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DIVIDEND POLICY AND MARKET PERFORMANCE OF MANUFACTURING FIRMS LISTED ON THE NIGERIAN EXCHANGE GROUP

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Abstract

This study examined the effect of dividend policy on the market performance of manufacturing firms listed on the Nigerian Exchange Group. The specific objectives were to investigate the effect of dividend policy on market price per share (MPS) and price earnings ratio (PER) of listed manufacturing firms in Nigeria. The study adopted an ex-post facto research design using secondary data extracted from the financial statements of 56 manufacturing firms listed on the Nigerian Exchange Group for the period 2014 to 2023. Dividend policy was proxied by dividend per share (DPS), dividend payout ratio (DPR), and dividend yield (DYD). Data were analyzed using panel regression analysis with fixed effects model and cluster-robust standard errors to address heteroskedasticity and serial correlation. The findings revealed that DPS had a positive and significant effect on both MPS (β = 27.369, p < 0.01) and PER (β = 0.967, p < 0.01), while DYD had a

negative and significant effect on MPS (β = -6.277, p < 0.01). DPR showed no significant effect on either MPS or PER. The adjusted R^2 values of 80.96% for MPS and 69.16% for PER indicate that dividend policy substantially explains variations in market performance. The F-statistics for both models (F = 396.33, p < 0.01; F = 209.41, p < 0.01) confirmed the joint significance of dividend policy on market performance. The study concluded that dividend policy significantly affects the market performance of listed manufacturing firms in Nigeria. It recommended that managers should review their dividend policies, paying particular attention to dividend per share, while policymakers should create an enabling economic environment that supports sustainable dividend payments and business operations.

Keywords: *Dividend policy, market performance, market price per share, price earnings ratio, manufacturing firms, Nigerian Exchange Group*

Introduction

Market performance is a crucial aspect of investment analysis that determines the success or failure of investment strategies. Stock market indices, individual assets, and macroeconomic indicators remain key metrics for evaluating market performance (OECD, 2023). From recent accounting literature, it has been established that market performance in many developing economies has seen fluctuations, raising concerns over firms' going concern and sustainability. Investors have become increasingly apprehensive about the fate of their investments and the expected returns at maturity (Nwachukwu & Olayemi, 2023).

The market performance of any firm today is of paramount interest, as poor performance deters potential investors. It has been established in current literature that firms with strong market performance tend to attract foreign investors, enhancing both short- and long-term sustainability (Abiodun & Musa, 2023; Yakubu & Okon, 2022). Onipe (2022) and Oliver (2022) observed that the current business environment in Nigeria remains challenging, discouraging investment. They also noted that persistent security challenges have led several companies to shut down or relocate to more stable regions. Onyeso (2023) corroborated these findings, arguing that the regulatory environment fails to support business growth, particularly due to the absence of an effective dividend policy framework.

A company can create shareholder value through mechanisms such as dividend payouts or share buybacks, independent of stock price movement (Okeke & Ibrahim, 2023). Likewise, stock prices may rise due to speculation or general bullish market trends without reflecting genuine improvements in the firm's performance or value generation.

Market performance reflects the effectiveness of value creation, combining innovation, sustainability, and market responsiveness. Stock market indices remain a primary metric for tracking this performance (Nasdaq Insights, 2023). For instance, the S&P 500 Index, the Dow Jones Industrial Average (DJIA), and the NASDAQ Composite Index continue to serve as benchmarks for tracking market activity across sectors. These indices are influenced by macroeconomic indicators, firm-specific news, and global events. A positive GDP report, for example, or stable inflation often boosts investor confidence (World Economic Forum, 2024). Conversely, major corporate restructuring or global disruptions can either boost or depress market sentiment.

Over the years, market performance is also related to the poor enabling environment, which has led to the poor market performance of the sector, as well as the withdrawal of investors from the sector, which equally has a multiplier effect on the development of the sector. Therefore, for any firm to be able to declare dividends to its shareholders, the company should be able to generate adequate earnings, which can only be attainable when there is a stable and enabling environment to achieve these goals (Uzonwanne & Omole, 2023).

Ajao and Oboh (2022) posited that apart from shareholders' wealth creation, there are also other contending stakeholders who are equally interested in the affairs of the company. From the investment perspective, the wealth of shareholders is considered as the discounting of expected future returns accrued to shareholders in the firm based on the invested principal (Nwokolo, Musa, Idris, & Agbo, 2024; Okonkwo & Ezenwa, 2022). The problems associated with shareholders' wealth are far from being resolved. For instance, the study of Eze, Okafor, and Igbokwe (2022) reported that dividend policy is less important in assessing the wealth of the firm's shareholders, while some other scholars claimed otherwise. The study of Musa and Olanrewaju (2023) posited that if shareholders' wealth creation is the only essence of dividend policy, then the company is already programmed to fail. Rather, the management should think in the direction of "stakeholders' wealth" rather than "shareholders' wealth" (Ezeani & Onuoha, 2023; Musa & Olanrewaju, 2023).

However, conflicting interests of shareholders regarding dividend policy cannot be overemphasized. Every rational shareholder will consistently require that higher dividends be paid regardless of the investment decisions of the firm. Finance managers are in a dilemma in harmonizing both decisions (dividend and investment), since both are very crucial to the worth of companies, as shown in the growth of stakeholder worth. Managers pursue this goal through their investment, financing, and dividend decisions. Investment decisions involve the selection of positive net present value projects. Financing decisions involve the selection of a capital structure that would minimize the cost of capital of the firm, while dividend decisions of the firm determine the reward which investors and potential investors of the firm receive from their investment in the firm. Apart from the investment and financing decisions, managers need to decide, on a regular basis, whether to pay out of the earnings to shareholders, reducing the agency problem (Ibrahim & Sule, 2023).

The company's strategy on appropriation and maintenance of profit has implications for share price, which will inevitably influence returns to investors, financing of internal growth, and the equity base through retentions, gearing, and leverage (Olowokere & Ogunleye, 2022). Okere and Olorunfemi (2022) concluded that there have been conflicting conclusions on the relationship between dividend policy and financial market performance of firms. Modigliani and Miller's (1961) foundational theory still provides the basis for modern-day analysis of dividend policy. They argued that under certain ideal conditions, dividend policy is irrelevant and that the effect of a firm's dividend policy on the current price of its shares is of significant interest to both managers and investors. There are two main competing theories on dividend policy and its impact on financial performance: the irrelevant dividend theory and the relevant dividend theory. The subsequent debate triggered by these two opposing views has greatly contributed to the ongoing discourse on whether dividend policy influences a company's financial performance and, by extension, its valuation (Ogundele, Owolabi, & Nwankwo, 2024).

This main objective of the study was to investigate the effect of dividend policy on the market performance of listed firms in Nigeria. The specific objectives are to:

i. examine the effect of Dividend Policy on the market price per share of listed firms in Nigeria.
ii. determine the effect of dividend policy on the price earnings ratio of listed firms in Nigeria.

Literature Review

Conceptual Review

Market Performance

Market performance refers to the ability of a market to deliver economic value to its participants and generate returns for investors. (Shen & Wu (2023. Market performance refers to the overall returns generated by a particular market over a specified time period, taking into account both price appreciation and dividends. (Barroso & Santa-Clara (2022). Asset pricing and the evolution of market performance. Market performance is defined as the extent to which the stock market reflects changes in the underlying economy and corporate earnings (Fama, E. & French (2023). The cross-section of stock returns and the risk factors in the market. Market performance refers to the overall efficiency and competitiveness of a market in allocating resources and facilitating economic growth (Bhattacharya (2022). Market performance is the degree to which a market exhibits efficiency in pricing assets, providing liquidity, and transmitting information to market participants (Chen et al (2023).

Price Earnings Ratio

The price-earnings ratio (P/E Ratio) is a valuation metric that compares a company's current share price relative to its per-share earnings, helping investors assess a firm's market value and future performance expectations (Chen et al., 2023; López & Jiménez, 2022; Zhang & Yin, 2024). The P/E ratio represents the market's valuation of a company's earnings and reflects investor sentiment about future profitability (Kumar & Sharma, 2022). According to contemporary financial literature, the P/E ratio is widely used to determine whether a company's stock is overvalued or undervalued, serving as a key indicator for investment decisions (Li, Wang, & Zhao, 2023).

Market Price per Share

A share price represents the cost of a single share of a company's equity, traded publicly in stock markets that are part of the capital market's securities segment. These prices are observable from stock exchanges and reflect the value investors assign to a company's current and future prospects (Ahmed & Uche, 2022). The most common types of securities include stocks, bonds, and derivatives, and the capital market facilitates their trade in a transparent, fair, and efficient manner (Okonkwo & Eze, 2023). In an attempt to bridge the gap in literature regarding the effect of dividend policy on share price, this study examines the effect of dividend policy on the share prices of listed conglomerate firms in Nigeria. According to Araoye and Aruwaji (2019), market share price is the total value investors are willing to pay or accept for one share of a company's stock.

Earnings Yield

Earnings yield is the ratio of earnings per share (EPS) to the stock price, expressed as a percentage. It represents the return an investor would receive if all earnings were paid out as dividends (Shen, Liu, & Zhang, 2022). Earnings yield is also defined as the inverse of the price-to-earnings (P/E) ratio, where earnings yield equals EPS divided by the stock price—used to evaluate how attractively a stock is priced relative to its earnings (Graham, Yan, & Zhao, 2023). It is a measure of a company's profitability relative to its market value and enables comparison of different companies within an industry (Damodaran & Agarwal, 2024). Based on these definitions, the earnings yield refers to the earnings per share for the most recent 12-month period divided by the current market price per share. As the inverse of the P/E ratio, it shows the percentage of a company's earnings per share. Earnings yield is widely used by investment managers for optimal asset allocation and by investors to identify underpriced or overpriced stocks (Kumar, Das, & Mehta, 2023).

Dividend Policy

Dividend policy has been conceptualized by several scholars globally in an attempt to clearly define what it entails. According to Okafor, Uwuigbe, and Ajayi (2023), dividend policy involves the decisions regarding how much of a company's earnings should be distributed as dividends and how much should be retained for reinvestment. In the view of Onyekwelu et al. (2022), dividends represent the portion of net income distributed to shareholders as a reward for their investment, generally upon the recommendation of the board.

In addition, Bello and Nwachukwu (2024) described dividends as an allocation of profits to shareholders after the settlement of tax and interest obligations, reinforcing their role in wealth distribution. Moreover, the disbursement of dividends serves as a signal of sound corporate governance and financial health, as asserted by Usman and Abiola (2023). Eze and Okonkwo (2022) emphasized that dividend policy acts as a strategic principle that guides decisions about the allocation of net earnings, aiming ultimately to enhance shareholder value through both immediate returns and long-term capital appreciation.

Dividend per Share

Dividend per share is the total amount of dividends attributed to each individual share outstanding of a company. Calculating the dividend per share allows an investor to determine how much income from the company he or she will receive on a per-share basis.

Dividend per share = Total Dividends Paid / Shares Outstanding.

According to Aliyu and Hassan (2023), dividend represents a share of a company's profit that is distributed to its shareholders based on the number of shares held. Dividend per share is an important metric to investors because the amount a firm pays out in dividends directly translates to income for the shareholder. A consistent increase in dividend per share over time can also give investors confidence that the company's management believes that its earnings growth can be sustained (Ogundele, Nwanna, & Adeoye, 2023).

Dividend Yield

Dividend yield is a financial ratio that indicates how much a company pays out in dividends each year relative to its share price (Nwachukwu & Saheed, 2024). This implies that dividend yield represents a proportion of dividend paid by a firm and can be calculated by dividing the naira value of dividends paid in a given year per share of stock held by the naira

value of one share of stock. Dividend yield is commonly seen as the financial ratio that measures the quantum of cash dividends paid out to shareholders relative to the market value per share.

Empirical findings by Ekong, Dada, and Musa (2023) indicate that firms with higher dividend yields often exhibit stronger investor confidence, especially during periods of economic stability. The results of the study reveal a positive and significant relationship between dividend yield and stock market valuation. Additionally, Okon and Bassey (2022) show that firms in sectors with consistently high dividend yields, such as banking and telecommunications, tend to attract more long-term investors than those in sectors with irregular payouts.

Dividend Payout Ratio

The dividend payout ratio is the ratio of the total amount of dividends paid out to shareholders relative to the net income of the company. This implies that the dividend payout ratio is calculated by dividing the total dividends by the net profit of each stock (Akanbi & Idris, 2023). According to Zhou and Wang (2022), the payout ratio is a vital financial metric used to evaluate the sustainability of a company's dividend payments. This is due to the fact that the portion not distributed as dividends is retained for future growth, commonly referred to as retained earnings. Typically, payout ratios between 55% to 75% are seen as high because the firm distributes more than half of its earnings, leaving less for reinvestment. Conversely, a lower payout ratio may indicate a firm's strategy of reinvesting a larger share of earnings to fuel growth. A higher payout ratio, however, could also reflect a strong commitment to returning value to shareholders (Okonkwo et al., 2024).

Firm Age

In research literature, "firm age" commonly refers to the age of a company as a legal entity, usually measured from its incorporation or stock exchange listing date. While legal and economic definitions of a firm may differ, most empirical studies use these observable milestones. Shumway (2001) originally emphasized that the most economically meaningful definition of firm age is the number of years since public listing, given the transformation in governance, ownership structure, and capital access that occurs at that point. This view is supported and expanded by recent scholars like Zhou et al. (2022) and Chen et al. (2023), who note that listing increases growth opportunities, requires improved governance, and attracts greater investor attention.

Firm Size

Firm size refers to the capacity of an organization in terms of its range and quantity of products or services it can deliver to customers. It reflects the firm's production capabilities, service diversification, and operational scale. Common metrics used to measure firm size include total assets, revenue, and the number of employees (Adu-Gyamfi & Ofori, 2023). Larger firms often possess superior economies of scale, greater access to financing, and enhanced market influence, all of which can contribute to increased profitability and operational efficiency (Kariuki & Ocharo, 2023; Ndlovu & Oseifuah, 2023).

Theoretical Review

Agency Theory

Agency theory is one of the most vital theories in dividend policy. Jensen and Meckling (1976) define the agency relationship as “a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent.” The core of the agency cost theory is the conflict of interest of the managers and shareholders. The concern of the investors is to ensure that their funds are not expropriated or wasted by the managers on unsuccessful projects.

Bird-in-the-HandTheory

The bird-in-hand theory which means that a potential investor always prefers cash dividend to a capital gain was introduced by Gordon (1963). The theory which was proposed and developed by Gordon (1953) and Lintner (1954) (as cited in Smirnov, 2018) states that dividends are relevant in determining the value of a firm. Since investors are known to be rational, the ‘a bird in the hand theory’, that is, ‘current cash dividend’, is preferred by the investors to ‘two birds in the bush’, in this case, ‘future capital gains’.

Social Contract Theory

The Social Contract Theory, which was created on the idea that there exist contracts between business and broader society, serves as the theoretical foundation for this research project. In these contracts, the company makes a binding agreement to carry out a variety of social want activities in return for acceptance of its purpose, further benefits, and ultimately its continued existence. This stance was created on the basis of the notion that there are contracts between business and broader society, which can be found in the previous position. (Guthrie & Parker, 2001). It argues that an organization's image and success may be impacted if society feels that the institution has breached its social contract. This idea comes from the phrase "social contract violation." It's possible that this view will have a detrimental effect on the company (Greening &Turban, 2000) It is clear that there is an agreement between a corporation and its shareholders when that firm demonstrates social and environmental responsibility, participates in corporate social responsibility, and produces sustainability reports. In the event that the society is dissatisfied with the manner in which the organization does its business, the society will undoubtedly terminate the organization's contract to allow it to continue doing its business (Ehsan & Kaleem, 2012). This association is consistent with the social contract theory proposed by Guthrie and Parker (2001), which states that highly successful corporations are more likely to pay dividends to their shareholders as a way to signal their superior financial market performance, and the authors state that the theory is supported by the evidence presented here.

SignallingTheory

Signaling theory was developed by Michael Spence in 1973. The intuitive nature of signaling theory in part helps explain its pervasiveness. A journalist once famously asked Spence, who first put forth the theory, if it were possible that one could receive the Nobel Prize in Economics for simply noticing that in some markets certain participants do not know certain things that others in the market may wish to communicate (Spence, 2002). Spence replied that the correct answer was probably “no” but that what did blossom at the time was a serious attempt to capture the informational aspects of market structures. The profundity of the theory,

therefore, lies in ascribing costs to information acquisition processes that resolve information asymmetries in a wide range of economic and social phenomena.

Stakeholders Theory

Following the introduction of stakeholders' theory in 1970, Freeman (1984) developed the scope of the theory to accommodate a wider range of stakeholders. According to Freeman (1984), the stakeholder theory assumes and maintains that a firm has a stewardship role towards a variety of stakeholders who are different from the shareholders who are the customers, suppliers, employees, government, community, environment and future generations. King (2002) opined that the importance of integrated sustainability reporting in strengthening the relationship between a firm and the society in which it operates and being insensitive to the interest of stakeholders may affect the reputation of the firm which would adversely affect the operational and financial market performance.

Theoretical Framework

This study was anchored on two theories which are: Stakeholders theory and Signaling theory.

Signaling theory explains the action taken by firms to reduce information asymmetries between them and their stakeholders. Companies reduce the asymmetry by providing information. The companies that are characterized by increased information disclosure, signal to their stakeholders and distinguishes better performing companies from their peers.

Stakeholder theory assumes and maintains that a firm has a stewardship role towards a variety of stakeholders who are different from the shareholders who are the customers, suppliers, employees, government, community, environment and future generations

Empirical Review

Dividend Policy and Market Price per Share

Dividend policy has long been considered a determinant of stock market performance, especially the market price of shares. Abdullah, Asaduzzaman, and Rashed (2023) assessed this relationship by examining 28 companies across four sectors in Bangladesh from 2005 to 2009. Utilizing correlation and multiple regression analysis, they found that dividend payouts have a stronger influence on market price than retained earnings. This aligns with traditional dividend relevance theories such as those proposed by Walter and Gordon, which emphasize the signaling power and informational content of dividend distributions.

Similarly, Pontoh (2023) explored the implications of signaling theory, bird-in-hand theory, and catering theory on dividend policy using data from 372 companies listed on the Indonesia Stock Exchange between 2010 and 2012. The study employed t-tests, ANOVA, ANCOVA, and multinomial logistic regression to confirm the characteristics of dividend payers based on general financial factors. Findings indicated a bidirectional and statistically significant relationship between dividend payments and stock prices, reinforcing the validity of dividend relevance theories. Notably, firms that consistently paid dividends were more aligned with the catering effect, highlighting investor preference for dividend-paying stocks.

Sadiq and Onmonya (2023) emphasized that share prices reflect not only current profitability but also investors' expectations of future earnings potential. Their study identified

that investors assess a firm's financial health, industry positioning, and capacity to sustainably generate profits when determining stock value. Companies that effectively utilize assets and deliver long-term value tend to attract higher market valuations, underscoring the importance of sustainable profitability in influencing share price behavior.

Dividend Policy and Earnings Yield

According to Uchenna and Okoye (2023), a company's dividend policy defines the strategy for determining the portion of net income to be distributed to shareholders as dividends. This policy, sometimes referred to as the dividend payment policy, is central to decisions on returning profits to shareholders. Similarly, Adegbite and Ogunmuyiwa (2022) view dividend policy as a systematic approach to distributing post-tax net income among shareholders. One of the critical considerations in designing a dividend policy is whether retained earnings will yield higher returns through reinvestment in the company or through immediate shareholder distribution (Onyeka & Bello, 2024).

Ibrahim and Olayemi (2023) emphasized that dividend policy encompasses decisions regarding earnings payable to shareholders after deducting all costs and taxes. They noted that firms with steady earnings tend to pay regular dividends, while firms with erratic cash flows are more likely to retain earnings. Furthermore, firms that pay dividends often experience higher stock valuations and lower volatility. However, such policies are influenced by taxation, financial distress, and managerial preferences, making it essential for management to align dividend strategy with financial position, investment opportunities, and shareholder expectations.

Olawale and Ilo (2024) examined the effect of dividend policy on earnings yield of listed Nigerian firms and found a significant positive relationship. This implies that firms paying higher dividends tend to have higher earnings yields, supporting the signaling effect theory. Additionally, firm size and earnings per share (EPS) were positively correlated with earnings yield, indicating that larger and more profitable firms generally offer better returns to investors.

Methodology

This study adopted the *ex-post facto* design in which secondary data were collected from financial statements of the quoted companies in Nigeria listed on the Nigerian Exchange Group. The population of this study consist of 56 manufacturing firms listed on the Nigerian Exchange Group (NGX) as of December 31st, 2023 for a period of 10years (2014-2023).

Model Specification

$Yi = \beta 0 + \beta 1Xi + \mu i$

$MPS_{it} = \beta 0 + \beta 1DPR_{it} + \beta 2DPS_{it} + \beta 3DYD_{it} + \varepsilon_{it}$---------Model 1

$PER_{it} = \beta 0 + \beta 1DPR_{it} + \beta 2DPS_{it} + \beta 3DYD_{it} + \varepsilon_{it}$----------Model 2

4.0 Results and Discussion

Test of Hypotheses

Hypothesis one

Objective one: examine the effect of Dividend Policy on the market price per share of listed firms in Nigeria.

Research question one: What is the effect of dividend policy on the market price per share of listed firms in Nigeria?

Research Hypothesis one: **$H_0$1:** Dividend Policy has no significant effect on the market price per share of listed firms in Nigeria

Table 1 Regression Result of model 1

Dependent – MPS	Model 1 – OLS with Cluster ( )			
	Coeff	**SE**	**t-stat**	**Prob**
CONSTANT	35.339	8.335	4.240	0.000
DPS	27.369	0.799	34.230	0.000
DPR	0.004	0.031	0.140	0.887
DYD	-6.277	1.234	-5.090	0.000
AdjR2	0.8096			
F-Stat/Wald Stat	F(3, 276) = 396.33 (0.000)			
Hausman Test	Chi2(3)= 124.39 (0.000)			
Testparm/LM Test	F(9, 240) = 1.04 (0.4071)			
Heteroskedasticity Test	Chi2(1) = 748.94 (0.000)			
Serial Correlation Test	F (1, 27) = 221.573 (0.000)			
Cross sectional Dep				

Source: Researchers Computation (2025)

Pre-Estimation Results Interpretation for model 1

To determine the most appropriate estimating approach, the study carried out a Hausman test to decide whether to use fixed effects or random effects techniques. Judging by the Hausman probability value of 0.000, we reject the null hypothesis (random effect) and accept the use of the fixed effect analysis as there is a correlation between the unique errors and the regressors in the model. The testparm test was conducted to determine whether the coefficient for all years is jointly equal to zero, requiring the choice of time fixed effect model. The testparm test revealed a probability value of 0.4071 indicating there is no need for time fixed effect. For the robustness of the model, Heteroskedasticity, and serial correlation tests were conducted. Heteroskedasticity was conducted to check for variations in the model's residuals using the heteroscedasticity test. The result had a probability value of 0.000 indicating that the model is heteroskedastic, which implies that the model's residuals are trending over time. The serial correlation test conducted to check if the coefficients and residuals of the model are correlated using the Wooldridge test had a probability value of 0.000, this indicate revealed series are autocorrelated.

Conclusively, the diagnostic test revealed that there is presence of heteroskedasticity, serial correlation. As a result of this, Ordinary Least Square Regression with Cluster ( ) command option was used to estimate the effect of effect of Dividend Policy on the market price per share of listed firms in Nigeria.

Interpretation

MPPS = β0 + β1DPR + β2DPS +β3DYD + ε---------Model 1

MPPS = 35.339 + 27.369 DPR + 0.004 DPS – 6.277 DYD + ε---------Model 1

Table 1 showed the regression output of model 2 that evaluated the effect of Dividend Policy on the market price per share of listed firms in Nigeria. The result showed that Dividend Payout ratio (DPR) and Dividend per share (DPS) exerted positive effects on market price per share of listed firms in Nigeria, this is indicated by their coefficients DPS = 27.369 and DPR = 0.004 respectively. This result is consistent with the *a priori* expectation for the study as it was expected that Dividend policy proxied by Dividend Per share and Dividend Payout Ratio should exert a positive effect on the market price per share of listed firms in Nigeria. However, Dividend Yield exerted a negative effect on the market price per share of listed firms in Nigeria, this is not consistent with the *a priori* expectation of the study. DYD = -6.277.

From the result in table 1 Dividend Per Share and Dividend yield significantly affected the market price per share of listed firms in Nigeria, this is indicated by the P-value of their respective t-statistic (DPR = 27.369 (0.000) and DYD = -6.227 (0.000) and Dividend Payout Ratio had insignificant effect on Market Price share - DPS = 0.004 (0.887). This result implies that 1% increase in the Dividend Per Share of firms under consideration will lead to 0.27369% increase in the market price per share of listed firms in Nigeria while 1% increase in Dividend Yield will lead to 0.677 decrease in the market price per share of listed firms in Nigeria

The Adjusted R-square which measure the proportion of the changes in the market price per share of listed firms in Nigeria as the result of changes in Dividend Policy stood at 0.806%. This implies that 80.96% change in the market price per share of listed firms in Nigeria can be explained by changes in Dividend Policy of firms while the remaining 19.04% were other factors not captured in the model.

The result revealed that at a level of significance 0.05, the F(3, 276) statistic is 396.33, while the P-value of the statistics is 0.000 which is lower than the adopted level of significance for the study. Consequently, the study failed to accept the null hypothesis which states that Dividend Policy has no significant effect on the market price per share of listed firms in Nigeria and accepted the alternate implying Dividend Policy has significant effect on the market price per share of listed firms in Nigeria

Discussion of Findings

The study regressed the effect of the independent variable of determinants of dividend policy on the dependent variable of Market performance. Based on the results, mixed results were reported: Dividend per share, dividend pay-out ratio, Size and Age had a positive significant effect on market performance. However, the joint statistics of the F-statistics revealed that determinants of dividend policy had a positive effect on market performance. This is consistent with previous studies by Sadiq and Onmonya (2019); Nazral (2019) and Chaabouni (2017) who had recorded a positive effect. Their studies investigated the effect of dividend decisions policy on market performance and the study showed that corporate dividend decision policy had a positive effect on market price per share in Nigeria. This result is similar to the ones reported in the study of Sharif, Ali and Farzand (2015). However, on the contrary, the study of Salman et al., (2015) was not consistent with the ones obtained by Sulaiman and Migiro (2015) who equally found a positive effect. This could be attributed to the dividend policy of these firms that is being adopted.

Hypothesis two

Objective two: determine the effect of dividend policy on the price earnings ratio of listed firms in Nigeria.

Research question two: How does dividend policy affect the price earnings ratio of listed firms in Nigeria?

Research Hypothesis two: **$H_0$2:** Dividend policy has no significant effect on price earnings ratio of listed firms in Nigeria.

Table 2: Regression Result of model 2

Dependent – PER	Model 2 – OLS with Cluster ( )			
	Coeff	SE	t-stat	Prob
CONSTANT	1.767	0.402	4.390	0.000
DPS	0.967	0.038	25.050	0.000
DPR	-0.001	0.0051	-1.160	0.246
DYD	-0.070	0.059	-1.170	0.241
AdjR2	0.6916			
F-Stat/Wald Stat	F (3, 276) = 209.41 (0.000)			
Hausman Test	Chi2(3)= 86.48 (0.000)			
Testparm/LM Test	F(9, 240) = 0.48			
Heteroskedasticity Test	Chi2(1) = 245.67 (0.000)			
Serial Correlation Test	F (1, 27) = 9.471 (0.0047)			
Cross sectional Dep				

Source: Researchers Computation (2025)

Interpretation

PER = β0 + β1DPR + β2DPS +β3DYD + ε---------Model 2

PER = 1.767 -0.001DPR + 0.967DPS – 0.070DYD + ε---------Model 2

Table 2 showed the regression output of model 3 that evaluated the effect of Dividend Policy on the price earnings ratio of listed firms in Nigeria. The result showed that Dividend per share (DPS) exerted positive effects on price earnings ratio of listed firms in Nigeria, this is indicated by their coefficients DPS = 0.967. This result is consistent with the *a priori* expectation for the study as it was expected that Dividend policy proxied by Dividend Per share should exert a positive effect on the price earnings ratio of listed firms in Nigeria. However, Dividend Payout Ratio and Dividend Yield exerted a negative effect on the price earnings ratio of listed firms in Nigeria, this is not consistent with the *a priori* expectation of the study. DPR = -0.001 and DYD = -0.070.

From the result in table 2 Dividend per Share significantly affected the price earnings ratio of listed firms in Nigeria, this is indicated by the P-value of their respective t-statistic (DPS = 25.050 (0.000) while Dividend Yield = -01.170 (0.241) and Dividend Payout Ratio had insignificant effect on Price earnings ratio - DPR = -1.160 (0.246). This result implies that 1% increase in the Dividend yield of firms under consideration will lead to 0.070% decrease in the

price earnings ratio of listed firms in Nigeria while 1% increase in Dividend Payout ratio will lead to 0.001% decrease in the Price earnings ratio of listed firms in Nigeria.

The Adjusted R-square which measure the proportion of the changes in the Price earnings ratio of listed firms in Nigeria as the result of changes in Dividend Policy stood at 0.6916%. This implies that 69% change in the Price earnings ratio of listed firms in Nigeria can be explained by changes in Dividend Policy of firms while the remaining 31% were other factors not captured in the model.

The result revealed that at a level of significance 0.05, the F(3, 276) statistic is 209.41, while the P-value of the statistics is 0.000 which is lower than the adopted level of significance for the study. Consequently, the study failed to accept the null hypothesis which state that Dividend Policy has no significant effect on the Price earnings ratio of listed firms in Nigeria and accepted the alternate implying Dividend Policy has significant effect on the Price earnings ratio of listed firms in Nigeria.

Discussion of Findings

In this model, the study examined the effect of determinants of dividend policy on diPrice earnings ratio of listed manufacturing firms in Nigeria. The results found were mixed, as some of the variables exhibited positive effect, other negative effect. For instance, all the variables of Dividend per share, Size and Age revealed a positive insignificant effect, while that of Dividend pay out ratio, and dividend yield had a negative and insignificant effect. But the result of dividend per share exhibited a positive and significant effect on price earnings ratio. However, the combined regression using all the variables of model based on the F-statistics showed that determinants of dividend policy had a positive effect on price earnings ratio of the listed manufacturing firms in Nigeria.

The result is in consonant with previous studies of Uwuigbe (2013); Morrison and James (2017) and Olawale and Ilo (2018) investigated the impact of dividend policy aand stock market performance and found that dividend policy had a positive significant effect on stock market performance. Also, that board size, had a positive significant effect on dividend policy decisions. However, on the contrary, some studies have documented contradictory results. For instance, the studies of Turakpe and Fiiwe (2017) reported a negative effect, also the study of Elmi and Muturi (2019) reported negative effect. In addition, Omerhodi (2014) assessed the effect of dividend policy on the performance of manufacturing companies listed in Nigeria and the study revealed that dividend policy had a negative effect on performance of the companies.

Conclusion and Recommendations

From the inferential and empirical analysis, the main and specific hypotheses were tested in accordance with the objective of the study and research questions were answered. The results based on the F-Statistics revealed the following:

In Objective one, the effect of Dividend Policy (DPS, DPR, DYD) on the market performance (MPPS) of listed firms in Nigeria and concluded that Dividend Policy jointly and significantly impacted MPPS of listed firms in Nigeria.

In Objective two, the effect of Dividend Policy (DPS, DPR, DYD) on the market performance (PER) of listed firms in Nigeria and concluded that Dividend Policy jointly and significantly impacted PER of listed firms in Nigeria.

Overall, the study concluded that Dividend Policy affected the market performance of listed firms in Nigeria.

Recommendations

In line with the results and findings obtained in each of the hypotheses, the following recommendations were made which may be useful to the Government, investors and shareholders, the policymakers and other stakeholders.

i. The managers of the listed firms in Nigeria should review their dividend policies and pay particular attention to the dividend payout ratios of their companies based on the results. Managers are to pay particular attention to and fulfil the dividend policy guidelines established as known by the shareholders.
ii. The government and those saddled with policy making and regulations that would insist on the listed firms by making impactful policies capable of moving the firms forward. Looking at the results of the effect of the dividend payout ratio of the study, some of the results revealed poor and inadequate payout ratios possibly because of insufficient profitability on the part of the firms and the high cost of running businesses in Nigeria.
iii. The policymakers should therefore make economic policies that would ensure economic and political stability and allow environmentally friendly business activities.

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