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Research Article

THE EFFECT OF DIVIDEND PAYOUTS ON STOCK MARKET PERFORMANCE OF NIGERIAN LISTED FIRMS

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Abstract

This study examined the effect of dividend policy on share price of selected companies listed on the Nigerian stock Exchange. In the academic literature there have been fewer studies in this regard, especially in developing economies like Nigeria. The study adopted ex-post facto research design with panel data covering the study period. A sample of 49 companies out of 162 companies listed on the Nigerian stock Exchange during the study period (2013-2022) was randomly selected for the panel data. The study found that the dividend payout ratio and dividend yield have significantly positive effect on the share price of firms while dividend per share has insignificantly negative effect on the share price of firms. Financial leverage has significantly negative effect on the share price of firms. The study concluded that dividend policy has significant effect on share price. The study recommended that companies should focus more on the payout while investors should go for corporate entities with constant payout ratio.

Keywords: firm size, financial performance, deposit money, stock exchange, influence, diseconomies.

INTRODUCTION

Background to the study

The ability of a firm to make reasonable earnings is a function of the quality of its products or services in the market, its market share, the quality of the board and management team to make sound decisions, its financial strength and the quality of its assets. One of the fundamental objectives of any business organisation is the maximisation of the shareholders' wealth. One of the important variables that affect the maximisation of shareholder's wealth is the earnings potentials of a business enterprise. If a business organisation makes adequate earnings, it would be possible for it to embark on profitable investment opportunities that will further enhance or maximise the share value of the firm (Pushpa & Sumangala. 2012; Uwuigbe, Olubukunola and Okorie, 2015).

Traditionally, there are three fundamental decisions the managers of companies make with a view to impacting positively on their market value. These decisions include an investment, financing and dividend decisions. Investment decision deals with apportionment of an enterprise financial resources among various investment opportunities that will yield future benefits to the company with a view to maximising shareholders wealth. In investment decision, managers evaluate investment opportunities in relation to the expected returns and risk with the objective of maximising the shareholders' wealth (Uwuigbe, Jimoh and Ajayi, 2012). Financing decision involves the determination of the best financing mix or capital structure. The financial manager, therefore, decides

where to get additional funds either internally (retained earnings) or externally (debt) having given due consideration to its associated cost and its implication on the shares value. Dividend decision, on the other hand, involves the determination of the appropriate percentage of the company's earning to earmark for the dividend payment to investors and amount to retain within the company for future expansion (Uwuigbe, Olowe & Agu, 2012). These decisions were basically conceptualised and worked out with intent to maximise the wealth of the shareholders. It is expected that the decision to pay a certain percentage of earnings as dividend must be favourably compared with the opportunity cost of retained earnings (Pandey, 2005).

Statement of the problem

The dividend policy of an organisation becomes fundamental as the survival of any business enterprise like a bank depends on its ability to continuously have access to investible funds in order to continue in business in foreseeable future. Thus, financial managers must, therefore, decide on the proportion of earnings that must go into dividend payment depending on the shareholder's preference for immediate cash or capital gains. If a high payout ratio is adopted, the company will likely resort to external borrowing through capital market and likewise, a low payout ratio will cause the company to utilise its retained earnings to take advantage of available investment opportunities for expansion and growth (Pandey 2005). Adefila, Oladapo, & Adeoti (2004), avowed that financing and investment decisions of a company are significantly influenced by the magnanimity of its retained earnings which is determined by its dividend policy. -Although the concept of dividend policy has been discussed and debated by financial scholars and academics in the past two decades; as it relates to issues relating to the theories of dividend and dividend patterns which had invariably shaped the thinking and direction of the corporate organisation. This has led to paradigms shift in the theory of dividend policy as propounded by Modigliani-Miller (1961) and its effect on firm's market values. - More so, there have been considerable prior studies such as (Porta, Lopez-de-Silane, Shleifer, & Vishny, 1998; Yilmaz, & Gulay, 2006; Masum, 2014; AlHasan *et al*., 2013; Hashemijoo *et al*., 2012) on whether a high dividend payout ratio or a high retention ratio or a striking balance between the two alternatives should be considered as optimal dividend decision that would guarantee the maximization of shareholders' wealth – market value. However, the same cannot be said for developing economies (e.g. Nigeria); hence, this study basically examined the effect of earnings, dividend yield, retention ratio on the market value of Nigerian banks.

Objective of the Study

The main objective is to ascertain the effect of dividend policy on share price of some selected entities listed on the Nigeria stock exchange.

Research Questions

To what extent does dividend policy effect share price of some selected companies listed on the Nigeria stock exchange?

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Statement of Hypotheses

H0: dividend policy has no significant effect on share price of selected companies in Nigeria.

Significance of the study

The study is significant to other researchers and the firms in the group including students and others

REVIEW OF RELATED LITERATURE

Conceptual framework

Concept of Share Price Volatility

The market or share price of any entity refers to the value per share of the entity at the end of each trading day. While the market prices change during any trading day, the price at the close of trading on any particular day represents the price at the end of that day (Nigerian Exchange, 2021). From a total value perspective, when the value per share is multiplied by the number of outstanding shares at any particular period, it gives the Market capitalization. When tracked from 2009 to date, it is discovered that the market capitalization of companies listed on the Nigeria stock exchange has been on the increase Between 2009 and the end of 2014, total market capitalization has doubled from N7.03 trillion to N18.9 trillion. Specific to the Nigerian Stock Exchange, aggregate market capitalization appreciated by 17.5% as of June 2017 from the 2016 December position. As of June 2018, the total market capitalization of the 278 listed equities on the Nigeria stock exchange was N23.99 trillion representing an increase of 76% from the December 2017 value of N13.69 trillion and 26.1% for the corresponding period of June 2017 (Central Bank of Nigeria, 2018). As of 30th December 2020, the Nigerian Capital Market grew by about 50% to close the year at 40,270.72 (Nigerian Exchange, 2021). The market price of shares is determined by the forces of demand and supply at the end of each trading day. Market price per share is the value of the equity shares as quoted on the Nigeria stock exchange daily (Olowe, 2017).

The market price volatility sometimes refers to as stock price volatility is the degree of changes in the price of the companies shares due to various information released to the market thereby making it difficult to ascertain what the future price will be. Alajekwu and Ezeabasili (2020) believed that the volatility of the price of shares will vary greatly over time thereby making the future price uncertain to determine. Hence, the lesser the volatility of a given stock price, the greater its attraction to both current and potential investors (Okafor, Mgbame, & Chijoke-Mgbame, 2011).

Dividend Policy

Dividend is included as a key decision of the financial managers and represents the outstanding amount shared to the equity holders. According to Brealey and Myers (1996), dividends are often entangled with other financing and investment decisions. Some firms pay low dividends because of the future expectation by management on the firm's value and the need to retain earnings for future growth and expansion. Dividend decision is majorly considered where the company have no pressing strategic needs to drive the business growth (Pandey, 2000). This

information released by companies on dividend plays a strategic role in the valuation of the company's shares (Brealey & Myers, 1996). Harley and Duro (2017) see dividend as the distribution of past or present earnings in real assets among the various equity holders based on their holding structure. The proxies of dividend policy used in this study are explained below.

Dividend per Share

The announcements of corporate financials in any period are expected to be accompanied by various corporate actions announcements. When the companies decide to pay dividends out to existing shareholders at a particular date, the announcements will be accompanied by the dividend payment expectation. The unit or rate of dividend in naira amount expected to be paid on individual units of shares held is the dividend per share (Nwaiwu & Ali, 2018). Dividend per share is stated as the total amount of dividend expected to be paid divided by the total number of shares in issue that qualify for dividend (Hirschey & Nofsinger, 2008). Dividend per share is expected to be constant all through the announcements period up to the next dividend period. Dividend is paid per time and not a fraction of the period under consideration (Alajekwu & Ezeabasili, 2020).

Dividend Yield

The dividend yield is the rate of return to the market on the dividend declared by an organization. The dividend yield is a financial ratio that depicts how much the company pays out in the form of dividend to the existing shareholders (CFA, 2018). When dividend is declared, the investors are majorly concerned about the return the dividend will bring back to them based on the prices at which the stocks were bought. As the prices change daily, the current yield on the dividend paid will change from the date the dividend was declared to the dividend closure date when the share price of the entity is marked down on the floor of the Exchange (Adesola & Okwong, 2009; Ehikioya, 2015; Olowe, 2017).

Dividend Payout Ratio

The payout ratio is the proportion of the earnings after tax that is paid out as dividend to the existing shareholders as at the closure of the register. Dividend paid out is the fraction of the net income or profit after tax that an entity pays out as dividend to the shareholders (Akintoye, 2006). The profit after tax can be retained completely, paid out to shareholders completely, or split between the retention and dividend at any period based on the organizations' dividend policy. Black (1996) stated that dividend is very important in determining the fundamental value of the company's shares and as such companies should ensure that a part of the profit is paid out to shareholders for the value to be enhanced. Because of the signaling power of dividend as established by Gordon (1959), the payout ratio, as well as the retention ratio, will depict whether the company has the potential to grow the earnings over time. In the dividend valuation model, the amount of dividend is very germane in the business growth potentials of the entity (Brealey & Myers, 1996).

Financial Leverage

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Leverage is the debt obligation of the firms to provide funding to the business rather than asking investors to bring in fresh funds to dilute the capital mix (Olowe, 2017). It is an financing strategy to increase potential returns on the money invested by the equity holders. Leverage can be measured by dividing the total debt by the equity or net debt by the equity. The effect of leverage indicates shows an inverse relationship between stock price volatility and returns on the equity invested (Ajayi & Nageri, 2016). Leverage is part of the capital structure of the firm which Miller and Modigliani (1961) argue that capital structure has no impact on share value. In pecking order theory, leverage is considered secondary source of finance as most viable entity prefer to use retained earnings to finance investment opportunities before any other option is considered, Arsalan, Raza, Aslam, and Mubeen (2016) Shareholders most time have negative perceptions of the use of leverage in the capital structure (Adenugba et al., 2016).

Emperical Review

Dividend policy and Share Price Volatility

Ugwu, Onyeka, and Okwa (2020) used multiple regression analysis to examine the effect of dividend policy and corporate financial performance within companies listed on the consumer goods sector of the Nigerian Exchange (NGX). Data were collected randomly from ten companies listed in the consumer goods sectors for the period between 2015 and 2019. Dividend payout ratio (DPR) and dividend per share (DPS) were used to represent dividend policy while return on equity (ROE) measured corporate financial performance in the study. The result revealed that the proxies for dividend policy are positively related to ROE. Only DPS showed a positive effect on corporate performance while DPR and EPS showed a statistically insignificant effect.

Hossin and Ahmed (2020) examined the impact of dividend policy on stock price volatility within the Bangladesh capital market between 2009 and 2017. An experimental analysis approach was adopted using the fixed and random effects on the data collected from the 10 companies. One of the variables used is the dividend payout ratio differentiating between cash and stock dividend. Both types of dividends were examined against the stock price volatility. The analysis of the data showed that both cash dividends and stock dividends have a positive impact on stock price volatility. The study further concluded that investors in the Bangladesh market prefer stock dividends to cash dividends. The stock dividend will appreciate over time the investors are expected to have more gain when the shares are sold later in the future.

In a related study, Koleosho, Adegbie, and Ajayi-Owoeye (2020) examined whether there exists a significant relationship between dividend per share and market price per share from an informational efficiency perspective. Fifty-seven companies' data were collected for the periodbetween 2008 to 2019 and the fixed-effects model was used to analyze the pooled data. The study concluded that dividend is an important factor in predicting the movement in stock prices. Hence, it was recommended that dividend payments should be paid and information announced timely to enhance the sustainability of shareholders' wealth.

Ohiaeri et al. (2019) examined the impact of dividend policy on the share price of quoted companies on the Nigerian Exchange (NGX) between 2009 and 2017. One of the proxies used in the analysis was dividend per share and data were collected across ten Nigerian companies within the period. Using secondary data, Hausman's test was used through the multiple panel least square estimation and it was concluded that dividend per share exerted a positive impact on the market price per share within the period under review.

In a related study, Uniamikogbo et al. (2019) empirically analyzed the influence of accounting information on stock price volatility in Nigeria using twenty-two companies listed on the NGX. Data were analyzed through the ordinary least square (OLS) regression method and the study concluded that dividend per share had a negative and significant effect on stock price volatility in Nigeria. This study negates the conclusion Bhattarai (2016); Egbeonu, Paul-Ekwere, and Ubani (2016); Balagobei and Selvaratnam (2016) and Asadi (2013). It is also not in consonance with the conclusion of Osundina, Jayeoba, and Olayinka (2016) and Olaoye et al. (2016). The role of accounting information on stock price volatility was examined by Osundina et al. (2016) with the impact of dividend per share on stock price volatility as one of the hypotheses. Data selected was from 2005 to 2014 from selected listed manufacturing companies in Nigeria. The fixed-effect model was used to analyze the data and they concluded that dividend per share has a positive effect on stock price volatility.

Aribaba, Ahmodu, Ogbeide, and Olaleye (2017) in their study of dividend policy and share price changes within the Nigerian Capital Market examined the effect of dividend per share on stock price changes between 2008 to 2014 using data collected from 15 companies quoted on the NGX. Using regression analysis on the adopted estimated generalized least square method, the study concluded that dividend per share has a negative effect on the stock price changes and the effect is statistically insignificant over the period. Hence, dividend is important and as such investors will prefer dividend payment for cash rather than capital gain in the future. The study emphasizes the bird-in-hand theory as well as the signaling theory. There is a time gap in this study. Also, only the stock price changes effect was considered in the study.

Egbeonu et al. (2016) did a co-integration analysis of dividend policy and share price volatility of companies listed in the Nigerian capital market as of 31 December 2015. Fifty companies were used with a focus on the year 2015 to ascertain the impact of dividend policy on share price volatility. The result of the granger causality test revealed that investors are only interested in stocks with stable and consistent dividend policy and are less interested in companies with low dividend payout. The result of the analysis showed that dividend per share exerted a positive relationship with the stock price volatility and as such dividend payment is very important in determining the volatility of the stock price. The study concludes that investors can make more profits during the period of volatility due to the announcement effect of dividends. While the study emphasizes the ability to make more profit during volatility, the effect of the dividend policy on other measures of shareholders' wealth was not considered. Also, the moderating effects of the number of shares outstanding, ownership structure, and firm size were not considered in the study.

Theoretical Framework

The works of various researchers on corporate dividend policy have led to various conclusions over time. Two theories were reviewed in this discourse which are Dividend Relevance Theory and Dividend Irrelevance Theory.

Dividend Relevance Theory

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The theory was propounded by Graham and Dodd (1934) where they opined that a given amount of dividend has four times the impact on stock prices as for the same amount of retained earnings. This theory is also called the Rightist Theory and believes that companies should pay out a higher dividend as this will increase the value of the company shares by multiple folds (Brealey & Myers, 1996). The proponents believed that the stock market is continuously in favour of liberal dividends payment as against the nigardly ones and hence want the corporations to continuously pay dividends to the stockholders. The major supporters of this theory are Walter (1956) and Gordon (1959). Walter (1956) as cited by Brealey and Myers (1996); Akintoye (2006); Olowe (2017) opined that dividend payment decisions by organizations are a function of the profitability of investment opportunities available to the firm. They stated that the maximization of shareholder's returns depends on the choice between the firm's internal rate of return and the cost of capital of the firm. Walter (1956) model is based on the following assumptions:

RESEARCH METHODOLOGY

Research Design

The *ex-post facto* research design was adopted. Descriptive and inferential statistics were adopted in analyzing the result of the data collected over the sampled period.

Target Population and sample size

The population consist of the number of listed firms and a sample of 49 companies out of 162 companies listed on the Nigerian Stock Exchange during the study period (2013-2022) was randomly selected for the panel data.

4.1. Mathematical Model

$Spit = \alpha + \beta 1 dpsit + \beta 2 dprit + \beta 3 dyit + \beta 4 levit + \varepsilon it$ (1)

Where;

SP = Share Price.

$x1 = Dividend\ Per\ share\ (DPS)$.

$x2 = Dividend\ Payout\ Ratio\ (DPR)$. $x3 = Dividend\ Yield\ (DY)$.

$x4 = Financial\ Leverage\ (LeV)$.

DATA PRESENTATION AND ANALYSIS

Table 1. Descriptive statistics of dividend policy and shareholders wealth volatility.

	SP	DPS	DPR	DY	FLEV
Mean	0.723000	37.07800	8192.190	494.4080	513.9630
Median	2.000000	39.04000	7974.700	180.5250	277.9500
Maximum	4.290000	53.78000	13222.70	2922.800	1977.500
Minimum	-9.280000	4.120000	2524.300	123.5600	160.9000
Std. Dev.	4.003101	13.87954	2938.085	824.7411	534.0723
Skewness	-1.629269	-1.188113	-0.213296	2.584745	2.082256
Kurtosis	4.386824	3.809776	2.697704	7.845285	5.956765
Jarque-Bera	26.12782	13.12955	0.569507	104.5842	54.34504

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Probability	0.000002	0.001409	0.752200	0.000000	0.000000
Sum	36.15000	1853.900	409609.5	24720.40	25698.15
Sum Sq. Dev.	785.2161	9439.435	4.23E+08	33329695	13976426
Observations	50	50	50	50	50

Table 1 - mean, maximum, minimum and standard deviation of the variables. Share Price Volatility (SP) is the dependent variable. The independent variables are the dividend per share (DPS), Dividend Payout Ratio (DPR) Dividend Yield (DY), Financial Leverage (LEV).

4.2. Interpretation

The SP has a mean value of 0.72 and a standard deviation of 4.003. The mean value of 0.72%, suggests that on average the share price of the selected firms on the Nigerian Exchange (NGX) is very low. The standard deviation of 4.003% means that there is a dispersion of the share price volatility from the mean to around 4 percent.

DY: The mean value of 494 and standard deviation of 824. The mean value of 494%, suggests that on average the dividend yield of the selected firms on the Nigerian Stock Exchange is very high. The standard deviation of 824% connotes that there is a dispersion of the dividend yield from the mean to around 824 percent. Thus, the standard deviation value is very far from the mean, suggesting that the dividend yield is susceptible to change over time.

DPR: The mean value of 8192 and standard deviation of 2938. The mean value of 8192%, suggests that on average the dividend payout ratio of the selected firms on the Nigerian Exchange is very high. The standard deviation of 2938% connotes that there is a dispersion of the dividend payout ratio from the mean to around 2938 percent. Thus, the standard deviation value is very far from the mean, suggesting that the dividend payout ratio is susceptible to change over time.

DPS: The mean value of 37 and standard deviation of 13.87. The mean value of 37%, suggests that on average the dividend per share of the selected firms on the Nigerian Exchange is very high. The standard deviation of 13.87% connotes that there is a dispersion of the dividend per share from the mean to around 14 percent. Thus, the standard deviation value is very far from the mean, suggesting that the dividend per share is susceptible to change over time.

LEV: The mean value of 513.9 and standard deviation of 534. The mean value of 514%, suggests that on average the financial leverage of the selected firms on the Nigerian Exchange is very high. The standard deviation of 534% connotes that there is a dispersion of the financial leverage from the mean to around 53 percent. Thus, the standard deviation value is far from the mean, suggesting that the financial leverage is susceptible to change over time.

4.2 correlation matrix

Table 2. Correlation matrix of dividend policy and share price.

Covariance Analysis: Ordinary

Date: 05/22/13 Time: 19:41

Sample: 1 50

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Included observations: 50

Covariance Correlation Observations	SP	DPS	DPR	DY	FLEV
SP	15.70432 1.000000 50				
DPS	3.737926 0.068649 50	188.7887 1.000000 50			
DPR	1126.036 0.097693 50	27541.84 0.689172 50	8459699. 1.000000 50		
DY	1032.531 0.319126 50	854.2178 0.076146 50	45778.38 0.019278 50	666593.9 1.000000 50	
FLEV	-13.98606 -0.006675 50	1536.551 0.211517 50	242719.9 0.157839 50	389013.9 0.901200 50	279528.5 1.000000 50

Table 2 shows the correlation coefficient of the variables. The dependent variable is Share Price (SP). The explanatory variables are the DPS, Dividend Payout Ratio (DPR) Dividend Yield (DY), Financial Leverage (LEV).

From the results, dividend per share, dividend payout ratio and dividend yield have positive association with the share price of the selected firms listed on the Nigerian Exchange. This implies that increases in dividend per share, dividend payout ratio and dividend yield will lead to increase in share price of the selected firms. Conversely, financial leverage has negative association with share price. In addition, dividend yield, dividend payout ratio and dividend per share have insignificant relationship with the share price of the selected firms listed on the Nigerian Exchange. This implies that dividend yield, dividend payout ratio, dividend per share and financial leverage, are

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not significant factors that influence changes in the share price of the selected firms listed on the Nigerian Exchange.

Regression Result
Dependent Variable: SPV
Method: Least Squares
Date: 05/22/13 Time: 19:44
Sample: 1 50
Included observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
R-squared	0.679933	Mean dependent var		0.723000
Adjusted R-squared	0.651483	S.D. dependent var		4.003101
S.E. of regression	2.363244	Akaike info criterion		4.652587
Sum squared resid	251.3214	Schwarz criterion		4.843789
Log likelihood	-111.3147	Hannan-Quinn criter.		4.725398
F-statistic	23.89894	Durbin-Watson stat		0.542845
Prob(F-statistic)	0.000000			
C	-1.193922	1.069787	-1.116037	0.2703
DPS	0.037384	0.034115	1.095799	0.2790
DPR	0.000360	0.000160	2.244677	0.0298
DY	0.009625	0.000992	9.704632	0.0000
FLEV	-0.013962	0.001561	-8.944553	0.0000

Source: Researcher's computation using E-views

From the results in Table 3 there is evidence that dividend payout ratio and dividend yield have significantly positive effect, dividend per share has insignificantly positive effect while financial leverage has significantly negative effect on share price of the selected firms in Nigeria

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Discussion of Findings

The findings of the study shows that there is evidence that dividend payout ratio and dividend yield have significantly positive effect, dividend per share has insignificantly positive effect while financial leverage has significantly negative effect on share price of selected firms in Nigeria.

This evidence has empirical linkage with previous studies. For instance, the result aligns with the findings reported by Hossin and Ahmed (2020) that examined the impact of dividend policy on stock price volatility within the Bangladesh capital market between 2009 and 2017. The analysis of the data showed that both cash dividends and stock dividends have a positive impact on stock price volatility. Also, the study agrees in part to the work of Koleosho et al. (2020) when they examined whether there exists a significant relationship between dividend per share and market price per share from an informational efficiency perspective. Fifty-seven companies' data were collected for the period between 2008 to 2019 and the fixed-effects model was used to analyze the pooled data. The study concluded that dividend is an important factor in predicting the movement in stock prices. The conclusion of this study also conforms to the studies of Araoye et al. (2019) and Olaoye et al. (2016). The contrast with the above findings is around the variables of measurement. While the overall conclusion was that dividend was relevant from the dividend payout point of view, the dividend per share (DPS), Dividend yield (DY) and financial leverage exerted a negative relationship with the stock price volatility within the period of review. The studies of Araoye et al. (2019) and Olaoye et al. (2016) however showed a positive relationship between DPS and stock price volatility. The negative conclusion around the DPS and DY confirms the findings of Uniamikogbo et al. (2019). Aribaba et al. (2017) also supported the negative DPS of our findings which concluded that dividend per share has a negative effect on the stock price changes and the effect is statistically insignificant over the period.

Summary, conclusion and recommendation

Summary

From a dividend payout perspective, the conclusions of the study confirm that of Alajekwu and Ezeabasili (2020) when they analyzed the effect of dividend policy on stock market volatility in the Nigerian Stock Market between 2006 and 2016. They confirmed that for non-financial firms, the dividend payout ratio has a significant positive effect on the stock market volatility. Furthermore, it conforms to the study of Osakwe et al. (2019) and Uwuigbe, Jafaru, and Ajayi (2012). This conclusion however negates the findings of Hossin and Ahmed (2020) when they analyzed the impact of dividend payout ratio on stock price volatility within the Bangladesh market using the fixed effect and random effect to analyse the data. The conclusion did not also support that of Araoye et al. (2019) when they concluded that dividend payout negatively affects the volatility of stock prices.

Conclusion

The study ascertained that there is a causal relationship between dividend policy and share price volatility of the companies listed on the NGX over the period of the study. This is evident from the significant relationship between dividend payout ratio and share price volatility of the selected listed companies on the NGX. Hence the higher the payout ratio, the higher the volatility expected from the daily share prices. On the contrary, dividend per share has no significant effect while dividend yield and financial leverage have significant relationship with share price volatility of the selected listed firms in Nigeria. Hence, actual dividend paid (DPS), DY and LEV do not cause volatility in share prices of companies listed on the NGX between 2013 and 2022.

Recommendation

Overall, the study found out that dividend payout ratio and dividend yield influences share price volatility of the selected listed companies on the NGX. Hence, as companies' payout more of their earnings as dividend, the shareholders' wealth will fluctuate positively which will attract new investors to buy the shares for the first time. Conversely, Leverage and DPS do not influence the joint measures of the share price volatility. Hence the major factor affecting the joint effect of the shareholders' wealth is the dividend payout ratio and dividend yield in comparison to the earnings declared over the period.

With dividend payout and dividend yield having significant influence on share price volatility, potential and existing investors should go for listed entities with a high dividend payout ratio compared to the earnings generated by the company. Investors can go for leverage financing to invest in entities with high dividend payouts. The leverage effect will not affect the volatility of the share price as found out from this study (Leverage is negatively correlated with share price volatility but significant). The payment of dividends will increase the volatility of the share price and will generate higher cashflows to offset the debt exposures.

The research experienced a limiting factor around the unavailability of data for some companies spanning over ten years. This restricted the ability of the study to include all the population in the review and as such restricted the sample to forty-nine (49) companies listed on the NSE as of 31 December 2022. However, this study achieved the objective of the study.

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