Dividend Policy and Share Price Volatility of Deposit Money Banks in Nigeria

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Chapter One

Introduction

1.1 Background to the Study

The price at which one share of a corporation would be purchased is known as the share price or stock price. A share's price is not constant; rather, it changes over time in response to market factors. It is likely to rise if the business is seen to be performing well or decline if performance falls short of expectations[1].

When a firm initially releases its shares on the market, its initial public offering (IPO) is what first determines stock prices. The price of a stock is determined by investment firms using a range of measures including the total number of shares being offered[2]. After then, the aforementioned factors will cause the share price to fluctuate, with the earnings that may be anticipated from the firm playing a significant role. The volatility of the stock market is a measurement of how much the market's value swings up and down; in addition to the market as a whole, individual stocks can also be regarded as volatile[3]. In further detail, the amount that an asset's price deviates from its average price may be used to determine volatility. The statistical metric that is frequently used to indicate volatility is standard deviation. When external events cause uncertainty, stock market volatility might increase[4].

One of the most important duties of a finance manager in a modern company setting is dividend policy. In a typical stock market, decisions on the dividend policy affect changes in share prices[5]. The action plan that businesses employ to determine how much of their residual earnings should be handed out to shareholders as dividends is known as a dividend policy. The importance of dividend policies on dividend in corporate structure cannot be overstated, the continuation of an entity depends greatly

on the source of its finances, and dividend policy has long been a source of controversy. It is also regarded as one of the ten most difficult unresolved financial management issues[6].They underlined the significance of dividend policy by particularly tying it to various stakeholders, such as investors, managers, lenders, financial consultants and analyses, and so on. They discovered that dividends serve as a source of revenue as well as an indicator of how well-performed the firm has been as an investment[7]. As a result, retained earnings have to deal with postponed advantages whereas dividends offer an instant return to the average shareholder[8].

It is impossible to overstate the significance of stock market volatility. Risk-averseness is in the character of investors. Investors are compelled to comprehend their investments' volatility since it indicates the degree of danger they are exposed to[9]. The rate of projected return on investment is based on the amount of anticipated market risk. The market is deemed volatile if previous stock price trajectories continue to affect present and future stock prices. The only way to enter estimates of an underlying asset's volatility is to follow the stock return series. In the financial market, volatility is hence commonly referred to as the standard deviation or variance[10].

One of the negative consequences of stock price volatility that was emphasized is how it affects consumer spending. A drop in stock prices will undermine consumer confidence. It's also feasible for stock price volatility to have an immediate effect on business spending and economic expansion. A spike in stock price volatility is typically interpreted in a manner similar to this as an increase in equity and, as a result, a transfer of funds into less risky assets. This impact may occur when investors tend to acquire stocks in largely well-known corporations rather than new enterprises (new

entrants). It has been demonstrated that this action will raise the cost of financing for firms[11].

When new information is published into the market, stock market price volatility often rises. However, the degree to which this affects price fluctuations depends on the significance of the new information as well as how much the news surprises investors[12]. As a result, stock market price volatility is an excellent indication for identifying market trends since changes in investor sentiment in the marketplace cause volatility to grow or decrease[13].

The share price of a company should accurately represent all information on its asset fundamentals and growth prospects in a perfect efficient market. Strong indications regarding a company's fundamentals are sent to the market through dividend decisions. Dividend policy, in the early days of corporate finance, refers to a company's decision to distribute cash dividends to shareholders or to reinvest its earnings[14]. The share price of a company should accurately represent all information on its asset fundamentals and growth prospects in a perfect efficient market. Strong indications regarding a company's fundamentals are sent to the market through dividend decisions. It discusses how often: annually, semi-annually, or quarterly that such payments should be made as well as how much the firm should pay if it chooses to do so. Today's businesses' dividend policies have developed beyond this level to address matters like whether to distribute capital through share repurchases or through payouts that are specifically earmarked rather than normal payments. How to balance the preferences of severely taxed and relatively "untaxed" investors, how to maintain and raise the market value of its shares and stocks, and other factors are also taken into consideration. In the Nigerian business environment, many investors view

generating returns on investment as the main objective of any investment or firm activity[15].

The fact that corporate outcomes of dividend-paying corporations typically exceed those of non-paying companies indicates the significance of addressing the trade-off between payout and retention by companies[16].

The maximization of shareholder wealth is one of the core goals of every corporate organization. The earning capacity of a financial services industry is one of the crucial factors that influence maximizing shareholder value. The marketability of a financial institution’s goods or services, its market share, the board's and management team's ability to make wise choices, the firm's financial stability, and the quality of its assets are all factors that affect its capacity to generate fair profits. Acorporate organisation might engage in successful investment possibilities that would further increase or maximize the share value of the company if it has sufficient earnings[17].

In order to have a favorable effect on a company's market value, managers of that company often make three key decisions; Investment, finance, and dividend. Optimal choices are crucial in making a decision among these options. Investment decision-making is the act of dividing up a company's financial resources across a variety of investment opportunities that will maximize shareholder wealth and long-term value for the company. To maximize the wealth of the shareholders, managers examine investment options in respect of the expected returns and risk[18].Choosing the optimum finance mix or capital structure is part of the financing decision-making process. Therefore, the financial management chooses where to obtain more cash, either internally (retained earnings) or externally (debt), after carefully observation or weighing the accompanying cost and its impact on the value of the company's stock. Conversely, dividend choice entails deciding how much money should be kept within

the firm for future growth and what proportion of the company's earnings should be set aside for dividend payments to investors[19]. These decisions were generally formed and thought out with the intention of increasing shareholders profit. When considering whether to pay a particular percentage of earnings as dividend, it is assumed that the opportunity cost of retained earnings will need to be positively considered[20]. Since a bank's ability to continue functioning in the near future depends on its capability to continuously have access to investible money, the dividend policy of an organization becomes crucial. Therefore, depending on whether shareholders desire immediate cash or capital gains, financial managers must choose the percentage of earnings that must go toward paying dividends. A high payout ratio will likely result in the company turning to external borrowing through the capital market, whereas a low payout ratio will push the company to utilize its retained earnings in order to take advantage of available investment opportunities for expansion and growth[21].The magnitude of a financial institution's retained earnings, which is determined by its dividend policy, has a significant influence on its financing and investment decisions. The ideas and patterns related to dividends have always affected corporate organizations' thinking and strategy, despite the fact that during the past twenty years the topic of dividend policy has been examined and contested by academics and financial experts. The idea of dividend policy and its effect on corporate market values have changed paradigms as a result[22].

1.2 Statement of the Problem

In order to finance their future investment projects, corporate firms must choose whether to distribute a significant, small, or zero percentage of their other earnings as dividends. Finance managers are in a difficult situation as they try to satisfy the

various needs of shareholders. In this situation, some shareholders want capital gains because they need to invest for the future, while others who need income today demand a high dividend payout ratio. Due to the necessity to reconcile the divergent interests of various shareholders, the sort of dividend policy a bank selects might have positive or negative effects on the share prices of the company. The management can't accurately forecast how much the policy will affect the share prices of their firms as a result. There have been several studies on the topic of dividends, as well as volatility in stock prices and dividend policy in industrialized and emerging nations[22]. In Nigeria, studies that really focus on this topic are still in decline. Only a few studies on the effects of dividend payment, earning yield, and dividend yield on stock prices were carried out in Nigeria. The majority of these research concentrated on the variables that affect dividend policy and the role that dividend policy plays in value generation. By concentrating on these two aspects of dividend policy, one important aspect—the relationship between stock market risk and dividend policy—is overlooked. This study aims to close this gap by analyzing the dividend policies of the studied listed Deposit Money Banks (DMB) in Nigeria. The trend estimation displays the impact of a company's dividend policy on market share prices and dividend per share, which both influence market growth. Therefore, by examining the dividend policy pattern across the research period, this study would add to knowledge by filling in any gaps that have been in Nigerian studies.

1.3 Aim and Objectives of the Study

The broad objective of this study is to examine the dividend policy and share price volatility of selected Deposit Money Banks in Nigeria. The specific objectives are; to

i. examine the impact of dividend yield on stock price volatility;

ii. determine the impact of dividend payout ratio on stock price volatility

iii. determine the pattern of dividend policies among selected Deposit Money Banks in Nigeria.

iv. examine the connection between Nigeria's stock market's dividend payout ratio and price volatility.

1.4 Research Questions

i. To what extent does dividend yield affect stock price volatility?

ii. How does dividend payout ratio influence stock price volatility?

iii. What are the patterns of dividend policy among selected Nigerian deposit money banks?

iv. How do the dividend payout ratio and price volatility in Nigeria's stock market relate to one another?

1.5 Hypotheses

The hypotheses of this study are stated in the null form as follows:

$H_0$1: Dividend yield does not have any significant impact on stock price volatility.

$H_0$2: Dividend payout ratio does not have any significant impact on stock price volatility

$H_0$3: There is no significant difference between the patterns of dividend policy among selected Nigerian deposit money banks.

H04: In Nigeria's stock market, there is no correlation between the dividend payout ratio and price volatility.

1.6 Significance of the Study

This study is important because it threw more light on the impact of dividend policy on stock price volatility which enables stakeholders to be kept abreast with more information on the prevailing situation in the stock market. The choice of this topic is predicated on the fact that there are rarely studies on this topic in Nigeria. In addition, for the investors; the survey includes;stock market scenariowhich is a crucial factor for Nigerian listed Deposit Money Banks. This is due to the availability of information about listed Banks. Both the exchange's website and its offices offer information about listed banks. Data collecting on listed Banks is made much easier by the exchange's nationwide network of offices, which makes it simple to visit them. The study uses data for five years period of 2017-2021. As a result, the researcher believes that five years is good enough to dictate a structural change in the economy taken into consideration that Nigeria is a developing economy. This period was specifically chosen to find out how the Nigerian capital market behaves for periods before and during the financial crises, many organizations with a direct or indirect connection to the stock market are the intended beneficiaries of this study. Even, policymakers, financial analysts, investors, and academics will make up the majority of these organizations.

The work would be beneficial for decision-makers in government and business.For example: the findings of this study would be used by business managers to assess share prices through stock price volatility. Since it has been hypothesized that improving the dividend may increase stock value. By improving it, managers would exploit the dividend policy to increase shareholder value. In turn, this would draw potential investors to the market. If the wealth of the company is boosted up, the company can raise additional funds to cater for its developmental projects. Dividend policy is used by financial analysts such as stockbrokers, portfolio and fund managers,

and jobbers for their different professional roles. If the study's results are in line with expectations, stockbrokers who represent both buyers and sellers of quoted securities will utilize them for the purpose of serving their customers profitably. Typically, stockbrokers are responsible for valuing quoted securities. They analyze the securities judiciously by taking into account the impact of dividend policy on stock price volatility, stockbrokers may help their customers to price the purchasing and selling of assets. This is because high prices are anticipated for low volatility stocks and vice versa.

Fund and portfolio managers are another class of capital market players. Typically, portfolio managers work with investors to diversify their holdings in order to create portfolios. This is a method of providing investors with security.

Typically, portfolio managers look for investments with minimal risk but large returns for their customers. Thus, if the study's findings match expectations, they could be valuable to them. Their top priority would be to look for high dividend equities with little risk in order to create extremely secure portfolios for their customers. After the monies from the unit holders have been gathered together, the funds from mutual funds are managed by fund managers. Fund managers, like portfolio managers, search for investments in low risk securities to ensure the safety of unit holders. Fund managers can utilize this relationship in their analyses to offer safe investments for owners if the relationship between dividend policy and price volatility maintains. The relationship provided by the ideas of dividend policy would also be used by jobbers who do business under their own names to further their own wellbeing. In parting with their funds for profit, they normally search for low risk securities. They would thus apply the findings of the study in selecting their investments. For instance, dividend policy would direct the jobber in investing his financial resources if large

payouts result in low price volatility. Another customer group in the capital market is investors. Those people who choose their assets based on long-term holdings rather than short-term trading, such as jobbers, are referred to be investors in this context. These are savvy individual investors who are familiar with the stock market.

When placing orders with their brokers, these private investors are able to employ capital market research. They would provide commands to their agents using the correlation between dividend policy and stock price volatility, much like the others in the eight discussions before this one.The report will be used by researchers to enhance the capital market's discipline. Because the paper will contribute to the body of capital market literature, researchers will consult it. Academics, researchers in research institutions and professionals who desire to further their field through continuing education make up this group of researchers. Since the work will add to the body of literature, academics such as University Lecturers, whose sole responsibility is research, would utilize it. As their primary duty, research is also performed by employees of research institutes. The work will be useful as literature as well. Additionally, research students can utilize the work as a source of reference for their coursework.

1.7 Scope of the Study

The study is aimed at establishing the impact of dividend policy on share price volatility in deposit money banks in Nigeria. To achieve the study's goal, the annual reports of Ten Banks and other stock market factors, particularly all share index for the years 2017 through 2021, was collected and evaluated. Only Ten Deposit Money Banks (DBMs) would be chosen, representing around 45% of the total of Twenty Two DMBs listed on the Nigerian Stock Exchange using the simple random sampling approach (Pls, See Appendix 2). The preference for these banks was borne out of the

size of their statements of financial positions, availability of the annual financial reports, International commercial banking license status and good corporate governance practice among others.

1.8 Limitation of the study

The study was limited to dividend policy and share price volatility in deposit Money banks in Nigeria. Also, COVID-19 was unfavorable in respect of the Operational activities of the selected deposit money banks, because the result of their performances were not encouraging as it negatively affected their returns.

1.9 Operational Definitions of Terms

Dividend policy: A company's dividend payout to shareholders is governed by a dividend policy.

Dividend per Share: Dividend per share (DPS) is the sum of declared dividends issued by a company for every ordinary share outstanding.

Earnings Per Share: Earnings per share (EPS) is a company's net profit divided by the number of common shares it has outstanding. EPS indicates how much money a company makes for each share of its stock, and is a widely used metric to estimate corporate value

DividendYield: The dividend yield, expressed as a percentage, is a financial ratio (dividend/price) that shows how much a company pays out in dividends each year relative to its stock price.

Stock Price Volatility: This is the rate of change of stock price over time.

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Chapter Two

Literature Review

Related literature is reviewed in this chapter. The concept of dividend policy and stock price volatility are discussed. Specifically, the measures of dividend policy and stock price volatility are highlighted. The control variables used in this study are discussed. Theories of dividend policy, including the framework for this study are also discussed.

2.1 Conceptual Review

2.1.1 Dividend Policy

A well-researched and debated topic in corporate finance is dividend policy. However, after years of theoretical and empirical investigation, dividend policy is still a contentious issue[1]. The dividend policy is among the most important ones since it has implications for the business, as well as for shareholders, customers, regulatory bodies, and the government[2]. Therefore, dividend policy affects a large customer that is connected to the company. If dividend policy were a mirror, the dividend object's reflection would not resemble the actual dividend object. Because investor demands work in opposite directions, dividend policy is challenging to establish both in principle and in reality[3]. It can be difficult to develop a dividend policy since investors favor both payouts and capital gains, and businesses often choose a dividend policy that fits their life cycle[4]. Adopt dividend-related measures that will increase their worth. However, it would be more accurate to remark that businesses develop dividend plans that take required conditions and investor demands into account[5]. Dividend policy has been defined in a number of ways. The firm's dividend policy determines how much of the earnings is dispersed as dividends and how much is kept

in the company. It should be mentioned that the board of directors often decides on dividend payments, which are then made to shareholders who were registered on the record date. The argument why dividends should be paid is that they are cash in hand, as opposed to capital gains, which are cash in the bush[6]. But dividends may come in the form of stock or real estate, which could be challenging to get.

There are instances when circumstances, such as the cancellation of debt obligations, restrict dividend policy. Companies tend to boost dividends gradually, according to some unidentified decision-making process. Retention policy, investment policy, finance policy, and growth policy act as counterbalances to dividend policy[7].

A company's dividend policy is frequently referred to as a set of guidelines used to calculate the distributable part of profit and retention. Companies give the two types of dividend policies—residual and stability—more thought. Several theoretical models have attempted to simplify the complex dividend policy. One tactic is to think that giving enormous dividends minimizes risk, which lowers the cost of capital and raises corporate value[8]. Investors might better estimate risk if there was a consistent relationship between dividend policy and stock price volatility. However, creating a consistency between dividend policy and market volatility would assist managers in managing risk as well as helping investors foresee risk. This is so that shareholders' wealth may be increased while reducing risk through the implementation of dividend policy. It is possible to utilize dividend policy as an agency expense when monitoring managers. This is accomplished by the corporation turning to the capital market, where investors are scrutinized[9]. According to the signaling model, dividends include information and may thus be utilised to increase a company's value.

Leverage, stock return, and profit are suggested to be used by the capital structure substitution theory (CSST) to forecast the size of the dividend, while the dividend

discount model (DDM) makes use of dividends to determine a company's worth. However, in reality, investors appear to choose a consistent dividend growth[10]. Many scholars believe that the dividend discount model has the backing of practitioners. Dividend Yield (DY), Dividend Payout Ratio (POR), and Dividend per Share (DPS) are used as proxies to assess dividend policy. POR appears to be the dividend policy metric that academics utilize the most frequently, particularly when identifying the factors that influence dividend policy. However, DY and POR are primarily utilized to establish the relationship between dividend policy and stock price volatility. This might mean that investors base their selections on factors like profitability or capital invested[11].

The dividend policy of a company decides what parts of its earnings are given as dividends to shareholders and what amount is reinvested back into the company for future growth[12]. The firm's dividend strategy results in a split of net earnings between retained earnings and dividends. The firm's dividend plan affects long-term finances as well as shareholder value. The number of ordinary shares valued at the market price on a specific day determines the wealth of shareholders[13]. The maximization of stock share value is the basic objective of corporate financial management, and the crucial point of interest in this relationship is the relationship between dividend policy and equity share market price. Importantly, the amount of dividends given to shareholders directly reflects the company's payout policy[14]. The firm's need for capital and the shareholders' desire for income, which sum up the firm's dividend policy, may influence the choice to pay dividends[15].

Calculating share prices is a difficult process with many competing demands. However, economic theory concurs that market forces often decide an asset's price. One of the responsibilities of the financial management is to decide whether to pay a

cash or stock dividend now or postpone it with the purpose of paying a higher value or quantity later[16]. Despite empirical information from relevant studies, dividend policy continues to be a source of heated debate, particularly when it comes to stock price. The study discovered that firms were unfavorably disposed to dividend payments but is willing to cut payments, and it also demonstrated that there is a decrease in dividend information content surrounding the incident. When the manager cum investors' asymmetric knowledge problem is taken into account and the International Financial Reporting Standard (IFRS) is adopted, there are differences in the dividend payouts of the companies. According to the Market Model Event Study Methodology and the results, the dividend announcement often resulted in positive anomalous returns throughout the time leading up to the announcement[17]. Looking into the relationship between dividend policy and changes in Pakistani stock prices.The study found that dividend policy had an impact on stock price since payment ratio is inversely associated to price changes while dividend yield is directly related to price changes, leading to the conclusion that the signaling theory is useful in the Pakistani stock market. Examining the changes in future profitability and dividends of 2396 companies registered on the Kuala Lumpur Exchange during a 10 year period (1998-2007)[18]. According to the study, changes in dividend are primarily related to changes in earnings. There isn't any conclusive proof that it is related to future earnings variance beyond a year, though. Additionally, it was indicated that the market's stability of dividend appears to be explained by the nature of future earnings information[19]. Measures of price volatility and the finding that stock volatility is mostly influenced by a company's size and dividend yield are two other researches on stock volatility and dividend decision-making. Contrarily, it was stated that the dividend choice had a considerable impact on price fluctuations and supported the

existence of signaling[20]. After examining fifteen (15) publicly traded firms, findings indicated that there was no evidence linking share price and dividend choice in Nigeria[21].

Related Development of Dividend Policy: Over the past 50 years, the percentage of American industrial companies that provide cash dividends has dramatically decreased, from 66.5 percent of listed companies in 1978 (and over 80 percent during the 1950s) to 20.8 percent in 1999. Fama and French demonstrate that two factors—evolving company characteristics and a diminishing inclination to pay—are to blame for this sharp drop. First, there has been a significant change in the financial characteristics of the typical publicly traded company since 1978. Many new listings of companies with low (or negative) profits, high growth potential, and an asset base heavily weighted toward intangible rather than fixed assets have been added to the market[22].

Another important new finding that seems abnormal is the fact that the total value (nominal and real) of cash dividends paid by U.S. companies has been rising continuously for several decades and now regularly exceeds 100% of total corporate earnings. According to research by Weston and Siu, the cash dividend pay-out ratio for the U.S. corporate sector increased from 40% in 1971 to over 60% in 1990, where it stayed throughout the 1990s, and finally to 81 percent in 2001. When repurchases were added to dividends in 1971, the overall pay-out ratio hardly altered; but, in 1998 and 2001, the pay-out ratio went up to 105 percent and 116 percent, respectively, as a result of the addition of repurchases[23].

Over the past 25 years, revenues and dividends have been increasingly concentrated within a small number of U.S. firms. Only a few corporations today control more than 50% of industrial earnings and dividends, and the rapidly rising payments of these

major payers' overwhelm the declining propensity of small and mid-sized enterprises to pay dividends[24].

Additionally, since 1978, only fewer industrial companies have paid dividends; in contrast, more financial and utility companies have paid dividends, and these companies have paid out more actual dividends overall. The ratio of earned to contributed capital in an organization's equity capitalization is an often-overlooked aspect that impacts dividend policy. Young companies that have just gone public (IPO) have raised the majority of money through equity financing and pay little or no dividends[25].

However, retained earnings will make up the bulk of the stock capitalization of mature, tremendously profitable organizations, and these publicly listed companies will pay out the majority of their yearly cash dividends. Although this life-cycle explanation of dividend payments makes intuitive sense, it considerably departs from the conventional theory, which has long depended on dividend irrelevance theorems. If 50 high-dividend businesses had stopped paying dividends for the last 25 years, they would have cash equivalent to one-seventh of the GDP of the United States, be debt-free, and have management who are completely immune to the discipline of the capital markets[26].

Various statistical pointto a potential revival of dividend payments. The share of American industrial enterprises paying cash dividends has increased by five percentage points since 2001, a small but considerable increase. Additionally, since 1999, larger corporations have increased their dividend payouts, according to them. This increase in dividend distributions is a result of the 2003 Bush Tax Cut as well as the natural maturing of IPO businesses that went public in the 1990s.

Determinants of Dividend Policy; According to the dividend policies of large industrial corporations in the United States, the majority of companies listed on the Nigerian Stock Exchange have clearly defined dividend policies that are based on the industry's standard dividend practice. This suggests that most recent dividend decisions are frequently closely related to earlier ones[27]. In his investigation, he came to the conclusion that management views the decision about the present dividend as one regarding whether or not to modify this rate in the immediate future. Other perspectives on the matter, however, contend that the dividend rate has to be based on actual earnings and must take into account shifting business conditions. So, how and why should a business choose a specific pay-out ratio and decide what its rate of adjustment should be towards that rate? We should now take into account the variables influencing an organization's dividend policy.

The variables influencing the dividend behavior of American companies are examined using a model that is created under the assumption that the dividend pay-out is a function of net current profits after tax (PAT) and dividend paid in the preceding year. His research revealed that companies that are known for maintaining a consistent dividend policy are more likely to pay a fixed percentage of their net profits as a dividend to common stockholders. These companies may also make an effort to maintain their targeted dividend payout ratio even when their profits fluctuate[28].

The main determinants of dividend policy of a firm can be classified into:

Dividend pay-out ratio:The percentage of net earnings delivered as dividends to shareholders is referred to as the dividend pay-out ratio.

Stability of dividends:The consistent payment of a specific minimum dividend amount is referred to as dividend stability.

Legal, contractual and internal constraints and restrictions:Legal requirements outline the circumstances under which dividends must be paid, but they do not mandate a dividend statement. Such circumstances include insolvency, net profit, and capital impairment. When the corporation receives outside funding, significant contractual constraints limiting dividend payout may be approved.

Owner's Considerations:The owner's concerns of the shareholder's tax situation, investment prospects, and ownership dilution are also likely to have an impact on dividend policy.

Capital Market Considerations:The firm's access to the financial markets has an impact on the dividend policy as well. If the company has simple access to the capital market, it may adopt a generous dividend policy. The corporation is likely to select a low dividend pay-out ratio if it only has restricted access to capital markets. Such businesses rely heavily on retained revenues as a source of funding for future expansion.

Inflation: The money earned through depreciation may not be enough to replace outdated gear and equipment owing to inflation-driven price increases. In order to replace lost assets, organizations may need to turn to retained revenues as a source of funding. Therefore, inflation has a negative impact on the dividend pay-out ratio.

Legal Framework: The foundation for dividend payments is set down in Companies and Allied Matters Act of 1990, Part II (379–382). Investors in stocks have substantial investment risks since they are high-risk financial assets, and they also partake in the company's operating outcomes. This is the primary reason why investors purchase equities. The greater the dividend pay-

out ratio, the more appealing it is to investors, the easier it is to build a solid corporate reputation, and the higher the market value of the firm. The more dividends organizations give. The Banking Act (2004) Act 673's Section 30(1) further stipulates that a bank may neither declare nor pay a dividend on its shares unless it has:

All of its capitalized expenses have been fully written off,

The necessary provisions have been made for non-performing loans and other asset value erosion,

The minimum capital adequacy ratio requirements have been met, and

All operating losses accumulated from regular business operations have been fully written off.

A business must meet the basic demands of its shareholders, and if it needs more funding, investors shouldn't think that it is giving lavish dividends or director salaries to owners. Theoretically, it is believed that:

Market value of a company‘s share depends on:

The size of dividends paid

The growth rate in dividends; and

The shareholders required rate of return.

Growth rate in dividends depends on the money re-invested in the company and the rate of earning retention.

Shareholders will expect their company to pursue a retention policy that maximizes the value of the shares.

Diverse elements that affect the payout of dividends have been found by numerous surveys[29]. Current and preceding year profits, year-to-year earnings fluctuation, earnings growth, and dividends paid in former years are significant factors that affect the amount of current dividends. The level of current and anticipated future profits as well as the pattern or consistency of prior dividend payments are the two most crucial variables determining the dividend policy of firms listed on the New York Stock Exchange (NYSE)[30].

Dividends given out by businesses account for a sizable portion of the profits investors might get from investing in equities. The sum of money a corporation distributes as dividends varies greatly from one industry to another. Companies decide how much to payout by using their dividend policy. The amount of the company's earnings that are distributed as dividends is up to the directors[31]. Factors that affect the dividend policy may be grouped into four categories:

Constraints on dividends payments,

Investment opportunities,

Availability and cost of alternative sources of capital, and

Effects of dividend policy on the cost of capital.

Other factors are:

Bond indentures: Dividend payments are sometimes restricted by debt contracts to earnings made after the loan was approved.

Preferred stock restrictions: Typically, if a firm has skipped its preferred payout, common dividends cannot be paid. Prior to the reinstatement of common dividends, the preferred rearrangements must be met.

Impairment of capital rule: The balance sheet item known as "retained profits" cannot be exceeded by dividend payments. The impairment of capital rule, a legal prohibition, was put in place to safeguard creditors. Without the rule, a struggling business might distribute the majority of its assets to stockholders while ignoring its debt holders.

Availability of cash: Only cash may be used to pay cash dividends. Therefore, a lack of funds in the bank can limit dividend payments, but the ability to borrow can balance this effect.

Possibility of accelerating or delaying projects: A company will be able to stick more closely to a consistent dividend policy if it has the freedom to accelerate or postpone initiatives.

Cost of selling new stock: If a company wants to raise equity to finance a specific amount of investment, it can do so by holding onto earnings or by issuing additional common shares. It is advisable to set a low pay-out ratio and fund through retention rather than the issuance of additional common shares if flotation expenses are high because this would raise the cost of capital. On the other hand, a high dividend pay-out ratio is more feasible for a firm whose flotation costs are low.

Ability to substitute debt for equity: A company may use debt financing or equity financing to fund a certain amount of investment. By employing a variable debt ratio, the company may pay the anticipated dividend even if earnings fluctuate if it can change its debt ratio without significantly increasing expenses.

Control: The firm may keep more earnings than it would otherwise if management is worried about keeping control and unwilling to sell new stock. However, if a proxy battle is imminent and investors demand greater payouts, the dividend will be raised[32].

Regular Dividend; Most company management considers a regular, steady payout to be a good policy; shareholders agree and favor stable dividends over variable ones. Stable dividends can increase the market value of shares, everything else being equal. The amount given to shareholders on a consistent basis is referred to as dividend stability.

Dividend Payout;Distribution of dividends has complex impacts on enterprises, though,a high dividend payment plan results in more current distributions and less retained earnings, which can limit growth and perhaps lower market price per share. Low payment policies have a negative impact on current dividends, retained earnings, and capital gains. It follows that it is possible for certain investors to select high-payout enterprises while others may prefer low-payout ones. It's important to keep in mind that paying dividends involves capital outflows, and the cash required to do so is influenced by the investments and financial decisions made by the companies. Less money would be available for the payment of dividends if a decision to enquire about capital spending was made. Due to capital expenditures, businesses that lack the internal resources to pay dividends might raise money by issuing shares. A dividend choice in this instance cannot be distinguished from the corporations' decisions. The business will have some degree of firmness for paying dividends given its financial and investment decisions. When choosing a dividend, it's important to strike a balance between issuing new shares and keeping profits on hand. Larger dividend payouts attract more investors, and when there is a rush to purchase the company's stock, the

stock price will increase. The "regular effects" are the name for this phenomena. On the other side, a decreased dividend distribution will put off many investors, and this might result in a drop in the price of the company's shares.

A dividend was paid, which altered how financial performance of companies is measured. In the present economic climate, dividend distribution is a crucial subject, particularly when assessing a company's success. The main reason why people invest in businesses or other ventures is because they want to benefit from the latter. A dividend is a sum of money given to shareholders by a firm, usually in the form of a profit distribution. While a corporation can transfer a portion of its revenues to shareholders through dividends, retained earnings allow it to reinvest its gains back into the business. If the corporation has a dividend reinvestment plan, the money might be paid by issuing new shares or by buying back shares. Cash may also be used to make distributions to shareholders (often a deposit into a bank account).

When dividends are paid, shareholders often have to pay income taxes, and the company does not receive a tax credit for the dividend payments. Dividend payout is more particularly the set of guidelines and standards that a company uses to decide whether or not to provide dividends to its shareholders. Companies are established with the goal of boosting both the wealth of its shareholders and the worth of the company as a whole.

Decisions on dividend payments made by firms are a crucial part of any corporate policy since they effectively represent the benefits that shareholders receive for investing their money in a particular company.

Increased investor confidence in the company's future prospects is expected to lead to increased share prices as a result of a dividend policy. Profit growth and stockholder wealth enhancement are a company's top priorities[33]. The amount of net income delivered to shareholders as dividends over the course of a year is shown by the company's dividend payout ratio. This ratio illustrates, in other words, the proportion of a company's profits that are distributed to shareholders as opposed to the proportion that is utilized to fund operations. Because investors want to know if companies are paying out a sufficient portion of net earnings to shareholders, they place a special emphasis on the dividend payout ratio. For instance, the vast majority of startups and IT companies rarely pay dividends[34].

Companies' dividend payouts serve as a source of cash flow for the shareholders as well as a means of informing shareholders, government officials, and regulatory bodies about the firm's present and future performance. The dividend policy of a firm determines how much is paid out in dividends and how much is preserved for reinvestment in new projects. According to the dividend philosophy, investors wouldn't desire a payout that was lower than anticipated unless they were positive that the investment to which the retained profits were committed would provide returns higher than those they might otherwise be able to get[35].

A company's dividend payment is the sum of money it distributes to its shareholders in the form of dividends. The business has the option of keeping some of the profits as retained earnings or distributing all of them to shareholders or investors. Thus, healthy dividend distributions show that businesses are making real profits[36]. A dividend is a payment given by a firm to its shareholders. The dividend payout ratio calculates the percentage of a company's net income that is paid out as dividends to investors. The percentage of earnings that is not distributed to investors is kept for investment in

order to secure future profit growth. Dividends are payments provided to shareholders from a company's profits over a specific time frame[37].

Forms of Dividend Payment;Dividends are sums that are distributed to shareholders as a percentage of the profits per share of each unique stock in a company. Management and the board of directors of the firm often release the results at the end of the fiscal year. Retained earnings, cumulative profits, additional capital items like gifts, or newly invested money are all used to determine dividend distributions. A successful business will pay out dividends to investors. Although dividends can also be paid out in the form of shares, scrip, or other assets, cash dividend payments are the most common.

The following are the various forms of dividends

Cash Dividends; The board of directors makes the decision and recommendations on dividend declaration. It isn't paid straight away since it takes time to create a list of all existing stockholders and transfer shares from one holder to another. As a result, the board of directors meeting and the dividend declaration date are on the same day. The closure date of the shareholder register has a record date. On the day of payment, checks are then sent to stockholders. When shareholders accept the distributions at the annual general meeting, the declaration of cash dividends comes to an end. A declared cash dividend is not a liability since it may be reversed; rather, it is a part of the shareholder's ownership. Treasury shares do not get cash dividends.

Property Dividends;A property dividend is a unilateral distribution of non-financial assets by a company to its owners. Cash and other assets are acceptable forms of payment. They could appear as products, assets, or investments. The board revalues assets to reflect the fair market worth of the products it will distribute, profit or loss

included. Fair value is established based on the amount that could be made from an outright sale at or shortly before the distribution. Market prices or other readily available evidence is used to support this amount's claim. Property dividends are recorded at fair market value to allow for future dividend rate comparison. Liquidating Dividends;The paid-in capital from the company's early years serves as the foundation for dividend payments under this form of dividend policy. Therefore, there is a decline in the company paid in capital. Investors may mistakenly believe the firm is profitable if there is not enough openness. By requiring that each dividend payment be accompanied by a thorough explanation of its basis, this type of misunderstanding may be avoided. The paid-in capital of the firm must be decreased by any non-earnings-based payment that constitutes a liquidation dividend.

Stock Dividends;It is a type of dividend in which management chooses to issue equity dividends in order to permanently keep a portion of the earnings in the company. No assets are dispersed, and each shareholder's ownership interest in the firm is precisely the same as before the stock dividend was announced, as is their book value. A stock dividend has no impact on the overall equity of investors. According to how many shares of the company's stock each shareholder owns, earnings are distributed equally to all of them. A company can issue debt (bonds and notes) and equity to attract investors and raise money (common stock, preferred stock and warrants).All payments for corporate dividends must originate from the company's accumulated profits, or retained earnings. Common stock is a type of ownership interest that entitles holders to participate in a corporation's management and corporate growth. Corporate expansion has benefits, including higher stock prices and future common stock dividends and dividend increases. The company's board of directors might decide to change the dividends paid on common shares, which are voluntary.

Alternatively to issuing additional shares, a firm may decide to pay dividends on common stock in cash.

Stock Split Dividend;Another way to distribute dividends that increases the number of shares outstanding for each shareholder while decreasing the par value of each share. A stock distribution that equals more than 20–25 percent of the shares that were previously in circulation is referred to as a large stock dividend, often known as a stock split. Similar to a stock split is a reverse stock split, which reduces the number of outstanding shares while increasing the share price. A stock split largely increases the stock's marketability and gives management power[38].

Preferred Stock Dividends;another way to distribute dividends that increases the number of shares outstanding for each shareholder while decreasing the par value of each share. A stock distribution that equals more than 20–25 percent of the shares that were previously in circulation is referred to as a large stock dividend or stock split. Similar to a stock split is a reverse stock split, which reduces the number of outstanding shares while increasing the price per share. The main benefits of a stock split are to increase the company's marketability and provide management power..

Qualified Dividends;The majority of dividends paid by American firms are subject to lower capital gains tax rates. The issuer must pay taxes on its profits and not be a non-profit organization in order to comply with the main criteria. Numerous overseas stock dividends are also eligible for the tax advantage provided they meet the same requirements and you may readily swap their shares in the United States. Prior to the ex-dividend date, which is the first day the stock trades without the current dividend, you must have owned common stock for 61 days in order to be eligible for the tax breaks. For Preferred Stock that pays a dividend based on a term longer than 366 days, a 91-day holding period is required.

Fund Dividends;All dividends, interest, and capital gains that a mutual fund receives throughout the course of a year must be distributed to investors. In exchange, the fund does not have to pay income taxes, a benefit that is shared by the shareholders. If a stock provides qualifying dividends, fund payments resulting from stock dividends are also eligible.

Dividend Pay-out and Profitability; The profitability of the company's earnings may be used to gauge the performance of the organization. The link between dividend policy and profitability has been extensively studied in the literature. Dividends serve as a valuable indicator of a company's profitability to shareholders and potential investors. Thus, healthy dividend payouts show that businesses are producing genuine earnings rather than just cooking books[38].

Despite the contradictory views of market observers, corporations with high dividend payment rates frequently have excellent prospective profitability but very poor past earnings growth. The results of a second study indicated that high dividend payouts are more closely associated with future profits growth than low dividend payouts. They came to the conclusion that historical data unequivocally supports the notion that projected future profit growth will happen most quickly when present pay-out ratios are high and most slowly when pay-out ratios are low[39].

Their research disproved the notion that substantial retained gains would be reinvested, resulting in a faster rate of future earnings growth. They investigated whether the dividend policy of the portfolio of U.S. equity market securities might forecast future profit growth. Even, some well to do enterprises, which are frequently substantial, well-established companies in developed nations, were studied[40]. Empirical studies must be carried out in emerging capital markets or for newly listed businesses, which are frequently less profitable and more growth-oriented. The

association between the current dividend payment and anticipated future profit growth is explained by the free cash flow hypothesis.

When managers have excess free cash flows available to them, they might decide to engage in or take on less-than-ideal initiatives, which lead to subpar growth. This stands out for companies that have few opportunities for growth or a tendency to make excessive investments. Paying large dividends might make management more scrutinized, eliminate conflicts of interest, and prevent poor investment by forcing managers to obtain money through the sale of shares[41]. This is founded on the idea that, although discipline and a reduction in conflicts may help future profits growth through well planned initiatives, subpar investments will set the groundwork for bad earnings growth in the future. So, paying dividends to lower free cash flows improves a company's performance since managers will have less cash flows and therefore avoid making unwise investments. Additionally, this is in line with the agency cost idea.

The positive relationship between dividend payout and rise in future profitability can also be explained by managers' reluctance to cut payouts. A high pay-out ratio indicates that management has faith in the sustainability of future profit growth, whereas a low pay-out ratio indicates that management has less faith in the sustainability of earnings stability. When earnings fall, managers make modest rewards to avoid lowering dividends[42].

Additionally contributing to the favorable association are the sticky dividends and mean reversion in the more erratic profits. The payout ratio is positively connected with future profits growth as a result of the transient rises and declines in earnings that were then reversed. Their robustness study for the mean reversion of profits showed

that while earnings generally tend to revert to the mean, this tendency may be strongest in terms of earnings relative to dividends.

There is, however, no real correlation between dividends and profitability that endures over the long term; research studies that imply this link are focused on short time periods, which is misleading to investors. They provided three hypotheses that would invalidate the relevance of the long-term relationship between dividends and future profitability[43].

The first thing they mention is that a rise in dividends might cause the company's reserve for reinvested earnings to fall. As a result, businesses that pay out large dividends without considering the need for investments risk having lower future profits. In light of this, there is a poor correlation between dividend payout and potential profitability[44].

Second, a quarterly increase in dividends may be the result of management's efforts to keep shareholders satisfied and deter them from selling the business during periods when future profits are expected to decline or current losses to continue. In this case, larger dividends were adhered to by declining profitability[45].

Not to mention, a company's impressive previous performance and promise for future success may be the cause of an increase in dividends. This supports the hypothesis that there is a direct causal relationship between the current payouts and the company's future prosperity. They assert that the overall long-term relationship is minimal based on these instances since dividends and future earnings occasionally have positive as[46].

Increases in dividends were positively connected with future growth in earnings in each of the first two years after the dividend change. So what happens after a certain

number of years of consistent dividend increases? Dividends don't rise or drop symmetrically. Dividend increases, as compared to dividend cuts, are connected to future profitability for at least two years following the dividend change after correcting for current and predicted profitability. They claim that accounting conservatism can explain why there is no association. They conclude as a result that dividend payout and future earnings are positively connected, but that the association is stronger for public companies[47].

2.1.2 Stock Price Volatility

Capital market problems have included stock price volatility. When stock returns are erratic, especially highly volatile, investors are never at ease. The standard deviation of stock price is often used by academics and authors to describe market volatility[48], [49],[50]. Stock market volatility is not a problem because volatility exists; rather, it is a problem because volatility changes, leading to the question of why there is volatility of volatility. Stock price volatility is the rate of change over time. Price volatility is really calculated over a 30-day period on a minute-by-minute basis. Volatility is often seen to build up over time. Periods of relative quiet and large swings are common occurrences in financial time series, but this volatility is the systematic risk that investors confront in the market, and for that alone, they should be rewarded since they can diversify away unsystematic risk. There are two types of volatility: historical and implied. Given that it is prospective, implied volatility is more meaningful to practitioners[51]. Since the variance, the proxy for volatility, is indicated by squaring the return numbers, the direction of volatility is irrelevant, and the Black-Scholes model becomes inapplicable when volatility changes. Market risk and stock price volatility move in the same direction[52]. As a result, stock market volatility can be utilized as a stand-in for stock market risk. Some academics have equated stock price risk with

stock price volatility[53]. Studies on the impact of stock volatility have been inductive, but modeling can improve our understanding of price volatility. There are several research looking for evidence of variables influencing market volatility, but there aren't many theories to explain the phenomenon, and the few ideas and hypotheses that do exist are primarily based on information[54].

Accordingly, microstructure and liquidity are variables that impinge on stock price risk, while Pandeymaintains that price volatility is caused by short selling on the stock market. Trade cycle and macroeconomic factors are covered in other viewpoints. However, there are still unresolved issues, including automated trading, leverage restrictions, limit trading, off trading, auction dealing, and the existence or absence of floor brokers. Volatility, which is said to be brought on by widespread fear, discord, and greed, leads to market inefficiency where stock prices are mispriced. By examining the theory of Dividend pricing model which takes into account how future cash flow may affect price volatility, the challenge of measuring volatility was solved. The price volatility is represented by a number of proxies. A proportional measure of change in stock price that serves as a fair proxy for market volatility is inevitable.

Price volatility is represented by the stock return (R) and the square of the stock return. Some academics utilize a technique that divides the difference between a year's highest and lowest prices by the average of those same highest and lowest prices to determine the standardized covariance of stock return and market portfolios which could be compared to only the gap between the highest and lowest costs, the proxy is superior. Recent studies generally find the paradigm to be extremely compelling[56].

Dividend and Stock Prices;Given how crucial dividend payments are to a company's performance, there has been much debate over how they affect the share price of the

company. The fundamental point of contention is whether or not dividend policy has any impact on share pricing. It is clear, theoretically speaking, how crucial dividends are in influencing stock price. The stock price must be equal to the current value of all anticipated future dividends. In this study, we would track how dividend payments affected the share prices of several listed companies. Various schools of thought have arisen on the question of dividend and stock value. One school of thought contends that a company's present worth derives more from its investment program than from dividend selections. They hold the opinion that the expense of external borrowing would exactly outweigh any dividend payment-related gains[57]. The fundamental tenets of this school include absolute certainty regarding the firm's future profits, a frictionless market, and rational investors. The idea that capital gains are preferred above dividend payments owing to tax concerns strengthens this viewpoint even more. Because capital gains are subject to less taxation than dividends, some individuals place a greater value on them. The opposing school contends that dividend policy should affect a company's value and that this is indeed the case. Dividend policy may only be viewed as being insignificant when the rate of return on investment is equal to the project's cost of financing[58]. A stock's value comes from dividends rather than earnings because it is what one can get from it. Earnings are merely a means to an end; they should not be mistaken for the aim itself[59].

Factors that can influence Stock-Prices;The forces of supply and demand are, theoretically, the main factors that affect stock prices in every stock market. As a result, prices will increase when there are more buyers than sellers of a specific asset. An increase in stock demand indicates that a strong economy is expected. This explains why stock markets throughout the world are seen as economic indicators. However, in reality, there are certain other endogenous and exogenous factors that

frequently interact to affect how stock market players respond to stock prices. These factors include:

Investors frequently react to elements that might influence a company's future, such as merger and acquisition proposals, takeover offers, the caliber of the management, the company's track record of development, its competitive position, and the possibility of technical advancements. Therefore, in a corporate valuation, a company's study is done to choose a firm that is competitive and has a good possibility of at least retaining its competitive position in the future.

Speculation about a company's performance or a stock's price movement. Investors typically react to economic situations which may lead to a bullish or negative market. Investors may be influenced, for example, by fear or hope over monetary or fiscal policies or even the release of balance of payment data.

Level of interest and yield differentials: Stock prices often decline or level out during periods of rising interest rates. Bond prices will change in the other way due to their appeal, but from the perspective of corporations, stock prices may increase when interest rates rise depending on how much internal financing is used by businesses.

Money supply and, therefore, inflation: Stock prices tend to rise as money supply rises, suggesting that actual stock prices remained constant, unless the rise in money supply is significantly smaller than the rise in stock price. Bond, meanwhile, is the exact opposite[60].

Trading volume: Because trading volume is a reflection of investor sentiment, it needs volume to change a stock's price on the stock market[61].

A company's financial performance, or more specifically, the company's earnings, is another significant element that might have an impact on stock price.

Investor confidence in the economy and, consequently, their investment behavior can be impacted by the state of the global economy and the domestic political climate.

Summarily factors that influences share price behaviour are in five broad areas namely:

Economic policies and Events

Corporate Managerial Decisions

Psycho-social variables

Political events and policies

Institutional parameters

Control Variables;Empirical tests always incorporate control variables. If control factors are present but not examined, researchers may be misled by their findings. When examining the effect of dividend policy on stock price volatility, the control variables used were leverage, company size, and firm growth. Leverage may cause price volatility to change. High financial leverage companies will leave information gaps about investor returns. Investors will act irrationally as a result of this. In order to ensure that the association between dividend policy and market volatility is genuine,

financial leverage must be kept under control. Size may also affect the volatility of stock prices. Larger businesses often have greater levels of industry and geographic diversification, which protects them from the ups and downs of certain markets. Additionally, it has been noticed on occasion that institutional investors find it expensive to conduct research on businesses that only provide a few number of investment fund outlets. Less study implies less knowledge is available to the public, which might lead to investors responding irrationally to new developments. Additionally, it's possible that fewer market players possess the expertise needed to profit from price swings. Because of this, markets for tiny stocks may experience extreme volatility and illiquidity.

Size may affect the dividend policy decision, making it a relevant control. In other words, companies with a more distributed public ownership may be more aware of the need for market signaling.Without accounting for size, it's possible to record an erroneous association where bigger, less riskier companies just so happen to pay out greater dividends. A company's dividend policy could be used as a stand-in for investment and growth prospects. After accounting for growth, if the link between risk and dividend policy persists, it may be a sign of arbitrage or the information effect. The second regression model additionally includes a dummy variable called "GFC" to account for both financial and economic cycles[62].

Determinants of Share Prices;The existing research carried out on various markets has determined a number of criteria as share price drivers. In the groundbreaking study on the factors influencing share prices by USA banks, dividend, net profit, operational profitability, and book value were identified as the factors influencing share prices. There have since been several attempts to identify the elements influencing share prices in various markets. For banks listed on the Athens Stock Exchange, dividends,

retained earnings, and size all had a large beneficial influence on share prices[63]. The elements that affect stock prices on the Kuwaiti stock exchange. The main factors influencing share prices, according to the report, are profits and financial leverage. In a later study, the influence of basic variables on the share prices of the companies listed on the Karachi Stock Exchange was determined, and the factors influencing share prices were dividend yield, leverage, payout ratio, and size[64].

According to a report, a sample of Nepalese firms' share prices are significantly impacted by dividends and it is also the components that influence stock values in the UAE financial market. The study found that corporate earnings had a large and positive impact on share prices. The variables earnings and book value per share are noted as being important share price determinantsfor Kuwaiti commercial banks. For the firms listed on the Dhaka Stock Exchange, dividends were shown to be a price influencer. When examining the stocks of firms listed on the Nigerian Stock Exchange, the primary factors influencing share prices are determined to be earnings, gross domestic product, loan interest rate, and foreign exchange rate[65]. To determine what factors influence share price, the Zimbabwean market undertook research. The study identified a number of variables that affect share prices, including corporate earnings, management, legal actions, mergers and acquisitions, market liquidity and stability, the presence of substitutes, government policy, macroeconomic fundamentals, investor sentiment, technical factors, and analyst reports. The effects of particular microeconomic circumstances on the share prices of banks, insurance, and leasing companies listed on the NSE. The study reveals that there is a strong relationship between share prices and dividends, earnings, and net asset value per share. The ground-breaking investigation of how retained earnings affect share prices in the Indian market[66]. According to the analysis, retained earnings have no

discernible impact on share prices. In a later investigation, it was shown that earnings had a considerable impact on share prices. Dividend and yield have a big impact on the values of private companies. the share prices of the cotton textiles and general engineering industries. According to the study, dividends and book value per share are crucial factors that impact share prices in both industries. In the cotton textiles industry, share prices were demonstrated to be significantly impacted by yield. The chemical industry's link between share prices, dividends, and retained profits[67].

It has been shown that retained earnings and dividends have a significant impact on share price. Dividend, profits, and yield all have an effect on the values of both more and less volatile companies. The data also demonstrates that the security price index is an important determining factor for pricing for shares with a higher volatility[68].

In an effort to identify the variables that influence share price in the cement industry, it found dividend to be a significant share price driver. The share prices of BSE Sensex businesses are now heavily influenced by the earnings and dividend payment ratio. By examining the share prices of the firms listed on the Bombay Stock Exchange, it was discovered that market capitalization, market price to book value ratio, and price-earning ratio were the three primary factors affecting share prices[69]. The effect of fundamental factors on the stock prices of manufacturing businesses listed on the BSE. The study found that the book value, earnings, and price-earning ratio of the engineering industry, the cotton and textile industry, the chemical industry, the electrical industry, the chemical industry's dividend, earnings, and price-earning ratio, and the miscellaneous industry were all significant share price determinants. Manufacturing companies cited profits, the price-earnings ratio, book value, dividends, dividend cover, and dividend yield as important share price drivers. the effect of dividends on the stock values of chemical companies, both organic and inorganic.

Inorganic chemical businesses' share prices are unaffected by dividend, however organic chemical company share prices are significantly impacted. emphasized that for the chemical industry, book value, dividend, dividend cover, dividend yield, earnings, and price-earning ratio are the key drivers of share prices[70].Manufacturing companies discovered that share prices were significantly influenced by earnings, company size, and volatility.

Based on the results of the aforementioned studies, the researcher recommends employing leverage, price-earning ratio, profitability, dividends, and these variables as the study model's chosen variables. This is required because the model has to be explained and simplified, there are time and resource constraints, and data are easily accessible given the local circumstances.

Public liability companies, like banks, determine annually whether to pay out dividends or not and if so, there is need for a concrete decision to be made in order to arrive at amount to be earmarked. In essence, this is what is meant by "dividend choice," a concept that is crucial to the dividend policy. It involves making the choice between using earnings to create shareholder value through future investments in profitable businesses or paying out dividends to shareholders.A key part of every company's long-term finance plans is deciding on its dividend policy[71].

The topic of dividend policy and how it affects a company's value has been extensively discussed. Numerous dividend payments to shareholders reportedly significantly increase the market value of shares[72]. On the other hand, some people disputed the importance of dividends, while others thought that paying dividends results in a decrease in shareholder wealth. For businesses listed on the Nigerian Stock Exchange, a strong link between dividend payout and business success has been

found. Dividends, which are also the company's direct cash payment to the investor, are another factor used to determine a company's stock price[73]. In a manner similar to this, it was asserted that the price of stocks immediately responds to unexpected news about a change in the dividend indicating that while all other variables remain the same, marginal investors prefer dividends. However, if there are frequent changes to a firm's dividend policies, instability in share prices is unavoidable[74]. Similar to the previous example, a company's share price will ultimately decrease if it lacks sufficient finances to make investments or plans to raise extra funds from outside sources in order to make lucrative ones. A higher payout ratio would raise the stock's value, whereas a lower payout ratio would result in the share price being cheap[75].

Other Determinants of Stock Price Volatility;Focus is placed on dividend policy as a factor in stock market volatility. However, other researchers have connected their results to the association between other factors and stock return volatility[76]. The 1929–1939 Great Depression had an extremely strong stock return. The American economy was threatened by the great depression, but there was also enormous psychological harm. Due to the disastrous effects of the Great Depression, conflicting research were conducted in an effort to identify the reasons of market volatility, albeit these explanations are still considered to be a mirage by theorists and empiricists. It is really unexpected that research models cannot account for variations in stock return volatility over time. Only a very tiny fraction of stock return volatility is explained by financial leverage. Changes in stock market volatility correspond to changes in projected stock return volatility[77]. In comparison to the ex post variability of dividends, stock market volatility is at an unacceptably high level. The Indian and Chinese stock markets, according to differential analysis, are the most volatile of all stock markets worldwide. This result is not unexpected given the increased risk that emerging economies often

display. The German capital market's proof that monthly stock return volatility may be described by the performance of key macroeconomic factors that affect business cycles reveals that investors' irrational sentiments actually raise stock volatility more than they do to decrease it[78]. Evidence that the Australian, Chinese, and US stock markets are related to South Africa's stock return and volatility. It is crucial to remember that, taken together, all the variables only fully account for a small portion of stock return volatility.

But the volatility of the stock market is virtually always ongoing and sustained throughout time. The 1987 market meltdown is another well-known event[79]. The degree of automated trading, the auction mechanism itself, the existence or lack of limits or price fluctuations, controlled margin requirements, and off-markets or off-hours trading are the characteristics that stood out during the post-crash debates in 1987. The presence or absence of floor brokers, who performed transactions but were not allowed to participate on the cash market as opposed to the forward market, is another element that might be important. Discussions always follow an economic event both during and after it. Over-deregulation, bubble phenomena, greed, and fads are only a few of the causes of the current financial crisis, which has been prevalent since August. The foundation for such talks and speculative ideas is typically determined by the economic activities and practices of the period. Before the October 1987 crisis, there was evidence from time-series indicating some factors, such as the existence of an official monopoly specialist and computer-directed trade, were linked to a lesser market decrease in that month. Continuous auctions had a small impact[79]. . Additionally, Roll discovers that each market's drop in value was accounted for by its normal relationship with global market occurrences. Nothing was left for the specific institutional arrangements to explain. Since the study is inductive in nature, a number

of factors were examined. Additionally, he discovers that continuous auction trading exhibits some evidence of an impact on stock return volatility, but that forward trading and liquidity exhibit no such evidence[80]. Several economic series experienced volatility during the Great Depression of 1929–1939. There is proof that several aggregate economic data are more volatile during recessions. Further, reports that

> There is weak evidence that macroeconomic volatility can help to predict stock and bond return volatility
>
> Financial leverage affects stock volatility
>
> There seems to be a relation between trading activities and stock volatility . Economic historical events like the American Civil War, World War I, the Great Depression, World War II, the OPEC oil shock, and the post-1979 period are linked to higher market volatility[81].

The Granger causality test, applied to a sample period of 2002 to 2005, reveals that trading volume has the ability to predict stock return volatility. He goes on to say that his findings also confirm the inefficiencies of the capital market on the Dakha stock exchange and that they support the sequential information arrival theories. Find proof, however, that there is no causal connection between stock return volatility and interest rate volatility in Nigeria and that there is a bi-causal link between stock market volatility and actual Gross Domestic Product (GDP)[82].

Investor Preferences based on Dividend Policy;various investor preference arguments contend that for unexplained reasons, investors prefer one pay-out form over another. Because there is no economic justification for these choices, it may thus be referred to as a behavioral argument. Companies accommodate these preferences by using the payout strategy that investors currently prefer[83]. This claim must be supported by

higher share prices for corporations that cater to investor preferences than for those that do not (or managers believe this to be the case). A business wouldn't have to alter its compensation policy otherwise. Because the price difference is dependent on investor irrationality, this argument also relies on constraints to relative value investing. If this weren't the case, a relative value investor would just sell short the stocks of businesses that meet demand from investors and purchase the shares of businesses that don't. Due to the price difference between the two sets of firms, the relative value investor would earn[84].

Their propensity for dividends may also be influenced by an investor's tax choices. Investors who are concerned about paying greater taxes are inclined to choose capital gains over dividends in an effort to lower their taxable income[85]. Individuals in Kenya must pay a final 5% tax on dividends, but capital gains are not taxed. Businesses are more likely to be able to satisfy the needs of individual investors, allowing them to demand a higher share price premium, which will raise their capacity to do so and, consequently, their firm worth. However, if investors switch to firms that pay the dividends that best satisfy their needs, the dividend policy of no company should have any impact on that company's value. A corporation that pays little or no dividends shouldn't be penalized for doing so because its investors don't seek them out. A company that pays huge dividends, on the other hand, shouldn't have a lower value because its investors favor dividends.

External shareholders prefer a more aggressive dividend strategy, according to Gordon's "Bird in Hand." Instead of taking a chance on a shaky future investment, they would prefer to earn a dividend today. Numerous studies demonstrate that this model fails when applied to a perfect market with fully rational investors[86].

The information content of dividends or signaling theory argues that the firm may issue dividends to communicate its future possibilities[87], notwithstanding the distortion of the business' investment decisions to capital gains. The underlying premise of this argument is the information asymmetry between managers (insiders) and outside investors, where managers have access to information about the firm's present and prospective future fortunes that outside investors do not. The market would interpret a dividend payment (or a repurchase) as a sign of quality, which would motivate the firm to under invest so that there would be more capital available to signify quality. The analyses' startling finding is that high-quality businesses would under invest more since they can afford to do so and have the strongest motivation to do so[88]. As a result of firms paying dividends to signal quality to the market, the pattern of dividend payments will be much smoother than the pattern in earnings or cash flows.

Additionally, firms will be extremely reluctant to cut their dividend because doing so would send a bad signal. Finally, firms won't increase their dividend unless they are confident that they can maintain the dividend in the future. To avoid having to reduce the dividend, businesses can forego undertaking initiatives that might add value to the organization. Positive stock price movements are correlated with dividend increases, whereas negative stock price changes are correlated with dividend reductions.

Investors are aware of the reluctance of companies to cut dividends and take them as a sign of a major issue, which makes companies even less willing to do so. In order to transmit information, dividend policy is used, albeit at the expense of underinvestment. This signaling rationale also holds true for repurchases, but investors often do not view repurchases as permanent. That is, the market often does not anticipate a company's share repurchases to continue after a year. Therefore, many

observers think that dividends have greater signaling value than share repurchases when it comes to communicating the firm's long-term prospects[89].

Even if a company doesn't have free cash flow, dividend payments may still be beneficial to the shareholders in order to lessen the overinvestment problem. Dividends contribute to the overinvestment problem's resolution since they increase the frequency with which enterprises must turn to the equity markets for new capital. In order to get access to more equity, businesses subject to the oversight and control of these markets[90]. This lowers agency cost.

The dividend policy of a company can improve the firm's worth to shareholders by minimizing issues with agency between management and shareholders[91]. Agency problems develop when managers have access to additional free cash flows for their personal benefit. To solve these problems, consider dividends. By reducing free cash flows, dividend payments to shareholders limit managers' ability to make foolish investments. Higher returns from appropriate investments consequently enhance the value and performance of a firm. Dividend payments force companies to raise funds from external sources for new investments, increasing the degree of external regulatory scrutiny of corporate activities by the capital market regulator[92]. Thus, corporate governance has improved, which benefits the performance of the company. The dividend policy of a company can take into account the various conditions of its shareholders and so increase the value of the company to those owners[93].

Considering that investors prefer returns in the form of capital gains in general, whether this is due to tax concerns or not, and given that some investors prefer dividend income, would it ever make sense for firms to cater to this small set of investors? If these investors are better than other investors at monitoring the firm and its managers, it could make sense. To put it another way, companies cater to particular

investors because they are better at assessing the company's performance and taking the proper action when necessary. For at least two factors, managers could appeal to these investors:

High-caliber managers may use it as a means of camaraderie and to show that they are unafraid of being attentively watched.

The monitors may really offer management useful recommendations, increasing the firm's worth[94].

Depending on their decisions, businesses might develop a dividend policy that meets the needs of their shareholders. In this scenario, dividends themselves don't provide information about anticipated future earnings; rather, they draw customers to companies that have the dividend policy they want. Businesses formulate their dividend policy in response to shareholders' requests for distributions. Others would prefer dividend stability, while still others might prefer capital gains through dividend reinvestment and hence no cash payouts. Some shareholders might choose to receive cash dividends. This may be explained by the "bird in hand" fallacy, according to which investors can believe dividends offer a more immediate and secure return than capital gains[95].

In a perfect and complete market, a business's dividend policy has no impact on the value of the company, according to the dividend irrelevance argument. Dividend policy and maximization of shareholder value Financial managers can't impact the worth of their company by changing their dividend policy, for this reason. The market believes, or has observed, that a change in dividend policy might be beneficial. In the process of valuing firms, one important factor is the correlation between dividend fluctuations and future cash flows, earnings, or dividends. A company's dividend

policy can provide further insight into its cash flows, which will help determine value more precisely[96].

The best way to maximize shareholder wealth, according to a research, is through dividend policy. A company's dividend policy may have an influence on one or more real-world faults, such as information asymmetry between managers and shareholders, agency problems between managers and shareholders, taxes, and transaction costs, and as a consequence, increase the firm's value to shareholders[97].

Through investor education or wealth redistribution among shareholders, dividends may have an effect on shareholders' wealth in a bad market situation. A firm's dividend policy may have an influence on the capital structure or investment decisions it makes, which will eventually raise the value of the company to its shareholders. Employing successful investment methods supported by the most favourable capital structure is necessary to maximize shareholder value. Dividend policy may be viewed as the outcome of investment and financial choices since the company must decide how to distribute the cash generated by these activities. The relationship can also work in reverse, with dividend policy affecting a company's decisions about its capital structure and, ultimately, its value-adding characteristics[98]. Due to the fact that corporate investment is sensitive to financial constraints, a company's dividend policy, which directly affect free cash flow, may have an effect on investment.

This happens when an organization sees its dividend policy as a result of its capital structure and investment decisions; internally generated cash flows from current investments will be utilized to optimize an organization's capital structure. For example, a residual dividend policy can allow companies to borrow money from external sources. Lenders won't in this case regard dividend payments to be a fixed, recurrent payment that might have a negative effect on the company's cash flows.

They will be more inclined to lend money to firms as a consequence.A corporation's dividend policy can increase the value of the company to its shareholders by reducing agency problems between management and shareholders. Agency problems emerge when managers have the ability to exploit more free cash flows to further their own interests. The solution to these problems is dividends. Dividend payments to shareholders restrict free cash flows, eliminating the possibility that managers may choose unwisely when to make investments[99]. Higher returns from optimal investments therefore enhance a company's worth and performance. As a result of enterprises being forced to seek outside finance for new investments due to dividend payments, the capital market regulator's external regulatory control of corporate operations is increased. Consequently, corporate governance has improved, which is beneficial to the company's performance.

A company's dividend policy may be improved by considering the diverse situations of its shareholders in order to boost the value of the company to its shareholders. Depending on their decisions, businesses might develop a dividend policy that meets the needs of their shareholders. In this case, dividends do not in and of themselves provide information about predicted earnings; rather, they serve to draw clients to companies that deliver the dividends they are looking for. Businesses create their dividend policy in response to shareholders' demand for distributions. Some shareholders could want cash dividends, while others would prefer dividend stability, and yet other shareholders might prefer capital gains through dividend reinvestment and hence no cash dividends. Investors may believe dividends provide a more immediate and guaranteed return than capital gains, which is why the bird in hand fallacy may assist to explain this[100].

It is a well-known truth that the management's dividend policy is a crucial financial choice. The management must consider how dividend policy may impact share prices when making a decision since the objective of financial management is to maximize owners' wealth. It should be favoured if the dividend distribution boosts the wealth of the owners. If it doesn't, though, the business should keep the money and refrain from paying dividends. The objective of the company is generally agreed to be to maximize the usefulness of its shareholders, which is demonstrated by maximizing the firm's value. Two schools of thought developed their recommendations in the theoretical setting.

The "dividend irrelevance theory" contends that dividends are unimportant and have no impact on a company's stock's value. They believed that the distribution of income between dividends and retained earnings had no bearing on a DMBs ability to make profits, which is the only factor that determines its worth. According to the theory of dividend relevance, there is a clear connection between a corporation's dividend policy and its value. They considered the dividend to be crucial to the company's worth as measured by the share market price[101].

2.2 Theoretical Framework

Some related theories were further examined in the course of this research work and they are detailed as follows;

2.2.1 Dividend Irrelevance Theory

The dividend policy argument has continued since Miller and Modigliani (1961) established the irrelevance theory. In a perfect capital market with no corporate or personal taxes, a steady investment strategy, no transaction costs, and rational investors, Miller and Modigliani claim that there is no association between dividend

policy and share price. The Miller and Modigliani (MM) hypothesis has shown to be essential in corporate finance. The MM theory is covered in almost all texts in the corporate finance literatures. Because both of them, this study and this theory are about dividend policy, they are connected to one another because they both deal with dividends. In this instance, the study examines dividend policy and stock price volatility in Deposit Money Banks in Nigeria. Even if the theory cannot explain stock volatility, there is a definite connection that they are related to dividends[102].

2.2.2 The Bird in Hand Theory

According to the "bird-in-hand theory," investors favor dividend payments because "a bird in the hand is worth more than two in the bush" in an unpredictable environment with asymmetrical information. A big dividend will result in a lower cost of capital, which will raise the stock price. There is not much evidence to support this notion. The bird in hand theory[104] is supported by the irrelevance theory's ambiguous nature. In addition to having a direct relationship through dividend, this theory and study also have a relationship through stock price. An increase in volatility suggests a low stock price. And decrease in volatility implies that stock price is high. So, if low dividends increase stock price, it suggests that the prediction of this theory and that of the model for this study oppose each other. This theory proposes ultimate increase in risk leading to reduced price. The theory proposes that in a low dividend paying company, shareholders have high expectation of a company's growth. In the distant future, the outlook for growth will change to uncertainty. The idea contends that dividend policy and stock price volatility are mutually exclusive. Future that is far off is associated with uncertainty. This could serve as the foundation for this notion. The idea suggests significant levels of uncertainty over the long term but low levels in the short term[105].

2.2.3 Signaling Hypothesis Theory

Many studies disagree with the idea that management and investors have complete knowledge of a company because management typically has more accurate and current information about the company than the outside investors. As a result, there is a disconnect between managers and investors, and in order to close it, management uses dividends as a vehicle to share sensitive information with shareholders[106]. The movement of the share price demonstrates that the amount of dividend paid appears to contain significant information about a company's prospects. A dividend rise might be viewed as positive news and promising futures, and vice versa. Even when necessary, the management is hesitant to cut the payout. And only raise the dividend when it's thought that earnings have been rising steadily. The management and investors are fully informed. Numerous studies have since confirmed that this conclusion might not actually be true, leaving a gap that the management attempts to fill with the use of dividend policy.

The information content theory is another name for the signaling hypothesis. According to the concept, dividend payments represent the company's past, present, and potential for profitability. The notion holds that a corporation that distributes dividends communicates that its current and projected profitability performance is favorable. Investors will respond less impulsively to dubious material if they are confident in their viewpoint. There is general agreement among researchers that dividends transmit information, however there is disagreement over the type of information transmitted. As a result, similar hypotheses have been developed. Take cash flow signaling as an example. The cash flow signaling notion states that a company's current cash flow serves as a signal for its future cash flow. It implies that there will be positive future cash flow. This idea illustrates a possible mechanism

through which dividend policy and stock price volatility are related. Here, a model that predicts and explains stock price volatility is used. The model predicts that dividend policy affects stock price volatility. This hypothesis forms a component of the research's theoretical foundation[107].

2.2.4 Gordon Theory

The concept of dividend relevance in determining the market value of shares was introduced by this theory. The Gordon's model is renowned for its use of mathematical formulas to determine the share price of a corporation. The approach converts a company's market value into the present worth of projected dividend streams. Dividends, funding costs, and anticipated growth rates are factors that are considered when calculating a company's market value. The hypothesis claimed that the market value per share of a firm is more strongly influenced by the dividend payout ratio than by the rate of returns or the cost of capital.

It further emphasized the relevance of dividend yield as a good measure of return on equity rather than the future growth rate in dividends. This was based on the fact that future growth rate and capital gains cannot be determined with precision.

The theory, like other earlier identified theories, is based on the following assumptions:

Absence of debt in capital structure of the firm;

Investments are financed through retained earnings, no external financing.

There is no tax.

Absence of business risk.

According to this theory, dividend policy impacts the company in the following circumstances.

If the rate of return is higher than the cost of fund, profits are reinvested for future growth rather than distributing it as a dividend.

If the internal rate of return is same as the cost of the fund, reinvestment of earnings or payment of dividends out of earnings makes no difference.

If the rate of return is lower than the cost of fund, the firm distributes profits in the form of a dividend.

Though this theory has been duly criticized on the strength of the stated assumptions but it has been found out to be the most reliable model for the valuation of the market value of a company. It concurs with the submission of some researchers that dividends play an important role in share price valuation[112]. It is therefore on this premise that this study investigated the interplay of earnings per share, dividend yield, and retention ratio in determining the market value of a bank's shares.

2.3 Review of Empirical Studies

2.3.1 Dividend Policy and Share price Volatility

In related studies, empirical research on dividend policy and its implications on firm value have also been conducted. The study determined how dividends affect share prices. Similar to this, it was seen that earnings and projected dividends had a significant impact on stock prices. They believed that earnings and dividends were frequently the main elements influencing stock returns. The decrease in share price was a result of the dividend reduction. Similar to how market imperfections are the only circumstance under which dividends may affect stock price. However, study observed a negative association between stock prices instability and dividend yield

when he carried out a study on 2,344 firms operating in the United States of America covering period 1967 to 1986. Also, the study observed that dividend policy can only be used as a control mechanism to checkmate volatility in share prices[117].

A research in China on the effect of a cash dividend on share price covering the period 2000-2004. The result showed a positive impact of a cash dividend on the market value of firms. It shows that whenever there is an increase in cash dividend, stock prices also increase proportionately and vice-versa. The study found that the market value of enterprises was considerably impacted by the simple announcement of cash or stock dividends, or a combination of stock and cash dividends. The Karachi Stock Exchange (KSE) provided a sample of fifty-five (55) companies to study the effect of dividend payments on stock market value. They came to the conclusion that factors including dividend yield, earnings per share, return on equity, and profit after tax had a favorable impact on stock prices. They both claimed that retention ratio had a detrimental effect on stock values[118]. A related study observed that size of firms, earnings potential, growth rate, and level of debt are potent factors responsible for changes in stock prices in the United Kingdom.

The size of an enterprise and financial leverage, on the other hand, had a detrimental impact on the share values of companies in allied industries. A related study found no substantial correlation between dividends and stock prices. The impact of dividend announcements on stock prices in Pakistan, focusing particularly on the chemical and pharmaceutical industries the analysis found that neither stock dividends nor earnings per share had any effect on market value. Evidence from Pakistan regarding dividend policy and share price volatility showed a positive relationship between dividend yield and share price but a negative relationship between dividend payout ratio and share price. Additionally, it was found in a study that both dividend yield and

dividend distribution had a detrimental impact on share price volatility[119]. More interestingly, their observation corroborates earlier findings from where they averred that dividends would not have an impact on share prices if the condition of perfect market exists. Nevertheless, the nexus in the literature provides a basis for this research.

Several studies have been conducted on dividend policy by different researchers at different periods. When compared to other variables, the correlation between price volatility and dividend yield is extremely strong. Stock prices are positively impacted by dividend policy. The market for the stock of dividend-paying companies is more liquid, and indicators of a stock's liquidity are positively correlated with that stock's likelihood of paying dividends. Common stock and preferred stock are two different types of dividend stocks. Additionally, he stated that dividends are the result of investment[120].

A dividend is often given to a corporation's owners in cash after being approved by the board of directors. A stock dividend or other types of payment may also be included. An additional share distribution to common investors is known as a stock dividend. Divide dividend income into two parts: dividends or retention. Dividends are the only regular cash payments that firms make to their stockholders. Additionally stated was the fact that they are determined by the board of directors and might range from nothing to pretty much any sum the organization is able to pay. Despite years of theoretical and empirical investigation, there is still debate regarding dividend policy, especially one component of it: the relationship between dividend policy and stock price. Paying large dividends reduces risk and thus influence stock price and a proxy for the future earnings. Dividends are relevant because they have informational value. According to the financial signaling theory, dividends could be utilized as a

communication tool. Share prices are influenced by information rather than dividends itself. The dividend choice is significant to corporations because it determines which money go to investors and which monies are kept by the company for reinvestment[121].

The dividend decision is immaterial because it has no impact on the firm's worth. This result was reached under ideal market circumstances, including no taxes, no transaction costs, perfect competition, and free information. Other academics agree that dividends are important. When there was a strong correlation between dividend policy and the firm's valuation, this was a sign of underinvestment. The decline in investment, the rise in dividend, and the steady debt ratio all helped to raise the firm's worth. They asserted that underinvestment occurs as a result of management's careful selection of only solid investments and its distribution of extra funds to shareholders in the form of dividends. While trying to advance the issue of dividend policy and firm performance investigated the relationship between dividend and company performance. Due to this, research was conducted on two collections of performance measurements based on accounting and financial developments. For a six-year period, 93 companies having the required information were chosen (2004-2009). The experimental results of the study showed a favorable association between economic and accounting performance indices and dividend policy, as well as the fact that accounting performance indicators are better at explaining performance than economic performance indicators. Because of this, the researchers came to the conclusion that dividend policy affects a firm's performance[122].

For the 104 non-financial companies listed on the Dhaka Stock Exchange between 1999 and 2006, there is a correlation between share price volatility and dividend yield that is positive but not significant. For 73 companies listed on the Karachi Stock Exchange (KSE-100 index), the fixed effect and random effect models were used to

examine the impact of corporate dividend policies on stock price volatility. By examining the dividend payout ratio and dividend yield, the researcher discovered that share price volatility has a major impact on the dividend policy. A considerable positive association between a company's dividend payout ratio and share price volatility is also revealed by the empirical research, according to its findings[123].

The impact of dividend policies on the monetary performance of companies listed on the Nairobi Stock Exchange. Over the course of five years, 20 firms were sampled (2010-2014). This finding is consistent with the findings of their study, which examined how the dividend policies of a number of Kenyan public limited companies affected financial performance from 2002 to 2011. The study found that all independent variables had a significant relationship with dividend policy, with the exception of firm size and leverage, which showed a negative effect. The sample consisted of 29 businesses trading on the Nairobi Stock Exchange. Conclusions from their study demonstrated that a company's dividend policy had an effect on its subsequent financial performance. Businesses' investments have an impact on their potential for future profits and dividends. According to this study of 22 Deposit Money Banks listed on the Nigerian Stock Exchange, a bank's performance significantly affects how much of its dividends are paid out. In other words, a bank's dividend distribution level tends to climb as its financial health improves. Nevertheless, Nigerian banks do have a dividend policy that is based on earnings, even though the trend is not very steady and fair. This supports the claim that whereas several earlier empirical research from developed nations have shown the connection between bank performance and dividend distribution, this is not the case in emerging economies like Nigeria[124].

According to the summary of this empirical research, further information regarding the impacts of dividend payment on firm performance in the Nigerian oil and gas sector is required in order to establish the effects of dividend payout ratio on the performance of listed oil and gas firms in Nigeria. Several international studies have examined the connection between dividends and stock prices. According to the data, there is a positive association between dividend distribution and share prices in Nigeria. The findings show that there is no relationship between shareholder dividends and quoted share prices[125]. There is a sizable positive correlation between dividend distribution and share market value. The research supports the existence of a correlation between dividend payout and stock prices. It provides more evidence for the beneficial association between dividend payment announcements and stock prices in Malaysia. The ratio of dividend payments to share market prices is inversely connected. Both the dividend distribution and retained earnings are positively correlated with the share market price. The announcement of a dividend has a positive effect on the share price. However, the study on Jordan's stock market's price volatility and dividend policy found a strong negative link between share price volatility and dividend payout. However, the majority of these researches, particularly those conducted in Nigeria, neglected to examine the dividend policy patterns of the companies over the course of the investigations[126].

Experimental studies allowed us to first understand how Linter's work was incorporated into the effect of dividend policy on stock price. By conducting interviews with 28 senior executives, we were able to learn about the various factors that influence corporate dividend policy and how they affect a firm's market value. His research's findings suggest that dividend payouts are a key component of firm market value. His results show that businesses want to adhere to consistent dividend

distribution rules, and as a result, they must increase their profits. He noted that fluctuations in stock prices and dividend payments represent the actual rewards for stock ownership, and he utilized the dividend discount model to illustrate the connection between payout practices and stock values. He concluded that dividend payout ratio is one of the single most determinants of stock prices[127]. The dividend payout policies of Kenyan publicly traded companies showed that one of the reasons companies pay dividends is a lack of investment opportunities that promise sufficient returns or higher returns than what shareholders would have received had dividends been paid instead of allowing them to make investments on their own. It was established how the dividend policy affected shareholders' wealth for companies listed on the NSE between 2017 and 2021. It was also found that shareholders' preferences for distributions differed from Bank to Bank. Furthermore, they demonstrated that dividend payments and stock prices had a poor association[128].

Furthermore, according to the empirical findings, the majority of those surveyed thought that the dividend policy of banks affected their worth. The impact of dividend policy on the value of Banks listed at the NSE throughout the period of 2017 to 2021 demonstrated the applicability of dividend policy. I found that there is a dividend policy that is ideal. However, there was a strong correlation between the NSE quoted bank valuations and dividend policy, indicating that the value of the banks was also influenced by other variables such as investment and financing choices.The tax differential theory, which improved thinking about the variables that might affect the dividend policy of Nigerian firms and its impact on stock price and company value, led to the conclusion that dividend policy in this study was negatively correlated with firm values. The results of their analysis revealed that Nigerian stockholders don't pretend to utilize their shares for something else. To provide the impression that they

are respectable, they disregard bank loans and purchase shares. Additionally, it was revealed by their research that there is no connection between dividend payments, net income, and stock price. Nigerian companies distribute dividends to their shareholders with little thought for the extent to which they would satisfy their shareholders[129].

The causes of stock price changes in order to define the factors that influence stock prices. They said that since stock prices are extremely consistent but actual dividend growth and excess returns are not, there is a fundamental issue with determining the reason of stock price changes. They claimed that, depending on the assumptions made on the existence of long-term changes in either real dividend growth or excess stock returns, the decomposition of stock price movements is extremely sensitive. Real dividend growth was found to have a greater impact on stock price fluctuations than excess returns when they permitted real dividend growth to have a permanent component but just a temporary one. But when surplus returns were allowed to have a permanent component, this phenomenon was stopped in its tracks. The impact of fundamental variables on the stock price of manufacturing companies listed on the Bombay Stock Exchange. The study found that the engineering industry's book value and earnings ratio, as well as the cotton textile industry's book value and size, the chemical industry's price-earnings ratio and return on capital employed, the electrical industry's dividend, earnings, and price-earningratio, and the miscellaneous industry's book value per share, payout, and price-earning ratio, are significant share price determinants.

An empirical research of the effect of dividend policy on shareholders' wealth in Indian organic and inorganic chemical companies from 1996 to 2006 found that, whereas in organic chemical companies, dividend policy had no discernible effect on shareholders' wealth, it had a considerable influence on it. Due to owners' preference

for present dividends over future income, they found that larger dividends raised the market value of shares while smaller dividends decreased it. Additionally, they noted that the dividend's payment demonstrates the company's strong earning potential because it has informational substance. For the years 2000–2004 in China, the effect of cash dividends on share price,it was observed that cash dividends significantly increase stock values. When cash dividends grow, stock prices likewise rise, and when cash dividends decline, share prices fall[130].

The findings also showed that the size, debt level, growth rate, and profitability of the company had an impact on the UK stock prices. According to a study on the Nairobi Securities Exchange's ex-dividend day stock price behavior, which covered the stock prices of the 20 companies that made up of the Nairobi Stock Exchange share index as of September 2010, the ex-dividend daily behavior of stocks that traded at the Nairobi Stock Exchange during the study period suggested distinct behaviors that required further research. On average, nevertheless, stock values fell on the ex-dividend daily. There is a significant correlation between dividend policy and business performance, according to their nine-year study from 2002 to 2010 on the link between dividend distribution and firm performance for firms listed at the NSE. As a result, they came to the conclusion that dividend policy matters significantly and therefore influences business performance. Additionally, they discovered that cash dividends were the most widely employed type of payout among Kenyan listed firms and that total assets and sales are other elements that influence company success. There was a link between dividend policy and share prices, according to the results of another study.It was discovered throughout the study that dividend policies of corporations had an effect on the market value of shares even in a perfect capital market. The study added that investors could choose current dividends above potential

capital gains in the future. This is due to the uncertainty of future business conditions, which exists even in ideal capital markets. Furthermore, the study found that dividend policy and share prices were directly correlated, even when internal and expected rates of return were equal. The study's results ran counter to those of earlier research[131].

A study on opinions of the factors influencing share price changes in the banking industry of the Karachi Stock Exchange, which sampled 15 banks throughout the years 2008 to 2011. He learned from the study that the dynamics of supply and demand directly affect share prices. But other firm-, industry-, and country-specific variables also have an impact on share prices, in addition to the dynamics of supply and demand. He also proved that the quantity of stocks exchanged had a big impact on pricing. Effect of dividend policy on share price with a focus on 61 companies listed on the Nairobi Stock Exchange.For this, a sample of 38 domestic and international corporations was chosen, and over the course of 10 years, from 2003 to 2012, multiple regression was used to assess the impact of profits per share and dividend payment ratio on market price per share. In this analysis, the two key indicators of dividend policy—earnings per share and dividend payment ratio—were significantly positively correlated with market price per share. She came to the conclusion that dividend policy has a major impact on share price, but that local enterprises are not significantly affected[132].

In the dividend policy research, the association between dividend policy and stock price risk is investigated. The risk will be reduced as a result of raising dividends, which will also reduce the cost of capital and ultimately drive up the price of the company's shares. They substitute several accounting variables for accounting measures of risk. The results may differ for an accounting measure of risk, but the

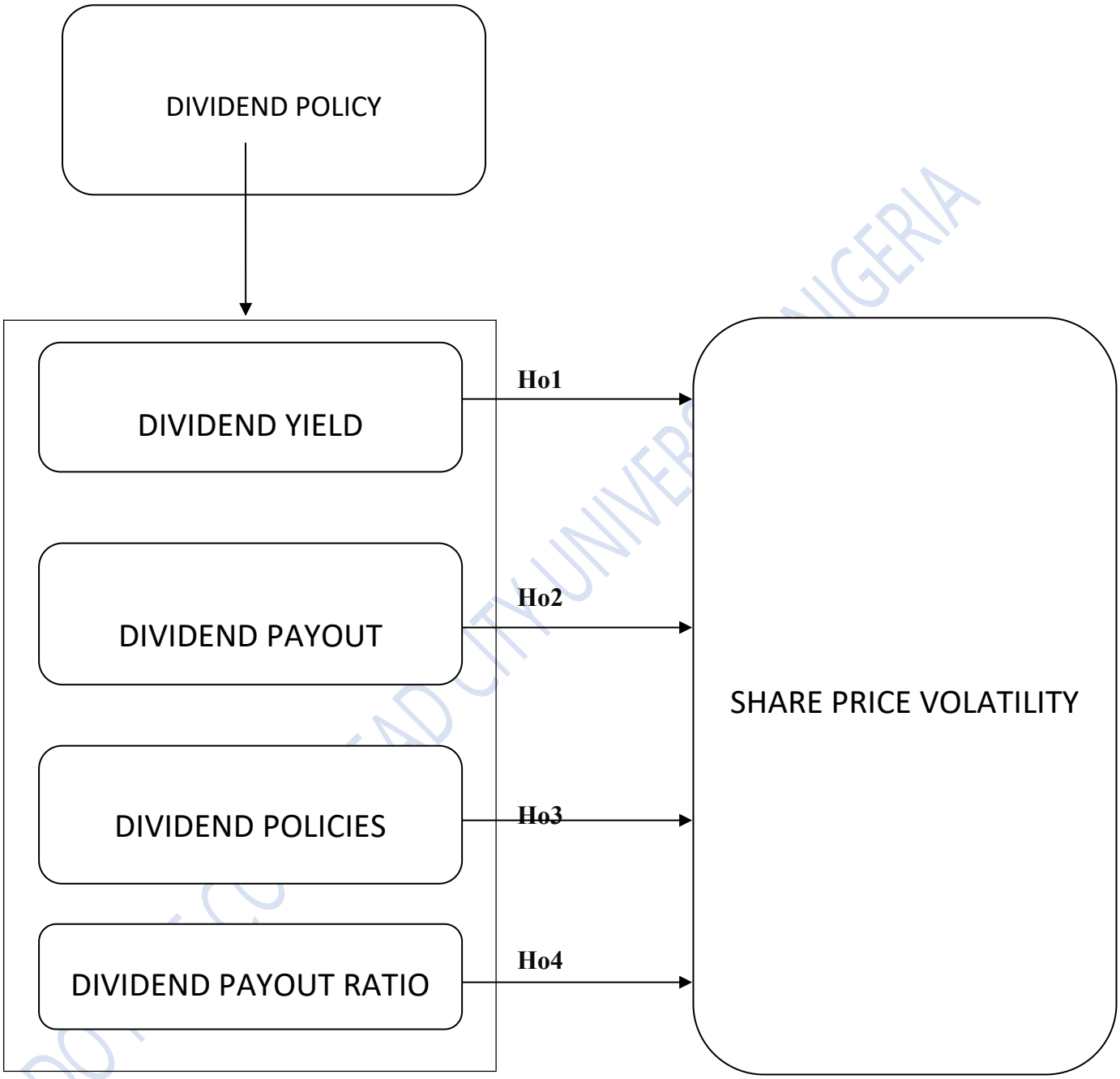
measurements are often accurate since certain proxies may be near replacements when employed as measures of a variable. The results demonstrated that market risk is confined by accounting risk. Factors that affect equity risk The results show that leverage is positively correlated with company risk, whereas dividends and size are inversely correlated with firm risk when utilizing firm size, leverage, and dividend histories as predictors of equity risk. These results are in line with the hypothesis on the relationship between firm risk and business size, leverage, and dividends. In this strategy, systematic risk is proxy by stock price volatility, which simplifies the testing of the models. It is essential to notice that the systemic danger is the cause for concern. a link between dividend policy and stock return volatility that is unfavorable. The stock market concurs with the models of dividend policy in terms of stock return volatility. There is no evidence of an influence on stock return from the dividend and payout ratios. The indicators indicate the connection between dividend policy and stock return volatility only one in Nigeria that examines the relationship between dividend policy and stock return volatility. They discover that the payout ratio has a considerable positive influence on stock return volatility, whereas dividend yield has a big negative impact. Using yearly regressions, determine the effect of the dividend policy on the volatility of stock returns. It is undeniably subjective to use this method. Using those data to inform policy decisions might be quite misleading[133].

In common law countries, with legal systems that protect investors, shareholders are able to force managers to pay out free cash flow, whereas they cannot do this in civil law countries. The researcher examined pay-out policies using cross-sectional data for 4000 plus companies from 33 countries, during the single year 1995, and find strong support for the agency cost model. Dividends are economically and statistically significantly higher in common law countries.

Second, using data from 1989 to 2002, analyze the dividend practices of corporations with headquarters in six significant nations. They research the US, UK, Canada, France, Germany, and Japan; they find that all six of these nations have diminishing propensities to pay. Additionally, these writers investigate whether the patterns that wasseen are consistent with either the catering theory or the agency cost model of dividend payments. They discover that development prospects are inversely correlated with inclination to pay in common law nations but favorably correlated in civil law nations, and they draw the conclusion that this favors the agency cost model over the catering hypothesis.

Additionally, a small fraction of the empirical privatization literature examines how shifts in ownership impact dividend payer propensities. Formerly state-owned companies frequently pay significantly bigger dividends than they did when they were still state-owned after their initial share issuance is privatized. After the initial, partial privatization, corporations often begin paying dividends. Given the size and importance of many privatized organizations, this predisposition to start dividend payments appears to have a bell-weather effect on other businesses in the national market, even if it is unclear whether privatized corporations employ national or global pay-out criteria. We plan to examine how privatization impacts dividends in a subsequent inquiry[134].

2.4 Conceptual Model



SOURCE: THE RESEARCHER

The conceptual framework explains the connections among variables that are summed up in order to give a vivid picture of an idea being portrayed in this research work. Also it is

arranged in such way as to provide a visual display of how variables in this research work are related.

2.5 Summary of Literature Review

Particularly with the publication of the dividend irrelevance hypothesis of M&M, the dividend policy literature has generated a sizable body of theoretical and empirical study. After decades of study, there is still no universal agreement, and even when discussing the same scientific data, academics frequently differ. According to M&M, in ideal capital markets, a company's value is unrelated to its dividend payout schedule.Taxes, transaction costs, information asymmetry, agency issues, and other market imperfections do exist, though, and these market imperfections have served as the foundation for the development of a number of dividend policy theories, including tax-preference, clientele effects, signaling, and agency costs. To demonstrate the misinterpretation of dividend payout policy, use "The Dividend Puzzle." His claim that "The more we look at the dividend picture, the more it appears like a puzzle with pieces that just don't fit together" illustrates the lack of agreement on the subject of dividends".

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Chapter Three

Methodology

This chapter contains the research procedures in this study which include; the research design, population of the study, sample and sampling techniques, method of data collection and method of data analysis.

3.1 Research Design

The study usedEx post facto design approach and a panel data type created from the annual reports of the Deposit Money Banks (DMB) that were selected for the investigation. For the analysis, Ten DMBs were selected with a focus on the most recent five (5) years of data from the annual records of Central bank Of Nigeria (CBN), and Nigerian Stock Exchange (NSE) are taken into consideration. Dividend policy is the independent variable and share price volatility is the dependent variable in the regression, which is estimated using the strata version[1].

3.2 Population of the Study

The population of the study included DMBs (twenty two) listed on the Nigeria Stock Exchange (NSE) which was chosen as the study's entire population.

3.3 Sample and Sampling Techniques

Because of time constraints, the researcher focused specifically on the banks that were listed as of January 2021 and for which data about them could be easily accessed.

Normally, all banks registered on the Nigeria Stock Exchange made up the study's sample. Access Bank Plc, Ecobank Plc, United Bank of Africa Plc, Zenith Bank Plc, Guaranty Trust Bank Plc, Standard Chartered Bank Plc, Fidelity Bank Plc, First Bank Plc, Union Bank Plc, and Sterling Bank Plc are a few examples. In this study, Ten (10)

participants were selected using purposive sampling selection and simple random sampling (See Appendix 2) out of the twenty-two (22) banks listed on the Nigeria Stock Exchange. And the justification can be detailed as follows:

There are 22 banks listed on the Nigerian Stock Exchange, which is the population size. Statistically, it is wise to select some banks (sample) as representative of the population rather than working with all the banks (population). The sample size cannot be picked arbitrarily, it has to be done scientifically. Thus, there is a need to estimate the sample size statistically. It is assumed that the characteristic of interest is found in 50% of the banks and the distribution is approximation of binomial to normal distribution, and the confidence level is 95%.

Sample Size Determination;

In this study the confidence interval for the mean is given by

$$\mu = \bar{x} \pm Z_{\alpha/2}\frac{\sigma}{\sqrt{n}}$$

where μ is the population mean, $\bar{x}$ the sample mean, σ is the standard deviation of the population, $Z_{\alpha/2}$ is the value of the standard normal distribution at a particular level of significance (α), and *n* is the sample size.

Taking $Z_{\alpha/2}\frac{\sigma}{\sqrt{n}} = \frac{W}{2}$ as the margin of error.

$$W = Z_{\alpha/2}\frac{\sigma}{\sqrt{n}}$$

Making *n* the subject of formula gives

$$n = \frac{4Z_{\alpha/2}^2\sigma^2}{W^2}$$

At 95% confidence interval, the value of $Z_{\alpha/2} = Z_{0.025} = 1.96$. (Note: α = 1 – 95% = 0.05)

The population variance is given by $\sigma = NP(1-P)$

N is the population size and *P* is the proportion of characteristic of interest assumed to be 0.5.

W is the margin of error which should be assumed by the researcher, while n is the sample size to be estimated.

For this research, $N = 22$, $W = 2.95$, $P = 0.5$. So that $\sigma = 22 \times 0.5(1 - 0.5) = 5.5$

The estimated sample size is

$$n = \frac{4 \times 1.96^2 \times 5.5^2}{2.95^2}$$

$$n = 9.7116$$

$$n \approx 10$$

Thus, the sample size to be used for this study is 10.

In light of the aforementioned explanation, the choice of the banks for this study was mostly based on the data's accessibility, their industrial norms, and the need for consistency and straightforward comparison. In addition, the current analysis concentrates on listed Nigerian banks that have been granted valid licenses by the Central Bank of Nigeria (CBN).

3.4 Method of Data Collection

The listed Nigerian DMBs' financial statements were taken in form of secondary source and were used to get information on dividend policy and banks' share prices. The study analyzed panel data created from DMBs' financial records for a 5-year period, from 2017 to 2021 in Nigeria. The justification for this period was drawn from the fact that Covid 19 was ravaging the world economy like wild fire in the bush, and as such there was an unprecedented economic meltdown all over the world in which stock prices stumble to the lowest ebb, even beyond widest imagination of innumerable investors all over the world, and deposit money Banks were not left out in this unfovourable economic scenario. As a result of this the researcher decided to concentrate on this period of economic meltdown so as to carryout empirical study that produce unique result that will assist current and future researchers on this field. The Nigeria Stock Exchange fact book is where these financial statements were found. All publicly traded firms' statement of financial positions, income statements, financial

ratios, and other pertinent data are included in the NSE data. The Nigeria Statistical Service also made available relevant information in respect of the research work. To help with the study, other pertinent data, such as the minimum requirement for capital adequacy was also taken from the CBN. To gather further information on the Banks, the author studied textbooks, periodicals, magazines, and the Banks bulletins.

Panel Data:The study uses a panel study design and a longitudinal time dimension. In a panel study, a potent kind of longitudinal research, the researcher keeps track of the same individuals, group, or organization over the course of several time points[2]. This indicates that the panel research design aids in identifying traits of precise organizations over time. Additionally, this research design aids in capturing dynamic modifications.

Econometric model determination:A panel data regression analysis is used in the investigation. This is due to the fact that the data set includes observations of various variables made throughout a variety of time periods. Panel data therefore combines cross sectional and time series data. It gives the researcher the freedom to model variations in behavior across people and businesses. Additionally, it is suited for this study due to its capacity to account for heterogeneity issues or individual effects in cross-sectional data and provide more illuminating information. Because each variable has a double subscript, the panel regression equation differs from a typical time-series or cross-section regression. The general form of the panel data model is specified as:

$$yi,=\alpha+ \beta Xi,t+ \varepsilon i,t \textbf{(1)}$$

The cross-sectional dimension is indicated by the subscript I while the time-series dimension is shown by the subscript t. The model's independent variable, denoted by

the left-hand variable y, is the dividend policy of banks listed on the Nigerian Stock Exchange, while the dependent variable, denoted by the right-hand variable x, represents share price volatility. The explanatory variables in the estimation model are assumed to be constant over time t and unique to the particular cross-sectional unit *i*.

Measurement of Variables: The study employed one performance metric to assess how the dividend policy affected the Banks' share price volatility. As indices of financial performance, use accounting-based standards (Return on Assets-ROA and Return on Equity- ROE) [3]. On the other hand, used Tobin's q, a market-based performance metric [4]. Tobin's q was used to help in the endeavor to assess the consistency of the results. The study's dependent and independent variables are listed below:

Table 3.1 Variables, Measurement and Symbols used to Represent them

Variable	**Measurement**	**Symbol**
Share Prices,	Market price per share	MKTPS
Dividend Payout Ratio,Dyield/EPS		POR
Dividend Yield,	DPS/MKTPS	Dyield
Dividend policy of DMBs in Nigeria	Distributed Dividend/Number of Shares	DPS
CONTROL VARIABLES		
Capital adequacy	Ratio of capital to liabilities	CAR

Size of firm (SIZE)	Natural logarithm of total assets	SIZE
Growth	Growth in sales	GRTH
Age	Age of listing since IPO	LTNAGE
Leverage (LEVERAGE)	The ratio of total liabilities to total assets	LEV
Inflation	Nigeria Statiscal Service	INFL
CEO duality	Dummy	CEODUAL

Source: Researcher, 2022

The table 3.1 above specifies the various variables, description and associated symbols used to represent each of them.

The model is thus specified as follows:

$$ROE_{i,t} = \alpha + \beta 1DPS_{i,t} + \beta 2SIZE_{i,t} + \beta 3GRTH_{i,t} + \beta 4LEV_{i,t} + \beta 5CAR_{i,t} + \beta 6\ INFL_{i,t} + \beta 7LTNAGE_{i,t} + \beta 8CEODUAL_{i,t} + \varepsilon_{i,t} \quad \ldots\ldots\ldots\ldots\ (1)$$

$$TOBIN'S\ Q_{i,t} = \alpha + \beta 1DPS_{i,t} + \beta 2SIZE_{i,t} + \beta 3GRTH_{i,t} + \beta 4LEV_{i,t} + \beta 5CAR_{i,t} + \beta 6INFL_{i,t} + \beta 7LTNAGE_{i,t} + \beta 8CEODUAL_{i,t} + \varepsilon_{i,t} \quad \ldots\ldots\ldots\ldots\ldots\ (2)$$

Where, α is constant, $\beta 1$, $\beta 2$, $\beta 3$, $\beta 4$, $\beta 5$, $\beta 6$ $\beta 7$ & $\beta 8$ are coefficients of variables, ε is error term.

Dependent variable:Share price volatility serves as the study's dependent variable. However, the study also employs TOBIN'S q as a stand-in for the ratio of market-based metrics as a robustness check. The market value of equity divided by the book value of equity is known as the q

Independent variable:Dividend per share is the explanatory variable for the dividend policy variable.

Control variables: Control variables are incorporated into the model to account for the flow of control and to examine the relative influence of independent variables. Size, growth, enough capital, inflation, CEO duality, leverage, and the age of the bank's listing since its initial public offering are a few of the control factors that are included.

Size: As businesses expand, they mature, get access to the financial market, and rely less on internally produced cash, which enables them to increase dividend payments. Because they may benefit from economies of scale or size in their operations, larger financial institutions generally incur lower transaction costs than smaller ones. As a result, it was anticipated that a bank's size would improve its performance. To account for size variations among the sample DMBs, the logarithm of total assets is used as a proxy for company size (SIZE).

Growth: Investment possibilities exist for financial institutions in the growth phase, but in order to finance these chances with internally generated revenues, financial institutions must keep more cash and pay very little or no dividend. The pecking order idea is being supported by these facts. The growth in income has been set as a control variable which is expected to have a positive impact on banks ROE. Mature financial institutions are likely to be in low growth phases and less attractive investment opportunities.

Inflation: Since DMBs find it more advantageous to hold onto earnings during times of inflation than to share them, there appears to be a general negative correlation between profitability and inflation. Financial institutions that have relatively constant earnings can anticipate their future earnings with ease. Upon observing any changes in the inflation rates, inflation can also result in an increase in business profitability. DMBs are more inclined to change their interest rates accordingly to avoid becoming inconvenient. Therefore, it is anticipated that inflation would affect the performance of DMBs.

Leverage: High debt means that businesses must pay high interest costs, which will result in poor net income and, consequently, lower profits for shareholders. The finance and investment plans, particularly in the case of highly leveraged corporations, may suffer from dividend payments to shareholders. High leveraged financial institutions have riskier and more fluctuating earnings, which result in lower dividend payments. Low dividend payments are typical for highly indebted organisations in an effort to lower the cost of obtaining external financing. The opposite is accurate. As a result, it is anticipated that leverage and banks ROE would have a negative correlation.

CEO duality:The existence of CEO duality is more likely to lead to conflicts of interest in the organization, which are inevitably more likely to have a negative performance impact; hence there is often an inverse link between CEO duality and profitability. When a business must make a speedy choice without the option of excessively consulting with bureaucrats, the presence of duality can also benefit the enterprise. Since CEO duality and dividend policy are somewhat related.

Capital adequacy: One of the characteristics unique to banks that affect how profitable a bank is capital. The amount of capital that is available to support the bank's operations and serve as a safety net in difficult circumstances is known as own funds. Due to the fragility and susceptibility of deposits to bank runs, bank capital helps to generate liquidity for the bank. More bank capital also lessens the likelihood of hardship. The bank's resistance to crises is closely correlated with its capital adequacy ratio. As a result, it is anticipated that capital sufficiency and profitability would be favorably connected (ROE).

Age:Age of listing following Initial Public Offering (IPO) is also taken into account because it is said to directly affect a financial institutions' profitability. This is due to the fact that as businesses climb on age ladder, they gain expertise in their business

procedures, which makes them more likely to reduce expenses in order to enhance profit, everything else being equal. Age is therefore anticipated to have a favorable effect on banks ROE.

Dividend Policy: The primary predictor of this study's outcome is dividend policy. It displays the financial institutions capacity to pay dividends consistently or sporadically across the examined time period. In general, when DMBs pay investors annual dividends, it controls the activities of management so as they can perform favorably in order to maintain the policy. They can thus decide to increase the dividend payment policy, keep it stable, or decide not to pay any dividends. The performance of financial institutions that adopt regular dividend policies is more likely to improve in the short term than that of others that adopt irregular dividend policies, which typically improve performance in the long run due to the investments made by these financial institutions, leaving them with fund to carry out such deserving projects. On this premise, dividend policy may be deemed to either positively or negatively affect DMBs' share price depending on the time horizon.

Table 3.2 Show the List of Variables which the Researcher has used in the Regression Analysis.

Variable	**Definition**	**Source**	**Expected sign**
Growth	Growth in sales revenue	Annual report	+
Size of bank	Logarithm of total assets	Annual report	+
Capital adequacy	Capital to total assets	Annual report	+
CEO duality	Dummy, 1= presence 0=absence	Annual report	-/+
Inflation	Inflation rate in percentage	Nigeria statistical service	-/+
Leverage	Total debt to capital	Annual report	-

	employed		
Age of listing	Ltnage since Initial Public Offering (IPO)	Annual report	+
dividend per share	Dividend paid / number of shares issued outstanding	Annual report	+/ -

Source: Researcher, 2022

Based on the foregoing, the conceptual framework for the current study has been developed. The model which has taken control of other factors is more likely to have an impact on DMBs' dividend policy, which illustrates diagrammatically how dividend policy influences share price volatility.

3.5 Method of Data Analysis

To aid in the study and assessment of the acquired data, financial analytical tools and techniques were applied utilizing some statement of financial position and income statement items to construct financial ratios such as liquidity and profitability ratios. To identify the relationships of the study, the data were evaluated in accordance with its key goals using descriptive statistics. While inferential statistics was used to test the hypotheses in order to establish the relationship among the variables and the Dividend policy of DMBs on the Nigerian stock market.In this case, the hypotheses were tested using ordinary least square regression (E-view version) which was properly analyzed, and suggestions were made. The entire research project, including the provided suggestions, served as the study's conclusion.

Endnotes

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Chapter Four

Result and Discussion of Findings

The study's findings were presented, evaluated, and analyzed in this chapter using information from the Daily Official List of the Nigerian Stock Exchange and the annual reports of DMBs. The gathered information was sorted and put to use in order to test the hypotheses. Deductions and logical inferences were drawn from the investigation and outcomes.

All the variables' descriptive statistics were also shown and examined. Share price volatility serve as the dependent variable for the study while dividend yield, earnings yield, and payout ratio serve as sub variables under the independent variables which is dividend policy. The sample size was determined using simple random sampling of the total population during which Ten DMBs (Pls, see appendix 2) were chosen out of the Twenty Two DMBs that made up the total population of the study.

4.1 Data Analysis

The descriptive statistic from our model provides the foundation for the analysis. Table 4.1 provides an explanation of how our model proxies behave (see, appendix3)

Table 4.1 Descriptive Statistics

	SP	DYIELD	EYIELD	POR	MCONC	BKSIZE
Mean	11.29757	0.112908	1.406051	0.51703	0.051349	11.55165
Median	7.841667	0.033094	0.086538	0.420543	0.040665	11.64757
Maximum	40.97333	4.895928	35.11007	3.512987	0.19502	12.29165
Minimum	1.0675	0	-4.54615	-0.375	0.000689	8.792252
Std. Dev.	9.599503	0.518952	4.945637	0.655808	0.043299	0.545499
Skewness	1.402819	8.628409	4.618286	2.424382	1.431634	-2.5965

Kurtosis	4.406538	79.41197	27.34995	10.63621	4.456504	13.62981
Jarque-Bera	38.16856	23779.27	2628.157	313.6517	39.98886	542.345
Probability	0	0	0	0	0	0
Observations	93	93	93	93	93	93

Source: Researcher, 2022

Note:

SP = Stock/Share Price

Dyield = Dividend Yield

Eyield = Earnings Yield

Por = Payout Ratio

Mconc = Market Concentration

Bksize = Bank Size

The twenty two (22)Deposit Money Banks'(DMBs) stock prices between 2017 and 2021 had a mean value of N11.29k and a median value of N7.84k, as indicated in tables 4.1 above. According to table 4.1, First Bank Nigeria Plc had the highest yearly stock prices over the duration of this study. The lowest annual stock price for Unity Bank Plc was N1.07k in 2020, whereas First Bank Nigeria Plc's was N40.97k in 2017. Generally speaking, over the study's time period, the stock values of Nigerian DMBs rose gradually. Table 4.1 shows that there was a positive skewness of stock prices (1.40), which indicates that the degree of deviation from symmetry of a distribution was positive. Additionally, the Kurtosis value of 4.40> 3, which is the normal value, showed that the degrees of peakedness of stock prices during the study period were normally distributed as it tends to hover around the mean.Table 4.1 shows that between 2017 and 2021, the 22DMBs in Nigeria had a mean dividend yield of 0.11%,

with a median of 0.03%. Zenith Bank Nigerian Plc had the highest dividend yield of 4.90% within the time frame of this research in 2021. The overall dividend yield of DMBs in Nigeria over the research period exhibited a constant growth over time. Table 4.1 shows that the dividend yield had a positive skewness of 8.62, indicating a positive degree of departure from symmetry. Additionally, the dividend yield's kurtosis value of 79.41> 3, which is the normal value, showed that the dividend yield's peak levels during the study period were normally distributed because they tended to float around the mean.

Table 4.1 shows that from 2017 to 2021, the mean earnings yield of the 22 Nigerian DMBs was 1.41%, while the median was 0.09%. In the time frame covered by this study, Access Bank Nigerian Plc produced the highest earnings yield (94.18%), while Union Bank recorded the lowest earnings yield (-2.11%). Over the course of the investigation, the overall earnings yield of Nigerian DMBs consistently increased.As shown in table 4.1, there was a positive skewness of earnings yield (4.61), indicating that the degree of departure from symmetry of a distribution was positive. Additionally, the Kurtosis value of 27.34> 3, which is the normal value, revealed that the degrees of earnings yield peakedness within the period of this study were normally distributed as it tends to hover around the mean.

As shown in table 4.1, there was a positive skewness of earnings yield (4.59), indicating that the degree of departure from symmetry of a distribution was positive. Additionally, the Kurtosis value of 27.34> 3, which is the normal value, revealed that the degrees of earnings yield peakedness within the period of this study were normally distributed as it tends to hover around the mean. As shown in table 4.1, there was a positive skewness of earnings yield (1.41) indicating that the degree of departure from symmetry of a distribution was positive. Additionally, the Kurtosis

value of 27.34> 3, which is the normal value, revealed that the degrees of payout ratio peaking during the study period were normally distributed as it tends to float around the mean.

Table 4.1's data on the control variables showed that, between 2017 and 2021, the 22DMBs in Nigeria had a mean market concentration of N0.05k and a median of N0.04k. First Bank Nigerian Plc achieved the highest market concentration of N0.195k during the research period, while Fidelity Bank Nigeria Plc recorded the lowest market concentration in 2019. (N0.0007k). Overall, across the study's time frame, there was a constant rise in the market concentration of Nigerian DMBs. As seen in table 4.1,Market concentration had a positive skewness of 1.43, indicating that the degree of deviation from symmetry of the distribution was positive. Additionally, the Kurtosis value of 4.45> 3, which is the normal value, revealed that the market concentration ratios during the study period were normally distributed because they tended to peak around the mean.

Last but not the least, table 4.1 showed that between 2017 and 2021, the 22DMBs in Nigeria had a mean bank size ratio of N11.55k and a median of N11.65k. First Bank Nigerian Plc had the greatest bank size ratio during the research period, with a value of N12.29k, while the bank with the lowest bank size ratio was noted in 2017. The overall bank size ratio of Nigerian DMBs over the study's time frame did not consistently grow. Table 4.1 shows that there was a negative skewness of bank size ratio (-2.59), which indicates that the degree of departure from symmetry of a distribution was negative. Additionally, the Kurtosis value of 13.62> 3, which is the normal value, showed that the degrees of bank size ratio peakedness within the period of this study were normally distributed as it tends to hover around the mean.

4.2. Presentation of Data

The Data was presented in the form of hypotheses testing. The hypotheses were further presented in both null and alternate forms. The regression findings were examined as follows:

Hypothesis one

Restatement of Hypothesis in Null and Alternate form:

Ho_1: Dividend yield does not have any significant impact on stock price volatility of DMBs in Nigeria

Analysis of Regression Result

Table 4.2 Regression Result of Hypothesis One

Independent Variable: DivPolicy, Dependent variable: Share Price Volatility				
Method: Least Squares				
Included observations: 10				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
DYIELD	-3.365192	1.575960	-2.135328	0.0355
MCONC	-112.1061	19.18778	-5.842579	0.0000
BKSIZE	3.620401	1.520690	2.380762	0.0194
C	-24.38751	17.80417	-1.369764	0.1742
R-squared	0.759063	Mean dependent var		11.29757
Adjusted R-squared	0.637458	S.D. dependent var		9.599502
S.E. of regression	7.813677	Akaike info criterion		6.991687
Sum squared resid	5433.766	Schwarz criterion		7.100616
Log likelihood	-321.1134	F-statistic		16.61970
Durbin-Watson stat	1.449165	Prob(F-statistic)		0.000000

Source: Researcher, 2022

Table 4.2 shows that the influence of dividend yield on DMBs stock prices in Nigeria was negative and significant (coefficient of yield = -3.365; p-value = 0.035). Additionally, for the control variables, market concentration of specific Nigerian DMBs had a detrimental and significant impact on stock prices of those banks (coefficient of Mconc = -112.106; p-value = 0.000), while bank size had a favorable and significant impact on stock prices of those banks (coefficient of Bksize = 3.620; p-value 0.019).R-(R2) square's coefficient of determination, which gauges how well the model fits the data, shows that fluctuations in the independent variable accounted for 75.9% of the variations in the dependent variable. This was modified by the Adjusted R-Square to 63.7%, showing that fluctuations in the independent variable adequately explained the dependent variable.

Table 4.2 presents the regression results

Decision:

The null hypothesis is accepted while the alternative hypothesis is rejected based on the outcome of the hypothesis test. Therefore, dividend yield has no discernible effect on the stock price volatility of Nigerian DMBs. This is consistent with DeAngelo's writings.

Hypothesis Two

Restatement of Hypothesis in Null and Alternate form:

Ho_2: Dividend payout ratio does not have any significant impact on stock price volatility of Nigerian DMBs.

Analysis of Regression Result

Table 4.3 Regression Result of Hypothesis Two

Independent Variable: Div Policy, Dependent Variable: Share Price Volatility				
Method: Least Squares				
Included observations: 10				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
EYIELD	-0.331065	0.165221	-2.003771	0.0481
MCONC	-108.4813	19.18598	-5.654195	0.0000
BKSIZE	3.842394	1.522954	2.522988	0.0134
C	-27.05250	17.81388	-1.518619	0.1324
R-squared	0.734310	Mean dependent var		11.29757
Adjusted R-squared	0.673245	S.D. dependent var		9.599502
S.E. of regression	7.836515	Akaike info criterion		6.997524
Sum squared resid	5465.576	Schwarz criterion		7.106453
Log likelihood	-321.3849	F-statistic		16.35031
Durbin-Watson stat	1.147148	Prob(F-statistic)		0.000000

Source: Researcher, 2022

As revealed from table 4.3, earnings yield had negative and significant impact on DMBs stock prices in Nigeria (coefficient of Eyield = -0.331; p-value = 0.048). Also, for the control variables, market concentration of Nigerian DMBs had negative and significant impact on stock prices of Nigerian DMBs (coefficient of Mconc = -108.481; p-value = 0.000), while bank size had positive and significant impact on stock prices of Nigerian DMBs (coefficient of Bank size = 3.842; p-value 0.013). The coefficient of determination which measures the goodness fit of the model as revealed by R-square (R^2) indicates that 73.4% of the variations observed in the dependent variable were explained by variations in the independent variable. This was adjusted by the Adjusted R-Square to 67.3%, indicating that the variation in the dependent variables was succinctly explained by variations in the independent variable.

Decision:

Based on the result of the hypothesis tested, the null hypothesis is accepted while the alternate hypothesis rejected. Thus, dividend payout ratio does not have any significant impact on stock price volatility of Nigerian DMBs. This is in line with the works of Compsey and Brigham.

Hypothesis Three

H_{03}: There is no significant difference between the patterns of dividend policies among selected DMBsin Nigeria

Analysis of Regression Result

Table 4.4 Regression Result of Hypothesis Three

Independent Variable: Div. Policy, Dependent Variable: Share Price Volatility				
Method: Least Squares				
Included observations: 10				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
POR	-1.411019	1.269427	-1.111540	0.2693
MCONC	-107.7532	19.50537	-5.524283	0.0000
BKSIZE	3.841548	1.546538	2.483966	0.0149
C	-26.82391	18.08687	-1.483060	0.1416
R-squared	0.823545	Mean dependent var		11.29757
Adjusted R-squared	0.713051	S.D. dependent var		9.599502
S.E. of regression	7.956296	Akaike info criterion		7.027863
Sum squared resid	5633.935	Schwarz criterion		7.136792
Log likelihood	-322.7956	F-statistic		14.97518
Durbin-Watson stat	1.183245	Prob(F-statistic)		0.000000

Source: Researcher, 2022

As revealed from table 4.4, dividend payout ratio had negative and non-significant impact on DMBs' stock prices in Nigeria (coefficient of Por = -1.411; p-value = 0.269). Also, for the control variables, market concentration of DMBs,While bank size had a favorable and substantial influence on the stock prices of Nigerian DMBs (coefficient of Bksize = 3.842; p-value 0.015), Market concentration had a negative and significant impact on the stock prices of Nigerian DMBs (coefficient of Mconc = -107.753; p-value = 0.000). R-(R2) square's coefficient of determination, which gauges the model's quality of fit, shows that fluctuations in the independent variable accounted for 82.3% of the variations in the dependent variable. The Adjusted R-Square changed this to 71.3%, showing that fluctuations in the dependent variable accounted for 71.3% of the variance.

Decision

Based on the result of the hypothesis tested, the null hypothesis is accepted while the alternate hypothesis rejected. Thus, there is no significant difference between the patterns of dividend policies among selected DMBs in Nigeria. This is in line with the works of Baker and Powel.

Hypothesis Four

Restatement of Hypothesis in Null and Alternate form:

H_{04}: There is no relationship between dividend payout ratio and price volatility in Nigeria's Stock Market.

Analysis of Regression Result

spvit = α +β1dpsit + β2dprit + β3dyit + β4 levit + εit

Where Spv = Share Price Volatility.

$x1 = DividendPershare\ (DPS)$.

$x2 = DividendPayoutRatio\ (DPR)$.

$x3 = DividendYield\ (DY)$.

$x4 = FinancialLeverage\ (LeV)$.

Table 4.5 Descriptive statistics of dividend policy and share Price volatility.

Variables	Mean	Maximum	Minimum	Std. Dev.	Obs.
SPV	2.623	7.161	0.000	0.645	2156
DY	6.157	460.292	-96.962	22.891	2156
DPR	29.865	561.136	-172.359	44.860	2156
DPS	2.081	70.844	-5.005	6.412	2156
LEV	0.520	6.952	-0.317	0.757	2156

Source: Researcher, 2022

As the dependent variable, share price volatility (SPV) is used. The dividend per share (DPS), dividend payout ratio (DPR), dividend yield (DY), and financial leverage are the sub variables to the independent variable.

The mean and standard deviation of the SPV are 2.623 and 0.645, respectively. The average share price volatility of the selectedDMBs on the Nigerian Exchange (NGX) is shown to be exceptionally high by the mean value of 262.3%. The share price volatility is dispersed from the mean to almost 65 percent, according to the standard deviation of 64.5%.

DY: The standard deviation was 22.891 and the mean was 6.157. The average dividend yield of the selected DMBs on the Nigerian Stock Exchange appears to be exceptionally high, as indicated by the mean figure of 615.7%. The dividend yield is dispersed from the mean to almost 6.157 percent, according to the standard deviation of 22.891%. Inferring that the dividend yield is subject to vary over time is implied by the fact that the standard deviation figure is extremely distant from the mean.

DPR: The standard deviation was 44.860 and the mean was 29.865. The average dividend payout ratio of the chosen banks listed on the Nigerian Exchange is 2986.5%, which indicates that it is exceptionally high. The dividend payout ratio is dispersed

from the mean to around 29.86 percent, according to the standard deviation of 4486%. Inferring that the dividend payout ratio is subject to vary over time, the standard deviation figure is significantly distant from the mean.

DPS: A standard deviation of 6.412 and a mean value of 2.081. The average dividend per share for the selectedDMBs listed on the Nigerian Exchange is 208.1%, which indicates that it is exceptionally high. The dividend per share is dispersed from the mean to around 641%, according to the standard deviation of 641.2%. Inferring that the dividend per share is subject to vary over time is implied by the fact that the standard deviation figure is quite distant from the mean.

LEV: A number with a mean of 0.520 and SD of 0.757. The average financial leverage of the chosen DMBs listed on the Nigerian Exchange is 52.0%, which indicates that it is quite high. The financial leverage is dispersed from the mean to almost 76 percent, according to the standard deviation of 75.7%. Inferring that the financial leverage is subject to vary over time is implied by the fact that the standard deviation figure is distant from the mean.

Inferential Statistics

The association between share price volatility (SPV), dividend per share (DPS), dividend per return (DPR), dividend yields (DY), and financial leverage is shown in the table above. The variance inflation factor (VIF) for each of the explanatory variables is less than 10, starting with the test for multi-linearity. The VIF for dividend yield, dividend payout ratio, dividend per share, and financial leverage, respectively, are 1.01, 1.07, 1.23, and 3.77. This suggests that there is correlation between the explanatory variables used in any of the defined and estimated models.

Table 4.6 Shows the Correlation Coefficient of the Variables

Variables	SPV	DY	DPR	DPS	LEV	VIF
SPV	1.0000					SPV

DY	-0.0173	1.0000				1.01
DPR	-0.0277	-0.0006	1.0000			-0.0277
DPS	0.0320	-0.0201	0.1882	1.0000		DPS
LEV	0.0007	0.0319	-0.0994	0.0130	1.0000	3.77

Source: Researcher, 2022

Table 4.6 shows the correlation coefficient of the variables. The dependent variable is Share Price Volatility (SPV). The explanatory variables are the DPS, Dividend Payout Ratio (DPR) Dividend Yield (DY), Financial Leverage (LEV).

The findings show that, with correlation values of 0.0320 and 0.0007, respectively, dividend per share and financial leverage have a positive relationship with the share price volatility of the selected DMBs on the Nigerian Exchange. This suggests that rising dividends per share and financial leverage will cause the stock prices of the chosen banks to fluctuate more. Conversely, with correlation values of -0.0173 and -0.0277, respectively, dividend yield and dividend per share have a negative relationship with share price volatility. As a result, increases in dividend yield and dividend per share will cause a decrease in the selected DMBs share price volatility. Additionally, there is no correlation between dividend yield, dividend payout ratio, and dividend per share and the share price volatility of the selected DMBs on the Nigerian Exchange. This suggests that the selected DMBs on the Nigerian Exchange do not have substantial dividend yield, dividend payout ratio, dividend per share, or financial leverage fluctuations in their share price volatility.

Regression Result

According to the data in the table above, dividend payout ratio has a positive correlation with share price volatility, while dividend yield, dividend per share, and financial leverage have a negative correlation with share price volatility of the selectedDMBs in Nigeria.

Table 4.7: Dividend Policy and Share Price Volatility

Variables	Coefficient	Drisc/Kraay Standard error	t-test	Prob.
Constant	11.9649***	1.0388	11.5182	0.0000
LEV	-0.2066	0.1402	-1.4742	0.1477
DY	-0.0003	0.0012	-0.2713	0.7875
DDR	0.0036***	0.0008	4.7237	0.0000
DPS	-0.0508*	0.0268	-1.8952	0.0648
Adjusted R2		0.116		
Wald-Test		32.89 (0.000)		
Hausman Test		2.65 (0.709)		
Breusch-Pagan RE Test		33512.02 (0.000)		
Heteroscedasticity Test		1707 41 (0.000)		
Serial Correlation Test		1075.76 (0.000)		
Pesaran CSI		8.44 (0.000)		
Observations		2156		

Source: Researcher, 2022

Notes: The dependent variable is Share Price Volatility (SPV), while the explanatory variables are dividend per share (DPS), Dividend Payout Ratio (DPR) Dividend Yield (DY), Financial Leverage (LEV) * Significant at 10%, *** Significant at 1%.

Table 4.7 reports the Static Panel regression results of the effect of dividend policy on share price volatility of selected DMBs in Nigeria.

Model: SPVit = β 0 + β1DYit + β2DPRit + β3DPSit + β4LEVit + μit

SPVit = 11.9649 - 0.0003DYit + 0.0036DPRit - 0.0508DPSit – 0.2066LEVit + μit T-test 11.5182 -0.2713 4.7237 -1.8952 -1.4742

Additionally, there is proof that the dividend distribution ratio (DDR) has a substantial impact on the share price volatility of the selectedDMBs in Nigeria (t-test: 4.7237, p 0.05, DDR = 0.0036). This suggests that variations in the share price volatility of the selected DMBs in Nigeria are significantly influenced by changes in dividend payment ratio. Contrarily, there is evidence that the share prices of the

selected DMBs in Nigeria are not significantly impacted by dividend yield, dividend per share, or financial leverage (DY = -0.0003, t-test = -0.2713, p > 0.05; DPS = -0.0508, t-test = -1.8952, p > 0.05; and LEV = -0.2066, t-test = -1.4742, p > 0.05).This suggests that characteristics such as dividend yield, dividend per share, and financial leverage are not important influences on changes in the volatility of the share prices of the selected DMBs in Nigeria. In terms of the estimated parameters' magnitudes, an increase of 1 unit in the dividend payout ratio will result in a 0.0036 increase in the share price volatility of the selected DMBs in Nigeria, whereas an increase of 1 unit in the dividend yield, dividend per share, and financial leverage will, respectively, result in 0.0003, 0.0508, and 0.2066 decreases in share price volatility of the selected DMBs in Nigeria.About 12 percent of the share price volatility of the listed DMBs in Nigeria is explained by changes in dividend yield, dividend payout ratio, dividend per share, and financial leverage, according to the Adjusted R2, while the remaining 88 percent is accounted for by other factors that explain share price volatility changes in the selected listed banks in Nigeria but were not taken into account by the model.

4.3 Discussion of Findings

In this section, the goals of the study are contrasted with the results of the tested hypotheses and with other research in this field of finance.

To determine the impact of dividend yield on stock prices of Nigerian DMBs:

When calculating the earnings on investment (shares), dividend yield, which solely takes into account the returns in the form of the total dividends the firm paid during the year, is employed. Dividend yield is the ratio of the cash dividend per share to the current market price per share. Despite significant empirical testing of the aforementioned dividend hypotheses over the years, the results are remarkably diverse,

and there is still no broad agreement on the justification for corporate payouts. On the one hand, it was discovered that, when using a specific model of earnings expectations, present dividend changes are positively associated with future earnings changes and, consequently, to stock prices. Dividend yield, which is used to determine the earnings on investment (shares), is the ratio of the cash dividend paid out per share to the share's current market price. It only takes into account returns in the form of the total dividends the firm declared during the year. The outcomes of the years' worth of intensive empirical testing of the aforementioned dividend hypotheses are surprisingly diverse, and there is still no broad agreement on the justification for corporate payouts.

To determine the impact of earnings yield on stock prices of Nigerian DMBs:

The dividend per share which serve as a means of evaluating DMBs success is one of the greatest ways to compensate investors for their investment. The income statements of businesses emphasize the significance of EPS. The goal of financial management should be to maximize EPS from the perspective of both the investor and future investors as ordinary investors lack in-depth expertise and inside information and primarily rely on it to make investment decisions. Therefore, a greater EPS enhances the firm's earnings yield. Profits yield, which is used to compare the earnings of a stock, sector, or industry, is the ratio of earnings per share to the firm's current market price.

According to survey discovered in the course of this research work, the market price of equity shares should primarily be determined by the company's earnings per share because the valuation of EPS is greatly influenced by a variety of external factors, including political stability, the state of the economy, speculative trends, and government monetary and economic policies. As a result, it may be argued that the

best financial structure is unrelated to share market price. It also revealed that since choosing the best financial structure is a company-internal choice, a rise in share market price shouldn't be a factor. The EPS may be a superior alternative as a value-maximizing criterion in relation to the ideal financial structure in accordancewith research findings, whichis in agreement with the aforementioned rationale. Therefore, the company's goal should be to maximize EPS in order to achieve the goal of maintaining a suitable financial structure. The results of this survey show that EPS does not, however, have a positive and substantial influence on stock prices, indicating that the majority of Nigerian investors do not view EPS as a key factor in determining stock prices.Pandey claims that EPS is a book value measure of the firm's success and as such, has no direct impact on share market prices. As a result, the research's findings concur with Pandey's assertions.

To determine the impact of dividend payout ratio on stock pricesof NigerianDMBs.

Actually, the goal of a dividend policy is to maximize shareholders' wealth, which is dependent on both current dividend and capital gains. The dividend policy of the firm directs the firm in determining the portion of a company's net profit after taxes to be paid out to the residual shareholders as dividend during a specific financial year. He also claimed that deciding how much of a company's earnings would be distributed as dividends or kept in the company as retained earnings is therefore essential. Dividends per share divided by profits per share equals payout. The problem of extreme values in specific years caused by low or perhaps negative net income is controlled by the employment of this approach. In situations where a total dividend surpasses a total cumulative profit, the payout ratio is set to be low. The dividend announcement is the process through which a company's dividend distribution policies are transmitted to its stock prices. The market based scenario which accept

dividend announcements may bring about changes in the price of securities, according to one of the early research in this area by Petit, Foster and Vickery, and Lee. Sinclair found negative anomalous returns, or a negative reaction of stock prices to dividend announcements, in contrast to the aforementioned findings. This is typically linked to the tax impact of dividends for owners.This confirms the study's findings, which show that the dividend payment ratios of Nigerian DMBs do not significantly and positively affect stock prices. Additionally, this is consistent with Baker and Powell's writings.

Also, there is no correlation between the dividend payout ratio and price volatility This suggests that characteristics such as dividend yield, dividend per share, and financial leverage are not important influences on changes in the volatility of the share prices of the selected DMBs in Nigeria.

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Chapter Five

Conclusion

5.1 Summary of Findings

The following is a summary of the conclusions based on the results of the hypotheses test. Which are:

The share prices of Nigerian DMBs are not significantly and positively impacted by the dividend yield of these financial institutions. The correlation matrix, which shows a negative association between share price and dividend yield of DMBs in Nigeria over the research period, provided additional evidence for this (Coefficient of Dyield = -30365, p-value =0.035)

The share prices of Nigerian DMBs are not significantly and positively impacted by the earnings yield of these financial institutions. A negative correlation between stock prices and earnings yield was once more found (coefficient of Eyield = -0.331, p-value = 0.048)

The pattern of dividend policies among selected DMBs are not positively impacted by the price earnings ratio of these selected financial institutions. A negative correlation between dividendspayout ratio had negative and non-significant impact on DMBs share prices in Nigeria (coefficient of Por = -1.411, p-value = 0.269)

The share prices of Nigerian DMBs are unaffected favorably and significantly by their dividend payout ratio. The correlation matrix, which shows a negative association between stock price and dividend payout ratio of DMBs in Nigeria, which provided more evidence for this(one unit increase in Dividend payout ratio will lead to 0.0036 increases in the share price volatility)

5.2 Conclusion

Over the past few decades, a large number of theoretical and empirical study have been conducted on the consequences of dividend policy on share price volatility. Theoretically, a cash dividend from earnings would entail rewarding shareholders with what they already own in the firm; however, this would be countered by a drop in stock value. Therefore, in a perfect environment, dividend payments would have no effect on the value of the owners. However, in the actual world, a change in the dividend policy is frequently accompanied by a change in the market value of stocks. Graham and Dodd presented an economic justification for investors' demand for dividend income.

Another researcher's efforts to better understand the impact of the dividend and earnings controversy on share price volatility have revealed that, on average, investors would prefer to receive a smaller cash dividend if it is taxable, subject to their personal tax rates: the optimal dividend size is inversely related to personal income tax rates. Theoretical researches on the consequences of dividends on profits have advanced significantly. The majority of researchers concur that, in a perfect economy, a dividend payment sometimes has no impact on the value of the shareholders. The tax implications and informational value of dividend announcements, however, have made them significant to shareholders in the real world.

This study looked at the effect of dividend policy on the share price volatility of Nigerian DMBs in light of the aforementioned issues and the debates surrounding the influence of dividend and earnings on stock prices. The study's findings indicate that the dividend yield, profits, and payout ratio of Nigerian DMBs do not have a positive or appreciable effect on those financial institutions stock prices. The outcome also shows that market concentration, which measures the total output produced in an

economy by a given number of financial institutions in the financial terrain, was found to have a negative and non-significant impact on stock prices of Nigerian DMBs, while bank size was found to have a positive and significant impact.

5.3 Recommendations

The following are suggested as a result of the study's findings. These are:

1. In order to eliminate the agency problem, this study suggests that managers behave in the best interests of investors. As a result, comprehensive information about the financial institutions dividend policies especially on issues relating to dividend yield should be made available. It is maintained that dividend announcements inform investors of the Banks' potential value possibilities. So, when a dividend increase is announced, stock prices often rise; whereas, when a dividend drop or omission is reported, stock prices typically fall, hence stock price volatility is inevitable.
2. This study advises management to strictly follow shareholder interests when deciding on dividend policies that will result in favourable dividend payout ratio which will maximize value for shareholders. Managers have the power to make decisions inside a corporation. But, shareholders are best known to be the owner of the financial institutions, that is, they are the principal while managers are their representatives. Therefore, there is a principal-agent relationship between shareholders and managers as a result of which managers are required to behave in the shareholders' best interests in accordance with the organisational goals of maximizing shareholders value. By doing so, it will ensure that projects of long time value with optimal returns on investment should be given utmost priority by the management, and as such enhance the going concern of the financial institutions, and those that are of no long time economic value should be

disregarded in the interest of all in order to maintain favourable dividend payout ratio.

3. It is also suggested that financial institutions pattern of dividend policy should be discernable by would be investors in order to be able to differentiate among them so as to enhance their investments capability.
4. It is again recommended that Nigerian DMBs should follow a dividend payout policy that will constantly involve paying dividends annually. According to the traditional school of thought, which holds that dividends are paid to influence their share prices and that the market price of equity is a representation of the present value of estimated cash dividends that can be generated by the equity, the result from this study indicates that the payout policies of Nigerian DMBs do not influence stock prices, so this will attract investors' attention while also increasing the value of equity.

5.4 Contributions to Knowledge

One of the most divisive topics in corporate finance continues to be dividend policy and share price volatility of DMBs. Financial economists have long modeled and investigated how business dividend policies and share price volatility impact the values of DMB's stocks in Nigeria. The more closely one examines the dividend picture, the more a puzzle with unfitting components it appears to be. The majority of the literature in this field of finance is, however, foreign-based, as evidenced by the study's analysis of the literature. As a result, this study helps;

1. To increase geographic knowledge by presenting empirical data on the effects of dividend policy and share price volatility on the stock prices of Nigerian DMBs using investment ratios like dividend yield, earnings yield, and payout

ratio with the addition of some control variables in an emerging market like Nigeria.

2. The study dwelled extensively on volatility in the stock market which have never been done by many researcher, and in the process the researcher went ahead to unravel the misery behind extreme volatility of share prices and as such it will enhance the work of future researchers.
3. Literature that uses the aforementioned variables and proxies to support arguments made by Nigerian DMBs.

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Appendix 1

Below are the DMBs:

1. Access Bank of Nigeria Plc
2. Eco Bank of Nigeria Plc
3. Fidelity Bank of Nigeria Plc
4. First Bank of Nigeria Plc
5. Guaranty Trust Bank of Nigeria Plc
6. SIBTC Bank of Nigeria Plc
7. Sterling Bank of Nigeria Plc
8. Union Bank of Nigeria Plc
9. United Bank AfricaPlc
10. Zenith Bank of Nigeria Plc
11. Heritage Bank Plc
12. Keystone Bank Ltd
13. Polaris Bank Ltd (formerly Skye Bank Plc)
14. Globus Bank Ltd
15. Standard Chartered Bank Plc
16. Oceanic Bank Plc
17. Titan Trust Bank Ltd
18. Unity Bank Plc
19. Wema Bank Plc
20. Jaiz Bank Plc
21. Lotus Bank Ltd
22. TAJ Bank Ltd

Appendix II

There are 22 banks listed on the Nigerian Stock Exchange, which is the population size. Statistically, it is wise to select some banks (sample) as representative of the population rather than working with all the banks (population). The sample size cannot be picked arbitrarily, it has to be done scientifically. Thus, there is a need to estimate the sample size statistically. It is assumed that the characteristic of interest is found in 50% of the banks and the distribution is approximation of binomial to normal distribution, and the confidence level is 95%.

Sample Size Determination;

In this study the confidence interval for the mean is given by

$$\mu = \bar{x} \pm Z_{\alpha/2}\frac{\sigma}{\sqrt{n}}$$

where μ is the population mean, $\bar{x}$ the sample mean, σ is the standard deviation of the population, $Z_{\alpha/2}$ is the value of the standard normal distribution at a particular level of significance (α), and n is the sample size.

Taking $Z_{\alpha/2}\frac{\sigma}{\sqrt{n}} = \frac{W}{2}$ as the margin of error.

$$W = Z_{\alpha/2}\frac{\sigma}{\sqrt{n}}$$

Making n the subject of formula gives

$$n = \frac{4Z_{\alpha/2}^2\sigma^2}{W^2}$$

At 95% confidence interval, the value of $Z_{\alpha/2} = Z_{0.025} = 1.96$. (Note: α = 1 – 95% = 0.05)

The population variance is given by $\sigma = NP(1-P)$

N is the population size and P is the proportion of characteristic of interest assumed to be 0.5.

W is the margin of error which should be assumed by the researcher, while n is the sample size to be estimated.

For this research, $N = 22$, $W = 2.95$, $P = 0.5$. So that $\sigma = 22 \times 0.5(1-0.5) = 5.5$

The estimated sample size is

$$n = \frac{4 \times 1.96^2 \times 5.5^2}{2.95^2}$$

$$n = 9.7116$$

$$n \approx 10$$

Thus, the sample size to be used for this study is 10.

APPENDIX 3
MODEL PROXIES

BANKS	YRS	TMPS	SP	DPS	Dyield	EPS	Eyield	POR	OUTSHARES	MKT CON	MC	TOTAL A ASSETS
ACCESS	1	45.09	3.76	0	0	0.7	5.3714	0.0000	13,956,321,723	3,711,787,691.00	0.0199	174,553,866,000
	2	87.21	7.27	0	0	0.87	8.3563	0.0000	6,978,160,860	959,857,065.00	0.0051	328,615,194,000
	3	192.2	16.01	0.4	40.025	0.17	94.1765	0.4250	16,142,501,847	1,008,276,192.00	0.0054	1,043,465,021,000
	4	78.29	6.52	0.65	10.031	1.41	4.6241	2.1692	16,214,258,437	2,486,849,452.00	0.0133	674,865,041,000
	5	103.3	8.61	0.20	43.05	0.72	11.9583	3.6000	17,888,251,478	2,077,613,411.00	0.0111	726,960,580,000
ECO	1	58.41	4.87	0	0	0.27	18.0370	0.0000	21,654,226,926	4,446,453,166.00	0.0238	132,091,706,000
	2	75.36	6.28	0.24	26.167	0.34	18.4706	1.4167	21,654,226,926	3,448,125,306.00	0.0185	311,395,894,000
	3	154.8	12.9	0.7	18.429	0	0.0000	0.0000	7,218,075,141	559,540,709.00	0.0030	432,466,245,000
	4	290.1	24.18	0.24	100.75	-0.64	-37.7813	-2.6667	7,218,075,642	298,514,295.00	0.0016	355,662,000,000
	5	60.12	5.03	0.15	33.533	0.12	41.9167	0.8000	13,879,951,642	2,759,433,726.00	0.0148	454,239,000,000
FIDTY	1	31.63	2.64	0.22	12	0.19	13.8947	0.8636	16,463,686,588	6,236,244,917.00	0.0334	119,985,801,000
	2	33.22	2.77	0.32	8.6563	0.25	11.0800	0.7813	16,463,686,588	5,943,569,162.00	0.0318	217,144,465,000
	3	103.9	8.67	0.60	14.45	0.45	19.2667	0.7500	28,962,585,691	3,340,551,983.00	0.0179	533,122,233,000
	4	32.85	2.74	0.5	5.48	0.8	3.4250	1.6000	28,962,585,691	1,057,028,675.00	0.0057	504,163,720,000
	5	43.47	3.62	0.14	25.857	0.20	18.1000	1.4286	28,962,585,691	8,000,714,279.00	0.0429	478,020,000,000
FIRST	1	491.7	40.97	1.00	40.97	2.69	15.2305	2.6900	5,237,930,699	127,847,955.00	0.0007	538,145,000,000
	2	452.4	37.7	1.20	31.417	1.56	24.1667	1.3000	1,047,769,537	27,792,295.00	0.0001	762,881,000,000
	3	430.8	35.9	1.35	26.593	2.23	16.0987	1.6519	1,988,841,297	55,399,479.00	0.0003	1,165,461,000,000
	4	195.5	16.29	0.10	162.9	1.41	11.5532	14.1000	2,486,462,869	152,637,377.00	0.0008	1,667,422,000,000
	5	165.1	13.75	0.60	22.917	0.83	16.5663	1.3833	3,263,184,395	237,322,502.00	0.0013	1,957,258,000,000

GTB	1	188.7	15.72	0.70	22.457	1.45	10.8414	2.0714	6,000,000,000	381,679,389.00	0.0020	305,080,565,000
	2	188.1	15.68	1.03	15.223	1.63	9.6196	1.5825	8,000,000,000	510,204,082.00	0.0027	47,836,306,100
	3	312.8	26.07	0.75	34.76	1.73	15.0694	2.3067	13,679,415,650	524,718,667.00	0.0028	717,999,797,000
	4	157.5	13.12	1.00	13.12	1.28	10.2500	1.2800	18,653,748,614	1,421,779,620.00	0.0076	1,019,911,536,000
	5	206.1	17.17	1.00	17.17	1.57	10.9363	1.5700	23,317,185,766	1,358,018,973.00	0.0073	1,066,762,763,000
SIBTC	1	52.18	4.35	0.20	21.75	0.57	7.6316	2.8500	12,129,411,760	2,788,370,520.00	0.0149	120,575,000,000
	2	61.85	5.15	0.30	17.167	0.63	8.1746	2.1000	4,685,500,000	909,805,825.00	0.0049	157,148,000,000
	3	293.4	24.45	0.40	61.125	0.49	49.8980	1.2250	18,750,000,000	766,871,166.00	0.0041	345,731,071,000
	4	81.81	6.82	0.30	22.733	0.33	20.6667	1.1000	18,750,000,000	2,749,266,862.00	0.0147	331,796,000,000
	5	110.3	9.19	0.39	23.564	0.42	21.8810	1.0769	18,750,000,000	2,040,261,153.00	0.0109	372,612,000,000
STERL	1	17.78	1.48	0.10	14.8	0.9	1.6444	9.0000	10,552,846,000	7,130,301,351.00	0.0382	111,197,074,000
	2	21.85	1.82	0.10	18.2	0.6	3.0333	6.0000	10,552,846,000	5,798,267,033.00	0.0311	145,974,674,000
	3	71.76	5.98	0.10	59.8	0.52	11.5000	5.2000	12,563,090,000	2,100,851,171.00	0.0113	236,502,923,000
	4	18.6	1.55	0	0	-0.53	-2.9245	0.0000	12,563,090,000	8,105,219,355.00	0.0434	164,512,661,600
	5	23.61	1.97	0	0	0.33	5.9697	0.0000	12,563,090,000	6,377,203,046.00	0.0342	259,579,523,000
UNION	1	307.8	25.65	0.69	37.174	1.60	16.0313	2.3188	9,022,823,649	351,767,004.00	0.0019	845,231,000,000
	2	289.9	24.16	1.00	24.16	1.26	19.1746	1.2600	9,623,809,524	398,336,487.00	0.0021	619,800,000
	3	430	35.83	0.02	1791.5	2.14	16.7430	107.0000	11,580,000,000	323,192,855.00	0.0017	907,074,000,000
	4	132.7	11.06	0.02	553	-5.26	-2.1027	-263.0000	13,510,000,000	1,221,518,987.00	0.0065	1,106,779,000,000
	5	63.91	5.33	0	0	8.74	0.6098	0.0000	13,510,000,000	2,534,709,193.00	0.0136	845,231,000
UBA	1	210.4	17.53	1.00	17.53	1.86	9.4247	1.8600	7,060,000,000	402,738,163.00	0.0022	567,494,000,000
	2	196.3	16.36	1.20	13.633	2.41	6.7884	2.0083	11,496,000,000	702,689,487.00	0.0038	1,102,348,000,000
	3	429.2	35.76	1.00	35.76	3.05	11.7246	3.0500	17,244,000,000	482,214,765.00	0.0026	1,520,093,000,000
	4	137.5	11.46	0.10	114.6	0.60	19.1000	6.0000	21,556,000,000	1,880,977,312.00	0.0101	1,120,703,200,000
	5	129.5	10.79	0.05	215.8	0.8	13.4875	16.0000	25,868,000,000	2,397,405,005.00	0.0128	1,432,632,000,000

ZENITH	1	265.9	22.16	1.10	20.145	1.91	11.6021	1.7364	9,173,488,900	413,966,106.00	0.0022	608,505,175,000
	2	223.7	18.64	1.70	10.965	1.89	9.8624	1.1118	9,265,524,300	497,077,484.00	0.0027	883,940,926,000
	3	470.9	39.24	0.85	46.165	3.45	11.3739	4.0588	16,744,796,686	426,727,744.00	0.0023	1,344,241,604,000
	4	163.2	13.60	0.45	30.222	0.73	18.6301	1.6222	25,117,195,029	1,846,852,575.00	0.0099	1,258,556,800,000
	5	174	14.50	0.85	17.059	1.06	13.6792	1.2471	31,396,493,786	2,165,275,433.00	0.0116	1,789,458,000,000
										186,713,988,239.00		

TMPS = Total Market Price of the Stock from Jan to Dec divided by the 12 months, then you get the MPS
Dyield= Dividend Per Share divided by marker price of the stock
Eyield= Earnings per share divided by market price of the stock
POR= Dividend per share divided by earnings per share
MKT CON= Outstanding shares divided by market price per share, then the answer is MKT CO of BK A 2006-2010 divided by all the Bks
BK SIZE= Log of Total Assets

Curriculum Vitae

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Date of Birth: 7th March, 1969

EDUCATIONAL INSTITUTIONS ATTENDED WITH DATES

- LEAD CITY UNIVERSITY, IBADAN OYO STATE
  2018- Till Date
- UNIVERSITY OF ADO-EKITI, EKITI STATE 1999 – 2001
- YABA COLLEGE OF TECHNOLOGY, YABA, LAGOS STATE 1991 – 1993
- YABA COLLEGE OF TECHNOLOGY, YABA, LAGOS STATE 1988 – 1990
- CENTRAL HIGH SCHOOL, OKOTA – ISOLO, LAGOS 1981 – 1986

EDUCATIONAL QUALIFICATIONS

- MSC Accounting In View
- B.Sc Accounting (Second Class Upper) 2020
- Master of Business Administration (MBA) 2001
- Higher National Diploma (HND) Accountancy (Lower Credit) 1993
- National Diploma (ND) Accountancy (Lower Credit) 1993
- West African School Certificate (WAEC) O/L 1986

PREVIOUS/ PRESENT EMPLOYMENT. POST HELD WITH DATES

- Lagos State Polytechnic Principal Accountant 2011- Till Date
- IsholaShonaike& CO Audit Manager 2006 2011
- Best Oil Limited Ibadan, Oyo state Assistant Manager (Plant Operation & Adm.) 2002 – 2004
- Eleganza Industries Limited, Lagos Accountant 1996 – 2001
- Global Soap and Detergent Limited Asa Dam Road, Ilorin Kwara State National Service 1994 – 1995
- Chevron Nigeria Limited, Lagos Industrial Training 1990 – 1991

WORKING EXPERIECE

Lagos State Polytechnic, Ikorodu

Treasury Unit

- Raising of cheques for various from different accounts
- Preparation of report on the status of payment vouchers/request
- Posting of payment voucher into Admin. Bursary Software
- Relating with all banks officers
- Relating with internal and external auditors
- Withdrawal and disbursement of funds.

Reconcilation Unit

- Extraction of monthly Cash Book data and export of same to Ms Excel
- Pooling together in a workbook, and match transactions in the current month cash book against bank statement.
- Extraction of irreconcilable items such as wrong debits/credits, unposted lodgments, unpresentedcheques and bank charges from the books.
- Drawing of adjusted cash book and bank reconciliation statement.

Ledger Unit

- Processing of staff loans and advance
- Processing of retirement for employee advance
- Processing of payment vouchers for payments

Budget Unit

- Budget preparation and dfefence
- Loading of approved budget on Admin Bursary Software
- Pricing of payment requisitions in line with budget.
- Preparation of budget performance requests.

IsholaSonaike& Co (Chartered Accountant)

Post Held

Audit Manager

Firm'sSpecialization

Audit, Accounting and Tax Consultancy

Schedule of Duties

- Participate in Development of Audit Planning
- Participate in Auditing of client's financial statements.
- Various private Audits
- Tax computation and tax clearance processing

Best Oils Limited, Ibadan Oyo State

Post Held	**Company Specialization**
Asst. Manager (Plant Operation)	Vegetable Oil Processing

Schedule of Duties

- Treasury Supervision
- Banks Relationship
- Preparation of Management Reports on Plant Operation
- Relationship with External Auditors
- Store and Stock Management

Eleganza Industries Limited, Lagos

Post Held	Company Specializations
Accountant	Manufacturer of Household Products

Schedule of Duties

- Reconcilation of bank statements
- Funds Management and credit facilitation
-

Global Soap and Detergent Limited

Post Held	Company Specializations	Schedule of Duties
National Service	Manufacturer of Soap and Detergent	Accounting Officer on National Service.

Chevron Nigeria Limited

Post Held	Company Specializations	Schedule of Duties
Industrial Training	Crude Oil Exploration & Development	Industrial Training

LECTURING EXPERIENCE (PART – TIME)

Institution	**Course**
Lagos State Polytechnic, School of Part-Time Studies	Principle of Accounts
Ladoke Akintola University of Technology, Ogbomosho	Basic Financial Management
	Entrepreneurship Development

PUBLICATIONS:

- Investment Appraisal As A Tool for Decision Making In An Organization (an unpublished MBA Research Project)
- Nigerian Foreign Exchange Market (an unpublished HND Research Project)
- External Debt Management in Nigeria (a Journal Publication)
- Financial Decisions in a Turbulent Economy (a seminar paper)
- Myriads of Opportunities Available at Nigeria Stock Market (a seminar paper)

Hobbies

Travelling and listening to music

AWARD

Productivity Award 2020 by the Management (Lagos State Polytechnic)

REFEREES:

Available on request

PERSONAL PROFILE

- Ability to work under pressure
- Good interpersonal skills
- Ability to work efficiently in a team

- Integrity and honesty is my policy
- Ability to meet target reports.

State of Origin: Ogun

University Compliance Certification

This is to certify that this thesis written by Adewale Abdul, ADESANYA with Matric Number LCU/PG/002034 in the department of Management and Accounting, Faculty of Management and Social sciences, Lead City University, Ibadan, Nigeria is in full compliance with the approved University format and style.

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Signature **Date**