

Original article

Dividend Policy and Share Price Volatility of Quoted Firms in Nigeria

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Abstract - The study examined the influence of dividend policy on the share price volatility of quoted firms in Nigeria from the year 2016 to 2020. Data on dividend policy and share prices were collated from seven firms quoted in the Nigerian stock exchange. Inferential statistics such as ordinary least square regression (OLS) on E-views software was used to analyse the panel data. The study revealed that dividend yield (coefficient = 11.79033; $p > 0.05\%$) and firm size (coefficient = 0.337610; $p > 0.05\%$) had positive influence on share price but was not statistically significant. The study also revealed that dividend payout ratio (coefficient = 150.6846; $p < 0.01\%$) and firm growth (coefficient = 0.169535; $p < 0.05\%$) had a positive influence on share price and were statistically significant at 1% and 5% levels of probability respectively. Firm size (coefficient = -27.26185; $p > 0.05$) had a negative influence on share price but was not statistically significant. The study, therefore, recommended that investors should invest in firms that pay high dividends as this will lessen their investment risk and increase share price.

Keywords - Dividend policy, Dividend yield, Share Price, Dividend Payout, Earnings Volatility, Share Price Volatility

I. INTRODUCTION

Corporate organisations have three major decisions to make in order to achieve the fundamental objectives of maximizing shareholders' wealth. These decisions include investment decisions, financing decisions and dividend decisions. These decisions determine the amount of profit to be paid out as a dividend and the amount retained for further investment purposes (Duke, Ikenna & Nkamare, 2015). Investment decisions determine the total value and types of assets an organization utilizes. Financing decisions determine the capital structure of the firm and form the source from which investments are financed. Dividend decision forms the focus of this study and is concerned with the determination of the dividend payout policy. Dividend policy is dependent on whether the potential investors and shareholders alike have a preference for capital gains as opposed to income (Kwan, 2012).

Dividend policy refers to a corporation's decision of whether to pay its shareholders a cash dividend or to hold its earnings. It addresses the recurrence of such payments (regardless of whether every year, twice a year or quarterly) and how much the company ought to pay in the event that it chooses to pay (Alajekwu and Ezeabasili, 2020). Dividend policy, in the present-day corporations, has advanced in scope to incorporate such issues regardless of whether to disseminate cash by means of offering, repurchase, or uniquely assigned instead of normal dividends. Different issues considered in dividend policy formation are the ways to adjust the preferences of exceptionally taxed and moderately 'untaxed' investors; and how to keep up with and work on the value of shares and stocks in the market. In the Nigerian business environment, some investors hold the customary conviction that making returns on investments is the purpose of taking part in any investment (Alajekwu & Ezeabasili, 2020). Dividend payout policy appears to remain one of the major issues generating controversy for firms in Nigeria.

Over the years, attempts to develop a simple satisfactory model of dividend determination have not succeeded (Ohiaeri, Akinbowale & Ogumeru, 2019). Modigliani & Miller (1961), as cited by Ohiaeri, Akinbowale & Ogumeru (2019), reported that in a perfect capital market with no information asymmetry and predetermined investment decision, the value of the firm is independent of the financing decisions. Hence, a firm's financing decision, including dividends, has no effect on the value of the firm nor the distribution of wealth between classes of security holders. However, in some imperfect situations, the dividend can affect shareholders' wealth by profiling information to investors or by wealth redistribution. Since the beginning of joint-stock firms, the payment of dividends by firms has been an interesting concern in accounting (Ogege, 2020).

In today's world, various perspectives on the dividend outlook have created a dilemma and somewhat mysterious parts that do not fit together (Black, 1976, as cited by Gbalam & Uzochukwu, 2020). Since the break-through theory on dividends policies by Modigliani and Miller (1958), there has been a contention in the literature



concerning whether dividends truly matter in influencing share prices. The age-long debate on the connection between dividend policy and share prices or the value of the firm goes on and dates back to Walter and the “Bird in Hand” theory in 1928, Gordon (1960) and the dividend relevance hypotheses and Miller and Modigliani (1961) and the dividend irrelevance hypotheses which have brought a serious issue to scholars and practitioners alike.

Prior academic literature has therefore endeavoured to give answers to inquiries on dividend policy and a blend of the theories. However, ambiguity actually covers the dividend policy choices of corporate organizations generally and more on the emerging financial market like Nigeria. In spite of the various studies on dividend policy, mostly from developed countries like the USA (Arnot & Asness, 2003); UK (Farsio, Geary, & Moser, 2014); Australia (Nissim & Ziv, 2017); Japan (Stulz, 2015); etc., the universal agreement has not been reached as to the importance of dividend policy and whether it affects share prices.

The bird-in-hand theory and the relevant value theory are considered to explain dividend policy. Some studies have shown that external elements identified with the economic conditions together with the state of the capital market and lending conditions are exceptionally significant factors in formulating dividend policy by companies on Abur Dhabi Securities Exchange. The review of dividend policies and the empirical proof in Husan-Aldin, Rafforty and Pillqar (2010) infer that the motivation behind why companies pay dividends or take on a specific dividend policy is as yet a puzzle. The works of Murekefu and Ouma (2012) attempted to establish the link between the dividend payout ratio and the performance of firms in the Nairobi Securities Exchange. The outcome indicates that dividend payout was a central point affecting firm performance, and thus dividend policy is applicable. In the light of this subject, only a handful of related studies have been carried out in Nigeria, which includes Gbalam and Uzochukwu (2020), Ogege (2020), Alajekwu and Ezeabasili (2020), Ohiaeri, Akinbowale and Ogumeru (2019), Ajayi and Seyingbo (2018) who employed only one form of dividend policy and focused more on the financial sector of the economy whose firm attributes are significantly different. Jakata and Nyamugure (2015) concluded that the association of dividend payment with equity share prices had produced conflicting results based on the sector in which the study is conducted. However, considering the financial and non-financial firms, the payment of dividends appears to have been inconsistent. Thus, the mixed outcome of previous studies and the challenges of dividend policy and earning volatility prompted this study.

The main purpose of the study was to ascertain the influence of dividend policy on the share prices of the quoted firms in the Nigerian stock exchange. Specifically, this study sought to assess the influence of dividend yield and dividend payout ratio on the prices of shares of quoted

firms in Nigeria. It is hypothesised that both dividend yield and dividend payout ratio does not have any significant influence on the prices of shares of quoted firms in Nigeria.

II. LITERATURE REVIEW

A. Concept of Share Price Volatility

Irregular swings in the prices of securities exchanged in the stock market make the market volatile. Stock market price volatility refers to the good and bad times in the share prices during a time span (Sadiq, Ahmad & Anjum, 2013). It portrays the variety of the progressions in a firm share price. This is normally estimated utilizing the standard deviation of changes in share prices (Profilet & Bacon, 2013). Wodung (2014) posits that the issue of share price volatility isn't that volatility exists, yet that the volatility differs, henceforth the inquiry with regards to why there is a high pace of variety of volatility. This leads to volatility grouping, which, as indicated by Ilaboya and Aggreh (2013), happens in a financial market when an exceptional positive or negative yield is bound to be trailed by another exceptional yield or when a low positive or negative return is bound to be trailed by another low return. Ilaboya and Aggreh further clarify that volatility-clustering is a characteristic consequence of a price formation measure when there are heterogeneous convictions across traders. Consequently, it isn't the aftereffect of an auto-correlated news-age measure around open information, but perhaps it is the aftereffect of the practices of the traders, particularly the inclination to misinterpret share prices' further deviation to the same direction.

Volatility is the reason for risk in the stock exchange. It is exactly the risk of share price changes that brings about the stock market volatility (Christina, 2016). This is the reason it is the standard proportion of the risk looked at by investors (Ilaboya & Aggreh, 2013). This market-wide risk exuded from the volatility of the normal share price is the efficient risk seen by investors who have common stock speculations (Guo, 2002). It characterises the risk and addresses the pace of progress in the price of security throughout a given time. As the risk is identified with the change of a security's price, higher volatility expands the odds of an increase or decrease in interest within a brief timeframe. Subsequently, if a share price is supposed to be volatile, its price would significantly shift after some time, and it is more difficult to predict what its future price will be. Taken in isolation, the lesser the volatility of a given stock, the more noteworthy it appeals to investors (Criss, 1995 cited in Okafor, Mgbame & Chijoke-Mgbame, 2011).

B. Concept of Dividend and Dividend Policy

Dividends are returns on investment to shareholders who have a stake in the business of a firm (Kurfi, 2006 as cited by Salman, Lawal & Anjorin, 2015). From the perspective of the shareholders, dividends address remunerations for delaying consumption. Olowe (2009) considers dividends to be distributions made out of a company's earnings after the commitments of all proper

income holders have been met. Malla (2009) viewed dividends as the profit made by the firm which is given out to the shareholders. Every firm decides whether to retain its earnings or pay the earnings out as dividends (Kurfi, 2006).

C. Theoretical Framework

The study is anchored on two dividend policy theories: Gordon (1962) "bird-in-hand" theory and Lintner (1956) signalling effect theory, also often referred to as information content theory.

Gordon's (1962) bird-in-hand theory states that investors are inclined toward dividends to retained earnings since the stock price risk declines as dividends increases. This theory countered Miller and Modigliani's theory of dividend irrelevance and suggested that the dividend policy of firms influences the market value of stocks even in the ideal capital market (Lashgari & Ahmadi, 2014). Gordon (1962) noticed that investors are worried about risk and favour dividends got in the present to the firm's promising possibility with a high capital gain later on. Thus, Gordon indicated that an adjustment of the firm's dividend payout ratio would change investors' risk level when investing in stocks of the firm (Panigrahi & Zainuddin, 2015). A high dividend-paying firm would lessen the risk or breaking point uncertainty about future income streams for shareholders, accordingly attracting more investors and *vice versa*.

Gordon's (1962) bird-in-hand theory is conceivable in light of the fact that investors favour present dividends instead of future capital gains on the grounds that the future circumstance is uncertain even in an ideal capital market. Numerous investors will, in general, favour dividends in hand in the quest to stay away from risk identified with a future capital gain. Gordon's theory further expressed that the firm's dividend payout policy and the connection between its rate of return (r) and the cost of capital (k) influence the market price per share of the company. The dividend yield and the future growth of the dividend give the complete return of the equity investors. Consequently, this model insists that dividend yield is a significant measure for the absolute return to the equity of investors than the future growth rate of the dividends. Future growth and capital gains cannot be assessed with precision and are not ensured at all as it might lose the whole market value of the stock (Panigrahi & Zainuddin, 2015).

The theory postulates that there is no debt and every one of the capital structures accomplished is from equity. This infers that there is no outside financing, and the capital is financed by capital and retained earnings. Furthermore, corporate taxes are not represented in this model. The model indicates that the market value of the company's share in the whole of the current values of infinite future dividends is to be pronounced.

Gordon's model can likewise be utilized to work out the cost of equity if the market value is known and the future dividends can be estimated. Gordon's model accepts that the dividend policy impacts the company in different situations. In the event that the growth rate of return supersedes the cost of capital, shareholders will benefit more if the company reinvests the dividends rather than distribute them. Similarly, when the internal rate of return (IRR) is equivalent to the cost of the capital, the reinvestment of the dividends would not have any effect. The model has therefore been significantly castigated continuously because of the suspicion of steady IRR and Cost of Capital, which is not accurate, as it implies business risks are not accounted for (Panigrahi & Zainuddin, 2015). The "bird-in-the-hand" theory is, however, relevant to stock market volatility. The time value of money is the focal point of the argument. Thus, the cash dividend paid today is expected to be worth more than the capital gain expected in the future.

This study also rests on the signalling effect theory, which is otherwise also referred to as information content theory. The signalling effect theory posits that dividend payment carries material information to shareholders and investors in the stock market about the prospects of its performance. The theory has its origin in Lintner (1956), which revealed that the price of a company's stock usually changes when the dividend payments change. It formally came to the limelight following the criticisms of the Modigliani and Miller (1961) postulations and agreement that investors and management have asymmetric information. Miller and Modigliani (1961) then suggested that dividend changes pass on material information and that share prices respond emphatically to the declarations of dividend changes (Al-Qudah & Badawi, 2014). Al-Qudah and Badawi explained that the signalling hypothesis has further been generalized to include not only information about share prices but the information content of earnings announcements, and the association between dividend and earnings changes as well as the future cash flows of the firms.

The firm managers have the necessary information about the financial position and costing, which the investors and existing shareholders do not have. The managers rely on the information to make financial forecasts on the future growth prospects of the firm. This information can be used for or to the detriment of the shareholders. The shareholders use external information as a measure of the intents of managers and prospects of the firm. Thus, the investors and existing shareholders rely on external information, one of which is offered by the dividend payment as an outlook to the business prospects of the firm. Hence, the dividend policy has the information content that serves as signals. For this reason, the capital market responds quickly to the announcements of share buybacks as they offer new information that is often called a signal to the shareholders or investors about a company's future and hence its share price (Panigrahi & Zainuddin, 2015).

The signalling theory importantly assumes that outside investors have imperfect information regarding the firm's future cash flows and capital gains. On the one hand, dividends are taxed at a higher rate compared to capital gains on the other. Both assumptions appear to be true to the real world in consonance with the imperfect capital market system. Bhattacharya (1980) argued that dividends might function as a signal of expected future cash flows. Under the assumptions of the imperfect market, even when there is a tax disadvantage for dividends, firms would prefer dividend payment in order to convey positive signals to investors and shareholders who do not have first-hand information about the firm.

Investors and shareholders use dividend policy to see into the affairs of the firms (Healy & Palepu, 1988) as they follow dividend policy in making their investment decisions. Lindeman (2016) explain that a reduction in a firm's dividend signals shows that everything is probably not going as planned and expected financial results were not achieved. Thus, investors' reactions reflect on the share prices, presumably making it decrease in value. On the other hand, increasing and high dividend payout ratio signal growth opportunities and as such, shareholders can re-invest the funds in the high dividend-paying firms, thereby providing opportunities for expansion in the future (Duke, Ikenna & Nkamare, 2015). This expectation presumably brings about a rise in the share price. However, Duke *et al.* (2015) explained that the level of high or low dividend payment does not always connote a firm's actual performance. Duke *et al.* explanations are true, especially when firms can go out of their way to pay a dividend from past years reserves.

D. Empirical Review

Augustine, Odum, Omeziri, and Chinedu (2019) investigated the relationship between ratio dividend payout and the value of brewery and beverage companies quoted on the Nigerian Stock Exchange (NSE) along with other components that influence the value of the firm. Cash holding, profitability, company size, leverage and dividend policy ratios were viewed as the elements influencing the value of companies. OLS regression analysis was applied to secondary data spanning 2007 – 2016. The result showed that profitability and leverage ratios have a critical positive influence on the companies' value.

Adopting Panel least square regression technique, Alfred, Vincent & Jessie (2019) evaluated the dividend policy influence on the prices of stock of ten consumer goods companies on the Nigerian stock exchange. The secondary data were gathered from the financial statements of the firms for the 2011 to 2015 period, and the result of the analysis showed that dividend yield did not significantly and favourably influence the market price per share; earnings per share and dividend payout ratio significantly influenced market price per share while net asset per share showed a non-critical positive effect on the market price per share. The study concluded that the policy

of dividends can affect the prices of stock in the consumer goods sector and that, in Nigeria, the irrelevancy theory of dividends does not produce results.

A study conducted on 228 quoted companies in the Amman Stock Exchange by Muhannad, Ashraf and Hussein (2018) obtained data spanning from 2010 to 2016 to ascertain the influence of dividend policy on the volatility of the stock price. With the application of Pearson correlation analysis and the assessment of panel GMM to analyse the relationship between the given factors, it shows that dividend payout and dividend yield have unfavourable critical causality with stock price volatility. This implies that the more the companies increase their dividend payout and dividend yield, the more decrease in the variance of the price of the stock and invariably a more stable stock price. Subsequently, the study suggested that a dividend policy that is good for both the current and future investors ought to be detailed and maintained by the companies quoted on the Amman Stock Exchange.

A comparable study was conducted in Nairobi between 2006 and 2015 using six insurance firms quoted on the Nairobi Stock Exchange, and it was discovered based on the regression analysis that earnings per share, dividend yield and inflation influentially decide the share price value (Joseph & Symon, 2017). It is inferred the results that dividend policies ought to be significantly considered by the insurance companies because of their possibilities to affect the price of shares by making the price of the stock either increase or decrease depending on the dividends pronounced by the firm.

To further ascertain what the payment of dividend means for the share value, Akram (2017) sourced data from 44 companies quoted on Istanbul Stock Exchange (ISE) covering from 2007 – 2015 utilizing decent impact analysis. The outcome indicated that the payment of a dividend has a significant positive relationship with company share values maintaining that from the agency cost theory, the irrelevance hypothesis of dividends is not legitimate considering the companies quoted on the ISE.

Ahmed, Raja, & Khan (2017) conducted a study on the relationship of dividend policy with the stock prices firms in the banking sector in Pakistan. The data covered 2005 to 2014 and were sourced from the financial statement of five banks and the websites of State Bank of Pakistan and Karachi Stock Exchange. The results indicated that a sound dividend policy plays a huge role in attracting potential investors to make a significant commitment towards enhancing the financial structure of companies. Furthermore, it was uncovered by the findings that dividend policies significantly impacts on prices of stock whenever considered and executed after an intensive analysis of financial structure.

Toby (2014) studied the importance of dividend policy in determining the price of Nigerian stocks by selecting a couple of a dozen shares between 2005 and 2012, along with a dividend regression analysis and timing of retained earnings in individual companies. The study

found that there is no significant relationship between the change in dividend policy and the change in share price. This surprising result differs from the existing literature on the effect of dividends on stock prices. The result was company-by-company analysis (separate regression analysis for each sample), rather than using a panel or cross-sectional data to reflect differences between firms. In addition, the study did not include a well-defined income variable in its analysis. Instead, he used retained earnings. The results showed that dividend and retained earnings were not statistically significant determinants of share prices. The study's conclusion that the results are in line with previous research stating that dividend policy is irrelevant in determining the value of the company is invalid.

Ozuomba, Okaro, and Okoye (2013) conducted a study to assess the impact of dividend policy on Nigerian shareholders' wealth over a 12 year period (2000 – 2011). Secondary data from ten randomly selected 216 public limited companies were analyzed using multiple regression models. The results showed that eight companies' EPS and MPS were statistically significant and affected the wealth of listed companies, while two companies were not statistically significant with a 10% confidence interval. The research model is wrong because, to reflect the wealth of stockholders, the dividend used the stock variable as a dependent variable instead of the stock price as shown in the target. EPS, DPS, and MPS data are not synchronized. There is also little data to use, as instead of using panel data, the study performed analyses on individual companies' time series, and the findings are therefore very misleading and invalid.

Mehta (2012) directed the study towards the empirical determination of the significant elements which influence the dividend payout decisions of firms in the United Arab

Emirates (UAE). The study proved that profitability and size of firms are the main considerations of dividend payout decisions by UAE firms. Arshad, Akram, Amjad and Usman (2013) study concentrated on the relationship between dividend payout policy and possession structure of Karachi Stock Exchange firms over the period 2007 – 2011. The results did not consistently support the positive association between ownership structure, dividend payout policy and dividend decisions.

III. MATERIALS AND METHODS

The study is designed to ascertain the causal relationship between dividend policy and share price volatility among quoted firms on the NSE. Similarly, the causal relationship between the dividend payout ratio and share price volatility is examined. In controlling for the effects of certain intervening variables, the causal relationship between price volatility and the control variable is reflected, given that regression, control allows for the effects of the independent variables.

The population of the study includes all the quoted companies in the Nigerian stock exchange, which are shown by the NSE Fact Book 2020 to be 177 companies. The choice of the population is due to the fact that information on quoted companies is usually readily available and up to date.

The filter method was used to arrive at the sample used in this study. The website of the Nigerian stock exchange was used to obtain the data for the study. The number of firms listed on the Stock Exchange is 177 as of 31st of December, 2020. Of this number, those that do not have a regular price and dividend data were omitted. 170 of the companies overlap in their irregular dividend and price data. The balance of the companies which make up the sample was therefore 7.

Table 3.1 List of Sampled Firms

S/N	Industry/Sector	Names of Companies	No. selected
1	Financial Services	UBA Plc, FBN Plc, Zenith Bank Plc	3
2	Consumer Goods	Flour Mills Nig.	1
3	Oil and Gas	Total Nig. Plc	1
4	Healthcare	Fidson pharmaceutical Nig. Plc	1
5	Construction/Real Estate	Dangote Cement Plc	<u>1</u>
Total			<u><u>7</u></u>

Data for the measurement of the variables from 2016 to 2020 were obtained from the library and website of the Nigerian stock exchange. Data on the prices of the company shares were obtained from the NSE website. Data on prices and dividends enabled the calculation of the dividend yield, while the annual reports of the companies were used to obtain the data used in developing the dividend payout ratio and the control variables. The study uses secondary data for panel data analyses.

Table 3.2 Measurement of Variables

Variable	Measurement	Apriori expectation	Validity Source
Dependent variable			
Share price volatility	The difference of the highest and lowest prices of the stock of a company in a year is divided by the average of the sum of the highest and lowest prices of the stocks of the same year.		Muhammed & Zudkefli (2010), Egbeonu, Paul-Ekwere & Ubani (2016)
Independent variables			
Dividend yield	The ratio of the total cash dividend to the market capitalization for the year or the dividend per share is divided by the average market value for the year.	Positive (+)	Ilaboya & Aggreh (2013), Christina (2016), Javed & Ullah (2014) and Al-Shawawreh (2014)
Dividend Payout Ratio	The total dividend of the year was Divided by total earnings or the dividend per share divided by earnings per share.	Positive (+)	Kanwal & Shashid (2017), Ebire, & Onmonya, (2018)

A. Model Specification

The relationship between share price volatility and dividend policy has been analysed using multivariate least square regressions models. The model basically relates price volatility to the two main measures of dividend policy: dividend yield and dividend payout ratio. This provides a crude test of the relationship between price volatility and dividend policy. This first test model is given as:

$$PV_{it} = \beta_0 + \beta_1DY_{it} + \beta_2POR_{it} + e_{it} \text{----- eqn. 3.1}$$

Where the dependent variable, PV, is regressed against the independent variables DY and POR. In line with Baskin (1989) recommendation, a number of control variables are included to account for certain factors that might affect both dividend policy and price volatility. These control variables are leverage, firm size and firm growth. The close relationship between dividend policy and price volatility may pose some problems as there are a number of factors that influence both dividend policy and price volatility. To limit this problem, the control variables are included in the analysis. This modifies the model equation to:

$$PV_{it} = \beta_0 + \beta_1DY_{it} + \beta_2POR_{it} + \beta_3SZ_{it} + \beta_4GR_{it} + e_{it} \text{----- eqn. 3.1}$$

Where: PV_{it} = Share price volatility; DY_{it} = Dividend yield; POR_{it} = Dividend payout ratio
 SZ_{it} = Firm size; GR_{it} = Firm Growth; β_0 = Intercept; $\beta_1, \beta_2, \beta_3, \beta_4$, = coefficients and
 e_{it} = error term

Panel Data Ordinary Least Square (OLS) regression technique was used to analyze the data and run on *E-view* version 8.1 computer package.

IV. RESULT AND DISCUSSION

The result in Table 4.1 shows the summary of the descriptive statistics of the dependent, independent and control variables. The dependent variable (share price) had a mean value of ₦739.86 for the period under review. The independent variables, which are dividend yield and dividend payout ratio, had mean values of 7.52% and 4.41%, respectively. The control variables, which include firm size and firm growth, had mean values of 5.92% and 169.11%, respectively.

The minimum value of the share price was ₦23.79, while the maximum value was ₦3103.94. The result reveals that the minimum and maximum values of dividend yield were 1.8% and 18.4%, respectively. The dividend payout ratio had a minimum value of 0.05 and a maximum value of 17. Firm size had a minimum value of 4.15 and a maximum value of 6.93. The result further revealed that the minimum value of firm growth was -98.11%, while the maximum firm growth value was 4843.84%.

Table 4.1 Descriptive Statistics of Variables

	DIV YIELD (%)	DIV P.O.R	SHARE PRICE (₦)	FIRM SIZE	FIRM GROWTH (%)
Mean	7.522857	4.414857	739.8649	5.920735	169.1166
Standard Error	0.700973	1.014643	169.2752	0.15318	139.953
Standard Deviation	4.147011	6.002708	1001.446	0.906228	827.9734
Sample Variance	17.1977	36.03251	1002893	0.821248	685539.9
Kurtosis	0.176781	0.129536	-0.17974	-0.88432	32.39711
Skewness	0.918441	1.314089	1.217801	-0.67902	5.623462
Range	16.6	16.95	3080.15	2.780224	4941.955
Minimum	1.8	0.05	23.79	4.148237	-98.114
Maximum	18.4	17	3103.94	6.928461	4843.841
Sum	263.3	154.52	25895.27	207.2257	5919.081
Count	35	35	35	35	35

Source: Authors Computation (2021) using E-views Version 8.1

Table 4.2 presents the result on the influence of dividend yield on the share price of firms listed in the Nigerian stock exchange from the year 2016 to 2020. The result reveals that the R^2 of 0.102 (10.2%) indicates that the extent to which the dividend yield and its control variables predict share prices was 10.2%. The adjusted R^2 of 0.015 shows that 1.5% of the variance in the share price was accounted for by dividend yield and its control variables. The result implies that the dividend yield coefficient equals 11.79033 with $P > 0.05\%$ and firm size coefficient equals 0.337610 with $P > 0.05\%$, have a positive influence on share price but was not statistically significant. The firm growth coefficient equals -209.7878 with $P > 0.05$ has a negative influence on share price but is not statistically significant. This supports the result of Rashid and Rahman (2008), Allen and Rachim (1996) and Zakaria, Muhammed and Zudkefli (2010), who found no impact of dividend yield on share price volatility. Therefore, the null hypothesis that dividend yield does not have any significant influence on the price of shares of quoted firms in Nigeria is accepted.

Table 4.2 Influence of Dividend Yield on Share Price

Dependent Variable: SHARE_PRICE_____				
Method: Least Squares				
Date: 10/20/21 Time: 04:14				
Sample: 1 35				
Included observations: 35				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
DIV_YIELD_____	11.79033	47.47975	0.248323	0.8055
FIRM_GROWTH_____	0.337610	0.208438	1.619711	0.1154
FIRM_SIZE	-209.7878	215.4980	-0.973503	0.3378
C	1836.171	1155.840	1.588603	0.1223
R-squared	0.102090	Mean dependent var		739.8649
Adjusted R-squared	0.015195	S.D. dependent var		1001.446
S.E. of regression	993.8078	Akaike info criterion		16.74818
Sum squared resid	30617273	Schwarz criterion		16.92593
Log-likelihood	-289.0931	Hannan-Quinn criter.		16.80954
F-statistic	1.174872	Durbin-Watson stat		0.413561
Prob(F-statistic)	0.335191			

Source: Authors Computation (2021) using E-views Version 8.1

The result in Table 4.3 presents the effects of the dividend payout ratio on the share prices of firms listed in the NSE from 2016 to 2020. The result reveals an R^2 of 0.879 (88%), showing that the extent to which the dividend payout ratio and its control variables predict share prices was 88%. The adjusted R^2 of 0.868 showed that 87% of the variance in the share price was accounted for by the dividend payout ratio and its control variables.

From the result in Table 4.3, it is seen that the dividend payout ratio coefficient equals 150.6846 with $P < 0.01\%$ and firm growth coefficient equals 0.169535 with $P < 0.05\%$ have a positive influence on share prices and are statistically significant at 1% and 5% levels of probability respectively. The firm size coefficient equals -27.26185 with $P > 0.05$ and this has a negative influence on share price but is not statistically significant. The positive coefficient of dividend payout ratio and firm growth implies that an increase in dividend payout ratio and firm growth of the listed firms leads to an increase in their share prices, while the increase in firm size leads to a decrease in share prices. The result is in agreement with the *a priori* expectations of Ebire and Onmonya (2018) on the effect of dividend policy on the performance of listed oil and gas firms in Nigeria, whose study found that retained earnings and dividend payout ratio positively impact earnings

per share of listed oil and gas firms in Nigeria. Also, Kanwal and Shashid (2017), in their study, noted that dividend payout positively influences the financial performance of the firm. Therefore, the null hypothesis that the Dividend payout ratio does not have any significant effect on the price of shares of listed firms in Nigeria is accepted.

Table 4.3. Impact of Dividend Payout Ratio on Share Price

Dependent Variable: SHARE_PRICE_____				
Method: Least Squares				
Date: 10/20/21 Time: 04:12				
Sample: 1 35				
Included observations: 35				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
DIV_P_O_R	150.6846***	10.65810	14.13803	0.0000
FIRM_GROWTH_____	0.169535**	0.076357	2.220294	0.0338
FIRM_SIZE	-27.26185	69.87431	-0.390155	0.6991
C	207.3531	427.6520	0.484864	0.6312
R-squared	0.879201	Mean dependent var		739.8649
Adjusted R-squared	0.867511	S.D. dependent var		1001.446
S.E. of regression	364.5171	Akaike info criterion		14.74223
Sum squared resid	.	Schwarz criterion		14.91999
Log-likelihood	-253.9891	Hannan-Quinn criter.		14.80360
F-statistic	75.20812	Durbin-Watson stat		1.429690
Prob(F-statistic)	0.000000			

*** and ** significant at 1% and 5% level of probability

Source: Authors' Computation (2021) using E-views Version 8.1

V. A. SUMMARY OF FINDINGS

- a) The study revealed that dividend yield (coefficient = 11.79033; P>0.05%) and firm size (coefficient = 0.337610; P>0.05%) have positive but statistically insignificant influences on the share price. Firm growth (coefficient = -209.7878; P>0.05) also has a negative and statistically insignificant influence on the share price of listed firms in Nigeria.
- b) The study analyses result reveal that dividend payout ratio (coefficient = 150.6846; P<0.01%) and firm growth (coefficient = 0.169535; P<0.05%) have a positive and statistically significant influence on share prices of firms in Nigeria at 1% and 5% level of probability respectively. Conversely, Firm size (coefficient = -27.26185; P>0.05) has a negative and statistically significant influence on the share price of listed firms in Nigeria.

B. CONCLUSION

The study examined the influence of dividend policy on the share price volatility of quoted firms in Nigeria from the year 2016 to 2020. Specifically, this study assessed the influence of dividend yield on the price of shares of quoted firms in Nigeria and examined the impact of dividend payout ratio on the price of a share of listed firms in Nigeria. The study, while controlling for exogenous effects of firm size and firm growth, examined the influence of dividend policy on share prices of listed firms in the Nigerian stock exchange from the year 2016 to 2020. The study showed that dividend yield was not a significant factor influencing the share prices of the listed firms. This was found to have a positive relationship with the share price. Also, the dividend payout ratio has a positive and significant relationship with the share price of the quoted firms used in the study.

C. RECOMMENDATIONS

- a) Investors should invest in firms that pay high dividends in order to minimize investment risks and increase the share price of quoted firms in Nigeria;
- b) Business managers should adhere to the interest of the investors in selecting dividend policies that maximize investors' value;
- c) Business managers are by this study advised to increase dividend amounts in order to minimize investment risk and attract more investments;
- d) Further studies could be conducted to examine the relationship between price volatility and dividend policy industry by industry. This will help to show if share price volatility varies across industries.

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