

Chapter One

Introduction

1.1 Background to the Study

The need to operate as a profitable going-concern continue to make many board meeting agenda because of its socio-economic implications to the management in terms of competency reporting, the shareholders in terms of earnings on investment, government in terms of revenue collection and the society at large. Moreover, for listed organisations the achievement of profitable going concern status is subject to making certain critical decisions about internal organisation activities as it affects the value of a unit of share been traded. Hence, given the level of global economic disruptions and its multiplier effect on investment and share price volatility it becomes imperative that listed organisations deplore appropriate internal organisation capacities in knowledge and in policies to ensure it continue to thrive as a business entity.

As an investment vehicle, stocks are the most popular compared to other options such as bonds and mutual funds. High stock volatility means that prices rise and fall rapidly, resulting in a large difference between the lowest price and the benefits of stock investment, such as capital gains and dividends, and the risk of experiencing capital loss, bankruptcy, asset liquidity, delisting, suspension and other things. The interplay between supply and demand is what causes stock price fluctuations. Both an increase in stock prices and a reduction in stock prices are encouraged by a high number of requests. Stock prices will rise or fall depending on the level of demand, and this trend will continue for a long period of time².

It is not unusual for stock prices to fluctuate in a capital market. Leverage, company earnings, dividend yield, trading activity in the stock market, interest rate movements, and other macroeconomic variables are all factors that affect stock prices³. Volatility in stock prices is a risk indicator that shows how quickly the price of a stock changes over a specific period of time³. A share price volatility is the rate of change in its price over a specific time period, and the more its volatility, the greater the chance of considerable gain or loss⁴. Share price volatility is a risk encountered by investors who hold ordinary shares. ,

Investment risk averse investors are concerned about the volatility of their investments as a gauge of the level of risk they face⁴. An investor's primary concern when making an investment is minimizing the amount of risk, they take on in order to maximize their return. As a matter of fact, firms are conscious of the fact that the nature and knowledge of investors can have an impact on the long-term value of a company's stock. Because of this, stock price volatility is just as essential to firms as it is to investors⁵.

An increase in stock market volatility due to the transmission of the coronavirus has been attributed to this epidemic. There was an increase in share price volatility due to coronavirus in the petroleum and natural gas industry (increased by 3.92) as well as the restaurant, hotel, and lodging industry (increased by 2.42), while industrial food production (increased by 0.70) and industry beer and liquor (up 0.71) had the lowest risk, according to research ⁶.

During the coronavirus epidemic, share prices fluctuate on both ends of the spectrum, rising and falling. There was a rise in petroleum and natural gas industry share prices

due to the significant decline in crude oil prices in March 2020, which resulted in crude oil producers deciding to limit oil output and thus lower natural gas production, according to prior study⁷. Natural gas prices rise as a result, and investors' expectations for future cash flows from gas producers rise as well.

There was a significant increase in mortality and a decrease in population health as a direct result of the coronavirus pandemic, which led to positive stock price volatility in the medical, pharmaceutical, and health care industries. During the pandemic there was a surge in the delivery of food and foodstuffs which are today profiting from an enhanced market. The software and technology industry has also made significant strides forward during the past few years⁷. Restaurants and hotels have a high risk of stock price volatility due to the coronavirus pandemic since these businesses are social and the community limits social activities at this time, especially some policies of the federal government. enforcing lockdowns or requesting that people stay at home to avoid the spread of the coronavirus⁸.

Economic and financial crises and currency changes, as well as political and security concerns, have resulted in an inconsistent growth rate for manufacturing organizations in Africa⁹. As a result, the consumer goods manufacturing industry's organizational effectiveness has been hindered.

CBN restrictions on 41 import items from access to forex through the official exchange window, poor road infrastructure, inadequate power supply, high electricity tariffs and double tax regime, high cost of funding, and a high inflation rate further contributed to an increase in the cost of running manufacturing operations, resulting in a negative

impact on organisational performance¹³. There are still many issues that need to be addressed, but the recent regime changes in 2019 have not helped, and the country's level of insecurity is alarming (the country scored 8.597 out of 10 in the global terrorism index 2019, which indicates that acts of terrorism are a significant concern for the country)¹³. According to extant literature, these occurrences in Nigeria's macro environment have an impact on the performance of manufacturing businesses in Nigeria and thus on their ability to share profits to shareholders given the high level of uncertainty^{12,13,14,15}.

CBN report GDP 2019 data, suggested that the manufacturing sector's Purchasing Managers Index fell from 61.10% in December 2018 to 57.7% in the third quarter of 2019, further supporting claim in extant literature^{13,14,15}. The decline in the manufacturing sector's Purchasing Managers Index (PMI) occurred between December 2018 and September 2019. Despite the fact that the economy has emerged from recession and is beginning to recover, little has changed. Note that these macroeconomic events have been documented as contingent factors that have the potential to adversely affect the dividend policy of listed organizations and consequently the price of these organizations' unit of share¹⁵.

For many years, the question of whether a company's dividend policy affects its share price volatility has sparked significant debate. Some argue that dividend policy has an impact on a company's stock price, which in turn has an impact on its shareholders' wealth⁶. Some scholars believe that dividend policy has an effect on stock prices, while others believe that dividend policy has no bearing on a company's market value^{7,8,9}. Both schools of thought are correct. The dividend policy choice is one of the most

critical in any company in order to ensure efficient development and the achievement of goals.

There has been a significant deal of dispute among finance researchers since the 1950s over corporate dividend policy and how it affects the value of a company⁶. One of the top ten most difficult issues in finance is the choice to pay a dividend. One of the four areas of decision making in finance is the allocation of dividends or profits. Decisions on dividends are critical because they influence how much money is distributed to shareholders and how much money is preserved for investment. Directors recommend that a portion of a company's net earnings be paid to shareholders in accordance with their shareholdings in the company².

The corporation must determine the best level of dividend distribution in order to maximize shareholder returns while drafting its dividend policy. Value to retain against Payable Value is a trade-off when comparing these objectives². The company's financial structure is bolstered by the retention, while the profitability of shareholders is reflected in the distribution. Due to the above-mentioned grounds, the "dividend puzzle" has been labeled by "Black" as an unsolvable conundrum. Many competing factors must be taken into consideration while trying to figure out the best payout policy. Identifying the critical elements is straightforward, but understanding how they interact is tough, and no simple solution exists³.

Several dividend theories have been put up to explain how dividend decisions are made and whether or not they affect a company's worth. There are three ways to go about this. Assuming all other factors are equal, the first theory holds that increasing a company's

share price and value by paying out higher cash dividends will enhance the share price and value of the company. Another opinion is that a high dividend pay-out is undesirable because it lowers the value of a company's stock when dividends are taxed more highly than capital gains. Dividend pay-out policies have no bearing on a company's stock price, according to the middle ground position, which takes the opposite tack. That's because while investment and borrowing policies remain unchanged, a firm's overall cash flows remain constant regardless of payment policy⁴.

For shareholders, customers, employees, regulators, and the government, dividend policy is still one of the most significant aspects in financial management. Investors can see if the company is doing well by the dividend policy. One of the most compelling reasons to invest is to reap the benefits of a dividend. When investors receive dividends, they will feel more confident in the project.

Dividends can only be paid out up to a particular percentage of the company's total assets because of regulations. Firms and Allied Matters Act (CAMA), which controls the operation of registered companies in Nigeria, is one of the possible limits on the distribution of earnings. According to Section 379(2) of the CAMA, the annual general meeting might modify the amount of the proposed dividends. Nigeria's dividend policy is designed to ensure that the government's finances are available to continue to invest in assets, so that enterprises can continue to function on the growing concern principle⁶.

Different aspects in an organization impact how much a company's shareholders receive dividends as compensation for their risk and investment⁵. Every company in every field has a dividend distribution policy or pattern, and this is plainly a financial

signal for the company. As a result, demand for the firm's stock should be influenced by the company's dividend policy⁶. An organization's valuation, and hence its share price appreciation, is highly influenced by its dividend policy⁷. As a result, the volatility of stock prices is exacerbated by frequent dividend revisions.

Debate and competing interpretations remain over the precise drivers of dividend policy, but an in-depth examination of its determinants and more importantly how it influences share price volatility is needed. For this reason, this study looked at how volatile Nigerian listed manufacturing companies' stock prices are in relation to several aspects of their dividend policies, including as the pay-out ratios, yields, asset growth, earnings, and sizes of the companies themselves. Hence, this study examined the interactions between dividend policy and share price volatility of listed consumer and industrial goods manufacturing companies in Nigeria.

1.2 Statement of the Problem

Dividend policies are critical to a company's long-term viability, and they have been the subject of long-running debates in the business world and among finance scholars. Debate over dividend policy is one of the most hotly disputed topics in finance. The worth of a company and the wealth of its shareholders are said to be directly impacted by the dividend policy of the corporation, according to research^{5,6,16}.

Earlier scholars such as Miller and Rock emphasize the informational value of dividend pay-outs, which gives investors positive signals about the firm's future earnings. Dividend pay-out decisions are unusual in that they are linked to other management decisions such as capital planning, capital structure, mergers and acquisitions, and asset

pricing in a real-world setting. It is a business policy that has long been of interest to researchers, particularly in the developed economy environment, because of the importance of this company strategy.

Baskin offered a fundamental theory linking dividend policy to market volatility in a well-known study of US public-listed companies¹⁷. Baskin claims that dividends tend to lower a company's stock price in a developed economy scenario. In addition, according to Baskin, dividends are a measure of market confidence in a company's performance, not just a flow of information into the market. These two considerations suggest that dividend policy can have a major impact on a company's stock price volatility.

Stock markets in developing countries like Nigeria, on the other hand, exhibit a different set of behaviors than their developed counterparts. As a result, the financial markets in developing nations are smaller, less efficient, and viewed as more volatile and riskier than the capital markets in more established economies^{18,19}.

Despite the fact that rapid globalization has brought economies closer together over the last two decades, developing markets have been described as not being fully integrated inside global financial markets¹⁸. However, the stock market's contribution to wealth creation and the ability of its liquidity to guide economic growth should not be understated in the quest for true economic growth^{18,19,20}.

Studying stock markets in developing nations has therefore remained a contemporary topic for academics. Many empirical studies have used Baskin's hypothesis, both in developed markets and in emerging markets^{5,6,7,18,19}. According to some studies, there

are significant positive relationships, majority suggested a negative relationship, and others posited a negligible relationships^{5,6,7,18,19,20}.

The contextual and methodological differences between studies may account for the discrepancies in findings. In order to better comprehend the impact of dividend policies on stock market volatility, scholars have argued and recommended that industry-specific analyses are necessary to overcome industry heterogeneity in dividend policies as it affects share price volatility within emerging economies like Nigeria.

This study examined the functional link between dividend policy and stock price volatility (SPV) in Nigeria, an emerging economy, in light of the aforementioned scholarly recommendations¹⁷. This study was conducted in an industry-specific context by focussing on the manufacturing firms (consumer and industrial goods manufacturing sectors) in Nigeria.

1.3 Aim and Objectives of the Study

The aim of this study is to examine the functional relationship between dividend policy and share price volatility of selected listed manufacturing companies in Nigeria. The specific objectives of the study are to;

- i. determine the relationship between dividend pay-out ratio and share price volatility in selected listed manufacturing companies in Nigeria.
- ii. examine the extent of the relationship between dividend yield and share price volatility in selected listed manufacturing companies in Nigeria.
- iii. examine if asset growth rate has relationship with share price volatility selected listed manufacturing companies in Nigeria.

- iv. ascertain the relationship between earnings and share price volatility in selected listed manufacturing companies in Nigeria.
- v. determine the relationship between firm size and share price volatility in selected listed manufacturing companies in Nigeria.
- vi. investigate the firm-specific effect of dividend policy determinants (dividend pay-out ratio, dividend yield, asset growth rate, earnings, and firm size) on share price volatility in selected listed manufacturing companies in Nigeria.

1.4 Research Questions

The study addressed the following research questions:

- i. How does dividend pay-out ratio relate to share price volatility in selected listed manufacturing companies in Nigeria?
- ii. What is the relationship between dividend yield and share price volatility in selected listed manufacturing companies in Nigeria?
- iii. What is the relationship between asset growth and share price volatility in selected listed manufacturing companies in Nigeria?
- iv. In what ways does earnings relate to share price volatility in selected listed manufacturing companies in Nigeria?
- v. How does firm size relate to share price volatility in selected listed manufacturing companies in Nigeria?
- vi. What is the firm-specific effect of dividend policy determinants (dividend pay-out ratio, dividend yield, asset growth rate, earnings, and firm size) on share price volatility in selected listed manufacturing companies in Nigeria?

1.5 Hypotheses

The following hypotheses formulated were tested.

- H₀₁:** There is no significant relationship between dividend pay-out ratio and share price volatility in selected listed manufacturing companies in Nigeria.
- H₀₂:** Dividend yield has no significant relationship with share price volatility in selected listed manufacturing companies in Nigeria.
- H₀₃:** Asset Growth Rate has no significant association with share price volatility in selected listed manufacturing companies in Nigeria.
- H₀₄:** There is no significant relationship between earnings and share price volatility in selected listed manufacturing companies in Nigeria.
- H₀₅:** There is no significant association between firm size and share price volatility in selected listed manufacturing companies in Nigeria.

1.6 Significance of the Study

This study is of immense benefit to the following stakeholders; management of listed manufacturing firms, investors, government, academia, and the society. Specifically, it offers strategic information to the management of listed consumer and industrial goods manufacturers on the need and appropriateness of timely dividend policies. Also, it can enhance investors' capacity when selecting and building their investment portfolios depending on their dividend pay-out preferences. More so, it provides investors with information about the predictability of returns in the securities market.

Also, the research is significant to as it can enhance policy makers and the government's regulatory agencies in formulating dividend pay-out policies and guidelines on best practices that can protect and encourage investments thus creating a vibrant local market. The society equally benefits from organisations that are profitable as this guaranty job creation and income generation to the society.

1.7 Scope of the Study

The study is focused on the dividend policy as it relates to share price volatility in selected listed manufacturing companies in Nigeria. Specifically, the study examined how dividend policy determinants such as dividend pay-out ratio, dividend yield, asset growth rate, earning and firm size relate to and how it affects share price volatility of selected listed consumer and industrial goods manufacturers in Nigeria.

The universal population of this study consist of all the listed manufacturing companies in Nigeria. According to the Nigerian Stock Exchange, there are forty-six (46) listed manufacturing companies in Nigeria as at 2020²³. These total manufacturing companies include 21-consumer goods companies, 14-industrial goods companies, 6-conglomerate companies, and 5-agricultural companies. Nevertheless, the target population covered 10 listed consumer and industrial goods manufacturing companies in Nigeria.

The consideration of the listed consumer and industrial goods manufacturers bothers on the need to fulfil the recommendation of extant literature that it is imperative for future studies to consider an industry-specific analysis. The listed consumer and industrial goods manufacturers considered include; NASCON Allied Industries PLC, Guinness NIG PLC, PZ Cussons Nigeria PLC, Nigerian Breweries PLC, Honeywell Flour Mill

PLC, Lafarge Africa PLC, CAP PLC, Beta glass PLC, Unilever Nigeria PLC, and Okumu Oil Palm PLC. The financial statement as the source of secondary data for this study covered a period of 10 years (2011 to 2020).

1.8 Operationalization of Research Variables

The variables in this study are classified into two – dependent and independent variables. The dependent variable share price volatility (Y) is measured as a variable without sub-measures (this align with extant literature). The predictor variable; dividend policy (X) is measured by dividend pay-out ratio, dividend yield, asset growth, earnings, and firm size. The functional operational model carrying these variables is displayed in the mathematical model below:

$$Y = f(X)$$

Y = Dependent variable: Share Price Volatility (SPV)

X = Independent variables: Dividend Policy (DP)

The independent variable- Dividend Policy (DP) is measured as:

x1 = dividend yield (DY),

x2 = dividend pay-out ratio (DPR),

x3 = asset growth (AGR)

x4 = earnings (EV),

x5 = firm size (FS)

The dependent variable is share price volatility

Y = Share price volatility (SPV)

Resulting from the Baskin's model are;

$$SPV_{it} = f(DY, DPR, FS, AGR, EV)$$

The mathematical representation is specified as follows;

$$SPV_{it} = \beta_0 + \beta_1 DY_{it} + \beta_2 DPR_{it} + \beta_3 FS_{it} + \beta_4 AGR_{it} + EV_{it} + \epsilon_{it}$$

Where;

SPV_{it} = Share Price Volatility

DY_{it} = Dividend Yield

DPR_{it} = Dividend Pay-out Ratio

FS_{it} = Firm Size

AGR_{it} = Asset Growth Rate

EV_{it} = Earnings Volatility

ϵ_{it} = Error term

β_0 = Constant term

$\beta_1, \beta_2, \beta_3$ = Parameter to be estimated

1.9 Operational Definition of Terms

Asset Growth: This is the annual change in the book value of total assets of a company

Dividend: This is a distribution of profits earned by a company from business activities to its shareholders

Dividend Pay-out: This is expressed as a percentage, is a financial ratio (dividend/price) that shows how much a company pays out in dividends year relative to its share price.

Dividend Policy: This the policy a company uses to structure its dividend pay-out to the shareholders.

Dividend Yield: This is the amount of money a company pays shareholders for owning a share of its stock divided by its current stock price

Earnings: These are benefits attributable to a company's for been in operation

Firm Size: This is the increase in firm scale of operation

Share Price Volatility: This is the rate at which the price of a stock increases or decreases over a period of time

Endnotes

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Chapter Two

Literature Review

The literature for this study considered conceptual, empirical, and theoretical reviews. This becomes vital as it helps the researcher understand and examine what has been done in existing studies given the variables under study. The chapter is presented under the following headings:

2.1 Conceptual Review

A conceptual review of the variables addressed in this study in concomitance with extant literatures becomes germane for deepening the understanding of these variables. The variables studied were; Share price volatility as the dependent variable, while dividend policy is the independent variable and it is measured by dividend pay-out ratio, dividend yield, asset growth, earnings, and firm size.

2.1.1 Share Price Volatility

Historical volatility often referred to as actual volatility or realized volatility is the measure of a share price movement based on historical prices and it is used to measure how active a stock price is over time¹. This suggest that share price volatility measures the fluctuations in the share price and more specifically it is measured by taking the daily percentage price changes in a stock and calculating the average over a specific time frame. This is the current volatility of a stock and it is estimated by its option price.

In other words, the implied stock price volatility is that level of volatility that will calculate a fair value that is equal to the current trading option price¹. When looking at an option to determine its implied volatility, there are four things to take into account.

These include the strike price, the expiration date, the current stock price and the stock dividends. Implied volatility describes how much volatility that options traders think the stock will have in the future.

Volatility is a statistical measure of the dispersion of returns for a given security or market index. Volatility can either be measured by using the standard deviation or variance between returns from that same security or market index². In other words, volatility refers to the amount of uncertainty or risk about the size or changes in a security's value. A higher volatility means that a security's value can potentially be spread out over a larger range of values. This means that the price of the security can change dramatically over a short time period.

A lower volatility means that a security's value does not fluctuate dramatically, but changes in value at a steady pace over a period of time. Stock price volatility does contain meaningful information³. Businesses with stable cash flows and solid growth prospects tend to have very low stock price volatilities. Business with unstable cash flow and serious questions about the future tend to have high stock price volatilities.

Size may affect volatility. Larger firms tend to be more diversified (both geographically as well as across industries), and thus insulated from the vicissitudes of individual markets¹. Furthermore, it is sometimes noted that institutional investors find it expensive to research companies that provide a limited outlet for investment funds. Less research means less public information, which could cause investors to react rationally to new events. Moreover, there may be fewer market participants with the necessary knowledge for arbitraging price fluctuations.

Markets in small stocks therefore may be subject to illiquidity and high volatility⁴. Size is a consequential control because it may influence choice of dividend policy. Without controlling for size, there might be a spurious relationship. Volatility is the standard deviation of a stock's annualized returns over a given period and shows the range in which its price may increase or decrease.

If the price of a stock fluctuates rapidly in a short period, hitting new highs and lows, it is said to have high volatility³. If the stock prices moves higher or lower more slowly, or stays relatively stable, it is said to have low volatility. Historic volatility is calculated using a series of past market prices, while implied volatility looks at expected future volatility, using the market price of a market-traded derivative like an option.

Share price volatility is used to define the risk of a common stock, whereby, the greater the volatility of a common stock, the greater its risk⁴. Volatility is defined as the variation or deviation of an asset's returns from their mean⁵. From an investor's viewpoint, understanding share price volatility is crucial. Stocks that move by larger margins can be more profitable on the upside, but they also carry greater risk of loss. According to the modern portfolio theory, investors are rational and risk averse – they want to avoid risk unless they are compensated for taking such risk⁵. Investors usually choose less risky investments as they offer more certainty in returns as opposed to investments with higher risk⁵.

Also, share price volatility reflects the degree of variation of a share over a certain period of time. It is measured by calculating the standard deviation of yearly returns over a certain period of time⁶. Therefore, volatility simply shows the range between

share increases and decreases. Share prices fluctuating rapidly in a short period of time leads to a high volatility. On the other hand, share prices that fluctuate slowly over a long period of time are a sign of low volatility⁵.

Share price volatility is an important instrument and variable because of its effect on the markets. Since volatility measures the risk a certain security contains, investors can draw far-reaching conclusions based on the volatility alone. One could argue that the lower the volatility of a certain security, the better. Since low volatility also means less risk. And investors are always searching for the highest possible returns with the least risk.

Share price volatility can be used as a signal to gain information about the quality of a business. Low volatility is a signal that a business generates stable cash flows. For a business to generate stable and consistent cash flows, it very likely has a competitive advantage. As a result, low stock price volatility often signals stability and competitive advantage.

The prices of some stocks are highly volatile. The unpredictability makes the stock a riskier investment⁷. As a result, investors want a higher return for the increased risk. Companies with highly volatile stocks need to grow profitably. They must show a dramatic increase in earnings and stock prices over time, or pay very high dividends. Share price volatility has different measures. The two main measures are explained below.

Amongst the many factors that can drive stock price volatility include political and economic factors. By implication, governments play a major role in regulating

industries and can impact an economy when they make decisions on trade agreements, legislation and policy⁷. Everything from speeches to elections can cause reactions among investors, which influences stock prices. Moreover, economic data also plays a role in determining share price volatility, as when the economy is doing well, investors tend to react positively. Monthly jobs reports, inflation data, consumer spending figures and quarterly GDP calculations can all impact market performance⁸. In contrast, if these miss market expectations, markets may become more volatile.

Industry-sector factor is another driver of share price volatility. Specific events can cause volatility within a particular industry and sector. In the oil sector, for example, a major weather event in an important oil-producing area can cause oil prices to increase. As a result, the stock price of oil distribution-related companies may rise, as they would be expected to benefit, while those that have high oil costs within their business may fall⁷. Similarly, more government regulation in a specific industry could result in stock prices falling, due to increased compliance and employee costs that may impact future earnings growth.

Also, the company performance plays a critical role in driving share price volatility⁸. This is because positive news, such as a strong earnings report or a new product that is wowing consumers, can make investors feel good about the business. If many investors look to buy it, this increased demand can help to raise the stock price. In contrast, a product recall, data breach or bad executive behaviour can all hurt a stock price, as investors sell off their stocks⁸. Depending on how large the company is, this positive or negative performance can also have an impact on the broader market.

2.1.2 Dividend Policy

The term "dividend" refers to the portion of a company's net profits that is given to the company's shareholders⁹. It is also referred to as the portion of a company's profit that is split among its shareholders. Another name for this is shareholder profit share. In other words, dividends are paid to shareholders out of the revenue profits produced by the company in the normal course of business operations⁸. These profits come from customer purchases.

When a business realizes a profit, it essentially has two options for how it can put that money to use: either it can reinvest the money or it can distribute it to the shareholders⁹. The first option is to keep the profits within the company so that they can be invested in the growth or improvement of some aspect of the business internally. The second possible course of action is for the company to distribute the profit it has made to its shareholders.

If the company decides to pursue this course of action, it has two additional options for how it can do so: either it can pay out the profit it has made to its shareholders or it can divide the profit between itself and its shareholders. Either the corporation can pay dividends or they can buy back their outstanding stocks¹⁰. Both options are available to the company. Dividends are payments that are given by a company to its shareholders. However, the payments can take several forms, and the two most popular forms of dividends are cash dividends and stock dividends.

This research focuses on dividends, which are payments that are made by a company to its shareholders. The majority of people, when discussing dividends, refer to cash

dividends, which, as their name suggests, are financial distributions made to shareholders in the form of cash¹⁰. However, dividends are not necessarily distributed in the form of cash; stock dividends are another form of payment that can be made to shareholders.

A stock dividend is comparable to a stock split in that the number of existing shares of a company's equity increases despite the fact that the value of the company's assets does not change¹¹. It is crucial to point out that even though the board of directors of a company typically makes the decision about the dividend policy of the company, there are several exceptions to this norm. Companies operating in certain countries, such as Chile and Brazil, are required by law to distribute at least a certain percentage of their profits to its shareholders.

The lenders, who are also known as bondholders, have the ability to insert covenants into the bond contract. These covenants specify that a corporation is required to pay the lenders (bondholders) before increasing the dividend payments¹¹. This is another exception. With the exclusions that were just mentioned, the decision regarding a company's dividend is typically made by the board of directors on the day when the dividend is declared. A problem with the record date is that if a trade is made one day before the record date, time will not allow the trade to be revealed on the stockholder list, and the new shareholder will not receive dividends. These occurs a couple of days after the declaration date, when the transfer books for stocks are closed at the record date. Investors who owned stocks at this date will receive dividends¹². However, a drawback of the record date is that investors who owned stocks at this date will receive dividends. Because of this, brokerage houses have altered the right of ownership up

until two days before the date of record. These two days are now known as the ex-dividend date, and any investors who buy shares after the ex-dividend date will not be eligible for dividends⁹.

The payment of a dividend may take many different forms, including cash for example. The pay-out of dividends in the form of cash is referred to as a cash dividend¹². It is common practice for a dividend to be paid out in cash when a corporation issues a dividend payment. When a cash dividend is distributed, the implications of the statement of financial position are that the cash account and reserves account of the firm will be lowered. As a result, the total assets and net worth of the company will also decrease. A business that pays out dividends in the form of cash must ensure that it has adequate cash on hand to fulfil all of its obligations³.

The distribution of dividends to residual shareholders of a company in the form of the issuance of additional shares of the company is referred to as a stock dividend. It entails adding the amount of the company's share premium or reserves to the company's share capital, as well as raising the amount of share capital by the same amount that was added from the reserves account. Because the corporation does not lose any cash, its liquidity is maintained.

The shareholders have an advantage in that they receive a dividend, which they are able to convert into cash whenever they wish to sell their share; however, the shareholders have a disadvantage in that as the number of equity shares increases, the share price can fall if the retained earnings do not yield a satisfactory rate of return⁶. This is especially true in situations where there is massive off-loading of shares by shareholders in the

capital market. Each shareholder receives a stock dividend in the amount that is proportional to the number of shares that they already own in the company.

In addition, dividends can be given out in the form of stock or shares. A share split involves either halving the current share price or multiplying the existing number of shares by a factor of two⁶. A stock split has the effect of halving the current "par value" or nominal price of shares while simultaneously increasing the total number of outstanding shares by a factor of two. The management of a company can decide to do a stock split in order to bring the price of the company's shares down and encourage higher trading activity on the stock exchange. A stock split does not have any effect on either side of the balance sheet in terms of the quantity of Naira; however, it does modify the figure and book entry of the number of shares that are outstanding as well as the par value¹³. In a similar vein, a reverse stock split is a financial strategy that involves consolidating the nominal value of an existing share issue and a matching decrease in the number of shares that are currently in existence. A reverse stock split is an example of this.

In addition, the acquisition of a business's existing shares by the company itself for the purpose of warehousing in the stock treasury can be accomplished through the use of a stock repurchase option. It's possible that the point of stock repurchase is to reduce the number of outstanding shares in order to boost the earnings per share (EPS) of the shares that are still in circulation, which will then lead to an increase in the market price per share (MPPS), and consequently, in overall capital gains for shareholders. The dividends in cash have been replaced by the capital gains⁹. In addition, a corporation

may decide to pay out what is known as an "extra dividend," which is a one-time dividend in addition to the normal dividends paid out by the business.

Instead of striving to maintain a consistent level of high dividend payments, businesses that experience varying levels of profitability distribute more dividends to shareholders when the level of those profits justifies it. In addition, scrip dividends are agreements that a dividend payment will be made at a specified time in the future. The company has made the decision to pay the dividend at some point in the future rather than at the current time¹⁴. The scrip that was distributed to shareholders is nothing more than a specialized sort of promissory note or notes payable. Last but not least, property dividends are dividends that are paid out in assets other than cash that belong to the firm. For instance, a company might provide its stockholders free samples of its own product or shares in another company that it owns.

In Nigeria, the payment of dividends is governed by the laws that are now in effect, however these laws are subject to change at any time. According to what has been pointed out, section 379(1) of the Companies and Allied Matters Act (CAMA) 2004 now states that in order for a company to declare dividends in respect of a year or other period at a general meeting, the directors must first recommend that the shareholders approve the dividends¹⁴. The corporation is required to make regular payments to its shareholders in the form of interim dividends, which are calculated based on how much the directors believe the company's profits warrant. The general meeting will have the authority to announce the amount of dividend that has been recommended by the board of directors, but it will not have the authority to raise the amount that has been suggested. A statement to that effect must be included in the relevant annual return in

the event that the suggestion of the directors of a company with regard to the declaration of a dividend is amended in accordance with the provisions of subsection (3) of this section by the company in general meeting.

Only the profits that are considered to be distributable by the firm can be used to pay dividends to the company's shareholders, as stipulated by the requirements of this Decree. According to the provisions of Section 380, a corporation is permitted to distribute dividends from the following types of profits, provided that it is able to satisfy its obligations when they come due¹⁵. Realized profit on a fixed asset sold, revenue Reserves, and realized profit on a fixed asset sold; however, in cases where more than one asset is sold, the net realized profit on assets sold. Profit resulting from the use of the company's property, despite the fact that it is a long-term asset.

In Nigeria, dividends are frequently paid out in two stages: the first stage is known as the interim dividend, and the second stage is known as the final dividend. According to the release, the payment would be made to all of the investors who were registered on a specific "recorded-date." Following this delay of two weeks, dividend checks are mailed out to stockholders.

The choice made by management regarding the proportion of a company's profits to be distributed to shareholders in the form of dividends as opposed to being saved for use in the pursuit of additional business possibilities is referred to as the dividend policy. Regarding the connection between dividend payments and the value of a company's shares, there are generally speaking three different schools of thought¹⁶. According to the dividend irrelevance school of thinking, dividend policy has no impact on stock

price; as a result, the value of the company will not be altered in a perfect capital market^{12,17}. The second school of thought contends that dividends are detrimental to the typical stockholder due to the tax disadvantages that will ultimately result in the stock's value being reduced¹⁷.

Last but not least, the bird-in-the-hand school of thought contends that dividends are beneficial and will result in an increase in the wealth of shareholders as a direct result of the influence that payouts have on stock price¹⁸. In addition to these three theories, there is a fourth one known as the signalling theory. This theory describes how the increments of dividend pay-out convey positive signals to the markets regarding a company's future earnings, which then translates into upward movements in the share price (vice versa)¹⁷. According to the agency cost hypothesis, dividend payments help to reduce the costs that are incurred by the managers in their relationship with the shareholders¹⁸. The payment of dividends demonstrates that the manager is committed to maximizing the investment fund available to the shareholders without having to invest those funds in projects that are either risky or unprofitable.

The dividend policy has a high pay-out percentage because dividends carry a lower level of risk compared to the predicted capital gains from investments in retained earnings. Since investors are presumed to be rational, it stands to reason that they would prefer to avoid risk, which is shorthand for the probability that they would not receive a return on their investments¹⁹. The decision of whether a company will distribute the profits it has made to its shareholders in the form of dividends or whether it will retain those profits in the form of retained earnings in order to support investment in the future is known as the dividend policy²⁰.

Dividends are payments that will be provided to shareholders by the corporation, either in the form of capital or cash. These payments can take any form. This is decided upon by the company's board of directors, which results in the establishment of the company's dividend policy. Investors use dividend payments as a factor in their decision-making process about investments²⁰. Investors prefer dividend policy that pay high dividends due to the fact that it carries a lower level of risk compared to the predicted capital gains from investments in retained profits. Since investors are presumed to be rational, it stands to reason that they would prefer to avoid risk, which is shorthand for the probability that they would not receive a return on their investments²⁰.

Dividends are payments that will be provided to shareholders by the corporation, either in the form of capital or cash. These payments can take any form. This is decided upon by the company's board of directors, which results in the establishment of the company's dividend policy^{11,14}. Investors use dividend payments as a factor in their decision-making process about investments.

The literature on finance has a lot to say about dividend payments, and it is all very intriguing¹⁶. The dividend pay-out ratio, often known as the DPR, and the dividend yield are used as proxies for the dividend policy (DY). The dividend pay-out ratio indicates the percentage of a company's net income that is allocated to the payment of dividends to shareholders and other investors.

It is possible for dividend payments to be made either all at once at the end of the fiscal year (final) or in instalments throughout the year in addition to the one payment that is

made at the end of the year (interim and final)²¹. The date when the dividend is declared is referred to as the "declaration date," and it is the date on which the Board of Directors makes the decision to pay a dividend. The date that shares transfer books are to be closed is known as the record date. The shareholders who are entitled to receive dividend payments are identified, and only registered shareholders can receive those payments. The date of payment refers to the date on which dividend checks are mailed out. The date at which the dividend will be forfeited: In most cases, it occurs two days before to the date on which registration is to take place (NSE). It is the day on which the prices of stocks are modified (marked down). You will not be eligible for a dividend payment for any shares that you purchase on or after this date. The price of a share will typically drop to the same level as the dividend pay-out (or the value of the dividend that remains after deduction of tax).

One of the benefits of paying dividends is that investors are more likely to be interested in a business that has a history of paying steady dividends¹⁷. This ensures that they have a consistent source of earnings, regardless of what the price of the share on the market may be. In addition, there is the Bird-in-hand Fallacy theory, which contends that shareholders value the certainty of dividend payments more than the prospect of bigger capital gains in the foreseeable future^{3,4}. Additionally, the stability of the funds provided by investors; investors choose companies that have a history of paying dividends because this demonstrates positively the company's dependability. This gives investors' confidence in the company's ability to generate consistent profits, which in turn makes the business an attractive investment option.

In addition to this, investors who have their money in companies that pay dividends do not have to sell their shares in order to take part in the growth of the stock. They do not sell the stock, but they still receive the financial benefits⁸. Temporary Excess Cash - A mature company may not have appealing avenues to reinvest the cash, or it may have fewer expenses linked to R&D and expansion. Either of these factors may result in the company having temporary excess cash. In a situation like this one, investors prefer it when a company distributes the surplus cash so that they can reinvest the money for higher profits elsewhere. In other words, investors want the corporation to disperse the cash. Information Signaling: The act of a firm announcing the payment of dividends sends a powerful message to the market regarding the prospects of the company in the years to come⁵. In addition, businesses should make the most of the additional publicity opportunities presented to them during this period.

If a dividend-paying corporation is unable to pay dividends for a certain length of time, it may result in loss of old customers who preferred regular dividends as a form of payment for their dividends²². Other potential negative effects of providing dividends include the following: These shareholders might decide to unload their shares in the near future. Additionally, the amount of a company's retained earnings that is reduced when dividends are distributed is as follows: If the organization does not have adequate cash on hand, it may face increased debt obligations as well as unanticipated expenses.

In addition, the payment of dividends leads to a decrease in a company's available capital, which might hinder the expansion of the business. Because of this, the corporation will have fewer funds available for investments in the expansion of the business. Lastly, the payment of dividends necessitates a significant amount of record-

keeping on the part of the corporation. The corporation is obligated to make certain that the dividend is paid to the correct shareholder of each share.

The existing body of literature on dividends identifies a number of different dividend models in an effort to comprehend how dividends function within a variety of study settings^{3,9,17,21}. The following types of traditional models are included in this model: B Graham and DL Dodd are the ones who provide it. The relationship between dividends and the stock market is given significant weight in this model, which places a strong focus on this connection. According to this concept, the value of the stock responds favorably to an increase in the dividend amount, whereas it reacts unfavourably to a decrease in the dividend amount. Through the lens of the multiplier effect, this model determines the nature of the connection that exists between the current market price and dividends. The price-to-earnings ratio (P/E ratio) is directly related to the dividend pay-out ratio (DPR), which means that an increase in the DPR will result in an increase in the P/E ratio and vice versa.

The traditional dividend model has a number of inherent limitations, one of which is that P/E ratios are not directly related to dividend pay-out ratios¹⁶. This is not the case for a company whose pay-out is low but whose earnings are increasing, which is one of the situations in which the model is inaccurate. In addition, it does not hold true for businesses that have a large pay-out but a poor growth rate in percentage terms. There could be a small number of investors who choose dividends over the possibility of higher capital gains, and there could also be a small number of investors who choose lower tax rates on capital gains.

The dividend policy that was presented by James E. Walter Model Walter believes that dividends are important, and that they do in fact affect the price of the share²². Within the context of this model, he investigated the connection that exists between the company's internal rate of return (r) and its cost of capital (K), with the goal of arriving at a dividend policy that maximizes the wealth of the shareholders. The assumptions that the Walter's model is predicated on are as follows: first, the company finances all investment through retained earnings; that is, debt or new equity is not issued; second, the company's internal rate of return (r), and its cost of capital (k) are constant; third, all earnings are either distributed as dividends or reinvested internally immediately; and fourth, beginning earnings and dividends never change.

It is possible to alter the values of the earnings per share (E) and the divided per share (D) in the model in order to determine the results; however, any given values of E and D are assumed to remain constant forever in order to determine a given value; additionally, the company has a very long or infinite life. According to Walter's model, the market price per share is equal to the sum of the present value of two different sources of income. These two sources of income are the present value of an infinite stream of constant dividends, also known as D/K , and the present value of an infinite stream of stream gains.

The model created by Walter is extremely helpful when it comes to illustrating the consequences of dividend policy on an all-equity company under varying hypotheses regarding the rate of return. However, because to the oversimplification of the model, it is possible to arrive at results that are not correct in general, despite the fact that these findings are correct for Walter's model, and this has resulted in objections from the

existing literature²³. To begin, Walter's model for the valuation of shares combines the dividend policy of the company with the investment policy of the company. When such a circumstance arises, either the company's dividend policy or its investment policy, or both of them, will not be optimal. The model presupposes that the retained earnings of the company are the only source of funding for the firm's investment opportunities, and that no external financing, such as debt or equity, is used for this purpose²³. The only way for the owners' wealth to reach its full potential is for them to make this optimal investment.

The theory that Walter developed is predicated on the idea that r is unchanging. As more investment takes place, the actuality becomes less significant. This represents the notion that the investments with the highest potential profits are made first, followed by the investments with the lowest potential profits. The company ought to make its move at the point where r equals k . It is abundantly evident that this is a flawed policy and an attempt to maximize the wealth of the owners. A company's cost of capital, also known as the discount rate, K , is not fixed; rather, it fluctuates in a manner that is directly proportional to the level of risk that the company faces. As a result, the relationship between the cost of capital and the present value of the company's income is inverse. The influence of risk on the worth of the company is eliminated from Walter's model by making the assumption that the discount rate, K , will remain unchanged.

The hypothesis developed by Modigliani and Miller is another well-known model that attempts to explain dividends²⁴. The dividend policy of a company is seen to be meaningless by Modigliani and Miller's (M-M) theory since it does not have an impact on the wealth of the shareholders. They contend that the worth of the company is based

on the company's earnings, which are the product of the investment policy of the company.

Therefore, the dividend decision of the company, as well as the division of earnings between dividends and retained earnings, are of no consequence in assessing the value of the company when the investment decision of the company is stated²⁵. The M–M hypothesis of irrelevance relies on the following set of assumptions in order to function. These assumptions include that the company operates in a flawless capital market, that there are no taxes, that the company has a stable investment program, and that there is no risk of uncertainty. That is, investors are able to make accurate projections regarding future prices and dividends, and a single discount rate is suitable for all types of securities across the board and at any point in time²⁶. Therefore, r equals K times Kt for every t . According to the M – M assumptions, the discount rate will be equivalent to r , and r will be the same for all shares. As a consequence of this, the price of each share needs to adjust so that the rate of return, which is made up of the rates of dividends and capital gains, will be equivalent to the discount rate and will be the same for all shares. This is necessary to ensure that the rate of return on each share is consistent.

Similar to other dividend models that came before it, M&M's model has its fair share of detractors. M-hypothesis M's does not have any practical relation to the circumstance that is occurring in the real world as a result of the assumption's unrealistic nature. Therefore, it is being criticized on the grounds that the assumption that taxes do not exist is not even close to being true, and M-M argue that internal and external financing are equivalent. If there are costs associated with floating new issues, then this cannot be true.

The M-M hypothesis states that a shareholder's wealth will remain unchanged regardless of whether or not the company distributes dividends²⁵. However, owners would rather receive dividends than realize capital gains because realizing capital gains requires selling shares, which comes with related transaction expenses and can be an inconvenient process. Even under the assumption of absolute certainty, it would be a mistake to presume that the discount rate, denoted by k , should be the same for a company regardless of whether it employs external or internal funding. In addition, the discount rate for both internal and external funding will be variable depending on whether or not investors want to diversify the holdings in their portfolios. Last but not least, M-M contends that even taking into account the possibility of uncertainty and abandoning the concept of absolute certainty does not change the fact that dividend policy is useless. On the other hand, a lot of authors believe that dividends are significant under times of uncertainty.

A dividend policy, which is also known as a dividend decision, is a choice that a company makes to establish how much of a company's revenues will be given to shareholders and how much will be kept by the company itself²⁶. Dividends on preference shares are often predetermined by the terms of issuance and are not, as a result, subject to the discretion of management over dividend policy. However, the Board of Directors is responsible for determining whether or not the corporation will adhere to its policy regarding the payment of dividends to ordinary shareholders. It is a well-known truth that the proportion of earnings distributed as dividends to ordinary shareholders can vary quite a bit from one firm to the next²⁷. This is something that can be observed pretty easily.

The dividend policy of a company is what ultimately decides how much of the company's earnings are kept by the company (that is, reinvested) and how much is distributed as cash dividends to shareholders. The term "dividend policy" refers to the process that management use when determining the amount and timing of cash distributions to shareholders throughout the course of an investment period. In other words, dividend policy refers to the size and pattern of cash distributions made to shareholders²⁴.

When it comes to making decisions on dividends, a company should always adhere to the guidelines outlined in its dividend policy. It is the decision of how much of a company's profits should be distributed as dividends as opposed to keeping those profits and reinvesting them in the business. In the context of the declaration of dividends, the term "dividend policy" refers to the policy or guideline that is followed by management. A dividend policy will determine the percentage of earnings that will be distributed as dividends. A company's dividend policy can be thought of as a set of criteria it follows in order to determine the proportion of its earnings that will be distributed to its various shareholders in the form of dividends²⁷.

The decision of the board of directors about the distribution of a company's retained earnings to its shareholders is referred to as the dividend policy. A financial manager's principal responsibility is to increase the wealth of the company's stockholders to the greatest possible extent. On the one hand, the payment of dividends causes an increase in the price of shares, but on the other hand, it causes a shortage of liquid resources that can't be used to finance potential initiatives²⁶. The pay-out of dividends and the amount of earnings that are kept are inversely related to one another.

The following are the primary goals of a dividend policy: Maximizing Wealth: There are various schools of thought that maintain that dividend policy has a substantial impact on the value of the company. As a result, the company's purpose of increasing its wealth should be taken into consideration when formulating its policy on dividends. The decision to pay dividends is a form of financing and results in cash outflows²⁸. It also leads to a reduction in the amount of cash that is available to be used in the financing of profitable projects. The future prospects of the company are uncertain. When internal resources are insufficient, a company may be forced to seek finance from other sources. Therefore, the dividend policy needs to be developed in such a way that prospective projects can be financed through retained earnings. This can be accomplished by designing the dividend policy in such a way.

Stable Rate of Dividend: Changes in the rate of return have the potential to have a negative impact on the market price of shares. In order to maintain a constant dividend rate, a company should hold a significant amount of its earnings. This allows the company to have sufficient finances for the payment of dividends even if the company experiences a loss. Control Level: The issuance of new shares or reliance on external finance will both have the effect of diluting the existing shareholders' level of control over the company. As a result, a dividend policy that is more conservative needs to be adhered to in order to ensure that the interests of the company's current shareholders are not jeopardized.

The nature of the company, the type of shareholders, and the current financial position all play a role in determining the dividend policy. The firm's dividend policy can be broken down into the following categories according to the type of dividend that is

declared by the company: Regular dividend policy, Stable dividend policy, Irregular dividend policy, No dividend policy.

The payment of a defined amount of naira as a dividend during each period constitutes the regular dividend policy. This policy provides the owners with generally positive information, thereby minimizing their uncertainty²⁸. Companies that follow this practice typically raise their standard dividend payment after it has been established that there has been an increase in earnings. In accordance with this policy, dividends almost never experience reductions, which helps to foster confidence among shareholders, maintains the market value of shares, contributes to the continued growth of the company's goodwill, and ensures that shareholders receive a consistent income.

A consistent dividend policy involves the payment of a predetermined amount of dividends on a regular basis. In this scenario, the shareholders are assured of receiving a predetermined amount of money on a monthly basis. There are three categories of it: Fixed dividends paid out on each share²⁹. When this occurs, a reserve fund is established in order to pay a certain amount of dividends in years in which the earnings of the company are insufficient. It is appropriate for businesses that have a consistent revenue stream.

Constant- Pay-out- Ratio Dividend Policy: When referring to a dividend policy of this kind, the use of a constant pay-out ratio is indicated. The dividend pay-out ratio expresses, in terms of a percentage, the proportion of each naira earned that is paid out as cash dividends to the company's shareholders. The formula for determining it is to divide the company's cash dividend per share by the company's earnings per share. The

problem with a dividend policy that has a constant pay-out ratio is that if a company experiences a loss in a given period or if its earnings decrease during that period, the dividends may be small or even non-existent. A constant pay-out ratio dividend policy establishes that a certain percentage of earnings will be paid to owners in each dividend period²². Due to the fact that dividends are frequently considered an indicator of the company's future state and status, the stock price of the company may be negatively impacted as a result.

Low-regular-and-extra pay-out policy: Some companies pay a reduced dividend as part of their low-regular-and-extra payment policy. This is supplemented by an additional dividend when earnings are higher than usual in a specific quarter. This policy is known as a low-regular-and-extra dividend policy. The company is careful not to raise the expectations of its shareholders by referring to the increased distribution as a "extra dividend." This practice is particularly widespread among businesses that are subject to cyclical swings in their earnings. By establishing a low regular dividend that is paid each period, the firm gives investors the constant income necessary to build confidence in the firm, and the extra pay-out lets them to partake in the earnings from a very excellent period³⁰. Firms employing this approach must boost the level of the regular dividend after verified growth in earnings have been achieved.

The additional dividend must not become a regular occurrence; otherwise, it will lose all of its significance. When determining the amount of the regular dividend, it is recommended that one make use of a target dividend-pay-out ratio³⁰. The benefits of a stable dividend policy include the following: it helps in giving regular income to shareholders, it helps in creating confidence among shareholders, it helps stabilize the

market value of shares, it helps marinate the goodwill of the company, and it helps create confidence among shareholders.

When it comes to maintaining a healthy relationship with shareholders, boards of directors, and potential investors, having a sensible dividend policy is absolutely essential. The decisions and policy of a corporation regarding dividends are indicative of the company's future and its financial well-being³¹. Because of this, it needs to be planned out in a methodical manner and then put into action.

A good dividend strategy would often consist of the following three steps: first, lower dividends in the Initial Stage: When the firm is in its early stages and does not generate much profit, it should still offer dividends to its shareholders, albeit at a reduced rate. Second, Gradual Increase in Dividends: As the company prosper and grow, the dividend should be kept on increasing correspondingly, to enhance shareholders' confidence. Last but not least, stability is one of the most important qualities that distinguish an excellent dividend policy. If the business is successful in the market, it has an obligation to its shareholders to maintain a consistent rate of return on their investment by paying dividends. This results in increased interest from shareholders as well as investors, which ultimately contributes to an increase in the market value of the company's shares³².

The decision on the company's dividend, which is one of the most significant aspects of its financial policy, is not an independent decision. Rather, it is a decision that is made after taking into consideration the many different features and factors that are associated to it. The dividend policy of a company can be affected by a number of

different things³³. Academics have, for a number of years now, held the theoretical belief that the decision about dividends is impacted by a variety of different elements. This belief is still held today. It is essential to underline that a good or bad dividend policy is dependent on a number of factors, all of which need to be described in order to assist in gaining a knowledge of how dividend policy works³⁴. The following is a list of some of the elements that influence the choice of a company about dividends:

There is a possibility that the law places limits on the number of dividends that can be paid out. Dividends can only be distributed to shareholders from a company's cumulative net realized earnings. Additionally, loan agreements might include conditions that must be met in order to protect the lender. The number of opportunities for appropriate investments that are available to a company may also have an impact on the amount of earnings that the company decides to keep for internal use³⁴. If there are not enough investment opportunities available that have the potential to yield a satisfactory return, then the excess capital should be returned to the owners.

Any surplus cash that a company does not require in the immediate future can potentially be distributed to shareholders in the form of dividends. The size of the company's earnings is another essential factor to consider when formulating a dividend policy. It acts as the launching point for the overall process of formulating the dividend policy. This is the case because a corporation has the option of deducting dividend payments from either the profits of the current year or those of the previous year. So, if the earnings of a company improve, it will directly influence the dividend declaration as the latter may also increase. As a result, the amount of the dividend is directly proportional to the amount of earnings that are currently held by the company³⁵.

The Board of Directors is the one that makes the call on whether or not to declare dividends, but they are also obligated to take into account the preferences of the shareholders, which vary according to each group's financial standing. The shareholders, who are economically weak, prefer regular dividend policy while the rich shareholders may prefer capital gains as compared to dividends²⁸. Despite the fact that it is extremely challenging for the board to reconcile the competing interests of the various shareholders, the dividend policy still needs to be drafted with the consideration of the needs of everyone who has an interest in the matter.

The nature of the industry in which a company operates has an impact on the dividend decision. Industries that have stable demand throughout the year are more likely to have stable earnings and, as a result, should have a stable dividend policy³⁶. A company's age is also a factor that is taken into consideration when determining the proportion of its profits that will be distributed as dividends. When compared to already existing companies, which are in a position to pay higher dividends due to their greater financial resources, a new company should limit itself to paying lesser dividends in order to save money for future growth and expansion. The dividend policy of a corporation is also impacted by the tax policy of the country in which the firm is based. The amount of a company's profits that are available to be distributed as dividends is directly impacted by the tax rate that is in place.

Another aspect impacting dividend policy is the threat to lose control. If a corporation declares high rate of dividend, then there is the risk that a company may suffer liquidity crunch for which it has to issue new shares, resulting in dilution of control. In light of this potential risk, a company might decide to reduce the amount of dividends it pays

out and instead reinvest more of its profits in order to protect itself from any potential risk³⁶. The amount of a company's dividend is another factor that is influenced by its liquidity position. In the event that a company does not have adequate cash resources to pay dividends, the firm may instead choose to issue bonus shares.

Also, business risk is a potential element that may alter dividend policy. When there is a high level of risk in the business, the connection between the current profitability and the expected future profitability is less certain. Consequently, it is assumed that enterprises with higher degrees of business risk will have lower dividend payments. Numerous researchers came to the conclusion that an unstable company's earnings could cause it to reduce the amount of dividends it pays out^{6,11,18,29}. This is due to the fact that the risk of default is significantly increased when earnings are volatile.

In addition, dividend rates recommend that there should be a consistent rate of return on dividends in order to maintain stability; as a result, the allowable return from the previous year is given serious regard. Also, the type and size of organization: huge entities have a significant capital requirement for expansion, diversification or other projects. Additionally, some companies have enormous capital requirements for their working capital, whereas other entities have the same requirements for their fixed assets. All of this has an effect on the dividend strategy that the company employs³⁷. Other factors include the following: Financial Strategy of the Company: If the company's plan is to finance operations through the sale of equity, then the dividends will be significantly increased.

On the contrary, if it functions primarily on leveraged capital, the dividend pay-outs will always be low³¹. The Influence of the trade cycle: The corporation is unable to pay out substantial dividends when there is high inflation or when there are insufficient funds for the organization to expand its business operations. The company's profitability in and of itself is the final factor, but it is also an extremely important one. If the company is unable to generate a sufficient amount of profit, it will be unable to pay dividends to its shareholders that are of a satisfactory level. In this study, the determinants of dividend policy considered include; dividend pay-out ratio, dividend yield, asset growth, earnings, and firm size.

2.1.2.1 Dividend Pay-Out Ratio

The Dividend Pay-out Ratio (DPR) is the amount of dividends paid to shareholders in relation to the total amount of net income the company generates³⁸. In other words, the dividend pay-out ratio measures the percentage of net income that is distributed to shareholders in the form of dividends. Often referred to as the “payout ratio”, the dividend payout ratio is a metric used to measure the total amount of dividends paid to shareholders in relation to a company’s net earnings³⁸. Also, when simply put, the dividend pay-out ratio is the percentage of a company’s earnings that are issued to compensate shareholders in the form of dividends. Similarly, the dividend payout ratio is the proportion of a company’s net income that is paid out as dividends as a form of compensation for common and preferred shareholders.

The dividend pay-out ratio is a financial measure that determines the percentage of earnings that have been paid out to shareholders as dividends, if any. The ratio is used

to help investors establish how dividends were paid in the past to predict how dividends will be paid in the future³⁹. The result of the calculation allows investors to make informed investment decisions.

Typically expressed as a percentage, the dividend payout ratio depicts how much of a company's earnings are paid out to shareholders as opposed to being retained and re-invested into operations – which has significant implications on the type of investors that are attracted to the stock^{16,19}. The primary motto of a company is to maximize the wealth. So first, the company takes the money from the shareholders to finance its ongoing projects/operations. Then when these projects/operations make a profit, it becomes a duty and obligation for the company to share the profits with its shareholders. The amount of profit the company shares with the shareholders during a particular period is called a “dividend.” And the percentage of the dividend that the company pays (out of the income they make) it's called the “dividend pay-out ratio”³¹.

2.1.2.2 Dividend Yield

Dividend yield is a method used to measure the amount of cash flow a shareholder gets back for each of the money invested in an equity position³⁹. In other words, it is a measurement of how much bang for your buck you're getting from dividends. The dividend yield is essentially the return on investment for a stock without any capital gains³⁹. Similarly, dividend yield is a stock's annual dividend payments to shareholders expressed as a percentage of the stock's current price. This number tells you what you can expect in future income from a stock based on the price you could buy it for today, assuming the dividend remains unchanged. Also, dividend yield is the financial ratio

that measures the quantum of cash dividends paid out to shareholders relative to the market value per share. It is computed by dividing the dividend per share by the market price per share and multiplying the result by percentage³⁹. A company with a high dividend yield pays a substantial share of its profits in the form of dividends. Dividend yield of a company is always compared with the average of the industry to which the company belongs.

Companies distribute a portion of their profits as dividends, while retaining the remaining portion to reinvest in the business. Dividends are paid out to the shareholders of a company. Dividend yield measures the quantum of earnings by way of total dividends that investors make by investing in that company. It is normally expressed as a percentage. The formula for computing the dividend yield is:

$$\text{Dividend Yield} = \text{Cash Dividend per share} / \text{Market Price per share} * 100.$$

High dividend yield stocks are good investment options during volatile times, as these companies offer good payoff options. They are suitable for risk-averse investors⁴⁰. The caveat is, investors need to check the valuation as well as the dividend-paying track record of the company⁴¹. Companies with high dividend yield normally do not keep a substantial portion of profits as retained earnings. Their stocks are called income stocks.

This is in contrast to growth stocks, where the companies retain a major portion of the profit in the form of retained earnings and invest that to grow the business⁴². Dividends in the hands of investors are tax-free and, hence, investing in high dividend yield stocks creates an efficient tax-saving asset. Investors also take recourse to dividend stripping for tax saving. In this process, investors buy stocks just before dividend is declared and

sell them after the pay-out. By doing so, they earn tax-free dividends. Normally, the share price gets reduced after the dividend is paid out. By selling the share after the dividend pay-out, investors incur capital loss and then set off that against capital gains.

It is important to realize that a stock's dividend yield can change over time either in response to market fluctuations or as a result of dividend increases or decreases by the issuing company⁴³. Hence, the yield is not set in stone. It is most useful as a metric to help determine if a stock trades for a good valuation, to find stocks that meet your needs for income, and to let you know that a dividend may be in trouble.

2.1.2.3 Asset Growth

Asset growth is a prime requirement for a healthy, profitable investment portfolio⁴⁴. Similarly, asset growth rate shows how quickly a company has been growing its Assets. It is calculated as a percentage change in Assets over a given period. This measures total assets growth - it is used by James Montier as a criterion for a short screen since it may suggest uncontrolled or managed capital expenditure.

The higher the growth the rate the better, though the figure should not be viewed in isolation. An increasing Asset value due to, say, excessive borrowing would not be considered beneficial for Shareholders. As this equation only considers the Asset side of the Balance Sheet, it does not take into account any corresponding change in Liabilities. Asset growth is not a complex concept; it simply means the degree to which an asset increases or decreases in value over time⁴⁴. Although you can keep track of asset growth manually with paper, a pencil and a calculator, using a computer spreadsheet is not only more efficient and accurate, it is also relatively simple.

Identify investments you want to track “pre-purchase” and/or gather the most current statements for investments you already own. Open a new workbook in a spreadsheet program and save the workbook with an appropriate title.

2.1.2.4 Earnings

Earnings refers is that monetary event of asset values increasing in the organization because of the physical event of production or sales of products or services of the organization⁴⁵. It is seen as the inflows or enhancements of assets of a firm or settlements of its liabilities during a period from delivery or producing goods, rendering service or other activities that constitutes the entity’s ongoing major or central operations⁴⁶. In addition, moreover, is described as revenue, that is as an inflow of asset (almost always cash or accounts receivables) received for products or services provided to customers³¹. Organizational performance is in terms of earnings generation portrayed by the levels of assets accumulation, wealth created, and the quality services by customer level of satisfaction and customer complaints⁴⁰.

Earning generation refers to all the activities a business undertakes to generate revenue — these activities include (but aren’t limited to) sales and marketing⁴¹. Earning generation is a critical goal of an organization as it sustains the financial and total management of the firm. A business has two types of activities: non-revenue-generating tasks and revenue-generating tasks⁴². Earning generation indicates the latter, specifically; activities that help create income and profitability.

As said earlier, revenue generation is not simply sales and marketing. It also includes operating plans, strategies, and practices that are designed for increasing revenue^{45,46}.

This means every part of an organization can contribute to the revenue generation process. Firms can generate revenue by improve sales' productivity, improving marketing campaigns' performance to reduce customer acquisition costs, identify new customer segments, and increase ROI, conducting market research to find out customers' problems and develop product ideas that help solve those problems, providing exceptional customer service experience to increase customer satisfaction, brand loyalty, and retention rates.

Earning generation is the process by which a company markets and sells services/products to produce income⁴⁷. Also, earning generation as the process of covering operation costs, and expanding services/products to the needed market. Revenue generation refers to the process of creating sales of products and services, with the goal of creating income⁴⁸. For example, a company wants to generate a hundred thousand euros of revenue this year. Then, the company needs to set up a strategy to reach this objective. Different tactics exist, according to each business. These tactics include every department, not only sales and marketing. Indeed, to be competitive, you have to stand up from your competitors.

Some examples of tactics includes; generate more prospects, increase your conversion rate (through website, live chat, promotion, etc), develop an ideal customer profile, implementing best practices to guide the implementation of your revenue strategy, increase the average price per sale⁴⁹. For better revenue generation, organizations should critically look at customers and other stakeholders in business and establish how best they are satisfying their needs⁴⁵. Organizations should continuously improve their revenue and have an internal control system that is intervened with organizations

operating activities and it is most effective when controls are built into the organizations infrastructure in terms of continued improvement on performance standards as part of the competitive advantage of the organization. In addition, business can increase their revenue by enhancing their revenue generating activities such as marketing and other activities that augments the income of the firm⁴⁷.

2.1.2.5 Firm Size

In an industry there are firms of varying sizes. The costs of production in these firms of different sizes vary. Economists are concerned with the best size of a business unit, that is, a firm in which the average cost of production per unit is the lowest⁵⁰. But while taking decision about the size of a business unit or scale of operations often the various terms such as the plant or the establishment, the firm and the industry are used in a confused way. To have clear understanding of the concept of the size of a business unit it is advisable to keep in mind the differences between these terms, i.e., the plant, the firm, and the industry.

In spite of the lack of preciseness the following standards are used to measure the size of a firm: first, is capital invested: this is the amount of capital invested is one measure of size that can be used to compare the size of like and unlike firms. But as Kimbal and Kimball point out “the main difficulty of this measure is that accurate data concerning capitalisation are difficult to obtain⁵¹. Due to the variation in the capital requirements of different units and their methods of financing this measure is not much reliable.” The second measure is the value of the products in terms of rupees turned out by a firm. This measure has the advantage of making all comparisons in terms of a country’s

currency, which is convenient⁵². But difficulty arises in case of the fluctuating value of the product or if the comparison is over two periods of time, one of the rising prices (boom) and the other of the falling prices (depression), because despite the large volume of output during depression the value may be small whereas during the boom period even with relatively small output value may be big⁵¹.

The third measure is the number of wage-earners employed by each firm. This measure is much used and is advantageous in the comparison of the firms of similar nature⁵². However, in case of its application to unlike firms' results may be misleading. Also, it can be used only for the firms at the same stage of development because as firms grow in size all of them may not employ increasing number of workers, some may actually install more machines for increased production rather than increasing their labour force. The amount of power used per unit is also "an index of the size and growth" of firms engaged in manufacturing. However, the amount of power consumed may be more or less even due to the factors other than the scale of operations of a firm. Therefore, it may not always prove to be a reliable measure.

2.1.3 Overview of the Nigerian Economy and Manufacturing Sector

The manufacturing sector is widely regarded as the primary driver of economic expansion and the foundation upon which all other forms of economic development can be built⁵³. The strength of an economy's output and its capacity to compete well with other economies are often used as indicators of its success. This means that a country's

Gross National Product (GNP) rises when its manufacturing sector is robust, while a poor manufacturing sector spells disaster for any nation.

Nigeria's economy has been growing steadily for a long time, which is typical of most developing economies. In terms of global economic output, it is currently the 29th largest economy⁵⁴. However, the industrial sector's contribution to GDP is still quite low in this country⁵⁵. Research suggests that industrialization can lead to long-term prosperity, but how has Nigeria's manufacturing sector performed and what has that meant for the country's economy? Manufacturing's influence on economic growth cannot be overstated. It is rare for a country to build its economy without making investments in manufacturing. Industrialization is often sparked by a robust manufacturing sector.

However, the status of Nigeria's manufacturing sector has been a concern for two decades, and various policies have been implemented by the former and current political administrations to ease the industry's funding issues⁵⁶. The Nigerian Bank for Commerce and Industry (NBCI) was established in 1973, the Nigerian Industrial Development Bank (NIDB) came into existence in January 1964, the Small & Medium-Sized Enterprise Equity Investment Scheme (SMEEIS) was promulgated on January 9th, 1991, and the National Economic Reconstruction Fund (NERFUND) was established in 1973⁵⁷.

Production in any economy is viewed as an important factor in transforming it into one that is dynamic, long-term and diverse, as demonstrated by the experiences of countries like the United States, Britain, China and a few others whose production industries have

played a significant role in the structural transformation of economies from subsistence, growth-oriented one. The excellent Nigerian medium-term policy paper (National Economic and Empowerment Strategy – NEEDS) indicated that the manufacturing sector had huge potentials for creating jobs, wealth, and alleviating poverty. Using these metrics, it's possible to gauge the health of the manufacturing industry. Hence, an analysis of these variables revealed that the Nigerian manufacturing industry is in an unconscious state, as its capacity to produce jobs, wealth, eliminate poverty, and contribute to GDP has decreased over time⁵⁸.

Nigeria's economic decline has been likened to a Dutch disease, diverting attention away from other economic sectors and onto the oil sector¹⁰. Due to the huge revenue created by its natural gas discovery in the 1960s, the Netherlands' other non-booming tradable sectors began to lose their competitiveness, resulting in the emergence of the Dutch plague. The Netherlands' economic development slowed dramatically, despite the huge revenue windfall from the new finding. A private corporation like the United Nigerian Textiles PLC (UNTL) has not come as a surprise, nor is it surprising that Nigeria's textile industry has been hit hard. There aren't many businesses left. When Nigeria's major textile company, United Nigerian Textiles PLC (UNTL), was shut down, it was the latest chapter in the country's economic decline⁵⁹.

A country's economic potential can be best gauged by looking at how fast its manufacturing sector is expanding. One of the state's most powerful weapons in the fight against poverty and inequality is the sector. The manufacturing sectors of the majority of advanced economies are robust enough. Manufacturing challenges in Nigeria necessitate suitable government and business actions to improve the sector's

competitiveness⁶⁰. In some areas, the government and industry must work together in a well-designed Public-Private partnership manner to make progress. Key performance indicators (KPIs) for the sector can be monitored if fully implemented.

The following must be taken into consideration: To begin with, the manufacturing industry must tap into the country's low-income market, which has a huge potential for growth. Macroeconomic stability is also a prerequisite for maintaining manufacturing competitiveness. When it comes to manufacturing competitiveness, cost reduction and quality improvement are vital. Indirect taxes in Nigeria are typically cited as the main culprit. Industrial analysts in India have argued that excessive interest rates and the availability of credit are stifling industry growth⁶⁰. Productivity can only be increased through innovation. Technology parks should be considered by the government. Almost one percent of GDP is lost due to a lack of power in the manufacturing sector alone, which relies heavily on transportation infrastructure including roads, railways, airports, and ports for the transit of goods. Examining how these issues have harmed the industry necessitates considering the following:

Inadequate access to financing is a serious issue. A recent survey found that 47 percent of businesses ranked access to financing as one of their most pressing issues⁶¹. ' Low investment in modern machinery, information technology, and human capital makes it difficult for firms to reduce production costs, increase productivity, and improve their competitiveness. Real-estate lending has been abandoned by the banks, who are frightened to borrow short and lend long - the length of time needed by industries.

Manufacturing is seen as a high-risk endeavor by banks; therefore they are more likely to engage in contract and trade finance, which often provides faster and larger returns. Since the returns on investments in manufacturing have constantly been lower than the rates of borrowing, it is considerably riskier to borrow money than it already is. Additionally, inflation acts as a deterrent to saving and impedes investments and economic progress⁶². Encourages speculation and diverts resources from beneficial endeavors, as well as the cabal effect among the sector's top players and financial institutions is worth mentioning. While the sector's cabal keeps the holy right to single-digit interest rates on loans that are not likely to be repaid, other investors are stuck with double-digit interest rates on loans that are scarcely available. As a result, the industry's ability to attract new businesses has been severely hampered.

Economies around the world are rapidly changing. Industrialization is currently being fuelled mostly by advances in technology and new ideas. Economic and social progress is increasingly being driven by new ideas and inventions. Knowledge-intensive industries are on the rise. Even the most established sectors have been swept up in the information revolution's wave. Industries that were inconceivable only a few short years ago are already taking shape. Manufacturing has been fundamentally revolutionized by the introduction of new processes and techniques, as well as automation. Consequently, the lack of technological advancement in our businesses is a major problem for us⁶³. Nigeria's manufacturing sector was boosted by the Olusegun Obasanjo administration's efforts in communications. Due to secondary infrastructural effects not growing at the same rate as the primary effect, the magnitude of this impact did not translate into an increase in the sector's global GDP contribution.

The high cost of raw materials, both domestic and imported, contributes to low capacity utilization. According to the CBN, Nigeria's industrial capacity utilization in 2010 was 55.5 percent. Since low output quantities need high levels of fixed expenses, Nigerian firms' competitiveness is already compromised. The level of investor trust in the manufacturing industry is a crucial consideration for anyone planning to invest in product development and production efforts⁶⁴.

Investors and entrepreneurs are known to be the people that start new businesses in a given industry. An entrepreneur, on the other hand, is someone who is willing to take on the risks of starting and running a business. Risks that are both macro environmental and national insecurity, including kidnappings and terrorist attacks, must be taken into consideration when choosing a location for a company's headquarters and expansion⁶⁵. Unlike the post-civil war era, when the Federal Government encouraged everyone to invest, live, and do business in any part of the country, the situation changed when ethnic unrest, youth agitation, kidnapping, armed robbery, and wilful destruction of life and property began to rock the sector. With the rise of liberation for minorities and young, our democratic ascent to the status of Africa's most powerful and sovereign nation has become a laughingstock. In order for our country to actually be an economic powerhouse, we have failed to grasp those concerns of stability and security requires no compromise at all.

Another important issue facing the manufacturing sector in Sub-Saharan Africa is the overburdened and deteriorating infrastructure, particularly in Nigeria⁶⁶. It is necessary to have motorable highways to transport raw materials and completed items to and from factories and commodity markets. Manufacturing is negatively impacted by the current

status of our roads and railways. Our deteriorating infrastructure continues to elude us despite the large amounts of money set aside each year for such endeavors as roads and bridges. Due to this, many firms relying on road transportation for raw materials are forced to close their doors due to delays in receiving their raw supplies. The Lagos-Benin Expressway is worth mentioning. In Nigeria's network of roadways that connect the country's economic centers, there are similar issues.

Competition in today's manufacturing sector is flooded with both ethical and non-ethical entrants to the market place for their products. Even the most successful companies face new and unanticipated obstacles, according to the assumption that product marketing challenges are common. When the economy was thriving, traditional approaches to corporate management might have worked, but they are no longer adequate to satisfy the demands of a shifting market. Competition in the marketplace necessitates the development of new company concepts. Only by cutting costs ruthlessly and accepting profit margins close to zero can manufacturing companies prosper in these growing areas⁶⁷. Unfortunately, Nigerians in positions of authority tend to be the biggest consumers of imported goods and services, even if many of these imports fall short of the quality standards set by Nigerian-made products. Table water, flavored fruit juices, to name just a few, are still widely used, allowing foreign nations to gain economic and employment advantages, while our markets are ceded to them.

In Nigeria, the manufacturing sector faces numerous power challenges. It is imperative that you have your own "candle" in order to conduct business in Nigeria today. The impact of a lack of power is a low use of capacity. With the utilization of alternate power sources in Nigeria today, the current ozone depletion and climate change

campaigns are severely hampered. Because the costs of petroleum products, which drive the alternative power options available to manufacturers, are so amorphous, there is no room for competitive pricing. Consequently, locally produced goods are priced out of the market and imported goods take their place. The low GDP contribution of the manufacturing sector has been attributed to a inefficient power infrastructure⁶⁸.

As it relates to the manufacturing sector, Nigeria's tax regimes are lopsided and, in the writer's opinion, unjust and unhealthy for real growth of the economy. Disincentives to investment and a perception of systematic injustice are created by many taxes and levies on manufacturers. There is nothing more frustrating and annoying than local and state government officials who come up at the manufacturer's gate on a regular basis demanding immediate payment of taxes and levies that they don't supply any services or have any useful use for. Unfortunately, nothing is done when something like this occurs. This tax is considered a rip-off by most Nigerians. Government coffers receive only a fraction of the money earned because unscrupulous cronies, who have no idea how to run or even start up a manufacturing company, siphon it off into their own pockets.

Above all else, Nigerians must uphold the highest standards of decency and openness in their dealings. The level of corruption in Nigeria serves as a sobering reminder that when morals are ignored, economic calamity can result. Corruption has been shown to have a negative influence on the economy. Taking money and not putting it to good use is a loss to the country. Criminals who are in positions of power and trust undermine our hopes and aspirations since they frequently cross the borders of this wonderful nation to hide their loots with no assurances of return. When the offenders die or leave

the country, the loot is transferred to the national treasury of the new country. The lessons of Libya can be learned. Currently, there are many unclaimed stock dividends and inactive accounts in our financial institutions totaling trillions of naira that are either unclearly owned by their owners or were abandoned to banks by these individuals after they passed away and kept their secrets secret till the end.

It's possible to wonder where this money came from. It's disheartening to think about how much Nigeria's heedless leaders have wasted the continent's resources. Corrupt practices have a long-term detrimental effect on the economy as a whole, as well as on the economy's long-term dynamic efficiency, because they generate negative economy-wide externalities. Culprits favor inefficient producers, skew public allocations of scarce public resources, and induce leakage of income from government coffers to private hands that, if available for the funding of the industrial sector, would have supplied ample incentive.

With little consideration for the long-term impact on Nigeria's economy, import bans are frequently implemented and then withdrawn without respect for the impact they have on the country as a whole^{67,68}. The current list of prohibited imports covers roughly twenty-five (25) categories of commodities, which have a negative impact on the local economy. Even worse is the flip-flop in policy attitudes about import bans. Aside from that, few of our manufacturing firms have the tenacity necessary to face down obstacles. When it comes to thriving in a variety of business situations, aggressive techniques including marketing assertiveness, risk propensity, financial leverage, product innovation, decision-making speed, and other metrics of business aggressiveness are necessary but lacking.

In most African businessmen, delayed gratification isn't even an option. It is possible to categorize these methods into four broad categories: prospector, defense, analyst, and reactor. The prospector is willing to use any method, including risk-taking, in order to get an advantage. The defender is willing to take a few chances in order to maintain its current position. Analysts will keep an eye out for chances but will not take any risks or defend their positions with aggression. There are times when external factors make it difficult for a person to survive. It does not have any kind of proactive plan. Unless it is compelled by external factors, it does not respond. The Nigerian technique has been the least successful of the four strategies (Government as manufacturers inclusive).

Nigeria has a wealth of natural resources that can be tapped for additional value. Agricultural crops and minerals abound throughout the country. Converting raw materials into finished goods can add significant value to the country's large reserves of raw materials. Making these final items adds value to the domestic economy. Creating products that are useful: It's possible that this is the most significant advantage of having production in Nigeria. Manufacturing is one of the only sectors that can provide a large number of jobs for the country's unemployed youth, along with agriculture⁶⁹. Nigeria's role in the global economy is restricted compared to other countries with robust industrial industries. Our current dependency on oil earnings has hampered our ability to participate in a wide range of global trade. There are numerous things that can be exported from the country's manufacturing sector. The Nigeria economy will realize greater value if manufactured products are exported instead of exporting raw materials unprocessed.

2.2 Theoretical Review

In this study, the dividend irrelevance theory, the “bird in hand” theory signalling theory and agency theory were reviewed because of the need to offer theoretical explains and understanding for the aim of this study which is to investigate the interaction between dividend policy and share price volatility.

2.2.1 Dividend Irrelevance Theory

A firm’s value is determined by the earning power and risk of its investment and the decision to distribute earnings as dividends or retain them in the business does not affect the value of the firm⁸⁰. The theory also states that investors do not have any preference between current dividends and possible capital gains. Since the theory explains dividend policy as an irrelevant factor of the market value of the company, shareholders are unconcerned between the two types of dividends⁶. Investors simply aim for high returns either in the form of dividends or in the form of retained earnings by the company.

Accordingly, the existing division of retained earnings between new investment and dividends does not affect the value of the firm. It is the investment pattern and earnings of the company, which influence the share price and thus the value of the company. The theory is based on the following seven principles⁸¹:

1. Investors rational behaviour and the existence of perfect capital markets,
2. Free information available for investors,
3. Transaction costs and time lag do not exist.
4. Securities are divisible.
5. No taxes.
6. Perfectly efficient capital markets.
- And 7. Investment decisions are taken strictly, and profits are therefore known with certainty.

The theory has been criticized for assuming a “perfect market” –situation, in which there are no taxes and no market imperfections⁴. The dividend irrelevance theory asserts that dividend policy has no effect on share price.

In 1961, Franco Modigliani and Merton Miller presented one of the most influential dividend theories and even though it was generated for more than 50 years ago it is still seen as one of the most respected theories. When the theory was presented in the article “Dividend policy, growth and the valuation of shares” it provided a new benchmark and changed the view that both practitioners and academics had towards dividends. Before the publication of Modigliani-Miller’s dividend irrelevance theory the general view was that dividends were highly correlated to the value of the stock ³². As the name of the theory suggests, it states that under perfect capital markets the dividend policy is independent to the value of firm and it does not matter whether the company have high or low dividend pay-outs. Three criteria define a perfect capital market:

Perfect capital market - no single actor on the market is large enough to affect the market price of a security and everyone has access to the same costless information, i.e., no actor has an information advantage. Another important assumption is that there are no transaction costs or taxes and all actors can therefore operate on the market under the same conditions.

Rational behaviour - it simply states that all actors on the market prefer more wealth to less. It also assumes that it does not matter whether the actors receive the increase in wealth in the form of capital gains from the stocks or dividend payments.

Perfect certainties - all actors on the market have the same information and know the return of every security in the future. Therefore, it is possible to make the assumption that there only exists one type of security which Modigliani and Miller refer to as stocks.

In respect to the assumptions discussed above, the dividend payments become irrelevant for the shareholders. Because in order to pay dividends, the company has to issue new shares in order to raise the needed capital. As the new stocks are issued, the price of the stocks will drop in equal proportions to the dividend payments and the decrease in stock price and the dividend payments will cancel each other out⁸². For example, if the company pays a dividend of 10Kobo the shareholders receive 10 Kobo for each of the shares owned. But at the same time the stock price will decrease 10 Kobo since more shares are issued in order to raise capital, the shareholders are therefore equally well off no matter the dividend payments.

Modigliani and Miller also argue that, if a company does not pay dividends but the shareholder prefers 2 percent dividend, he can sell 2 percent of his stocks and earns dividend. The opposite is of course also true, if the company pays a higher dividend than the shareholder prefers, he can use the surplus dividends to buy additional stocks³³.

These two arguments discussed above are the underlying assumption of the irrelevance hypothesis and according to these arguments shareholders should be indifferent between capital gains and dividends. This in turn contributes to that the shareholders are unwilling to pay a higher price for dividend paying stocks which in turns make the question of dividends irrelevant.

In order to explain the irrelevance of dividends, use a number of formulas in order to conclude that the firm value at time t is equal to³³:

$$v(t) = \frac{1}{1+P(t)} [X(t) - I(t) + V(t+1)]$$

$V(t)$ = Value at time(t)

$P(t)$ = Stock price at time(t)

$X(t)$ = Total net profit at time(t)

$I(t)$ = Investments or increase of physical holding at time(t)

Since dividends do not appear directly among the arguments in the formula and all arguments are independent to dividends it indicates that the value of the firm is independent of the dividend policies. In the formula above it can be seen that the only factors that affect the firms' value are the stock price, the total net profit, the investments and the value of the firm in the future which today is known, given the perfect market assumptions. The main argument in favour of the dividend irrelevance theory states that under a perfect market environment there are no kinds of financial illusions and only "real" factors can affect the value of the firm. With real factors Modigliani and Miller refer to the earning power of the firm's assets, investments policy and the company's business risk. Consequently, the chosen dividend pay-out policy does not affect either the current value of a company's stock or the shareholder's total return.

The discussions above show, that under perfect capital market the company's dividend pay-out policies do not affect the value of a company. A lot of research has been conducted in order to test the validity of Modigliani and Miller's propositions and the propositions have both been supported and rejected by various academics.

A study supported the results of Modigliani and Miller and stated that companies are able to adjust dividend payments in accordance with the preferences of tax-induced investors and for this reason there are no relationship between dividends and stock returns³⁴. Another prominent research made also supports the propositions in the dividend irrelevance theory and they state that even though the tax rate for dividends and capital gains are different under the US tax system the dividends do not affect the value of the company³⁵.

This research seeks to test the effect of dividend policy on share price volatility. The study is aimed to determine if there is a significant relationship between a dividend policy and share price volatility. Since Modigliani and Miller state that dividend policy does not have an impact on share price volatility, it is therefore seen as necessary to test the relationship. Even though it was disregarded that capital markets are perfect which is an important assumption in the theory of Modigliani and Miller, it is still imperative to test the theory on listed consumer and industrial goods manufacturing firms in Nigeria.

2.2.2 The "Bird in Hand" Theory

The name “bird in hand” is the umbrella term for all studies that argues that dividends are positively correlated to the company’s value. It is based on the expression that “a bird in the hand is worth more than two in the bush”. Expressed in financial terms the theory says that investors are more willing to invest in stocks that pay current dividend rather than to invest in stocks that retain earnings and pay dividends in the future. This is due to the high degree of uncertainty related to capital gains and dividends paid in the future. Current dividends are more predictable than capital gains, since the stock price is determined by market forces and not by the managers it has a higher degree of uncertainty.

The bird in hand theory proposes that a relationship exist between firms’ value and dividend pay-out. It states that dividends are less risky than capital gains since they are more certain. Investors would therefore prefer dividends to capital gains⁸. Firms should therefore set a high dividend pay-out ratio and offer a high dividend yield to maximize stock prices^{5,83}. The bird-in-the-hand theory states that dividends are relevant.

The theory argues further that investor value dividends more than capital gains when making decisions related to stock. Dividend pay-out decision cannot change the present value of cash payment to shareholders, but it can affect the temporal pattern of payments. If investors view future dividend payments riskier than current payments, they will prefer a bird at hand than two in the bush. Indeed, paying out some cash today reduces the risk of future payoff uncertainty.

The “Bird in Hand” theory also argues that outside shareholders prefer a high dividend policy. They prefer a dividend today to a highly uncertain capital gain from a

questionable future investment. Several studies demonstrate that this model fails if it is posited in a complete and perfect market with investors who behave according to notions of rational behaviour⁸⁴. The bird-in-the-hand theory states that dividends are relevant to determining of the value of the firm. In a popular stock valuation model, the determinants of the value of a firm's cost of equity financing are the dividends the firm is expected to pay to perpetuity, the expected annual growth rate of dividends and the firm's current stock price. Dividend payments reduce investor uncertainty and thereby increase stock value. This theory is based on the logic that what is available at present is preferable to what may be available in the future. Investors would prefer a sure dividend now rather than a promised dividend in the future (even if the promised dividend is larger). Hence this theory asserts that dividend policy is relevant and does affect the share price of a firm.

Dividend model is based on the following assumptions:

1. The company is all equity financed and no external financing is used. The company finances all investment with retained earnings.
2. Internal rate of return cost of capital and the retention ratio is constant.
3. The company has an eternal life.

The underlying assumptions of Gordon's model is based on the idea of what is available today compared to what may be available in the future^{9,85}. It is based on the logic that the more distant the future is, the higher the uncertainty regarding capital gains and future dividends. Even though the capital gains in the future may provide a higher return than the current dividends, there is no guarantee that the investor will

accumulate a higher return due to the high degree of uncertainty^{14,86}. Since the length of the time and the level of risk are correlated, investors are unwilling to invest in companies where the time until the dividend payments are far away.

An investor would therefore be willing to pay a higher price for firms that pay current dividends. For companies who do not pay current dividends, the investor would use a higher discount rate in order to discount the earnings and the value of these companies should therefore be lower than the companies who pay current dividends. By implication, this indicates that the discount rate becomes higher as the earnings retained in the company increases. The opposite is of course also true, companies who pay current dividends have a lower level of retained earnings which contributes to lower discount rate which in turn contributes to a higher value of the firm⁸⁷.

The main arguments towards the bird in hand theory is based on that most companies are conservative in their financing policy and the dividend payments are therefore based on an optimal pay-out ratio. The principal factor that contributes to deviations from the optimal pay-out ratio is due changes in the company's profit, and if the profit increases the dividend pay-out should increase in the same proportions but uncertainty regarding future profits also has an impact on the company's dividends. If the estimated risk in the future is higher than the current risk, the company may decrease the dividend pay-out ratio in order to hedge to decreasing future profits.

The bird in hand theory has been subject to a large amount of criticism and opponents to the theory states that it excludes important factors. Critics argues against the theory and says that increases in current dividends do not decrease the riskiness of the

company; it does in fact work in the opposite direction. Because if an increase in dividend payments is made the managers have to issue new stocks in order to raise the needed capital^{51,64}. Therefore, a dividend payment just transfers the risk from the old to the new shareholders but even though the theory contains some limitation. A study argues that there are still many individual investors and financial institutions who consider that dividends are important and it is therefore of importance to include the theory even though it has some limitations.

As was stated in the section above, the bird in hand theory is the opposing view towards Modigliani and Miller's dividend irrelevance theory and it says among other things that companies with higher profits pay higher dividends to its shareholders. Since this view is the opposite view compared to Modigliani and Miller's, it was thought to be interesting to test whether companies with a higher profit pay higher dividends to its shareholders. Subsequent part of this research is going to test the correlation between various companies selected factors and the dividend pay-out ratio. Hence, investigated whether Modigliani and Miller's dividend irrelevance theory or the bird in hand theory is best suitable for listed Nigerian consumer and industrial goods manufacturing firms.

2.2.3 Signalling Theory

The signalling theory of dividends has its origins in Lintner's studies who revealed that the price of a company's stocks usually changes when the dividend payments changes²².

Even though Modigliani and Miller argued in favour of the dividend irrelevance they also stated that in the real world disregarding the perfect capital markets, dividend provides a "information content" which may affect the market price of the stock. Many

researchers have thereafter been developing the signalling theory and today it is seen as one of the most influential dividend theories.

One of the most acknowledged studies regarding signalling theories which states that dividends may function as a signal of expected future cash flows. An increase in the dividends indicates that the managers expect higher cash flows in the future²⁴. The research is based on the assumptions that outside investors have imperfect information regarding the company's future cash flows and capital gains. Another important assumption is that dividends are taxed at a higher rate compared to capital gains. As argued, under these circumstances even though there is a tax disadvantage for dividends, companies would choose to pay dividends in order to send positive signals to shareholders and outside investors²⁵.

A study states that a company's sources of information such as accounting data and future prospect reports are not completely reliable²⁶. These kinds of information do not fully represent a company's profitable business opportunities in the future. Given that outside investors have imperfect information regarding the firm's profit opportunities, the company has to find other ways in order to convince outside investors about future cash flows and profits. Therefore, favourable signals such as increasing dividends provide a positive sign to outside investors. Although dividends have a higher tax rate compared to capital gains, investors are willing to pay a higher tax rate for dividends in exchange for the positive signal dividends send regarding that the value of the stocks. But this research has chosen to exclude all consideration regarding taxes. As a result of the signalling capability, dividends may be able to transform inefficient markets to perfect markets with full information efficiency.

The signalling hypothesis was further developed and stated that there is a high degree of information asymmetry between managers and outside investors. They further state that almost any company is able to pay small dividends to its shareholders regardless of whether its future outlooks are positive or negative. Consequently, if the dividend payments should be seen as a signal for profitable future business opportunities the dividend has to be large enough so that only companies with profitable future prospects can afford to pay it. Otherwise, companies with poor future prospects would just copy the signals and pay the same number of dividends in order to send false signals to investors.

A lot of research has been conducted in order to test if the signalling theory applies in the real world and there exist different opinions regarding the applicability of the signalling theory. They argue that an increase of dividend payments tends to increase the shareholders' wealth. Asquith and Mullins also state that dividends contain information which is not available in other sources of information such as accounting data. But the signalling theory cannot be seen as applicable in all situations and a lot of researchers have found various drawbacks with the theory. As we mentioned above, the scholar stated that increases in dividend payments can be seen as a signal of higher cash flows in the future⁸⁷. This research is going to test the relationship between companies' dividend pay-out ratio and various factors and one is the growth. Therefore, investigation will be directed to whether dividends provide a signal of higher growth. Since there is no unified picture whether dividends and growth are related to each other, it was thought to be interesting to investigate the relationship on Nigerian consumer and industrial goods manufacturing firms

2.2.4 Agency Theory

The agency theory is one of the respected dividend theories and it has been extensively debated among various scholars. One of the most influential studies regarding agency costs was presented by³⁴. The study provided a new view of the agency problem and most studies concerning agency costs use Jensen and Meckling's research as a benchmark. They define the agency cost as a cost that arises between the principals (stockholders) and the agents (management). Where the principals hire and delegate the agents with a certain power to maximize the wealth of the principals. They further state that only stocks and bonds can be used as claims towards the company. Hence, only shareholders and creditors can be seen as principals. Jensen and Meckling presented prominent research regarding agency costs and they provided a clear definition of what the agency cost is. But they did not provide a thorough corroboration regarding the effect of agency cost on dividend policies and many scholars have been trying to develop the theory.

Easterbrook presented another study regarding agency costs and his result supports the findings made by Rozeff and Jensen. Easterbrook conducted an investigation of whether dividend payments can be used in order to minimize the agency costs between managers and investors. Easterbrook states that two factors affect the agency costs in a company, monitoring costs and the risk aversion preferences of managers. The monitoring cost refers to the costs incurred by the shareholders in order to supervise the managers and prevent them from following their own personal agendas instead of maximizing the value of the shareholders' equity. The second source of agency costs is the risk aversion preferences of managers. The problem arises because most

shareholders have diversified portfolios and they are therefore only interested in systematic risk which cannot be eliminated through diversification¹⁴. In contrast to shareholders, managers usually have a large amount of their personal wealth connected to the company. Therefore, if the company is unprofitable or even goes bankrupt, the managers' personal wealth becomes heavily affected. The managers will as a result be more risk averse compared to the shareholders and they may reject potential high value project due to their risk aversion preferences⁶⁴. According to Easterbrook, these two sources of agency cost can be reduced by paying dividends to shareholders.

However, Easterbrook further states that dividends are worthless in themselves and companies should therefore only pay dividends in order to reduce agency conflicts. Dividends should be affected by unexpected changes in profits and profitability has therefore been incorporated among the company selected factors that are going to use in the research¹⁴. The main problem is that the principal's interest and that of agent are never exactly the same, thus the agent, who is the decision-maker, tends always to pursue his own interests instead of those of the principal. It means that the agent will always tend to spend the free cash flow available to fulfil his need for self-aggrandizement and prestige instead of returning it to shareholders³⁶. Jensen argues that the agency costs arise as the free cash flow increases. Because the shareholders have to increase the supervision in order to prevent the managers from engaging in excessive spending or unprofitable investments.

Overall, given the theories reviewed (dividend irrelevance theory, the "bird in hand" theory, the signalling theory and the agency theory) concerning the aim of this study which is to investigate the interaction between dividend policy and share price volatility,

this study therefore adopts the “bird in hand” theory and the signalling theory given that they complement one another to explain a dividend policy that encourage the payment of dividend to shareholders now as against in the future is more valuable to shareholders than those promising to pay dividend in the future and that this behaviour provide signal to existing shareholders and intending investors about the value of a company. Moreover, this event has the capacity to affect a firm share value and the resultant share price volatility. It is on the strength of this discussion that this study is underpinned by the “bird in hand” theory and the signalling theory.

2.3 Review of Empirical Studies

This subsection centres on the position of previous studies carried out in another context, which relates to the aim of this study.

2.3.1 Dividend Policy and Share Price Volatility

Many studies have tried to empirically document the relationship between dividend policy and share price volatility. The summary of the findings of some of these studies are discussed below.

Numerous research has gone to considerable lengths to investigate this topic because it is still an open question whether or not the dividend policy of a company has an effect on the price of the company's stock^{3,8,11}. According to the findings of a comprehensive analysis that was conducted in US companies, there is a predominately negative link between share price volatility and dividend yields⁸⁸. The inference that may be drawn from these findings is that companies with higher dividend yield are connected with

reduced risk. Both studies found comparable findings in their research on about the relevance of dividend policy and share price volatility.

In addition, their findings indicate that a company's financial leverage as well as profits volatility are positively associated with share price volatility⁸⁹. There have also been investigations into the applicability of similar studies to the context of emerging markets. There have been a number of investigations into this topic that have been carried out in Pakistan, for instance. Similar study within the context of the Karachi Stock Exchange averred that dividend yield has a positive relationship with stock price volatility, while dividend pay-out ratio has the opposite, negative relationship with stock price volatility⁹⁰. While this is happening, a related study finds that there are significant negative connections between the two metrics of dividend policy (dividend pay-out and DY) and share price volatility⁹¹.

Another study findings show that there is a statistically significant positive effect regarding the dividend policy and the share price volatility⁹². However, since Hamid looked at financial organizations whereas Shah and Noreen analyzed other types of businesses, it is possible that this is why their findings were different from those of the other two groups. In the context of Jordanian industrial enterprises, another study evaluated the impact of dividend policy on share price volatility for Jordanian industrial firms using data of public listed industrial firms from 2000 to 2011⁹³. The findings are in line with those of previous research, increases in dividend yield and dividend pay-out have a tendency to minimize share price volatility⁹³. In a similar vein, another study looked at the situation in Iran and found that there was a substantial inverse association

between SPV and the dividend policy behaviour of companies that were listed on the Tehran Stock Exchange⁹⁴.

In the context of Malaysia, a number of research that investigate the connection between dividend policy and SPV have also been carried out. A scholar studied the relationship between SPV and the dividend policy of consumer products companies that are listed on the Bursa Malaysia stock exchange. This confirms the findings of previous research by showing that dividend yield and dividend pay-out have a negative correlation with SPV⁹⁵. In addition to dividend yield, the size of the firm is another significant factor that substantially correlates to the amount of volatility in the share prices of Malaysian consumer product companies⁹⁵.

On the other hand, within the context of construction businesses that were listed on Bursa Malaysia contradictory result was reported. According to their findings, a favourable relationship exists between share price volatility and dividend pay-out ratio for companies involved in the construction and material industries⁹⁶. In the meantime, a recent study which uses a sizable data set consisting of 319 companies registered on the Kuala Lumpur Stock Exchange found that dividend yield and dividend pay-out have a significant bearing on the degree to which stock prices are volatile, and this link has a negative connotation⁹⁷. Based on the analysis of the relevant literature, it is abundantly obvious that the evidence pertaining to the influence of dividend policy on share price volatility is inconclusive, particularly in circumstances that are industry-specific. Scholars stressed that the relevance of this association between dividend policy and share price volatility is still up for discussion. Consequently, academics and stock market traders have shown an interest in the relationship between dividend policy and

stock price behaviour; yet, despite the abundance of academic papers written on the topic, the field is still an open and unsolved question.

Another scholar conducted an analysis of a panel-data set that included banks from 52 different nations²³. They discovered that banks are likely to pay greater dividends in countries that have an efficient structure for protecting minority shareholders. They also presented research that demonstrates the association between bank dividend policies and creditor rights tends to be the opposite of what it is between non-financial companies and creditor rights. A related study conducted discovered evidence of a connection between dividend policies and the level of risk-taking that financial institutions are willing to undertake³⁴. This is demonstrated by the fact that banks may reduce dividend payments in order to bolster their capital resources, which would then make it possible for the institutions to undertake a greater level of risk. As a result of the fact that dividends have an effect on the deposit insurance premiums that banks are required to pay, it is possible to use dividends to transfer risk from the corporation to the deposit insurer⁵². Both the propensity of banks to pay dividends and the chance that they will engage in such behaviour may be influenced by the regulatory regimes under which they operate^{21,15}.

The authors Modigliani and Miller investigated the effects of dividend policy on share prices and argued that share prices move independently of dividend policy⁹⁸. Their argument was based on the premise that shareholders have the ability to sell shares if they would like to extract higher cash payments, and they have the ability to re-invest dividends if they prefer lower cash positions. Modigliani and Miller's research was published in the journal *The American Economic Review*. Although it is possible to

cite empirical evidence suggesting that the impact of dividend announcements on share prices may be of a relatively minor nature, the assumptions that are inherent in the Modigliani-Miller framework have been criticized on a variety of grounds⁹⁸. For example, the theory ignores potential conflicts of interest on the part of management, which may lead one to conclude that shareholders would rather have bigger dividend payments in order to decrease the proportion of funds that are under management's control^{8,12,99}.

In a similar vein, the Modigliani-Miller framework does not take into account the transaction costs that are incurred whenever shareholders exchange shares in order to re-invest dividends or to withdraw additional cash. For example, retail investors may choose bigger dividends if they want to minimize the transaction costs they experience when selling stocks to liquidate capital gains. These costs are incurred when selling equities in order to realize capital gains⁵¹. A cash pay-out, on the other hand, is a "bird in hand," hence market participants may value increased dividend payments more than anticipated future capital gains, given that the latter are always subject to uncertainty but the former is a "bird in hand"¹⁰⁰.

Another study showed a positive association between the dividend pay-out ratio and stock price volatility in the context of the Sri Lankan stock market¹⁰¹. However, contrary outcome was found in¹⁰¹. The study findings suggest that there was a negative relationship between the two variables. In the latter market, finance scholars discovered a correlation between dividend yield and share price volatility, which was determined to be a positive connection^{19,21,102}. Within the context of the Nigeria Stock Exchange, it was discovered that there was no substantial correlation between dividend policies and

share price volatility. A study that focused on listed firms found a substantial inverse association between the share price volatility and the two proxies for dividend policy, which were the pay-out ratio and the dividend yield.

Also, another study was conducted research to evaluate the association between share price volatility and two primary indicators of dividend policy: dividend yield and pay-out, in addition to control variables including size, earnings volatility, leverage, debt, and growth¹⁰³. According to the findings of this investigation, a significant inverse correlation exists between share price volatility and dividend yield, dividend pay-out, and the size of the company. Within the context of Karachi Stock Exchange in Pakistan it was found that share price volatility has a positive relationship with the size of the firm and leverage as well as an inverse relationship with dividend yield and pay-out ratio¹⁰⁴. They also found that share price volatility is related to dividend yield and pay-out ratio in a negative way. Another study conducted on the share market of Pakistan reveals a similar relationship of price volatility with pay-out ratio¹⁰⁵.

However, in contrast to the earlier study, this study reveals a positive relationship between share price volatility and dividend yield. In spite of the fact that the outcomes of these research are not as conclusive as those found in the case of developed markets, it is essential information for determining how developing markets behave¹⁰⁶.

Another investigated the relationship between stock price volatility and two main measurements of dividend policy in addition to other variables such as size, growth, earnings volatility, and debt based on a sample of publicly quoted companies in the UK for a period of ten years¹⁰⁷. Their research was conducted using data from those

companies¹⁰⁸. According to the findings of this study, a positive association exists between dividend yield and stock price changes, whereas a negative association exists between dividend pay-out ratio and stock price changes¹⁰⁸.

In addition, the findings of this research indicated that factors such as a company's earnings, size, rate of growth, and debt can explain variations in its stock price. After controlling for earnings volatility, assets growth, firm size, and leverage for a continuous period of 5 years, another scholar attempted to study the effect that dividend policy has on the stock price volatility of 75 financial firms that are listed on the Karachi Stock Exchange¹⁰⁹. According to the findings of the research conducted, there is a statistically significant inverse connection between price volatility and dividend yield as well as dividend pay-out. According to the findings of the study, dividend policy is a significant factor in determining share prices.

On the other hand, contrary findings was recorded in the literature¹¹⁰. The study investigated the stock price volatility by focusing on non-financial companies that were traded on the Karachi Stock Exchange between the years 2001 and 2011. Their study included 35 different companies. According to the findings of the study, there is an inverse relationship between price volatility and dividend yield as well as earnings per share¹¹¹. It has been found that price volatility has a positive relationship with the size of firms as well as the growth in their assets. The research also came to the conclusion that there is no connection between the fluctuation in stock prices and the earnings volatility of companies in Pakistan. Also, another scholar made an effort to investigate the influence that dividend policy has on the volatile share prices that occur on the Tehran Stock Exchange. According to the findings, the dividend pay-out ratio was

shown to have a significantly negative influence, whilst the asset growth rate was found to have a significantly favourable effect on the stock price's volatility¹¹².

According to the findings of this study, the effects of the variables leverage, earnings volatility, and firm size on stock price volatility were found to be insignificant. A similar analysis was carried out using a sample of 53 businesses that were listed on the main market of Bursa Amman in the Jordanian Stock Market between the years 2001 and 2013¹¹³. According to the findings of this research, a large negative association existed between dividend payout and share price volatility, although a very moderate positive relationship existed between dividend yield and share price volatility. A significant positive relationship is discovered between the share price volatility and the size of the company. Furthermore, among the predictor variables, dividend payout and stock dividend have the greatest influence on the share price volatility.

A related study attempted to examine the influence of dividend policy on market price of share in the context of Bangladesh using a sample of 28 firms for the period of 2005-2009. Their research focused on the period of time in Bangladesh. The research concluded that the findings over the effect of dividend policy on market price support the relevant theory of dividend policy such as Walter's model and Gordon's model. The study discovered that the effect of dividend pay-out is more significant on market price than the effect of dividend retention¹¹⁴.

A related study analyze the dividend policies of 77 Jordanian industrial companies that were listed on the Amman Stock Exchange during a period of 12 years¹¹⁹. This was done with the intention of exploring the influence that dividend policy has on the

volatility of share prices. The results showed a significant negative effect of the dividend policy, dividend yield, and dividend pay-out on the share price volatility. This indicates that as Jordanian industrial firms increase their dividend yield and/or dividend pay-out, stock prices tend to stabilize, as price volatility falls, and as a result, the share price risks fall.

The results also showed a significant negative effect of the dividend policy, dividend yield, and dividend pay-out on the share price volatility¹²⁰. In addition, the findings demonstrated that the dividend policy has an effect on the price volatility and that the managers of Jordanian industrial firms have the ability to influence the share price of their companies by modifying the dividend policy in a way that is appropriate for the types of investors they seek to attract. In addition, the findings of the study indicated that duration effect theory and signalling theory play an important role in the process of determining the share price volatility on the Jordanian Equity Market. In their study, the researcher used a sample of 63 companies that were listed on the Karachi Stock Exchange between the years 2006 and 2011 in order to investigate the impact that dividend yield, dividend pay-out ratio, earnings per share, return on equity, and profit after tax have on the price of stocks¹²¹. According to the findings, dividend yield as well as dividend pay-out ratio have a significant influence on the price of a stock. The dividend pay-out ratio has a positive relationship with stock price, while the dividend yield has a negative relationship with stock price¹². Given that the dividend yield has a negative relationship with stock price, these findings go against the dividend irrelevance theory.

Return on equity shows a positive but insignificant impact on stock price, while profit after tax and earnings per share have a significant positive impact on stock price. In conclusion, this research offered fresh perspectives that decision-makers in Karachi might use to enhance the functioning of the Karachi Stock Exchange. Another scholar conducted research on the industry sector determinants of dividend policy as well as the effect of dividend policy on share prices of 12 companies that were listed on the Ghana Stock Exchange (GSE) between the years 2006 and 2011. According to the findings, the primary factors that determine dividend policies for publicly traded companies on the GSE are a firm's size, its return on equity, and its profit after taxes¹²². However, the dividend pay-out across the various markets is affected by a wide variety of factors that are unique to each market. When determining whether or not to pay a dividend, the amount of a company's profit after taxes is one of the primary factors that it always takes into account. The majority of companies that are listed on GSE, on the other hand, exhibited a statistically insignificant and weak relation between the amount of dividends they pay out and the price of their shares.

During the COVID-19 pandemic, the volatility of share prices is both increasing and decreasing. This is because volatility can occur in either direction. Study from Oil and Gas companies support the finding that the petroleum and natural gas industry experienced an increase in share prices⁹⁹. This increase was due to the drastic drop in crude oil prices in March 2020, which caused crude oil producers to decide to reduce oil production, and as a result, they automatically reduced natural gas production. The study also supports the finding that an increase in share prices occurred in the petroleum and natural gas industry⁹². This unquestionably has a constructive effect on

the current price of natural gas on the market and raises investors' expectations for natural gas producers' potential future cash flows.

In addition, the medical, pharmaceutical, and health care industries were the ones that saw positive stock price volatility during the COVID-19 pandemic¹²³. This is because almost every nation was witnessing an increase in mortality and a decline in population health as a direct result of the virus. The distribution of food and foodstuffs, which are currently benefiting from increased demand, is another industry that saw an increase during the pandemic and contributed to the overall increase. The business of developing software and other technologies has also made significant progress ¹²⁴. On the other hand, industries such as restaurants, hotels, lodging, tourism, entertainment, and transportation have a high risk related to stock price volatility because of the COVID-10 pandemic. This is due to the fact that these types of industries are social, and during a pandemic the community tends to reduce social activities, particularly certain government policies. Putting in place lockdowns and requesting that people remain inside their homes in order to stop the spread of the COVID-19 virus^{12,38,49,125}.

Despite a substantial drop in March 2020 owing to the COVID-19 pandemic, the number of stock transactions has begun to grow again due to various discounted prices, indicating that capital market development is increasing dramatically year after year¹³⁰.

Many Nigerian businesses, particularly those in the manufacturing sector, have had to contend with the ripple effects of the economic recession (in 2016 and one induced by the COVID-19 in 2020), economic recovery policies from the Federal government and the CBN, and this has negatively affected their performance in terms of profit earned

and its distribution to shareholders¹⁰. Between 2016 and 2020, Nigeria's macro-environment had two big events that resulted in economic hardship for individuals, businesses, and the government. In the first place, the financial crisis of 2015 and 2016 resulted in a large number of firms being unable to operate, resulting in a loss of jobs, a decrease in the value of stock shareholders, and a decrease in financial sector revenue¹⁰.

Second, just five years after the credit crunch, the COVID-19 epidemic and its accompanying implications emerged as a major issue. As a result of these two key occurrences, the purchasing power of the Naira was eroded, and as a result, salary earners (in both the public and private sector) have their real income drained to a record low ¹¹. As a result of the dollar's rise, it became increasingly difficult for manufacturers to obtain and produce raw materials cost-effectively; as a result, 272 manufacturing plants shut down between 2015 and 2016. An additional source of worry for Nigeria's government is the spread of the COVID-19 pandemic and the resulting impact on global oil output, pricing, and revenue creation¹².

In examining the relationship between dividend policy and stock price volatility in Malaysia, three hundred and nineteen companies listed on the Kuala Lumpur stock exchange were selected and analysed over a period of eleven years. The regression results revealed that dividend yield, dividend pay-out ratio and size are negatively related to stock price volatility while earnings volatility and long-term debt are positively related and statistically significant to stock price volatility in Malaysia market⁶⁹.

In Jordan, a study examined the influence of dividend policy and share price volatility for Jordanian industrial firms. Seventy-seven firms were selected and analysed over a period of twelve years. Multiple least square regression model was adopted in analysing data. Regression results revealed that dividend yield and dividend pay-out ratio have significant negative effect on share price volatility³⁷.

The Pakistani market was examined to determine the relationship between dividend policy and share price volatility in Pakistani stock market. Cross sectional regression analysis was carried out. The regression results showed that a positive relationship exists between dividend yield and share price volatility while a negative relationship exists between dividend pay-out and share price volatility. A negative relationship exists between control variables (size and earnings volatility) and share price volatility while a positive relationship exists between long term debt, growth and share price volatility¹¹.

Five hundred and ninety-nine firms were selected and analysed over a period of three years to examine the relationship between dividend policy and stock price volatility in the U. S. equity capital market. Ordinary least square regression analysis was adopted in analysing data. It was found that dividend yield, size, financial leverage and growth have negative relationship with stock price volatility while dividend pay-out ratio has insignificant positive relationship with stock price volatility³⁷. The results of this study revealed control variables which included firm size, long term debt and growth in asset have an insignificant impact on share price volatility. In Kenya, the relationship between dividend policy and share price volatility in Kenya was investigated. Thirty firms listed on the Nairobi securities exchange were selected and analysed over a period

of five years. Multiple linear regression analysis was carried out. It was found that an insignificant negative relationship exists between dividend policy and share price volatility⁴.

Ordinary least square regression analysis was adopted in analysing the relationship between dividend policy and stock price volatility in the U. S. equity capital market. Five hundred and ninety-nine firms were selected and analysed over a period of three years. It was found that dividend yield, size, financial leverage and growth have negative relationship with stock price volatility while dividend pay-out ratio has insignificant positive relationship with stock price volatility³³.

In investigating the relationship between dividend policy and share price volatility in Kenya, thirty firms listed on the Nairobi securities exchange were selected and analysed over a period of five years. Multiple linear regression analysis was carried out. It was found that an insignificant negative relationship exists between dividend policy and share price volatility. Control variables which included firm size, long term debt and growth in asset were also found to have insignificant impact on share price volatility¹⁶.

The relationship between dividend policy and share price volatility in Iran with hundred firms listed on the Tehran stock exchange were selected and analysed over a period of six years. Multiple least square regression analysis was adopted in analysing data. It was found that dividend pay-out ratio and dividend yield is negatively related to share price volatility. Dividend pay-out ratio was also suggested as the main determinant of volatility of stock price³⁷. Multiple least square regression analysis was carried out to investigate the relationship between dividend policy and stock price volatility of

Jordanian firms listed on the Amman stock exchange. Forty firms were selected and analysed over a period of ten years. The regression result revealed that both dividend yield and dividend pay-out ratio have negative relationship with stock price volatility⁴⁰.

The study examined the impact of dividend policy on share price volatility of Malaysian construction and material companies listed on the Kuala Lumpur stock exchange. Seventy-seven firms were selected and analysed over a period of six years. Least square regression analysis was carried out. The empirical results showed that there is a significant positive relationship between dividend pay-out ratio and share price volatility while an insignificant negative relationship was found between dividend yield and share price volatility. Among the control variables only firm size and leverage showed high correlation with share price volatility while investment growth and earnings volatility have no significant influence on share price volatility²³.

Fifty-three firms were selected and analysed over a period of thirteen years to examine the relationship between dividend policy and share price volatility with a focus on companies from four sectors listed on the Jordanian stock market. Multiple regression analysis was adopted in analysing data. The results of this study showed that a significant negative relationship exists between dividend pay-out ratio and share price volatility while an insignificant positive relationship was found between dividend yield and share price volatility. A significant positive relationship was found between size and share price volatility²⁵.

Multiple regression was employed to analyse the relationship between dividend policies and financial performances of the companies operating in Istanbul Stock Exchange.

The study used data of 172 companies outside of financial sector from 2008-2011. The results of analysis showed that dividend payments had influence on firms' performances. Also, there was a positive and statistically meaningful relationship between the dividend per share rate within groups and market-based performance indicator (Tobin's q) while there was a statistically insignificant relationship between accounting-based performance indicators (ROA & ROE) and dividend per share rate. The study concluded that dividend policies of firms are influential on their performance⁴⁷.

A sample of 51 firms was drawn and the regression result found out that dividend policy proxied by dividend per share and dividend yield had positively significant impact on shareholders' wealth and firm performance. The study established the impact of dividend policy on shareholders' wealth and firm performance in Pakistan between 2006-2015. This study supported dividend relevance theory, signalling effect theory, bird in hand theory and clientele-effect theory⁹¹.

This study unfolded the relationship between dividend policy and share of 6 listed companies in Nairobi Stock Exchange (NSE), Kenya. Data were collected using questionnaire which were analysed using multiple regression analysis. The data analysed show that taking all other independent variables at zero, a unit increase in clientele effect will lead to a 45.3% increase in share price; a unit increase in tax incentives will lead to a 20.5% increase in share price; a unit increase in free cash flow will lead to a 29.5% increase in share price. This infers that clientele effect contribute more to share price followed by the free cash flow. Clientele effect, free cash flow, and tax incentives have positive significant effect on stock price⁴⁸.

In examining the effect of cash and stock dividends on stock prices of 25 selected chemical and pharmaceutical firms quoted on the Karachi Stock Exchange, Pakistan from 2001-2010. The panel data were analysed based the fixed and random effect estimation techniques while also controlling for earnings per share, retention ratio and return on equity. The study shows that while cash dividend, retention ratio and return on equity have positive and significant impact on stock prices, earning per share and stock dividend on other hand exert a negative and insignificant influence on the firms' stock prices⁴⁹. The panel data was employed in using the ordinary least square and Capital Asset Pricing Model (CAPM) to explain the relationship between cash dividend announcement and its effect on companies' stocks traded in the Dhaka Stock Exchange from 2006 to 2010. The result shows that cash dividend payments are the only significant factors affecting all prices in the days around the events. The study shows statistically significant above average stock market return after cash dividend announcement⁵⁰.

In examining the effect of signalling, bird in the hand, and catering of 372 listed companies in Indonesia Stock Exchange from 2010 to 2012. The data were analysed using independent samples t-test, analysis of variance model, and analysis of covariate model. The study further conducted further analysis using data reduction method and multinomial logistic regression for the purpose of confirming the characteristics of dividend payers based on general financial factors. The result revealed that dividend has significant effect to stock price, and similarly stock price also has significant effect to dividend. The study by implication fit for signalling effect, bird in the hand effect, and catering effect which is dominated by dividend payers who are paying dividend

continuously. Furthermore, this study shows that the most common characteristics for dividend payers who paying dividend continuously compared to other dividend payers includes larger number of shares, larger fixed assets, largest total debt, largest total assets, largest retained earnings, largest revenue, and largest net income⁵¹.

This study evaluated the effect of dividend policy on market price of share of 28 companies from four sectors in Bangladesh covering the period from 2005 to 2009. Using correlation and multiple regression models, the results shows that the effect of dividend payout is more on market price than retention. The findings support the relevant theory of dividend policy as postulated by Walter and Gordon⁵². In another study carried examined how dividend policy, return on equity, earning per share, and profit after tax affect stock prices of 63 companies listed on Karachi stock Exchange from 2006 to 2011. The panel data were analysed based on ordinary least square. They found out that dividend yield has a negative effect on stock price while dividend payout ratio has positively relationship on stock price supporting dividend irrelevance theory. They also posited that, variables such as profit after tax and earnings per share have significant positive impact on stock price while return on equity shows positive insignificant impact on stock price⁵³.

This study investigated whether there is relationship between dividend policy and stock prices of 45 non-financial companies listed on Karachi Stock Prices in Pakistan from 2001 to 2012. The panel data were analysed based on fixed and random effect tests; random effect results was focused after applying Hausman's test. The results revealed that dividend pay-out ratio has a significant positive relationship with share prices. This is supported by the Bird in hand theory which suggested that owners give preference to

a cash of estimated dividends over a likely cash of capital gains. Profit after tax, earning per share and Return on Equity are the three control variables used in this study. Profit after tax has insignificant relationship to stock prices; earnings per share have positive significant relationship to Stock prices while there is negative significant relationship between Return on equity and Share prices⁵⁴.

Results of this study was aimed at finding the effect of tax rate and dividend policy on the stock price, the effect of tax rate on the stock price, the effect of dividend policy on the stock price, and the effect of tax rate on the dividend policy using a secondary data involving fourteen (14) firms, such as an annual financial report of PT. Telekomunikasi Indonesia, Tbk during the period of 2001-2014. The data collected were analysed using path analysis, the results indicated that the tax rate and dividend policy had a significant positive effect on the stock price for about 76.8%. The tax rate had a significant positive effect on the stock price for about 32.6%, on the other hand, dividend policy had a significant positive effect on the stock price for about 17.5%, while the tax rate had a significant positive effect on the dividend policy for about 31.3%. it can however be deduced that a positive relationship exists between tax rate, dividend policy and stock price⁵⁵.

This study examined the trend in dividend policy and the predictions regarding the amount of dividends pay-out by listed non-financial firms in 13 African countries from 1994-2011. The panel data analysed shows that dividend paying firms are more profitable with a larger firm size, greater investment opportunity, and higher retention of earnings and with less financial leverage than firm that do not pay dividends. The results show that in countries where the GDP per capita is low firms are more likely to

pay dividends. The study also shows that dividend pay-out, profitability, and investment opportunities have positive significant relationship on firm size. While, dividend pay-out, financial leverage, corruption has a significant negative relationship on gross domestic product per capita. The study further found that the dividend trends were very low and stable⁵⁶.

This study aimed to investigate the relationship between dividend pay-out and firm performance using 41 companies listed in Nairobi Securities Exchange from 2002 to 2010. With the help of Net profit after tax as the dependent variable and independent variables being actual dividends paid, total assets and revenue, the regression analyses showed a strong positive relationship between dividend pay-out and firm performance⁵⁷.

The influence of dividend policy on the valuation of shares of stock in Nigerian banks was the subject of research conducted by ¹¹⁴. The findings indicated that the retention ratio had a significantly negative influence on share price, whilst dividend yield had a significantly favourable effect on the market value of the company.

According to the findings of the study, financial institutions ought to make certain that they have a dividend policy that is both optimal and robust¹⁷. It is important to keep accurate records of shareholders at all times in order to prevent the accidental or intentional misuse of dividend warrants that have not been claimed. The government must to set up a group that will help deal with unclaimed dividends and also make certain that the circumstances that lead to such occurrences are eliminated as much as possible. In the same vein, studies carried out research on 22 firms that had been listed on the Nigerian Stock Exchange. According to the findings, both the distribution of

dividends and the retention of earnings play a substantial role in determining the market price of each company's share. Joshi examined the impact of dividends on stock price in the context of Nepal selecting 117 companies from the banking sector and 46 from the nonbanking sector that were listed on the Nepal Stock Exchange for the fiscal year¹¹⁸.

The study suggested that Nigerian listed firms should adopt an optimal trade-off between dividend payment and retained earnings that would increase the shareholders' wealth in terms of cash and/or stock dividend with capital appreciation¹¹⁸. According to the findings of this study, the effect of dividends is significantly more noticeable than the effect of retained earnings. The payment of a dividend has a considerable impact on the market stock price in both the financial and non-financial sectors.

Augmented Dickey-Fuller test (ADF) unit test and ordinary least square regression analysis were carried out to examine the impact of dividend policy on share price valuation in Nigerian banks. It was found that dividend yield has significant positive effect on share price valuation while retention ratio was found to have significant negative effect on share price valuation.

The results of this study revealed firm size to have a significant positive relationship with share price volatility while asset growth rate was found to have insignificant positive relationship with share price volatility. The study examined the relationship between dividend policy and share price volatility in Nigeria. Twenty-six firms listed on the Nigeria stock exchange were selected and analysed over a period of eight years. Pooled ordinary least square regression analysis was carried out. It was found that dividend yield exerts

positive influence on share price volatility while dividend pay-out has negative insignificant influence on share price volatility¹¹⁰.

The impact of dividend policy on stock prices of quoted firms in Nigeria. Twenty-two firms quoted on the Nigeria stock exchange were selected across fifteen sub sectors and analysed over a period of five years. Correlation analysis and panel ordinary least square regression analysis was carried out to test research hypotheses. A positive significant relationship was found between dividend per share and stock price. A strong relationship was found between retained earnings per share and market price per share⁶⁶. Seventy-seven firms were selected and analysed over a period of twelve years to determine the influence of dividend policy and share price volatility for Jordanian industrial firms. Multiple least square regression models were adopted in analysing data. Regression results revealed that dividend yield and dividend pay-out ratio have significant negative effect on share price volatility¹⁵.

ADF unit test and ordinary least square regression analysis was carried out to examine the impact of dividend policy on share price valuation in Nigerian banks. It was found that dividend yield has significant positive effect on share price valuation while retention ratio was found to have significant negative effect on share price valuation¹⁶. Twenty-six firms listed on the Nigeria stock exchange were selected and analysed over a period of eight years to examine the relationship between dividend policy and share price volatility in Nigeria. Pooled ordinary least square regression analysis was carried out. It was found that dividend yield exerts positive influence on share price volatility while dividend pay-out has negative insignificant influence on share price volatility. Firm size was found to have a significant positive relationship with share price

volatility while asset growth rate was found to have insignificant positive relationship with share price volatility²⁰.

Correlation analysis and panel ordinary least square regression analysis was carried out to test research hypotheses. The study examined the impact of dividend policy on stock prices of quoted firms in Nigeria. Twenty-two firms quoted on the Nigeria stock exchange were selected across fifteen sub sectors and analysed over a period of five years. A positive significant relationship was found between dividend per share and stock price. A strong relationship was found between retained earnings per share and market price per share¹⁷.

A study investigated the impact of profitability on stock price volatility of Nigeria listed manufacturing firms. Five firms were selected and analysed over a period of ten years. Ordinary least square regression analysis was carried out. It was found that earnings yield, dividend yield and dividend per share have a significant relationship with stock price volatility. But it was found that return on asset has no significant relationship with stock price volatility²¹.

This study investigated the determinants of dividends policy in the Nigerian stock exchange market spanning over 2006-2011. A total of 50 listed firms in the Nigerian stock exchange market were selected and analysed for the study using the judgmental sampling technique. Using regression analysis, findings showed that there is a significant positive relationship between firms' financial performance and size of firms on the dividend pay-outs decisions of listed firms in Nigeria¹⁴.

The sample of this study was drawn from 81 firms listed on the Nigeria Stock Exchange spanning 2001 to 2010 to investigate the impact of dividend policy on the value and performance of firms in developing economies. The study employed panel regression model to analyse the data. The findings revealed a significant positive impact of dividend pay-out on the performance of firms, measured as return on assets and return on equity. The finding confirms the proposition that dividend policy is an important determinant of firm performance¹¹.

This study examined the relationship between dividend pay-out policy and financial performance of 25 non-financial firms listed on the Nigerian Stock Exchange between 2004 - 2013. Panel data methodology was employed and pooled Ordinary Least Squares (OLS) was used to estimate the ROA and Dividend Pay-out ratio. Regression result reveals a positive and significant relationship between dividend pay-out policy and firm performance⁴⁴.

This study assessed the relationship between dividend policy and financial performance of oil and gas companies in Nigeria from 2005 and 2014. Pearson correlation and multiple regressions were used for the data analysis. The study found out that dividend pay-out has a significant positive relationship with the financial performance of the oil and gas companies. Also, dividend pay-out squared has a significant negative relationship with the financial performance of the companies. The study concluded that dividend pay-out of oil and gas companies have an optimal level beyond which the relationship tends to be negative⁴⁶.

2.4 Conceptual Framework

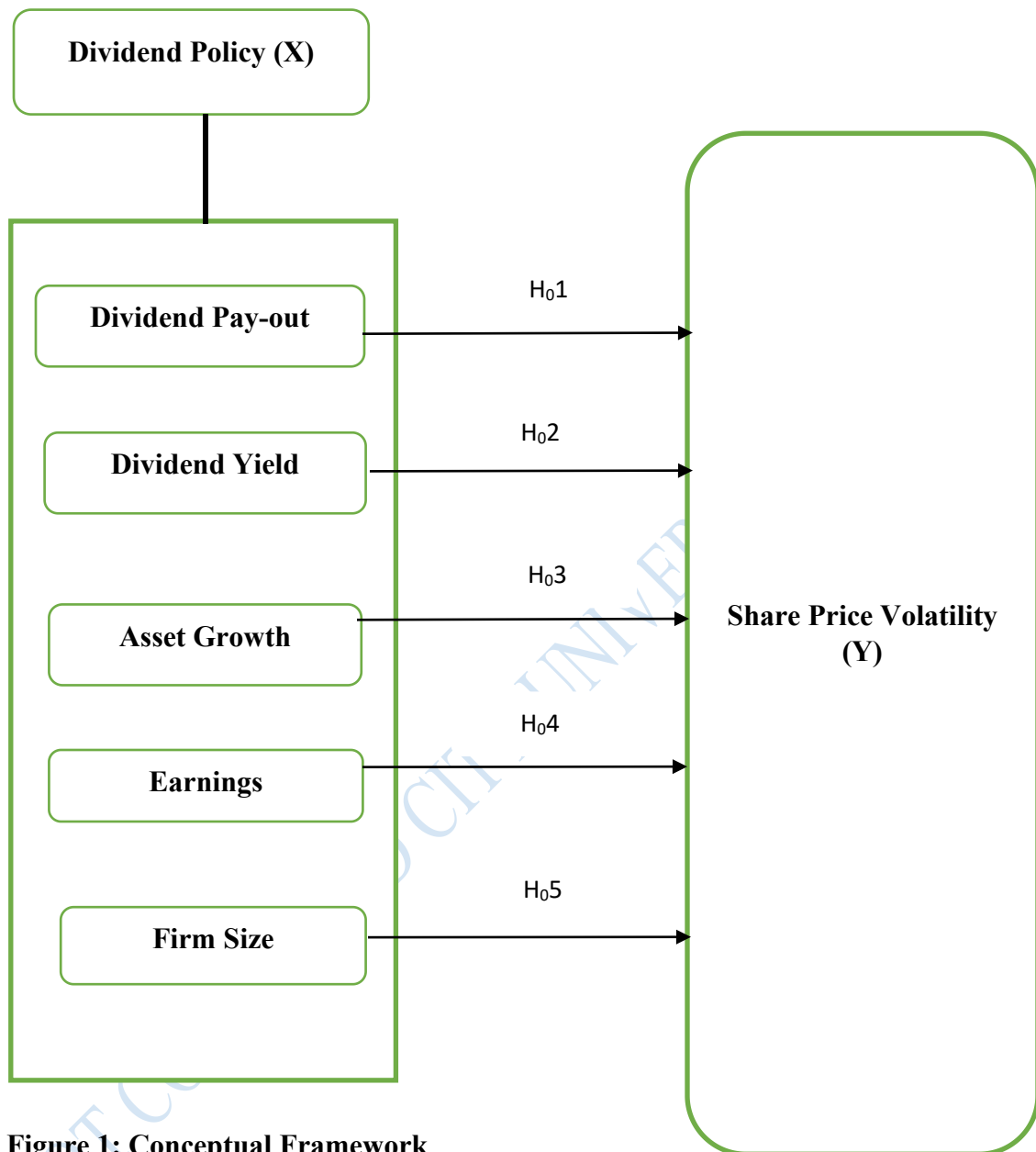


Figure 1: Conceptual Framework
Source: Researcher's Model, 2022

This conceptual framework summarized the study; dividend policy and share price volatility of listed consumer and industrial goods manufacturing companies in Nigeria. The independent variable dividend policy is measured by; dividend pay-out ratio, dividend yield, asset growth, earnings, firm size. The dependent variable is share

price volatility. This study considered as dividend yield, dividend pay-out ratio, earnings, firm size and asset growth rate proxies for Dividend Policy (independent variable) to assess the relationship that exists between them and Volatility in Share Prices of Manufacturing Companies which was proxied using the Baskin's Model. Therefore, the six hypotheses were linked as follows: dividend pay-out ratio and share price volatility; dividend yield and share price volatility; asset growth and share price volatility; earnings and share price volatility; firm size and share price volatility; and dividend policy and share price volatility. Overall, these formulated hypotheses were subjected to a statistical test to determine the direction of results, conclusion, and possible recommendations for this study.

2.5 Summary of Literature Reviewed

The significance of dividend policy in corporate structure cannot be overstated, as the source of a company's cash is a crucial factor in its ability to continue operations, and it has been a topic of controversy for extended periods. Dividend policy is perhaps one of the most hotly contested topics among finance scholars. According to the research, dividend policy has a direct effect on the firm's worth and shareholders' wealth^{27,13,76,89}. Earlier scholars emphasize that dividend pay-outs have an informational component that gives investors with positive indications regarding the firm's future earnings^{41,62,104}. In practice, dividend pay-out decisions are unique and interdependent with other management decisions such as capital planning, capital structure, mergers, and asset pricing. Given the significance of this corporate policy, scholars will continue to be interested in the impact of dividend decisions on stock prices for decades, particularly in the setting of developed economies.

Baskin offered a fundamental theory linking dividend policy to market volatility in a landmark analysis of publicly traded US companies⁶⁹. In the context of industrialized economies, Baskin suggests that dividends tend to depress the fair value of a company's stock. Baskin emphasizes further that dividend is not only a flow of information into the market, but also an indication of market confidence in the firm's performance¹³⁰. On the basis of these two considerations, dividend policy may have a substantial impact on the volatility of a company's stock price. However, stock markets in emerging nations such as Nigeria behave differently than their counterparts in industrialized economies. This is due to the fact that capital markets in developing nations are smaller in size, less efficient, and considered riskier and more volatile than those in developed markets^{127,128,129}.

While rapid globalization over the past two decades has brought economies closer together, emerging markets are not fully integrated into global capital markets, according to some⁸¹. Nonetheless, the significance of stock markets to the expansion of the real economy should not be minimized due to their substantial contribution to wealth creation and their power to influence economic growth through their liquidity^{21,74,93}.

Therefore, studies on the stock markets of rising nations have remained of great interest to scholars in the discipline. Baskin's theory has been applied in a large number of empirical studies involving both mature and emerging markets^{12,67,81}. Some studies find significant positive associations, significant negative relationships^{2,4,67,87,90}, and negligible relationships⁸². The contextual differences between each study provide a logical explanation for the disparate results. In order to understand the impact of

dividend policies on stock market volatility, particularly in the setting of emerging economies, scholars have indicated and advocated that sector-specific analyses are necessary to overcome industry differences in dividend policies. In light of the foregoing gap in literature, this study investigated the functional link between dividend policy and stock price volatility in a developing economy, Nigeria, in accordance with the recommendation of the existing literature about the need for future research to address this gap^{4,28,98}.

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Chapter Three

Methodology

This chapter describes the methodology, data sources and model specifications used in the study. It also focuses on data analysis techniques, econometrics and statistical standards. This is a very important chapter because it has a great impact on the quality of any research work.

3.1 Research Design

This study adopted the *Ex post facto* research design to determine the effect of dividend policy on share price volatility of selected manufacturing companies in Nigeria. Been a quantitative secondary data analysis, the *Ex post facto* design allow the use of panel and cross-sectional data, that is, pre-existing data set to establish the interaction between the independent, the dependent and the control variable in a study. More so, the use of the *Ex post facto* design is premised on scholars who have used it to achieve similar objective in different research context from this study^{1,2,3,4}.

3.2 Population and Sample Size

The universal population of this study consists of all the listed manufacturing companies in Nigeria. According to the Nigerian Stock Exchange, there are forty-six (46) listed manufacturing companies in Nigeria as at December 2020. These total manufacturing companies include 21-consumer goods companies, 14-industrial goods companies, 6-conglomerate companies, and 5-agricultural companies. However, the target population include ten manufacturing companies

listed on the stock exchange; NASCON Allied Industries PLC, Guinness NIG PLC, PZ Cussons Nigeria PLC, Nigerian Breweries PLC, Honeywell Flour Mill PLC, Lafarge Africa PLC, CAP PLC, Beta glass PLC, Unilever Nigeria PLC, and Okumu Oil Palm PLC. The choice of these manufacturing companies was informed by the issues of share price volatility as it relates to dividend policy of listed consumer and industrial goods manufacturers. More so, earlier scholars have recommended the need for industry-specific research as part of finding closure for the interaction between dividend policy and share price volatility^{5,6,7}.

3.3 Source of Data

The study made use of secondary data. Secondary data is the data already collected in some other context than the present study. It provides the necessary background information, builds credibility for the research report and helps to provide objective data as against the subjective data source in the case of questionnaire data. As part of the credibility and reliability of secondary data this study made use of secondary data obtained from the firm's audited annual reports of the ten quoted consumer and industrial goods manufacturers over a period of 10 years (2011-2020).

3.4 Model Specification

Two models were analysed vis-à-vis, the panel data model as well as the firm specific models adopted for each firm study.

Panel Data Model Specification

The panel model specification adopted for this study is given as follows:

$$SPV_{it} = \beta_0 + \beta_1 AGR_{it} + \beta_2 DPR_{it} + \beta_3 DY_{it} + \beta_4 LNFSIZE_{it} + \beta_5 LNEV_{it} + \mu_{it} \dots \dots \dots 3.1.$$

Where: β_0 is the intercept,

β_1 to β_5 are the slope coefficients and μ is the error term.

AGR is the asset growth rate

DPR is the dividend pay-out ratio

DY is the dividend yield

LNFSIZE is the log of firm size

LNEV is the log of earnings volatility

Time Series Firm Specific Model Specification

$$SPV_i = \beta_0 + \beta_1 AGR_i + \beta_2 DPR_i + \beta_3 DY_i + \beta_4 LNFSIZE_i + \beta_5 LNEV_i + \mu_i \dots \dots \dots 3.2.$$

Table 3.1 Data Definitions and Measurement

S/N	Variables	Definition	Type	Measurement
1	SPV	Share Price Volatility	Dependent	Where $HP - LP$ – Highest Price for the period and $\frac{HP - LP^2}{HP - LP}$ LP is the lowest Price for the period.
2	DY	Dividend Yield	Independent	$\frac{\text{Dividend Per Share}}{\text{Market Price Per Share}}$
3	DPR	Dividend Pay-out ratio	Independent	$\frac{\text{Dividend Per Share}}{\text{Earnings Per Share}}$
4	AGR	Asset Growth Rate	Independent	$\frac{\Delta \text{ Total Assets}}{\text{Total Assets}}$
5	FS	Firm Size	Independent	Number of ordinary shares multiplied by price per share
6	EV	Earnings Volatility	Independent	Standard deviation of earnings for the most recent preceding five years for each year

Source: Author's Computation (2022)

3.5 Method of Data Analysis

Data collected was tested using descriptive and inferential statistics to address the objectives of the study. The descriptive offered understanding of the basic characteristics of the data with respect to mean, standard deviation and shows the data is normally distributed. The inferential statistic was used to test the

hypotheses formulated. Hence, to analyze the hypotheses formulated, this study employed the Pooled Ordinary Least Square (POLS), Fixed and Random Effects Regression Models. The panel data collected for 10 consumer and industrial goods manufacturers sampled for this study between the periods 2012 to 2020 were analyzed using Fixed and Random Effect Models, while Hausman test was used to select the best model. The rationale behind random effects model is that, unlike the fixed effects model, the variation across entities is assumed to be random and uncorrelated with the predictor or independent variables included in the model.

Similarly, firm-specific quarterly data from 2012 to 2020 were analysed independently using the Dynamic Ordinary Least Square (DOLS) technique of estimation, and robustness check conducted with the Fully Modified Ordinary Least Square method (FMOLS). DOLS outperforms both the OLS and the FMOLS estimators in finite samples in terms of unbiased estimation. The DOLS estimator also has an additional advantage in controlling the endogeneity in the model, as augmentation with the lead and lagged differences of the regressor suppress the endogenous feedback⁸. Thus, the DOLS estimation method provides a robust correction of endogeneity in the explanatory variables⁹.

Endnotes

¹K., Sumathi, R., Hasan Ebrahim, & W.M., Wan Mohammad. "Dividend Policy and Stock Price Volatility in Indian Capital Market." **Entrepreneurship and Sustainability Issues** 7, no. 2, 2019: 862-879

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Chapter Four

Results and Discussion of Findings

In this chapter, results of the study are presented. Thus, in order to ensure that the panel and time series data used for this analysis are in good structure, the estimation begins with the descriptive analysis, correlation analysis, unit root/stationary test and the co-integration analyses of the time series data. These processes enable the researcher to carry out some predetermined operations, where applicable, on the variables, so as to minimize estimation errors and achieve the unbiased estimator of the models' analyses.

4.1. Preliminary Tests

Some preliminary tests were carried out to ensure reliability of results.

4.1.1. Descriptive Statistics

The information presented in table 4.1 below presents the descriptive statistics for the variables included in the models to examine the dividend policy of listed manufacturing companies in Nigeria. The table reports the mean, maximum, minimum, standard deviation, Skewness, Kurtosis and Jarque-Bera of the series observations.

Table 4.1: Descriptive Statistics

	SPV	AGR	DPR	DY	FSIZE	EV
Mean	0.453	-0.134	0.415	0.053	768.3	1.960
Median	0.337	-0.067	0.367	0.041	746.4	1.001
Maximum	1.294	0.995	0.785	0.560	910.9	81.400
Minimum	0.156	-2.855	0.019	0.001	657.7	3.942
Standard Deviation	0.308	0.633	0.837	0.061	0.688	2.240

Source: Author's Computation (2022)

From the observation of information in descriptive statistics in Table 4.1, the share price volatility (SPV) mean for the sampled manufacturing firms was 0.453. This implies that on the average, the changes in share prices of the listed manufacturing firms within the years in consideration converges to 0.453. The standard deviation was 0.308 which appears to disperse a little from its mean value. The maximum value of 1.294 implies that there was at least a listed firm whose share prices converge to N1.294 within the years in consideration.

Dividend yield measures the ratio of company's dividend to the market share price. Dividend yield (DYD) results showed an average value of approximately 0.053 with a standard deviation of 0.061 which appears to disperse a little from its mean value. The mean value of 0.041 indicates that the companies' dividend worth an average of about 4.10% of market share prices within the years in consideration. The maximum

value of 0.560 implies that there was at least a period when the amount being paid out as dividend by a listed firm worth 56% of share prices.

Dividend pay-out ratio shows a mean value of 0.415 which indicates that the dividend pay-out from earnings for the study period was about 42%, hence about 58% of the earnings was retained for future or investment purposes. The standard deviation was 0.837 which is higher than the mean and suggests that dividend pay-out ratio did not cluster around the mean. The maximum value of 0.785 indicates that there was at least a year when as high as 78.5% of earning was paid as dividend by one of the listed manufacturing companies.

More so, the asset growth rate which measures the rate at which the listed firms acquire more assets with the rate at which assets appreciates or depreciates within the years in consideration shows a mean value of -0.134 indicating that the firm's assets decrease at the rate of 0.134 annually. The standard deviation was 0.633 which is higher than the mean and suggests that asset growth rate did not cluster around the mean. The maximum value of 0.955 indicates that there was at least a year when the asset growth rates of one the of firms was 95.5% within the years in consideration.

Furthermore, the firm size which was measured by the number of ordinary shares multiplied by price per share has a mean value of 768.3 million indicating that on the average, the ordinary shares value of the listed firms within the years in consideration was about 768.3 million. The standard deviation was 68.8 million which appears to have a little dispersion from its mean value. The maximum value

of 910.9 million indicates that there was at least a year when one of the firm's ordinary share value worth 910.9 million.

Additionally, earnings volatility which was measured by the standard deviation of five years earnings appears to have a mean value of 1.96 million indicating that on the average, the changes in earnings of the sampled firms converges to 1.96 million within the years in consideration. The standard deviation was 2.40 million which was higher than the mean and suggests that the size of the earnings of the listed firms was highly volatile within the years in consideration. The maximum value of 81.4 million indicates that there was at least a year when one of the listed firms' earnings converges at 81.4 million.

4.2 Presentation of Test of Hypothesis

Table 4.2 Correlation Matrix for the relationship between dividend policy measures and share price volatility for listed consumer and industrial goods manufacturing firms in Nigeria

Variables	SPV	AGR	DPR	DY	FSIZE	EV
Share price volatility	1					
Asset growth	0.041**	1				
Dividend pay-out ratio	0.020**	0.083**	1			
Dividend yield	0.146**	-0.13**	0.129**	1		
Firm size	-0.483**	-0.76**	-0.057**	-0.401**	1	
Earnings Volatility	0.199**	-0.009**	0.500**	0.465**	0.029**	1

**Correlation is significant at the 0.01 level (2-tailed)

Source: Author's Computation (2022) via Eview

The result of the correlation analysis in table 4.2 has dual implications. First, it shows the correlation between the individual measure of the independent variables on the dependent variable hence addressing/presenting the result of hypotheses one to five. The second implication is that it helps to reveal presence or absence of multicollinearity in the estimated model for the analysis of the hypothesis which examined the effect of dividend policy on share price volatility of consumer and industrial goods manufacturing companies in Nigeria.

From the result in Table 4.2, the following findings are deduced

H₀₁: There is no significant relationship between dividend pay-out ratio and share price volatility in selected listed manufacturing companies in Nigeria.

Dividend Pay-out Ratio and Share Price Volatility

As indicated in Table 4.2 there was a positive relationship between share price volatility and dividend pay-out ratio based on coefficient of correlation (r) = 0.020. Therefore, higher dividend pay-out ratio will lead to higher share price volatility. The association between share price volatility and dividend pay-out ratio showed a weak positive correlation with a correlation coefficient of approximately 2.00%.

H₀₂: Dividend yield has no significant relationship with share price volatility in selected listed manufacturing companies in Nigeria.

Dividend Yield and Share Price Volatility

The analysis from the Table 4.2 indicates a positive relationship between share price volatility and dividend yield based on coefficient of correlation (r) = 0.146. Therefore, higher dividend yield would lead to higher share price volatility and vice versa. The association between share price volatility and dividend yield showed a weak positive correlation with a correlation coefficient of approximately 14.6%.

H₀₃: Asset Growth Rate has no significant association with share price volatility in selected listed manufacturing companies in Nigeria.

Asset Growth Rate and Share Price Volatility

As indicated in Table 4.2 above, there was a negative relationship between share price volatility and Asset growth rate based on coefficient of correlation (r) = 0.041. Therefore, reduction in Asset growth rate will lead to higher share price volatility. The association between share price volatility and Asset growth rate showed a weak positive correlation with a correlation coefficient of approximately 4.10%.

H₀₄: There is no significant relationship between earnings and share price volatility in selected listed manufacturing companies in Nigeria.

Earnings Volatility and Share Price Volatility

As indicated in Table 4.2 above, there was a positive relationship between share price volatility and earnings volatility based on coefficient of correlation (r) = 0.199. Therefore, increase in earnings volatility will lead to lower share price volatility. The association between share price volatility and firm earnings

volatility showed weak positive correlation with a correlation coefficient of approximately 19.9%.

H₀₅: There is no significant association between firm size and share price volatility in selected listed manufacturing companies in Nigeria.

Firm Size and Share Price Volatility

As indicated in Table 4.2 above, there was a negative relationship between share price volatility and Firm size based on coefficient of correlation (r) = - 0.483. Therefore, increase in firm size will lead to lower share price volatility. The association between share price volatility and firm size showed a fairly strong negative correlation with a correlation coefficient of approximately - 48.30%.

The second implication of the result in Table 4.2 suggested that since there was no issue of high-correlation among the independent variables that is the model adopted does not have multi-collinearity problem. Thus, the selected variables are properly suited for conducting the regression estimations required to analyse the various null hypothesis.

To test the various null hypothesis, the study did aggregate and firm-specific analysis. For the aggregated analysis, the effect of dividend policy on share price volatility was done using the panel data collected for 10 consumer and industrial goods manufacturers sampled for this study between the periods 2011 to 2020 were analyzed using Fixed and Random Effect Models, while Hausman test was used to select the best model. The rationale behind random effects

model is that, unlike the fixed effects model, the variation across entities is assumed to be random and uncorrelated with the predictor or independent variables included in the model. The panel analysis is presented in Table 4.3 and it shows the results for the three estimation techniques employed in the study. However, POLS has a deficiency of heterogeneity and as such the coefficients of this approach could be biased. Therefore, results of the fixed and random effects are reported and the Hausman test is used in comparing the estimators.

Panel Analysis

Table 4.3. Regression result on the effect of dividend policy on share price volatility

Variables	Pooled OLS	Fixed Effect	Random Effect
C	2.827*** (0.000)	0.454*** (0.000)	0.463*** (0.000)
AGR	0.005 (0.875)	-1.305** (0.011)	-2.360*** (0.000)
DY	-1.458*** (0.004)	-4.794*** (0.000)	-8.369*** (0.000)
DPR	-0.006** (0.021)	-1.206*** (0.001)	-2.481 (0.144)
LFSIZE	-0.279*** (0.000)	-1.834*** (0.000)	-3.879 (0.958)
LNEV	0.119*** (0.000)	2.665*** (0.000)	5.353 (0.675)
R ²	0.74	0.76	0.73
F	12.355	2.164	4.359
Observations	122	122	122
Model	POLS	Fixed	Random

Dependent variable: share price volatility, ***, ** and * indicate significance at 1%, 5% and 10% respectively.

Source: Author's Computation (2022)

Table 4.4 : Hausman Test

Chi square: 2.791

Prob: 0.651

Source: Author's Computation (2022)

The Hausman test probability ($0.651 > 0.05$) value shows that the random effect estimator is more efficient than the fixed effect estimator and as such the null hypothesis is not rejected. The random effect results presented in table 4.3 reveals negative and significant influence of asset growth rate and dividend yield on share price volatility for all the 10 firms studied. This means that a unit increase in asset growth rate and dividend yield will reduce share price volatility by 2.36 units and 8.37 units respectively. Other variables such as dividend payout ratio, earnings volatility and firm size have no significant relationship with share price volatility.

Firm-Specific Analysis

In addition to the aggregated analysis, a disaggregated analysis that is firm-specific analysis was done to understand how each of the listed consumer and industrial goods manufacturers in Nigeria respond to the effect of dividend policy on their share price volatility. The firm-specific quarterly data from 2012 to 2020 were generated using *EViews* and analysed independently using the Dynamic Ordinary Least Square (DOLS) technique of estimation, and robustness check conducted with the Fully Modified Ordinary Least Square method (FMOLS). DOLS outperforms both the OLS and the FMOLS estimators in finite samples in terms of unbiased estimation. The DOLS estimator also has an additional advantage in controlling the endogeneity in the model, as augmentation with the lead and lagged differences of the regressor suppress the

endogenous feedback¹⁰. Thus, the DOLS estimation method provides a robust correction of endogeneity in the explanatory variables¹¹.

Effect of Dividend Policy on Share price volatility for PZ

In estimating the effect of dividend policy on share price volatility for PZ, the first task is to examine the unit root in the stochastic time series. This is pivotal in order to ensure that the variables are estimated in their stationary forms to avoid spurious result. To do this, the Augmented Dickey-Fuller (ADF) unit root tests is used. The essence of this is to test the null hypothesis of unit root or non-stationary stochastic process. To reject this, the ADF statistic must be more negative than the critical values 5% significance levels respectively.

Table 4.5: ADF Unit root test result

Variable	ADF Statistic (I ₀)	Test at level	ADF Test Statistic at first difference (I ₁)	Decision value
Asset growth	-1.185		-6.565	I(1)
Dividend pay- out ratio	-1.444		-6.962	I(1)
Dividend yield	-1.368		-7.064	I(1)
Firm size	-1.548		-6.981	I(1)
Share price volatility	-1.156		-6.987	I(1)
Earning	-1.185		-6.583	I(1)
Critical Values				
1%	-3.621		-3.627	
5%	-2.943		-2.946	
10%	-2.609		-2.611	

Source: Author's Computation (2022)

Table 4.5 shown reports unit root test for all variables using Augmented Dickey- Fuller test. All variables are integrated of order 1(1).

Co-integration test

The Engle and Granger test for cointegration is employed to examine if the variables are co-integrated. Result is presented below:

Table 4.6: Cointegration Test Result

Variables	ADF	Critical value
SPV (Residual)	-3.902	-2.943

Source: Author's Computation (2022)

The cointegration test is carried out on the residual and it shows the presence of cointegration (long run relationship among the variables examined), given that the ADF test statistic is greater than the 5% critical value.

Table 4.7. Dynamic Ordinary Least Square Result for the effect of Dividend Policy on Share Price Volatility of PZ

Variables	Coefficient	Std error	T-stat	Probability
Constant	43.946	11.721	3.749	0.003***
Asset Growth	-0.933	0.501	-1.963	0.047*
Dividend yield	-14.112	5.493	-2.569	0.025**
Dividend pay-out ratio	-0.447	0.400	-1.116	0.286
L-Firm size	-1.868	1.112	-1.679	0.119
L-Earnings	-0.993	0.779	-1.275	0.226
$R^2 = 0.93^{**}$				
Adjusted $R^2 = 0.80^{**}$				

Dependent Variable: Share price volatility ***, ** and * indicate significance at 1%, 5% and 10% respectively.

Source: Author's Computation (2022)

The Dynamic OLS result in table 4.7 for PZ reveals a negatively significant functional relationship between asset growth rate and share price volatility. A unit increase in asset growth rate will reduce share price volatility by 0.933

units. Similarly, dividend yield exerts a significantly negative influence on share price volatility for PZ Industries. A unit increase in dividend yield will reduce share price volatility by 14 units. Other variables are reported insignificant for the company.

Table 4.8. Fully Modified Ordinary Least Square method result for the effect of Dividend Policy on Share Price Volatility of PZ

Variables	Coefficient	Std error	T-stat	Probability
Constant	41.523	6.913	6.006	0.000***
Asset Growth	-0.905	0.268	-3.379	0.002***
Dividend yield	-13.857	2.744	-5.049	0.000***
Dividend pay-out ratio	-0.369	0.219	-1.689	0.102
L-Firm size	-1.708	0.575	-2.973	0.006***
L-Earnings	-0.922	0.399	-2.309	0.028**

$R^2 = 0.91^{**}$

Adjusted $R^2 = 0.89^{**}$

Dependent Variable: Share price volatility ***, ** and * indicate significance at 1%, 5% and 10% respectively.

Source: Author's Computation (2022)

The FMOLS table is used as a robustness check for the DOLS result. The results corroborate the DOLS findings as a negative and significant relationship is also reported for asset growth rate and dividend yield. However, The FMOLS

results discovers that firm size and earnings volatility have negative and significant effects on share price volatility. An increase in firm size and earning volatility will reduce share price volatility by 1.708 and 0.922 percent respectively.

Effect of Dividend Policy on Share Price Volatility for Okomu Oil Palm Company Plc

In estimating the effect of dividend policy on share price volatility for Okomu, the stationary properties of the data is tested using ADF statistics below:

Table 4.9: ADF Unit Root Test Result

Source: Author's Computation (2022)

Variable	ADF Test Statistic at level (I_0)	ADF Test Statistic at first difference (I_1)	Decision value
Asset growth	-2.193	-5.819	I(1)
Dividend pay-out ratio	-2.488	-7.730	I(1)
Dividend yield	-2.527	-6.964	I(1)
Firm size	-1.942	-6.845	I(1)
Share price	-1.156	-6.987	I(1)
volatility			
Earning	-1.444	-6.154	I(1)
Critical Values			
1%	-3.621	-3.627	
5%	-2.943	-2.946	
10%	-2.609	-2.611	

Table 4.9 shows results of unit root test for all our variables using Augmented Dickey- Fuller test. All variables are integrated of order 1(1).

Co-integration test

The Engle and Granger test for cointegration is employed to examine the variables are co-integrated. Result is presented in table 4.10:

Table 4.10: Cointegration Test Result

Variables	ADF	Critical value
SPV (Residual)	-3.642	-2.943

Source: Author's Computation (2022)

The cointegration test is carried out on the residual and it shows the presence of cointegration, given that the ADF test statistic is greater than the 5% critical value.

Table 4.11 Dynamic Ordinary Least Square Result for the effect of Dividend Policy on Share Price Volatility of Okomu

Variables	Coefficient	Std error	T-stat	Probability
Constant	1.716	2.163	0.793	0.443
Asset Growth	0.337	0.267	1.263	0.230
Dividend yield	-5.065	5.807	-0.872	0.400
Dividend pay-out ratio	0.367	0.401	0.914	0.379
L-Firm size	1.598	0.391	4.088	0.001***
L-Earnings	-0.015	0.069	-0.213	0.835
R ²	0.96**			
Adjusted R ²	0.89**			

Dependent Variable: Share price volatility ***, ** and * indicate significance at 1%, 5% and 10% respectively.

Source: Author's computation (2022)

For Okomu, DOLS results show that firm size exerts a positively significant influence on share price volatility. A percentage increase in firm size is seen to increase share price volatility by 0.016 percent, while conforming with apriori expectations. However, other dividend policy variables like asset growth rate,

dividend yield, dividend pay-out ratio, earnings volatility are reported to have insignificant effects on share price volatility for Okomu.

Table 4.12. Fully Modified Ordinary Least Square method result for the effect of Dividend Policy on Share Price Volatility of Okomu

Variables	Coefficient	Std error	T-stat	Probability
Constant	1.653	1.114	1.484	0.149
Asset Growth	0.314	0.130	2.408	0.023**
Dividend yield	-4.175	2.688	-1.553	0.131
Dividend pay-out ratio	0.312	0.186	1.674	0.105
L-Firm size	1.613	0.194	8.312	0.000***
L-Earnings	-0.020	0.032	-0.621	0.539
$R^2 = 0.94^{**}$				
Adjusted $R^2 = 0.93^{**}$				

Dependent Variable: Share price volatility ***, ** and * indicate significance at 1%, 5% and 10% respectively.

Source: Author's computation (2022)

The FMOLS result used as a robustness check corroborates the DOLS by reporting a positively significant influence of firm size on share price volatility for Okomu. A percentage increase in firm size is seen to increase share price volatility by 0.016 percent. Moreover, the FMOLS analysis also shows a positive effect of asset

growth rate on share price volatility for Okomu, with a unit increase in asset growth rate leading to an increase in share price volatility by 0.31 units.

Effect of Dividend Policy on Share price volatility for NASCON

In estimating the effect of dividend policy on share price volatility for Nascon, the stationary properties of the data is tested using ADF statistics below:

Table 4.13: ADF Unit root test result

Variable	ADF Statistic (I ₀)	Test at level	ADF Test Statistic at first difference (I ₁)	Decision value
Asset growth	-0.857		-6.588	I(1)
Dividend pay-out ratio	-2.337		-5.357	I(1)
Dividend yield	-2.427		-4.522	I(1)
Firm size	-1.340		-5.684	I(1)
Share price volatility	-1.185		-5.797	I(1)
Earning	-1.151		-5.761	I(1)
Critical Values				
1%	-3.621		-3.627	
5%	-2.943		-2.946	
10%	-2.609		-2.611	

price volatility ***, ** and * indicate significance at 1%, 5% and 10% respectively.

Source: Author's Computation (2022)

Table 4.13 reports unit root test for all our variables using Augmented Dickey-Fuller test. All variables are integrated of order 1(1).

4.4.2.2. Co-integration test

The Engle and Granger test for cointegration is employed to examine the variables are co-integrated. Result is presented below:

Table 4.14: Cointegration test result

Variables	ADF	Critical value
SPV (Residual)	-3.961	-2.943

Source: Author's computation (2022)

The cointegration test is carried out on the residual and it shows the presence of cointegration, given that the ADF test statistic is greater than the 5% critical value.

Table 4.15. Dynamic Ordinary Least Square Result for the effect of Dividend Policy on Share Price Volatility of NASCON

Variables	Coefficient	Std error	T-stat	Probability
Constant	-1.128	25.077	-0.045	0.443
Asset Growth	-0.397	0.293	1.352	0.201
Dividend yield	10.813	24.541	0.502	0.625
Dividend pay-out ratio	-0.373	1.155	-0.323	0.752
L-Firm size	1.812	4.446	0.408	0.690
L-Earnings	-0.019	0.726	-0.027	0.979
$R^2 = 0.75^{**}$				
Adjusted $R^2 = 0.67^{**}$				

Dependent Variable: Share price volatility ***, ** and * indicate significance at 1%, 5% and 10% respectively.

Source: Author's Computation (2022)

For NASCON, all the indicators of dividend policy have no significant relationship with share price volatility as reported from the DOLS analysis except for Dividend yield which significant relationship at 10.813.

Table 4.16: Fully Modified Ordinary Least Square method result for the effect of Dividend Policy on Share Price Volatility of NASCON

Variables	Coefficient	Std error	T-stat	Probability
Constant	-12.633	12.966	-0.974	0.338
Asset Growth	-0.301	0.167	-1.796	0.083*
Dividend yield	22.083	11.494	1.921	0.065*
Dividend pay-out ratio	-0.906	0.614	-1.475	0.151
L-Firm size	3.713	2.305	1.611	0.118
L-Earnings	-0.267	0.384	-0.696	0.492
$R^2 = 0.74^{**}$				
Adjusted $R^2 = 0.63^{**}$				

Dependent Variable: Share price volatility ***, ** and * indicate significance at 1%, 5% and 10% respectively.

Source: Author's Computation (2022)

The FMOLS analysis is used as a robustness check for the DOLS conducted for NASCON. The results deviate from the DOLS results by establishing a negatively significant influence of asset growth rate on share price volatility for NASCON. This means that a unit increase in asset growth rate will increase share price volatility by 0.301 units for NASCON. Conversely, a negatively significant

relationship was detected between dividend yield and share price volatility, as a unit increase in dividend yield will increase share price volatility by 22 units.

Effect of Dividend Policy on Share Price Volatility for Guinness

In estimating the effect of dividend policy on share price volatility for Guinness, the stationary properties of the data is tested using ADF statistics below:

Table 4.17: ADF Unit root test result

Variable	ADF Test Statistic at level (I_0)	ADF Test Statistic at first difference (I_1)	Decision value
Asset growth	-0.683	-5.783	I(1)
Dividend pay-out ratio	-2.664	-5.014	I(1)
Dividend yield	-2.413	5.669	I(1)
Firm size	-1.005	-5.786	I(1)
Share price volatility	-1.185	-5.797	I(1)
Earning	-1.983	-4.515	I(1)
Critical Values			
1%	-3.621	-3.627	
5%	-2.943	-2.946	
10%	-2.609	-2.611	

Source: Author's Computation (2022)

Table 4.17 reports unit root test for all our variables using Augmented Dickey- Fuller test. All variables are integrated of order 1(1).

Co-integration test

The Engle and Granger test for cointegration is employed to examine the variables are co-integrated. Result is presented below:

Table 4.18: Cointegration test result

Variables	ADF	Critical value
SPV (Residual)	-5.945	-2.943

Source: Author's computation (2022)

The cointegration test is carried out on the residual and it shows the presence of cointegration, given that the ADF test statistic is greater than the 5% critical value.

Table 4.19. Dynamic Ordinary Least Square Result for the effect of Dividend Policy on Share Price Volatility of Guinness

Variables	Coefficient	Std error	T-stat	Probability
Constant	21.681	5.502	3.940	0.002***
Asset Growth	0.548	0.279	-1.962	0.073*
Dividend yield	-88.835	46.485	1.911	0.082*
Dividend pay-out ratio	2.107	0.868	2.425	0.032**
L-Firm size	-1.052	0.458	-2.293	0.041**
L-Earnings	0.017	0.136	0.126	0.902
$R^2 = 0.87^{**}$				
Adjusted $R^2 = 0.67^{**}$				

Dependent Variable: Share price volatility ***, ** and * indicate significance at 1%, 5% and 10% respectively.

Source: Author's Computation (2022)

The DOLS result for Guinness is presented above. Asset growth rate and dividend payout ratio are seen to exert significantly positive effects on share price volatility. A unit increase in asset growth rate and dividend payout ratio will increase share price volatility by 0.548 and 2.107 units respectively. Conversely, dividend yield and firm size have negative effect on share price volatility. A unit increase in dividend yield will reduce share price volatility by 88.8 units. In the same vein, a percentage increase in firm size will reduce share price

volatility by 0.011 percent. Earning volatility has no significant relationship with share price volatility for the firm.

Table 4.20: Fully Modified Ordinary Least Square method result for the effect of Dividend Policy on Share Price Volatility of Guinness

Variables	Coefficient	Std error	T-stat	Probability
Constant	22.659	2.896	7.822	0.000***
Asset Growth	0.487	0.202	2.403	0.022**
Dividend yield	-99.647	24.369	-4.089	0.000***
Dividend pay-out ratio	2.101	0.499	4.203	0.000***
L-Firm size	-1.175	0.258	-4.547	0.000***
L-Earnings	0.027	0.073	0.372	0.712
R ² =0.75**				
Adjusted R ² =0.67**				

Dependent Variable: Share price volatility ***, ** and * indicate significance at 1%, 5% and 10% respectively.

Source: Author's Computation (2022)

The FMOLS results corroborates the DOLS results. Asset growth rate and dividend pay out ratio are seen to exert significantly positive effects on share price volatility. A unit increase in asset growth rate and dividend pay-out ratio will increase share price volatility by 0.487 and 2.101 units respectively. Conversely, dividend yield and firm size

have negative effect on share price volatility. A unit increase in dividend yield will reduce share price volatility by 99.6 units. In the same vein, a percentage increase in firm size will reduce share price volatility by 0.012 percent. However, earning volatility has no significant relationship with share price volatility.

Effect of Dividend Policy on Share price volatility for Honeywell

In estimating the effect of dividend policy on share price volatility for the firm, the stationary properties of the data is tested using ADF statistics below:

Table 4.21: ADF Unit root test result

Variable	ADF Test Statistic at level (I_0)	ADF Test Statistic at first difference (I_1)	Decision value
Asset growth	-2.450	-5.657	I(1)
Dividend pay-out ratio	-1.119	-5.575	I(1)
Dividend yield	-1.499	-5.698	I(1)
Firm size	-1.441	-5.771	I(1)
Share price volatility	-2.905	-6.744	I(1)
Earning	-1.800	-5.699	I(1)
Critical Values			
1%	-3.621	-3.627	
5%	-2.943	-2.946	
10%	-2.609	-2.611	

Source: Author's Computation (2022)

Table 4.21 reports unit root test for all our variables using Augmented Dickey- Fuller test.

All variables are integrated of order 1(1).

Co-integration test

The Engle and Granger test for cointegration is employed to examine the variables are co-integrated. Result is presented below:

Table 4.22: Cointegration test result

Variables	ADF	Critical value
SPV (Residual)	-3.788	-2.943

Source: Author's computation (2022)

The cointegration test is carried out on the residual and it shows the presence of cointegration, given that the ADF test statistic is greater than the 5% critical value.

Table 4.23. Dynamic Ordinary Least Square Result for the effect of Dividend Policy on Share Price Volatility of Honeywell

Variables	Coefficient	Std error	T-stat	Probability
Constant	23.927	8.755	2.733	0.018***
Asset Growth	0.672	0.793	0.848	0.413
Dividend yield	-1.132	4.209	-0.269	0.792
Dividend pay-out ratio	1.245	1.999	0.623	0.545
L-Firm size	-2.748	1.172	-2.345	0.037**
L-Earnings	0.660	0.895	0.737	0.475
$R^2 = 0.85^{**}$				
Adjusted $R^2 = 0.63^{**}$				

Dependent Variable: Share price volatility ***, ** and * indicate significance at 1%, 5% and 10% respectively.

Source: Author's Computation (2022)

The result shown in table 4.23 indicates a negatively significant influence of firm size on share price volatility. A percentage increase in firm size is seen to reduce share price volatility by 0.025 percent. However, other dividend policy indicators do not exert significant influence on share price volatility for the firm.

Table 4.24: Fully Modified Ordinary Least Square method result for the effect of Dividend Policy on Share Price Volatility of Honeywell

Variables	Coefficient	Std error	T-stat	Probability
Constant	24.289	5.137	4.728	0.000***
Asset Growth	0.686	0.439	1.561	0.129
Dividend yield	-1.163	2.595	-0.448	0.657
Dividend pay-out ratio	1.562	1.185	1.319	0.198
L-Firm size	-3.073	0.670	-4.584	0.001***
L-Earnings	0.803	0.496	1.621	0.116
R ² =0.76**				
Adjusted R ² =0.72**				

Dependent Variable: Share price volatility ***, ** and * indicate significance at 1%, 5% and 10% respectively.

Source: Author's Computation (2022)

FMOLS corroborates DOLS findings by establishing a negative and significant effect of firm size on share price volatility for Guinness. A percentage increase in firm size will increase share price volatility by 0.031 percent.

Effect of Dividend Policy on Share price volatility for Lafarge

In estimating the effect of dividend policy on share price volatility for the firm, the stationary properties of the data is tested using ADF statistics below:

Table 4.25: ADF Unit root test result

Variable	ADF Test Statistic at level (I_0)	ADF Test Statistic at first difference (I_1)	Decision value
Asset growth	-1.702	-5.678	I(1)
Dividend pay-out ratio	-1.042	-5.852	I(1)
Dividend yield	-1.431	-7.957	I(1)
Firm size	-2.173	-5.433	I(1)
Share price volatility	-1.927	-3.458	I(1)
Earning	-1.923	-3.008	I(1)
Critical Values			
1%	-3.621	-3.627	
5%	-2.943	-2.946	
10%	-2.609	-2.611	

Source: Author's Computation (2022)

Table 4.25 reports unit root test for all our variables using Augmented Dickey-Fuller test. All variables are integrated of order 1(1).

Co-integration test

The Engle and Granger test for cointegration is employed to examine the variables are co-integrated. Result is presented below:

Table 4.26: Cointegration test result

Variables	ADF	Critical value
SPV (Residual)	-3.961	-2.943

Source: Author's computation (2022)

The cointegration test is carried out on the residual and it shows the presence of cointegration, given that the ADF test statistic is greater than the 5% critical value.

Table 4.27. Dynamic Ordinary Least Square Result for the effect of Dividend Policy on Share Price Volatility of Lafarge

Variables	Coefficient	Std error	T-stat	Probability
Constant	0.679	6.811	0.099	0.922
Asset Growth	0.125	0.098	1.268	0.229
Dividend yield	5.056	9.424	0.536	0.601
Dividend pay-out ratio	-0.003	0.005	-0.599	0.560
L-Firm size	0.819	0.817	1.002	0.335
L-Earnings	0.342	0.111	3.076	0.009***
R ²	0.89**			
Adjusted R ²	0.71**			

Dependent Variable: Share price volatility ***, ** and * indicate significance at 1%, 5% and 10% respectively.

Source: Author's Computation (2022)

The DOLS result for Lafarge shows that only earnings volatility significantly influences share price volatility. A percentage increase in earnings volatility will increase share price volatility by 0.003 percent. However, other indicators of dividend policy do not significantly influence share price volatility for the firm.

Table 4.28. Fully Modified Ordinary Least Square method result for the effect of Dividend Policy on Share Price Volatility of Lafarge

Variables	Coefficient	Std error	T-stat	Probability
Constant	0.133	3.809	0.035	0.972
Asset Growth	0.145	0.064	2.257	0.032**
Dividend yield	7.650	5.170	1.479	0.149
Dividend pay-out ratio	-0.003	0.003	-0.868	0.392
L-Firm size	0.886	0.441	2.008	0.054*
L-Earnings	0.336	0.075	4.443	0.000***
$R^2 = 0.82^{**}$				
Adjusted $R^2 = 0.79^{**}$				

Dependent Variable: Share price volatility ***, ** and * indicate significance at 1%, 5% and 10% respectively.

Source: Author's Computation (2022)

The FMOLS also corroborates the DOLS findings for Lafarge by establishing a positive and significant relationship between earnings volatility and share price

volatility for Lafarge. A percentage increase in earnings volatility will increase share price volatility by 0.003 percent. However, the FMOLS analysis also establishes a positive and significant relationship between asset growth rate and share price volatility as well as firm size and share price volatility for Lafarge. A unit increase in asset growth rate will increase share price volatility by 0.145 units, while a percentage increase in firm size will increase share price volatility by 0.008 percent.

Effect of Dividend Policy on Share price volatility for Unilever Nigeria PLC

In estimating the effect of dividend policy on share price volatility for the firm, the stationary properties of the data is tested using ADF statistics below:

Table 4.29: ADF Unit root test result

Variable	ADF Test Statistic at level (I_0)	ADF Test Statistic at first difference (I_1)	Decision value
Asset growth	-0.929	-4.552	I(1)
Dividend pay-out ratio	-1.872	-5.908	I(1)
Dividend yield	-1.840	-6.569	I(1)
Firm size	-1.932	-7.823	I(1)
Share price volatility	-1.653	-6.632	I(1)
Earning	-0.996	-5.935	I(1)
CRITICAL VALUES			
1%	-3.621	-3.627	
5%	-2.943	-2.946	
10%	-2.609	-2.611	

Source: Author's Computation (2022)

Table 4.29 reports unit root test for all our variables using Augmented Dickey-Fuller test. All variables are integrated of order 1(1).

Co-integration test

The Engle and Granger test for cointegration is employed to examine if the variables are co-integrated. Result is presented below:

Table 4.30: Cointegration test result

Variables	ADF	Critical value
SPV (Residual)	-4.322	-2.943

Source: Author's computation (2022)

The cointegration test is carried out on the residual and it shows the presence of cointegration, given that the ADF test statistic is greater than the 5% critical value.

Table 4.31. Dynamic Ordinary Least Square Result for the effect of Dividend Policy on Share Price Volatility of Unilever Nigeria PLC

Variables	Coefficient	Std error	T-stat	Probability
Constant	-7.846	10.871	-0.722	0.484
Asset Growth	-0.125	0.216	-0.578	0.574
Dividend yield	17.381	7.561	2.299	0.040**
Dividend pay-out ratio	-0.055	0.397	-0.140	0.891
L-Firm size	3.192	1.412	2.261	0.043**
L-Earnings	-0.359	0.081	-4.442	0.000***
R ² 0.89**				
Adjusted R ² 0.72**				

Dependent Variable: Share price volatility ***, ** and * indicate significance at 1%, 5% and 10% respectively.

Source: Author's Computation (2022)

The DOLS result for Unilever Nigeria PLC reveals a significantly positive relationship between dividend yield and share price volatility as well as between firm size and share price volatility. A unit increase in dividend yield will increase share price volatility by 17.38 units while a percentage increase in firm size will increase share price volatility by 0.032 percent. Conversely, there is evidence of a significantly negative relationship between earnings volatility and share price volatility for Unilever. A percentage increase in

earnings volatility will reduce share price volatility 0.003 percent. Other dividend policy indicators remain insignificant.

Table 4.32. Fully Modified Ordinary Least Square method result for the effect of Dividend Policy on Share Price Volatility of Unilever Nigeria PLC

Variables	Coefficient	Std error	T-stat	Probability
Constant	-10.391	6.996	-1.485	0.148
Asset Growth	-0.108	0.152	-0.707	0.485
Dividend yield	19.355	5.046	3.836	0.000***
Dividend pay-out ratio	-0.051	0.228	-0.226	0.823
L-Firm size	3.555	0.927	3.834	0.000***
L-Earnings	-0.385	0.062	-6.249	0.000***
$R^2 = 0.85^{**}$				

Adjusted $R^2 = 0.81^{**}$

Dependent Variable: Share price volatility ***, ** and * indicate significance at 1%, 5% and 10% respectively.

Source: Author's Computation (2022)

The FMOLS result corroborates the DOLS result for Unilever by revealing a significantly positive relationship between dividend yield and share price volatility as well as between firm size and share price volatility. A unit increase in dividend yield will increase share price volatility by 19.355 units while a percentage increase in firm size will increase share price volatility by 0.032 percent. Conversely, there is evidence of a significantly negative relationship between earnings volatility and

share price volatility for Unilever. A percentage increase in earnings volatility will reduce share price volatility 0.003 percent. Other dividend policy indicators remain insignificant.

Effect of Dividend Policy on Share price volatility for Beta Glass

In estimating the effect of dividend policy on share price volatility for the firm, the stationary properties of the data is tested using ADF statistics below:

Table 4.33: ADF Unit root test result

Variable	ADF Test Statistic at level (I ₀)	ADF Test Statistic at first difference (I ₁)	Decision value
Asset growth	-0.857	-5.997	I(1)
Dividend pay-out ratio	-0.967	-7.922	I(1)
Dividend yield	-1.078	-7.086	I(1)
Firm size	-1.415	-6.541	I(1)
Share price volatility	-1.616	-6.695	I(1)
Earning	-1.917	-5.657	I(1)
Critical Values			
1%	-3.621	-3.627	
5%	-2.943	-2.946	
10%	-2.609	-2.611	

Source: Author's Computation (2022)

Table 4.33 reports unit root test for all our variables using Augmented Dickey-Fuller test. All variables are integrated of order 1(1).

Co-integration test

The Engle and Granger test for cointegration is employed to examine the variables are co-integrated. Result is presented below:

Table 4.34: Cointegration test result

Variables	ADF	Critical value
SPV (Residual)	-3.832	-2.943

Source: Author's computation (2022)

The cointegration test is carried out on the residual and it shows the presence of cointegration, given that the ADF test statistic is greater than the 5% critical value.

Table 4.35. Dynamic Ordinary Least Square Result for the effect of Dividend Policy on Share Price Volatility of Beta Glass

Variables	Coefficient	Std error	T-stat	Probability
Constant	7.055	3.748	1.882	0.084
Asset Growth	0.371	0.388	0.955	0.358
Dividend yield	21.819	12.021	1.815	0.095
Dividend pay-out ratio	-6.017	2.706	-2.223	0.046
L-Firm size	0.721	0.674	1.069	0.306
L-Earnings	0.062	0.098	0.628	0.541
$R^2 = 0.90^{**}$				
Adjusted $R^2 = 0.74^{**}$				

Dependent Variable: Share price volatility ***, ** and * indicate significance at 1%, 5% and 10% respectively.

Source: Author's Computation (2022)

The DOLS result for Nigerian Breweries shows there is a significantly positive relationship between asset growth rate and share price volatility. A unit increase in asset growth rate will increase share price volatility by 0.48 units for Nigerian Breweries. Similarly, there is also a significantly positive relationship between dividend yield and share price volatility for the firm. A unit increase in dividend yield will increase share price volatility by 306.94 units. Conversely, there is evidence of a significantly negative relationship between dividend payout ratio and share price volatility for Nigerian breweries. A unit increase in dividend payout

ratio will reduce share price volatility by 10.359 units. Other dividend policy indicators remain insignificant.

Table 4.36. Fully Modified Ordinary Least Square method result for the effect of Dividend Policy on Share Price Volatility of Beta Glass

Variables	Coefficient	Std error	T-stat	Probability
Constant	5.779	2.467	2.343	0.026**
Asset Growth	0.263	0.217	1.212	0.235
Dividend yield	25.807	6.430	4.013	0.000***
Dividend pay-out ratio	-6.708	1.442	-4.653	0.000***
L-Firm size	0.946	0.423	2.237	0.033**
L-Earnings	0.029	0.058	0.506	0.616
R ² = 0.82**				
Adjusted R ² = 0.79**				

Dependent Variable: Share price volatility ***, ** and * indicate significance at 1%, 5% and 10% respectively.

Source: Author's Computation (2022)

The FMOLS being used as robustness check for the DOLS result, corroborates the findings earlier established for Nigerian Breweries shows. There is a significantly positive relationship between asset growth rate and share price volatility. A unit increase in asset growth rate will increase share price volatility by 0.47 units for Nigerian Breweries. Similarly, there is also a significantly positive relationship

between dividend yield and share price volatility for the firm. A unit increase in dividend yield will increase share price volatility by 306.96 units. Conversely, there is evidence of a significantly negative relationship between dividend payout ratio and share price volatility for Nigerian breweries. A unit increase in dividend payout ratio will reduce share price volatility by 10.359 units. Other dividend policy indicators remain insignificant.

Effect of Dividend Policy on Share price volatility for CAP Plc

In estimating the effect of dividend policy on share price volatility for the firm, the stationary properties of the data is tested using ADF statistics below:

Table 4.37: ADF Unit root test result

Variable	ADF Test Statistic at level (I_0)	ADF Test Statistic at first difference (I_1)	Decision value
Asset growth	-0.559	-5.771	I(1)
Dividend pay-out ratio	-2.147	-5.658	I(1)
Dividend yield	-0.931	-6.421	I(1)
Firm size	-2.733	-5.706	I(1)
Share price volatility	-1.185	-5.797	I(1)
Earning	-1.764	-5.731	I(1)
Critical Values			
1%	-3.621	-3.627	
5%	-2.943	-2.946	
10%	-2.609	-2.611	

Source: Author's Computation (2022)

Table 4.37 reports unit root test for all our variables using Augmented Dickey-Fuller test. All variables are integrated of order 1(1).

Co-integration test

The Engle and Granger test for cointegration is employed to examine the variables are co-integrated. Result is presented below:

Table 4.38: Cointegration test result

Variables	ADF	Critical value
SPV (Residual)	-5.767	-2.943

Source: Author's computation (2022)

The cointegration test is carried out on the residual and it shows the presence of cointegration, given that the ADF test statistic is greater than the 5% critical value.

Table 4.39. Dynamic Ordinary Least Square Result for the effect of Dividend Policy on Share Price Volatility of CAP PLC

Variables	Coefficient	Std error	T-stat	Probability
Constant	-24.108	18.296	-1.317	0.212
Asset Growth	-0.486	0.271	-1.797	0.097*
Dividend yield	36.915	15.769	2.341	0.037**
Dividend pay-out ratio	-10.114	3.559	-2.842	0.015**
L-Firm size	5.438	2.555	2.128	0.055*
L-Earnings	0.083	0.152	0.548	0.593
R ² =0.87**				
Adjusted R ² =0.67**				

Dependent Variable: Share price volatility ***, ** and * indicate significance at 1%, 5% and 10% respectively.

Source: Author's Computation (2022)

The DOLS result for CAP Plc shows there is a significantly negative relationship between asset growth rate and share price volatility as well as between dividend pay out ratio and share price volatility. A unit increase in asset growth rate and dividend payout ratio will reduce share price volatility by 0.486 and 10.114 units respectively for CAP Plc. Conversely, there is a significantly positive relationship between dividend yield and share price volatility as well as firm size and share price

volatility for the firm. A unit increase in dividend yield will increase share price volatility by 36.915 units. Similarly, a percentage increase in firm size will increase share price volatility by 0.054 percent.

Table 4.40. Fully Modified Ordinary Least Square method result for the effect of Dividend Policy on Share Price Volatility of CAP PLC

Variables	Coefficient	Std error	T-stat	Probability
Constant	-29.352	10.571	-2.776	0.009***
Asset Growth	-0.447	0.147	-3.025	0.005***
Dividend yield	38.479	8.119	4.739	0.000***
Dividend pay-out ratio	-10.227	2.299	-4.448	0.000***
L-Firm size	6.155	1.481	4.155	0.000***
L-Earnings	0.093	0.086	1.089	0.285
R ²	0.77**			
Adjusted R ²	0.73**			

Dependent Variable: Share price volatility ***, ** and * indicate significance at 1%, 5% and 10% respectively.

Source: Author's Computation (2022)

The FMOLS being used as robustness check for the DOLS result, corroborates the findings earlier established. There is a significantly negative relationship between asset growth rate and share price volatility as well as between dividend payout ratio

and share price volatility. A unit increase in asset growth rate and dividend payout ratio will reduce share price volatility by 0.447 and 10.227 units respectively for CAP Plc. Conversely, there is a significantly positive relationship between dividend yield and share price volatility as well as firm size and share price volatility for the firm. A unit increase in dividend yield will increase share price volatility by 38.479 units. Similarly, a percentage increase in firm size will increase share price volatility by 0.061 percent.

Effect of Dividend Policy on Share price volatility for Nigeria Breweries

In estimating the effect of dividend policy on share price volatility for the firm, the stationary properties of the data is tested using ADF statistics below:

Table 4.41: ADF Unit root test result

Variable	ADF Test Statistic at level (I_0)	ADF Test Statistic at first difference (I_1)	Decision value
Asset growth	-0.883	-5.753	I(1)
Dividend pay-out ratio	-2.015	-5.151	I(1)
Dividend yield	-0.659	-9.580	I(1)
Firm size	-1.297	-5.702	I(1)
Share price volatility	-1.842	-6.058	I(1)
Earning	-1.821	-4.948	I(1)
CRITICAL VALUES			
1%	-3.621	-3.627	
5%	-2.943	-2.946	
10%	-2.609	-2.611	

Source: Author's Computation (2022)

Table 4.41 above reports unit root test for all our variables using Augmented Dickey- Fuller test. All variables are integrated of order 1(1).

Co-integration test

The Engle and Granger test for cointegration is employed to examine the variables are co-integrated. Result is presented below:

Table 4.42: Cointegration test result

Variables	ADF	Critical value
SPV (Residual)	-4.641	-2.943

Source: Author's computation (2022)

The cointegration test is carried out on the residual and it shows the presence of cointegration, given that the ADF test statistic is greater than the 5% critical value.

Table 4.43 Dynamic Ordinary Least Square Result for the effect of Dividend Policy on Share Price Volatility of Nigeria Breweries

Variables	Coefficient	Std error	T-stat	Probability
Constant	7.055	3.748	1.882	0.084*
Asset Growth	0.371	0.388	0.955	0.358
Dividend yield	21.819	12.021	1.815	0.095*
Dividend pay-out ratio	-6.017	2.706	-2.223	0.046**
L-Firm size	0.721	0.674	1.069	0.306
L-Earnings	0.062	0.098	0.629	0.541
$R^2 = 0.90^{**}$				
Adjusted $R^2 = 0.74^{**}$				

Dependent Variable: Share price volatility ***, ** and * indicate significance at 1%, 5% and 10% respectively.

Source: Author's Computation (2022)

The DOLS result for Nigeria Breweries shows there is a significantly positive relationship between dividend yield and share price volatility. A unit increase in dividend yield will increase share price volatility by 21.82 units for Nigeria Breweries. However, there is significantly negative relationship between dividend payout and share price volatility for the firm. A unit increase in dividend payout

will reduce share price volatility by 6.02 units. Other dividend policy indicators remain insignificant.

Table 4.44. **Fully Modified Ordinary Least Square method result for the effect of Dividend Policy on Share Price Volatility of Nigeria Breweries**

Variables	Coefficient	Std error	T-stat	Probability
Constant	5.779	2.467	2.343	0.026**
Asset Growth	0.263	0.217	1.212	0.235
Dividend yield	-6.708	1.442	-4.653	0.000***
Dividend pay-out ratio	25.807	6.430	4.013	0.000***
L-Firm size	0.948	0.423	2.237	0.033**
L-Earnings	0.029	0.058	0.506	0.616
$R^2 = 0.82^{**}$				
Adjusted $R^2 = 0.79^{**}$				

Dependent Variable: Share price volatility ***, ** and * indicate significance at 1%, 5% and 10% respectively.

Source: Author's Computation (2022)

The FMOLS being used as robustness check for the DOLS result, corroborates the findings earlier established for Beta glass. There is a significantly positive relationship between dividend yield and share price volatility. A unit increase in

dividend yield will increase share price volatility by 25.81 units for Nigeria Breweries. Similarly, the FMOLS result establishes a positive relationship between firm size and share price volatility. A percentage increase in firm size will increase share price volatility by 0.009 percent. However, there is a significantly negative relationship between dividend payout and share price volatility for the firm. A unit increase in dividend payout will reduce share price volatility by 6.71 units. Other dividend policy indicators remain insignificant.

4.3 Discussion of Findings

The findings from this study on the relationship between dividend policy and share price volatility as to the

The results of first hypothesis which examined the relationship between dividend pay-out ratio and share price volatility of selected listed consumer and industrial goods manufacturing companies in Nigeria established that dividend pay-out ratio has a positive and significant relationship with share price volatility for the selected listed consumer and industrial goods manufacturing companies in Nigeria. Nevertheless, the strength of the relationship is very weak. Therefore, we failed to accept the null hypothesis, H_{01} , and concluded that there is significant weak-positive relationship between dividend pay-out ratio and share price volatility. Therefore, increase in dividend pay-out ratio by the listed manufacturing companies will highly likely have similar resultant changes in share prices volatility. This result is in consonance with a study whose study found a positive relationship between dividend pay-out share and share prices¹. However, the study is in variant with other studies whose findings revealed a negative relationship².

The results of second hypothesis which examined the relationship between dividend yield and share price volatility of selected listed consumer and industrial goods manufacturing companies in Nigeria established that dividend yield has a positive and significant relationship with share price volatility for the selected listed consumer and industrial goods manufacturing companies in Nigeria. However, the strength of the relationship is very weak. Therefore, we failed to accept the null hypothesis, H_{02} , and concluded that there is a significant weak-positive relationship between dividend yield and share price volatility. Therefore, an increase experience in dividend yield by the listed manufacturing companies will have similar resultant changes in share prices volatility. This result is in consonance with studies found a positive and significant relationship between dividend yield and share prices³. However, the study is in variant with other studies whose findings revealed a negative relationship between dividend yield and share price volatility⁴.

The results of third hypothesis which examined the relationship between asset growth and share price volatility of selected listed consumer and industrial goods manufacturing companies in Nigeria established that asset growth has a positive and significant relationship with share price volatility for the selected listed consumer and industrial goods manufacturing companies in Nigeria. Though, the strength of the relationship is very weak. Therefore, we failed to accept the null hypothesis, H_{03} , and concluded that there is a significant weak-positive relationship between asset growth and share price volatility. Therefore, an increase experience in the rate of asset growth by the listed manufacturing companies will have similar resultant changes in share prices volatility. This result is in consonance with studies that found a positive

and significant relationship between asset growth and share prices volatility⁵. However, the study is in variant with other studies whose findings revealed a negative relationship between dividend yield and share price volatility^{6,7}.

The results of forth hypothesis which examined the relationship between earnings and share price volatility of selected listed consumer and industrial goods manufacturing companies in Nigeria established that earnings have a positive, weak and significant relationship with share price volatility for the selected listed consumer and industrial goods manufacturing companies in Nigeria. Therefore, we failed to accept the null hypothesis, H_{04} , and concluded that there is a significant weak-positive relationship between earnings and share price volatility. Therefore, an increase in business earnings by the listed manufacturing companies will have similar resultant increase in share prices volatility. This result found support in extant literature as some studies found a positive and significant relationship between asset growth and share prices volatility³. However, the study is in variant with other studies whose findings revealed a negative relationship between earnings and share price volatility^{4,7,8}.

The results of fifth hypothesis which examined the relationship between firm size and share price volatility of selected listed consumer and industrial goods manufacturing companies in Nigeria posited that firm size have a negative and significant relationship with share price volatility for the selected listed consumer and industrial goods manufacturing companies in Nigeria. However, the strength of the relationship is averagely strong. Therefore, we failed to accept the null hypothesis, H_{05} , and concluded that there is a significant but negative relationship between firm size and share price volatility. Therefore, an increase in firm size the listed of manufacturing

companies will have similar resultant decrease in share prices volatility. This result is in consonance with some studies whose findings revealed a negative and significant relationship⁴. However, this result is in variant to other studies^{2,3,7}

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Chapter Five

Conclusion

5.1 Summary of Findings

This study examined the extent at which the volatility in share prices of listed manufacturing firms is influenced by various dividend policies of listed manufacturing firms in Nigeria. Dividend Yield (DY), Dividend Pay-out Ratio (DPR), Asset Growth Rate (AGR), Firm Size (FSIZE) and Earnings Volatility (EV) were used to capture various dividend policy variables while Share Price Volatility was used to represent changes in share prices within the period under consideration.

Various literatures were reviewed ranging from empirical literature to theoretical literature. In terms of geographical spread, the study focused essentially on 10 randomly selected manufacturing firms in Nigeria which include NASCON Allied Industries PLC, Guinness NIG PLC, PZ Cussons Nigeria PLC, Nigerian Breweries PLC, Honeywell Flour Mill PLC, Lafarge Africa PLC, CAP PLC, Beta glass PLC, Unilever Nigeria PLC and Okumu Oil Palm PLC. Relevant economic data for the purpose of this research were sourced from the annual financial statements published by the sampled manufacturing firms for a period spanning through 2011 to 2021. Ordinary Least Square and correlation, Fixed Effect Model and Random Effect Model were carried out to examine the relationship between dividend policy and share price volatility of the listed consumer and industrial goods manufacturing firms in Nigeria. However, before the models were estimated, the statistical properties of each of these variables were highlighted using descriptive statistics. The Hausman Test was conducted to know the appropriate model to be used which shows that the

null hypothesis of hausman can be rejected and therefore the random effect Model was adopted.

1. The results of first objective established that dividend pay-out ratio has a positive and significant relationship with share price volatility for the selected listed consumer and industrial goods manufacturing companies in Nigeria. Nevertheless, the strength of the relationship is very weak. Therefore, we failed to accept the null hypothesis, H_{01} , and concluded that there is significant relationship between dividend pay-out ratio and share price volatility. The result implies that increase in dividend pay-out ratio by the listed manufacturing companies will make the changes in share prices to high or increase thereby making share prices to be highly volatile and unstable. This result is in consonance with that of Anas and Yusufi whose study found a positive relationship between dividend pay-out share and share prices. However, the study is in variant with that of Zhara and Ahmadi² whose findings revealed a negative relationship.
2. The results of second objective established that dividend yield has a positive and significant relationship with share price volatility for the selected listed consumer and industrial goods manufacturing companies in Nigeria. Therefore, the null hypothesis, H_{02} , is rejected, and it was concluded that there is a significant relationship between dividend yield and share price volatility. Therefore, increase in dividend yield by the listed manufacturing companies will make the changes in share prices to increase thereby making share prices to be relatively stable. This result is in consonance with that of Ahmad and Murtaza³ and Anas and Yusufi whose study found a positive and significant relationship between dividend yield and share prices. However, the study is in variant with that of Zaimudin, et al⁴ whose findings revealed

a negative relationship between dividend yield and share price volatility. The results of third objective established that asset growth has a positive and significant relationship with share price volatility for the selected listed consumer and industrial goods manufacturing companies in Nigeria. Though, the strength of the relationship is very weak.

3. The results of third objective established that asset growth has a positive and significant relationship with share price volatility for the selected listed consumer-goods manufacturing companies in Nigeria. Though, the strength of the relationship is very weak.
4. The results of forth objective established that earnings have a positive and insignificant relationship with share price volatility for the selected listed consumer and industrial goods manufacturing companies in Nigeria. To this end, we cannot reject he null hypothesis, H_{04} , and assert that there is no significant relationship between earnings volatility and share price volatility. Therefore, increase (decrease) in earnings volatility would probably not affect share price volatility. This result is in consonance with that of Lashgari and Ahmadi² whose finding reveals an insignificant relationship between earnings volatility and share prices volatility.
5. The results of fifth objective posited that firm size have a negative and significant relationship with share price volatility for the selected listed manufacturing companies in Nigeria. To this end, the null hypothesis, **H_{05}** , is rejected and assert that there is significant relationship between firm size and share price volatility. This result is in consonance with that of Zaimudin, et al⁴ whose findings revealed a

negative and significant relationship. However, this result is in variant to that of Lashgari and Ahmadi²

5.2 Conclusion

Dividend policy of an organization is vital in enhancing the profitability and investment position. This is because dividends are important to the shareholders and this is what they look for when they want to invest in a firm as they show the earnings potential of that firm. Good dividend pay-outs do indicate that companies are generating real earnings and they are not giving a false picture of the reality. Since the 1950's, there has been a great debate by finance scholars about corporate dividend policy issues and on how it can impact a firm value. Dividend decision has been considered as one of the top ten complex issues in finance⁵. Dividend or profit allocation decision is one of the four decision areas in finance. Dividend decisions are important because they determine what funds flow to investors and what funds are retained by the firm for investment. Dividend is basically the benefit of shareholders in return for risk and investment and this is determined by different factors in an organization⁴. Share price volatility is a benchmark for measuring risk which indicate changing pace in the stock price over a determined period. The issue of whether dividend policy has a relationship with share price volatility has been a topic of intense debate for many years⁵.

This study was embarked on in order to investigate the relationship that exists between dividend policy and share price volatility of listed consumer and industrial goods manufacturing firms in Nigeria. The study employed dividend pay-out ratio (DPR), dividend yield (DY), asset growth rate (AGR) and earnings volatility as

proxies for measuring dividend policy, and share price volatility (SPV) as a measure for evaluating the changes in share prices. The results indicated that there was positive relationship between dividend policy proxies (dividend pay-out, dividend yield, earnings volatility, asset growth rate) and share price volatility. Meanwhile, firm size was found to have negative relationship with share price volatility.

5.3 Contribution to Knowledge

The study through its findings made important contribution to knowledge in the following ways:

Based on the conceptual review done, this study offers immense contribution to knowledge conceptually in several ways. This study identified and filled conceptual gaps in literature regarding the need for a study that investigate the functional relationship between dividend policy and share price volatility with particular reference to industry-specific context. This study was done within the context of listed consumer and industrial goods manufacturing companies in Nigeria.

The outcome of this study is in line with the “bird in hand” theory and the signalling theory which provided the theoretical underpinnings for this study. These theories were selected to guide these study variables because their perspectives are tied to the focus of the study and the variables under investigation. The empirical outcome of this study contributes to the existing literature and empirical findings in the area of investment management and equally served as a reference material for future researchers.

In term of practical implication of the finding of this study, the need to establish how dividend policy affects volatility of share prices cannot be overemphasized. The findings of this study provide strategic information for managers of listed companies investigated on the need to formulate appropriate dividend policies.

Additionally, the study offer great help to investors when selecting and building their investment portfolios depending on their dividend pay-out preferences. The findings also help provide investors with information about the predictability of returns in the securities market. The study as well aid investment officers/financial advisors while managing investors' portfolios in terms of selecting for inclusion or selling off some securities deemed not preferable for a given investor's preference. On the final note, the research findings will be helpful to policy makers and the government's regulatory agencies in formulating dividend pay-out policies and guidelines on best practices that will protect and encourage investments thus creating a vibrant local market.

5.4 Recommendations

Based on the findings of this study, the following recommendations should be given consideration by firms in determining the relationship between dividend policy and share price volatility.

- i. Companies should consider all the factors that affect dividend policy when formulating one, in order to have an optimal policy that satisfies its shareholders and other interested third party.

- ii. This study discovered that effective dividend per share could improve share prices. Therefore, it is recommended that companies should declare appropriate dividend in order to encourage investors and increase performance level which could in turn result in increased the company's stock.
- iii. Directors of corporate organizations should be made to update the records of shareholders including their next-of-kin to avoid a deliberate diversion or undue retention of unclaimed dividend warrants. Due procedures for the recognition and utilization of profit arising from investment of unclaimed dividend should be affected and properly accounted for.

5.4 Areas for Further Research

This study was limited to the sample of ten (10) consumer and industrial goods manufacturing firms in Nigeria, the study also suggests future research that could use other dependent variables like debt, earning market capitalization, changes in market capitalization to further clarify the relationship between dividend policy and share price volatility.

Also, future study can consider other sectors such as banks, insurance, technology, healthcare, energy, construction, oil and gas to enhance the generalizability of the result of this study. This might provide a useful insight for investors when considering which sector to invest in regard to the influence dividend policy has on that sector. Likewise the adoption of a change of methods regarding use of primary data to understand the behavioural aspect of the determinants of dividend policy and whether they affect organisational performance will present an interesting area of future studies.

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Appendix

Correlation Matrix

Mean	0.4653 63	0.0476 33	0.4147 63	- 0.1323 40	1.91E+ 08	19600 53.
Median	0.3369 75	0.0320 50	0.3272 00	- 0.0883 50	27398 833	61528 2.5
Maximum	1.2936 92	0.5600 00	7.8540 00	1.0000 00	1.29E+ 09	81395 63.
Minimum	0.1561 74	0.0000 00	- 1.1343 00	- 2.6077 00	37821 00.	50.260 00
Std. Dev.	0.3276 43	0.0682 68	0.8373 47	0.4381 33	3.36E+ 08	24034 44.
Skewness	1.4977 15	4.6960 83	7.1499 05	- 1.6146 82	2.1277 88	1.1460 10
Kurtosis	4.3846 57	33.327 03	63.880 67	13.394 93	6.4487 91	2.7228 63
Jarque- Bera	45.374 50	4199.7 55	16295. 59	493.68 08	125.01 70	22.208 99
Probability	0.0000 00	0.0000 00	0.0000 00	0.0000 00	0.0000 00	0.0000 15

Sum	46.53630	4.763300	41.47630	-13.23400	1.91E+10	1.96E+08
Sum Sq. Dev.	10.62764	0.461394	69.41386	19.00405	1.12E+19	5.72E+14
Observations	100	100	100	100	100	100

Correlation Matrix

	SPV	DY	DPR	AGR	FSIZE	EV
SPV	1.0000 00	0.0959 10	0.0746 85	- 0.1068 18	- 0.4063 66	- 0.3755 35
DY	0.0959 10	1.0000 00	0.8070 52	0.0384 37	- 0.2318 79	- 0.0581 96
DPR	0.0746 85	0.8070 52	1.0000 00	0.0477 45	- 0.0627 26	- 0.0465 14
AGR	- 0.1068 18	0.0384 37	0.0477 45	1.0000 00	0.0212 25	0.1266 48
FSIZE	- 0.4063 66	- 0.2318 79	- 0.0627 26	0.0212 25	1.0000 00	0.4807 55
LFSIZE	- 0.4702 58	- 0.3516 47	- 0.1351 44	0.0444 47	0.8553 74	0.5132 93
EV	- 0.3755 35	- 0.0581 96	- 0.0465 14	0.1266 48	0.4807 55	1.0000 00

Bio-data

A. Personal Data

1. Full Names: Rasaki Subair
2. Address: Block C, Crest Villa End Estate, Femi Dare Close, Ologolo, Lekki/Epe Expressway, Lagos
3. Date and Place of Birth: 4th March, 1969
4. Nationality: Nigeria
5. Name and Address of Next of Kin: Charis Opeyemi Subair

B. Educational Background

1. Educational Institutions Attended with Dates and Qualifications:

- a. University of Lagos – M. Sc Finance - 2016
- b. University of Ilorin, - B Sc Accounting - 1992
- c. Certificate in Computer Training – University of Port-Harcourt Continuing Education -1994
- d. Alimosho Grammar School, Agege, Lagos -1984, WASC O/L

2. Professional Qualifications with Dates:

Associate of Certified Accountant – ACA - 1998

C. Working Experience with Dates:

- a. NBM Bank Ltd. - 1994 – 2006
- b. Sterling Bank Plc. - 2006 – 2018
- c. Bank of Industry Ltd. - 2018 – to date.

D. Award and Fellowships if any:

Certificate of Fellowship by ICAN - 2019

E. Membership of Academic Professional Bodies:

- a. Institute of Chartered Accountants of Nigeria (ICAN)
- b. Risk Managers Association of Nigeria (RIMAN)

F. Papers Published:

- a. Capital Structure And Earnings Management (A Study Of Selected Listed Consumer Goods Manufacturing Firms In Nigeria), International Journal Of Scientific & Engineering Research Volume 10, Issue 6, June-2019, ISSN 2229 – 5518.
- b. Dividend Policy And Share Price Volatility (A Study of Selected Banks in Nigeria), International Journal of Advanced Research In Management And Social Sciences, Volume 9, No. 7, July 2020 ISSN: 2278 - 6236



Signature

25-09-2022

Date

University Compliance Certificate

This is to certify that this Thesis was written by Rasaki SUBAIR in the Department of Management and Accounting, Faculty of Management and Social Sciences, Lead City University, Ibadan in full compliance with approved University format.

Signature

Date

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