MMSP) and firm size (F). This suggests that larger firms, in terms of size, tend to have higher market share prices.

2. EEPS (Earnings per Share):

- Correlation with itself (EEPS): This value is always 1.00000 because a variable is perfectly correlated with itself.
- Correlation with DDPS (Dividend per Share): There is a very strong positive correlation of approximately 0.92540 between earnings per share (EEPS) and dividend per share (DDPS). This suggests that

companies with higher earnings per share also tend to pay higher dividends per share.

3. DDPS (Dividend per Share):
    - Correlation with itself (DDPS): This value is always 1.00000 because a variable is perfectly correlated with itself.
4. DDYD (Dividend Yield):
    - Correlation with itself (DDYD): This value is always 1.00000 because a variable is perfectly correlated with itself.
5. F (Firm Size):
    - Correlation with itself (F): This value is always 1.00000 because a variable is perfectly correlated with itself.
    - Correlation with DDPS (Dividend per Share): There is a strong positive correlation of approximately 0.48290 between firm size (F) and dividend per share (DDPS). This suggests that larger firms tend to pay higher dividends per share.
    - Correlation with DDYD (Dividend Yield): There is a very weak negative correlation of approximately -0.0237 between firm size (F) and dividend yield (DDYD). This indicates that firm size has a very minimal impact on dividend yield.

In summary, the correlation matrix provides insights into the relationships between the variables. It indicates that market share price is positively correlated with earnings per share and dividend per share, moderately correlated with firm size, and weakly negatively correlated with dividend yield. These correlations can be useful for understanding how these variables interact and influence each other in the context of the sampled companies.

Table 3. GMM (Without Lags)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.6170	.6120	3.9650	.0210
DDPS	0.3780	.5180	3.1150	.0010***

DDYD	-2.1980	.6990	-0.8410	.0030***
EEPS	1.4870	.3490	2.2180	.0120**
Size(F)	3.1480	.3360	3.9870	.0010***
"R-Squared"	0.5473210	Mean Dependent var		1.6243140
"Adjusted R-Squared"	0.4985710	S.D Dependent var		1.4158320
"S.E. Regression"	1.2125320	Sum squared residual		519.45310
"Durbin-Watson"	1.2210050	j-statistic		348.00000
"Anova (p-value)"	0.0000			

Source: Compiled by the authors.

Table 4.GMM estimation (With Lags)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.1180	.6430	4.3580	.0210
DPS	0.4840	.4870	3.4170	.0010***
Lag(DPS)	0.3410	.2470	2.5840	.00010**
DYD	-3.3450	.7010	0.8450	.0030***
Lag(DYD)	-0.3150	.6840	0.7420	.0020**
EPS	1.623	.5230	3.2410	.01**
Lag(EPS)	1.341	.4150	3.2520	.001***
Size(F)	3.233	.3240	4.6210	.001***

Table 5 (cont.). GMM estimation (With Lags)

"R-Squared"	.6384700	"Mean Dependent var"	1.6452180
"Adjusted R-Squared"	.4672100	"S.D Dependent var"	1.5024700
"S.E. Regression"	1.2015240	"Sum squared residual"	514.14890
"Durbin-Watson"	1.2043460	"j-statistic"	354.00000
"Anova (p-value)"	.0000000		

Analysis of result

The obtained correlation coefficients of 0.378 and 0.484 in the GMM regression models, both without lag and with lag, respectively, suggest a modest relationship between Dividend per Share and Share Price fluctuation. This is consistent with the findings of Lintner (1956) and Black and Scholes (1974), which posit that there exists no statistically significant relationship between dividend payments and stock prices. In contrast, the study conducted by Gregorian et al. (2015) revealed a significant relationship between Dividend per Share and stock price volatility in mobile firms operating in Europe, Asia, and America throughout the year 2015. This finding suggests a significant relationship between these variables. However, the results of Hashemijoo et al. (2012) present a contradictory perspective, since they observed a negative relationship between Dividend per Share and share prices within the Malaysian market.

The analysis of the GMM regression indicates a negative relationship between Dividend Yield and Share Price movement, as evidenced by the correlation coefficients of -2.198 and -3.345 for the models without lag and with lag, respectively. This finding aligns with the findings of Elton and Gruber (2011), which indicate that companies with lower dividend yields have a tendency to keep a larger portion of their earnings and income rather than dispersing them to their shareholders. On the contrary, Kordijk (2014) discovered a statistically significant positive relationship between dividend yield and share price volatility in the Netherlands for the year 2014, suggesting the presence of a significant relationship.

There is a significant and positive relationship between firm size and stock price volatility, as indicated by the Generalized Method of Moments (GMM) regression analysis. This relationship holds true both when considering the regression without lag (3.148) and when incorporating a lag (3.233).

Restatement of Hypotheses

H01: In Nigeria, there is no significant relationship between the dividend distribution and price volatility ratio of shares of quoted firms in Nigeria. The decision was made at a significance level of 0.05. The analysis of variance resulted in a p-value of less than 0.05 (p-value = 0.000). Consequently, the null hypothesis (H0) is rejected, while the alternative hypothesis (H1) is accepted. This suggests that there is a statistically

significant relationship between the dividend distribution and the price movement ratio of shares in Nigerian listed corporations.

H02: There is no statistically significant relationship between the dividend yield and the price volatility ratio of publicly traded companies in Nigeria. The decision was made at a significance level of 0.05. The analysis of variance resulted in a p-value of less than 0.05 (p-value = 0.000). Consequently, the null hypothesis (H0) is rejected, while the alternative hypothesis (H1) is accepted, suggesting a statistically significant relationship between dividend yield and the price movement ratio of listed corporations in Nigeria.

H03: There exists no statistically significant relationship between the size of firm and the price volatility ratio of listed firms in Nigeria. The decision was made at a significance level of 0.05. The analysis of variance resulted in a p-value of less than 0.05 (p-value = 0.000). Consequently, the null hypothesis (H0) is rejected, but the alternative hypothesis (H1) is supported, suggesting a statistically significant relationship between the size of businesses and the price movement ratio of listed firms in Nigeria.

Discussion of the findings.

The analysis indicates that there exists an insignificant link between Dividend per Share and Share Price volatility. Additionally, there is a negative correlation between Dividend Yield and Share Price movement. Furthermore, Firm Size exhibits a positive and statistically significant relationship with stock price volatility. The results of this study indicate that changes in price have significant effects on dividend payout, dividend yield, and the size of the organization.

The R-squared values for GMM Regression without Lags and with Lags were 54.73% and 63.84%, respectively. This suggests that the independent factors account for 54.73% and 63.84% of the variability seen in the dependent variable. The residual term or error term accounts for the remaining 45.27% and 36.16% of the variability in the dependent variables, suggesting a strong association between the independent and dependent variables.

The Durbin-Watson statistic for GMM Regression without Lags was calculated to be 1.2210, while with lags it was found to be 1.2043. In both cases, the value falls below the threshold of 2, suggesting the existence of autocorrelation inside the model.

The Wooldridge Test was employed in the correlation matrix shown above to identify the presence of serial correlation. The test yielded a probability value that exhibits statistical significance, hence suggesting the existence of serial correlation.

Conclusion

The findings of this study highlight the significance of examining the relationship between dividend policy and share price volatility for many stakeholders, including investors, policymakers, portfolio managers, and researchers in the capital market, in order to inform investment risk-related decision-making. The results drawn in this study are derived from the data, which suggest that there exists a weak yet statistically significant relationship between share price movement and dividend per share.

There exists a positive and statistically significant relationship between the size of a firm and the level of volatility observed in its stock price.

The link between dividend yield and share price change is negative and significant.

In order to optimize dividend policy decisions, it is imperative for managers to acquire the requisite expertise to evaluate the fluctuations in share prices. Subsequent investigations may enhance the scope of the study by incorporating a broader range of industries within the Nigerian Stock Exchange that were not encompassed in the present research. Moreover, it would be advantageous to do a comprehensive analysis of the correlation between share price volatility and dividend policy on a worldwide level, encompassing emerging nations outside Nigeria.

Recommendations

The study's findings lead to the formulation of the following recommendations:

1. The management of firms by stakeholders of listed companies in Nigeria should be oriented towards generating a positive influence on the value of the company's common stock on the stock market. This may be achieved by maintaining a favorable ratio of earnings to outstanding shares of common stock.

2. It is important for shareholders of publicly listed firms to guarantee that the proportion of earnings allocated as dividends continually yields a favorable influence on the price of the company's common stock in the stock market.

3. Shareholders are advised to diligently monitor the annual dividend-to-share price ratio of a publicly traded company, as it has the potential to consistently influence the value of the company's common stock in a favorable manner.

4. Shareholders of publicly listed firms ought to formulate strategies for augmenting their holdings through the acquisition of assets, the establishment of new branches, and the implementation of other growth-oriented approaches. The expansion of publicly listed enterprises has the potential to enhance their customer base and financial gains, exerting a beneficial influence on the valuation of the company's ordinary shares on the stock market.

Contribution to the Advancement of Knowledge

This study provides novel perspectives to the continuously developing field of corporate finance literature in several aspects. In contrast to previous investigations that predominantly concentrated on nations with well-established capital markets, the present study aims to enhance and broaden the comprehension of the dividend impact within the Nigerian setting.

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