

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



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ABSTRACT: Dividend policy and Share price movements are critical decision areas, which are one of the most important financial policies decision, not only from the viewpoint of financial institutions, but also from that of the shareholders and other stakeholders. This Thesis examined the impact of dividend policy and share price volatility of quoted deposit money banks in Nigeria in relation with the restriction of dividend payments as spelt out in Section 17 of the Banks and Other Financial Institutions Act (2007). The objectives of the study were: to ascertain the relationship between dividend pay-out ratio and earnings per share; profit after tax; and market value of shares. The panel data research design methodology was adopted using secondary data. It was obtained from annual reports of the ten quoted deposit money banks. The multiple regressions and Least Square method was used to test the relationship between the variables for the period 2018-2022. The results showed that dividend policy decision has a positive significant impact on share price of deposit money banks in Nigeria (coefficient of $D_{yield} = -3.0365$, $p\text{-value} = 0.035$). The study concluded that dividend policy is a pertinent corporate finance function and financial policy decision which affects the share price of deposit money banks in Nigeria not only from the view point of the banks' shareholders but also from that of stakeholders such as employees and regulatory bodies. The study therefore recommended that the managements of quoted deposit money banks should take necessary steps to ensure that the banks remain profitable. They should pay attention to their dividend pay-out in order to sustain their shareholders' wealth and attract prospective investors.

KEYWORDS: Dividends policy; Share price; market value; deposit money banks.

1.1 INTRODUCTION

The price at which one share of a corporation would be purchased is known as the share price or stock price. Share price volatility means that a share's price is not constant; rather, it changes over time in response to market factors. It is likely to rise if the business is seen to be performing well or decline if performance falls short of expectations¹.

When a firm initially releases its shares on the market, its initial public offering (IPO) is what first determines stock prices. The price of a stock is determined by investment firms using a range of measures including the total number of shares being offered². Eventually the share price will unpredictably fluctuate taking into consideration the earnings that may be anticipated from the firm will be playing a significant role. The volatility of the stock market is a measurement of how much the market's value swings up and down; in addition to the market as a whole, individual stocks can also be regarded as volatile³. Furthermore, the amount that an asset's price deviates from its average price may be used to determine volatility. The statistical metric that is frequently used to indicate volatility is standard deviation. When external events cause uncertainty, stock market volatility might increase⁴. The importance of dividend policies on dividend in corporate structure cannot be overstated, the continuation of an entity depends greatly on the source of its finances, and dividend policy has long been a source of controversy. It is also regarded as one of the ten most difficult unresolved financial management issues⁵. They underlined the significance of dividend policy by particularly tying it to various stakeholders, such as investors, managers, lenders, financial consultants and analyses, and so on. They discovered that dividends serve as a source of revenue as well as an indicator of how well-performed the firm has been as an investment⁶. As a result, retained earnings have to deal with postponed advantages whereas dividends offer an instant return to the average shareholder.

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It is important to emphasize the significance of stock market volatility. Risk-averseness is in the character of investors. Investors are compelled to comprehend their investments' volatility since it indicates the degree of danger they are exposed to⁷. The rate of projected return on investment is based on the amount of anticipated market risk. The market is deemed volatile if previous stock price trajectories continue to affect present and future stock prices. The only way to ascertain asset's volatility is to follow the stock return series. In the financial market, volatility is hence commonly referred to as the standard deviation or variance⁸.

One of the negative consequences of stock price volatility is attendance unfavourable effects on consumer spending. A drop in stock prices will undermine consumer confidence. It's also feasible for stock price volatility to have an immediate effect on business spending and economic expansion. A spike in stock price volatility is typically interpreted in a manner similar to this as an increase in equity and, as a result, a transfer of funds into less risky assets. This impact may occur when investors tend to acquire stocks in largely well-known corporations rather than new enterprises (new entrants). It has been demonstrated that this action will raise the cost of financing for firms⁹.

When new information is published into the market, stock market price volatility often rises. However, the degree to which this affects price fluctuations depends on the significance of the new information as well as how much the news surprises investors. As a result, stock market price volatility is an excellent indication for identifying market trends since changes in investor sentiment in the marketplace cause volatility to grow or decrease¹⁰.

The magnitude of a financial institution's retained earnings, which is determined by its dividend policy, has a significant influence on its financing and investment decisions. The ideas and patterns related to dividends have always affected corporate organizations' thinking and strategy, despite the fact that during the past twenty years the topic of dividend policy has been examined and contested by academics and financial experts. The idea of dividend policy and its effect on corporate market values have changed paradigms as a result¹¹.

1.2 STATEMENT OF THE PROBLEM

In order to finance their future investment projects, corporate firms must choose whether to distribute a significant, small, or zero percentage of their other earnings as dividends. Finance managers are in a difficult situation as they try to satisfy the various needs of shareholders. In this situation, some shareholders want capital gains because they need to invest for the future, while others who need income today demand a high dividend payout ratio. Due to the necessity to reconcile the divergent interests of various shareholders, the sort of dividend policy a bank selects might have positive or negative effects on the share prices of the company. The management can't accurately forecast how much the policy will affect the share prices of their firms as a result. There have been several studies on the topic of dividends, as well as volatility in stock prices and dividend policy in industrialized and emerging nations¹¹. In Nigeria, studies that really focus on this topic are still in decline. Only a few studies on the effects of dividend payment, earning yield, and dividend yield on stock prices were carried out in Nigeria. The majority of these research concentrated on the variables that affect dividend policy and the role that dividend policy plays in value generation. By concentrating on these two aspects of dividend policy, one important aspect—the relationship between stock market risk and dividend policy is overlooked. This study aims to close this gap by analyzing the dividend policies of the studied listed Deposit Money Banks (DMB) in Nigeria. The trend estimation displays the impact of a company's dividend policy on market share prices and dividend per share, which both influence market growth. Therefore, by examining the dividend policy pattern across the research period, this study would add to knowledge by filling in any gaps that have been in Nigerian studies.

1.3 AIM AND OBJECTIVES OF THE STUDY

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

- i. examine the impact of dividend yield on stock price volatility;
- ii. determine the impact of dividend payout ratio on stock price volatility
- iii. Determine the pattern of dividend policies among selected Deposit Money Banks in Nigeria.
- iv. Examine the connection between Nigeria's stock market's dividend payout ratio and stock price volatility.

1.4 RESEARCH QUESTIONS

- i. To what extent does dividend yield affect stock price volatility?
- ii. How does dividend payout ratio influence stock price volatility?
- iii. What are the patterns of dividend policy among selected Nigerian deposit money banks?
- iv. How do the dividend payout ratio and price volatility in Nigeria's stock market relate to one another?

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1.5 HYPOTHESES

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

H₀1: Dividend yield does not have any significant impact on stock price volatility.

H₀2: Dividend payout ratio does not have any significant impact on stock price volatility

H₀3: There is no significant difference between the patterns of dividend policy among selected Nigerian deposit money banks.

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

2.1 CONCEPTUAL REVIEW

2.1.1 Dividend Policy

A well-researched and debated topic in corporate finance is dividend policy. However, after years of theoretical and empirical investigation, dividend policy is still a contentious issue¹². The dividend policy is among the most important ones since it has implications for the business, as well as for shareholders, customers, regulatory bodies, and the government¹³. Therefore, dividend policy affects a large customer that is connected to the company. If dividend policy were a mirror, the dividend object's reflection would not resemble the actual dividend object. Because investor demands work in opposite directions, dividend policy is challenging to establish both in principle and in reality¹⁴. It can be difficult to develop a dividend policy since investors favor both payouts and capital gains, and businesses often choose a dividend policy that fits their life cycle¹⁵. Adopt dividend-related measures that will increase their worth. However, it would be more accurate to remark that businesses develop dividend plans that take required conditions and investor demands into account. Dividend policy has been defined in a number of ways. The firm's dividend policy determines how much of the earnings is dispersed as dividends and how much is kept in the company. It should be mentioned that the board of directors often decides on dividend payments, which are then made to shareholders who were registered on the record date. The argument why dividends should be paid is that they are cash in hand, as opposed to capital gains, which are cash in the bush¹⁶. But dividends may come in the form of stock or real estate, which could be challenging to get.

There are instances when circumstances, such as the cancellation of debt obligations, restrict dividend policy. Companies tend to boost dividends gradually, according to some unidentified decision-making process. Retention policy, investment policy, finance policy, and growth policy act as counterbalances to dividend policy¹⁷.

A company's dividend policy is frequently referred to as a set of guidelines used to calculate the distributable part of profit and retention. Companies give the two types of dividend policies—residual and stability—more thought. Several theoretical models have attempted to simplify the complex dividend policy. One tactic is to think that giving enormous dividends minimizes risk, which lowers the cost of capital and raises corporate value¹⁸. Investors might better estimate risk if there was a consistent relationship between dividend policy and stock price volatility. However, creating a consistency between dividend policy and market volatility would assist managers in managing risk as well as helping investors foresee risk. This is so that shareholders' wealth may be increased while reducing risk through the implementation of dividend policy. It is possible to utilize dividend policy as an agency expense when monitoring managers. This is accomplished by the corporation turning to the capital market, where investors are scrutinized¹⁹. According to the signaling model, dividends include information and may thus be utilised to increase a company's value.

Leverage, stock return, and profit are suggested to be used by the capital structure substitution theory (CSST) to forecast the size of the dividend, while the dividend discount model (DDM) makes use of dividends to determine a company's worth.

2.1.2 Stock Price Volatility

Capital market problems have included stock price volatility. When stock returns are erratic, especially highly volatile, investors are never at ease. The standard deviation of stock price is often used by academics and authors to describe market volatility²⁰. Stock market volatility is not a problem because volatility exists; rather, it is a problem because volatility changes, leading to the question of why there is volatility of volatility. Stock price volatility is the rate of change over time. Price volatility is really calculated over a 30-day period on a minute-by-minute basis. Volatility is often seen to build up over time. Periods of relative quiet and large swings are common occurrences in financial time series, but this volatility is the systematic risk that investors confront in the market, and for that alone, they should be rewarded since they can diversify away unsystematic risk. There are two types of volatility: historical and implied. Given that it is prospective, implied volatility is more meaningful to practitioners²¹. Since the variance, the proxy for volatility, is indicated by squaring the return numbers, the direction of volatility is irrelevant, and the Black-Scholes model becomes inapplicable when volatility changes. Market risk and stock price volatility move in the same direction. As a result, stock market volatility can be utilized as a stand-in for stock market risk. Some academics have equated stock price risk

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with stock price volatility²². Studies on the impact of stock volatility have been inductive, but modeling can improve our understanding of price volatility. There are several research looking for evidence of variables influencing market volatility, but there aren't many theories to explain the phenomenon, and the few ideas and hypotheses that do exist are primarily based on information²³.

Accordingly, microstructure and liquidity are variables that impinge on stock price risk, while Pandey maintains that price volatility is caused by short selling on the stock market. Trade cycle and macroeconomic factors are covered in other viewpoints. However, there are still unresolved issues, including automated trading, leverage restrictions, limit trading, off trading, auction dealing, and the existence or absence of floor brokers. Volatility, which is said to be brought on by widespread fear, discord, and greed, leads to market inefficiency where stock prices are mispriced. By examining the theory of Dividend pricing model which takes into account how future cash flow may affect price volatility, the challenge of measuring volatility was solved. The price volatility is represented by a number of proxies²⁵. A proportional measure of change in stock price that serves as a fair proxy for market volatility is inevitable.

Price volatility is represented by the stock return (R) and the square of the stock return. Some academics utilize a technique that divides the difference between a year's highest and lowest prices by the average of those same highest and lowest prices to determine the standardized covariance of stock return and market portfolios which could be compared to only the gap between the highest and lowest costs, the proxy is superior. Recent studies generally find the paradigm to be extremely compelling²⁶.

2.2 THEORETICAL FRAMEWORK

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

2.2.1 Dividend Irrelevance Theory

The dividend policy argument has continued since Miller and Modigliani (1961) established the irrelevance theory. In a perfect capital market with no corporate or personal taxes, a steady investment strategy, no transaction costs, and rational investors, Miller and Modigliani claim that there is no association between dividend policy and share price. The Miller and Modigliani (MM) hypothesis has shown to be essential in corporate finance. The MM theory is covered in almost all texts in the corporate finance literatures. Because both of them, this study and this theory are about dividend policy, they are connected to one another because they both deal with dividends. In this instance, the study examines dividend policy and stock price volatility in Deposit Money Banks in Nigeria. Even if the theory cannot explain stock volatility, there is a definite connection that they are related to dividends²⁷.

2.2.2 The Bird in Hand Theory

According to the "bird-in-hand theory," investors favor dividend payments because "a bird in the hand is worth more than two in the bush" in an unpredictable environment with asymmetrical information. A big dividend will result in a lower cost of capital, which will raise the stock price. There is not much evidence to support this notion. The bird in hand theory²⁸ is supported by the irrelevance theory's ambiguous nature. In addition to having a direct relationship through dividend, this theory and study also have a relationship through stock price. An increase in volatility suggests a low stock price. And decrease in volatility implies that stock price is high. So, if low dividends increase stock price, it suggests that the prediction of this theory and that of the model for this study oppose each other. This theory proposes ultimate increase in risk leading to reduced price. The theory proposes that in a low dividend paying company, shareholders have high expectation of a company's growth. In the distant future, the outlook for growth will change to uncertainty. The idea contends that dividend policy and stock price volatility are mutually exclusive. Future that is far off is associated with uncertainty. This could serve as the foundation for this notion. The idea suggests significant levels of uncertainty over the long term but low levels in the short term²⁹.

2.2.3 Signaling Hypothesis Theory

Many studies disagree with the idea that management and investors have complete knowledge of a company because management typically has more accurate and current information about the company than the outside investors. As a result, there is a disconnect between managers and investors, and in order to close it, management uses dividends as a vehicle to share sensitive information with shareholders³⁰. The movement of the share price demonstrates that the amount of dividend paid appears to contain significant information about a company's prospects. A dividend rise might be viewed as positive news and promising futures, and vice versa. Even when necessary, the management is hesitant to cut the payout. And only raise the dividend when it's thought that earnings have been rising steadily. The management and investors are fully informed. Numerous studies have since confirmed that this conclusion might not actually be true, leaving a gap that the management attempts to fill with the use of dividend policy.

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2.3 REVIEW OF EMPIRICAL STUDIES

2.3.1 Dividend Policy and Share price Volatility

In related studies, empirical research on dividend policy and its implications on firm value have also been conducted. The study determined how dividends affect share prices. Similar to this, it was seen that earnings and projected dividends had a significant impact on stock prices. They believed that earnings and dividends were frequently the main elements influencing stock returns. The decrease in share price was a result of the dividend reduction. Similar to how market imperfections are the only circumstance under which dividends may affect stock price. However, study observed a negative association between stock prices instability and dividend yield when he carried out a study on 2,344 firms operating in the United States of America covering period 1967 to 1986. Also, the study observed that dividend policy can only be used as a control mechanism to checkmate volatility in share prices³¹.

Additionally, a small fraction of the empirical privatization literature examines how shifts in ownership impact dividend payer propensities. Formerly state-owned companies frequently pay significantly bigger dividends than they did when they were still state-owned after their initial share issuance is privatized. After the initial, partial privatization, corporations often begin paying dividends. Given the size and importance of many privatized organizations, this predisposition to start dividend payments appears to have a bell-weather effect on other businesses in the national market, even if it is unclear whether privatized corporations employ national or global pay-out criteria. We plan to examine how privatization impacts dividends in a subsequent inquiry³².

3.0 METHODOLOGY

The study used Ex post facto design approach and a panel data type created from the annual reports of the Deposit Money Banks (DMB) that were selected for the investigation. For the analysis, Ten DMBs were selected with a focus on the most recent five (5) years of data from the annual records of Central bank Of Nigeria (CBN), and Nigerian Stock Exchange (NSE) are taken into consideration. Dividend policy is the independent variable and share price volatility is the dependent variable in the regression, which is estimated using the strata version³³. The population of the study included DMBs (twenty two) listed on the Nigeria Stock Exchange (NSE) as at December 31, 2022, which was chosen as the study's entire population.

The researcher focused specifically on the banks that were listed as of January 2022 and for which data could be easily accessed. Normally, all banks registered on the Nigeria Stock Exchange made up the study's sample. Access Bank Plc, Ecobank Plc, United Bank of Africa Plc, Zenith Bank Plc, Guaranty Trust Bank Plc, Standard Chartered Bank Plc, Fidelity Bank Plc, First Bank Plc, Union Bank Plc, and Sterling Bank Plc are a few examples. In this study, Ten (10) participants were selected using purposive sampling selection and simple random sampling out of the twenty-two (22) banks listed on the Nigeria Stock Exchange as at 2022. And the justification can be detailed as follows:

There are Twenty two (22) banks listed on the Nigerian Stock Exchange, which is the population size. Statistically, Ten (10) banks were selected out of the Twenty two banks as sample size which serve as a representative of the total population. The sample size cannot be picked arbitrarily, it has to be done scientifically. Thus, there is a need to estimate the sample size statistically. And characteristic of interest is found in 50% of the banks and the distribution is approximation of binomial to normal distribution, and the confidence level is 95%.

In this study the confidence interval for the mean is given by Mean Formula:

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

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

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

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

Making n the subject of formula gives

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

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

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

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

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

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

The estimated sample size is

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

$$n = 9.7116$$

$$n \approx 10$$

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

In light of the aforementioned explanation, the choice of the banks for this study was mostly based on the data's accessibility, their industrial norms, and the need for consistency and straightforward comparison. In addition, the current analysis concentrates on listed Nigerian banks that have been granted operational licenses by the Central Bank of Nigeria (CBN) as at 2022.

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

4.0 RESULT AND DISCUSSION OF FINDINGS

4.1 Data Analysis

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

Table 4.1: Descriptive Statistics

	SP	DYIELD	EYIELD	POR	MCONC	BKSIZE
Mean	11.29757	0.112908	1.406051	0.51703	0.051349	11.55165
Median	7.841667	0.033094	0.086538	0.420543	0.040665	11.64757
Maximum	40.97333	4.895928	35.11007	3.512987	0.19502	12.29165
Minimum	1.0675	0	-4.54615	-0.375	0.000689	8.792252
Std. Dev.	9.599503	0.518952	4.945637	0.655808	0.043299	0.545499
Skewness	1.402819	8.628409	4.618286	2.424382	1.431634	-2.5965
Kurtosis	4.406538	79.41197	27.34995	10.63621	4.456504	13.62981
Jarque-Bera	38.16856	23779.27	2628.157	313.6517	39.98886	542.345
Probability	0	0	0	0	0	0
Observations	93	93	93	93	93	93

Source: Researcher, 2022

Note:

SP = Stock/Share Price

Dyield = Dividend Yield

Eyield = Earnings Yield

Por = Payout Ratio

Mconc = Market Concentration

Bksize = Bank Size

The twenty two (22) Deposit Money Banks'(DMBs) stock prices between 2018 and 2022 had a mean value of N11.29k and a median value of N7.84k, as indicated in tables 4.1 above. According to table 4.1, First Bank Nigeria Plc had the highest yearly stock prices over the duration of this study. The lowest annual stock price for Unity Bank Plc was N1.07k in 2020, whereas First Bank Nigeria Plc's was N40.97k in 2018. Generally speaking, over the study's time period, the stock values of Nigerian DMBs rose gradually. Table 4.1 shows that there was a positive skewness of stock prices (1.40), which indicates that the degree of deviation from symmetry of a distribution was positive. Additionally, the Kurtosis value of 4.40 > 3, which is the normal value, showed that the degrees of peakedness of stock prices during the study period were normally distributed as it tends to hover around the mean. Table 4.1 shows that between 2018 and 2022, the 22 DMBs in Nigeria had a mean dividend yield of 0.11%, with a median of 0.03%. Zenith Bank Nigerian Plc had the highest dividend yield of 4.90% within the time frame of this research in 2021. The overall dividend yield of DMBs in Nigeria over the research period exhibited a constant growth over time. Table 4.1 shows that

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the dividend yield had a positive skewness of 8.62, indicating a positive degree of departure from symmetry. Additionally, the dividend yield's kurtosis value of $79.41 > 3$, which is the normal value, showed that the dividend yield's peak levels during the study period were normally distributed because they tended to float around the mean.

Table 4.1 shows that from 2018 to 2022, the mean earnings yield of the 22 Nigerian DMBs was 1.41%, while the median was 0.09%. In the time frame covered by this study, Access Bank Nigerian Plc produced the highest earnings yield (94.18%), while Union Bank recorded the lowest earnings yield (-2.11%). Over the course of the investigation, the overall earnings yield of Nigerian DMBs consistently increased. As shown in table 4.1, there was a positive skewness of earnings yield (4.61), indicating that the degree of departure from symmetry of the distribution was positive. Additionally, the Kurtosis value of $27.34 > 3$, which is the normal value, revealed that the degrees of earnings yield peakedness within the period of this study were normally distributed as it tends to hover around the mean.

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

Table 4.1's data on the control variables showed that, between 2018 and 2022, the 22 DMBs in Nigeria had a mean market concentration of N0.05k and a median of N0.04k. First Bank Nigerian Plc achieved the highest market concentration of N0.195k during the research period, while Fidelity Bank Nigeria Plc recorded the lowest market concentration in 2019. (N0.0007k). Overall, across the study's time frame, there was a constant rise in the market concentration of Nigerian DMBs. As seen in table 4.1, Market concentration had a positive skewness of 1.43, indicating that the degree of deviation from symmetry of the distribution was positive. Additionally, the Kurtosis value of $4.45 > 3$, which is the normal value, revealed that the market concentration ratios during the study period were normally distributed because they tended to peak around the mean.

Last but not the least, table 4.1 showed that between 2018 and 2022, the 22 DMBs in Nigeria had a mean bank size ratio of N11.55k and a median of N11.65k. First Bank Nigerian Plc had the greatest bank size ratio during the research period, with a value of N12.29k, while the bank with the lowest bank size ratio was noted in 2018. The overall bank size ratio of Nigerian DMBs over the study's time frame did not consistently grow. Table 4.1 shows that there was a negative skewness of bank size ratio (-2.59), which indicates that the degree of departure from symmetry of a distribution was negative. Additionally, the Kurtosis value of $13.62 > 3$, which is the normal value, showed that the degrees of bank size ratio peakedness within the period of this study were normally distributed as it tends to hover around the mean.

4.3 DISCUSSION OF FINDINGS

Importantly, the goals of the study were contrasted with the results of the tested hypotheses

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

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

This confirms the study's findings, which show that the dividend payment ratios of Nigerian DMBs do not significantly and positively affect stock prices.

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

5.1 SUMMARY

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

The share prices of Nigerian DMBs are significantly and positively impacted by the dividend yield of these financial institutions. The correlation matrix, which shows a negative association between share price and dividend yield of DMBs in Nigeria over the research period, provided additional evidence for this (Coefficient of $D_{yield} = -30365$, $p\text{-value} = 0.035$)

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

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

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

5.2 CONCLUSION

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

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

This study looked at the effect of dividend policy decision on the share price volatility of Nigerian DMBs in the light of aforementioned issues and the debates surrounding the influence of dividend and earnings on stock prices. The study's findings indicate that dividend yield, profits, and payout ratio of Nigerian DMBs do not have a positive or appreciable effect on those financial institutions stock prices. The outcome also shows that market capitalization, which measures the total output produced in an economy by a given number of financial institutions in the financial terrain, was found to have a negative and significant impact on stock prices of Nigerian DMBs, while bank size was also found to have a positive and significant impact.

5.3 RECOMMENDATIONS

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

1. In order to eliminate the agency problem, this study suggests that managers behave in the best interests of investors. As a result, comprehensive information about the financial institutions dividend policies especially on issues relating to dividend yield should be made available.
2. This study advises management to strictly follow shareholder interests when deciding on dividend policies that will result in favourable dividend payout ratio which will maximize value for shareholders. Managers have the power to make decisions inside a corporation. But, shareholders are best known to be the owner of the financial institutions, that is, they are the principal while managers are their representatives.
3. It is also suggested that financial institutions pattern of dividend policy should be discernable by would be investors in order to be able to differentiate among them so as to enhance their investments capability.
4. It is again recommended that Nigerian DMBs should follow a dividend payout policy that will constantly involve paying dividends annually.

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