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DIVIDEND POLICY AND FIRM VALUATION OF QUOTED FIRMS IN NIGERIA

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ABSTRACT

The relationship or the relevance between the relevance dividend policy and irrelevance dividend policy have been a theoretical and empirical debate since ages due to the financial decision of paying dividend to equity holders of retain dividend later to be re-invested to the firm to improve the overall net worth of the business. The study employed the ex-post facto research design which the researcher has no control over. The secondary panel data was sourced from the financial statement of the manufacturing and financial firm within 2017-2023. The data was subjected to panel regression technique. The findings revealed that earning yield has negative significant effect on retained earnings for dividend irrelevance model while market price of share and price-earnings ratio has negative and positive significant effect on dividend payout ratio for the dividend relevance model. Based on the findings of the both theory and postulation they equally have the tendency to determine firm valuation. The result for the dividend irrelevance model illustrated that retained earnings could be essential to stimulate how much percentage a company could earn in terms of earning per share while the dividend relevance model showed that sharing dividend at the end of any calendar year have the capacity to determine period valuation of shares on the stock market and dollar investment of a particular share. Based on the different school of thought of the dividend irrelevance theory group (Modigliani and Miller, 1961) and the dividend relevance theory group (Gordon, 1962) this study intends to develop a model for each theory to examine through the findings of the study which theoretical postulation in really is relevant in terms of firm valuation.

KEYWORDS: Dividend policy; Firm Valuation; Retained earnings; Dividend payout ratio

JEL Classification: C23, G32

1. INTRODUCTION

The Financial Manager is mainly concerned with the raising of funds and minimizing the cost of capital and allocating the corporate resources in long-term investment which include the capital budgeting decision made within the corporate environment. The corporate body via the decision to play a germane role in determining the entire development in the economy. The corporate entity is responsible for the production of goods and services, which in the long-run result in profit and stimulate dividend payment to equity holders and investors.

However, a financial manager revolves his corporate decision around two decisions and the dividend distribution decision is an integral decision within financing decision and cogent among these two decisions within the internal environment of a separate entity (financing, investment, and working capital management) (Njoku and Lee, 2024). Jaffe, Westfield & Ross (2012) depicted that dividend decision is of great relevance because it determines the volume of funds transferred to equity holders/investors and retained profits which are latter used for project or investment that have a positive Net Present Value (NPV).

Dividend policy is defined as an intentional act by the strategic-level or finance manager to share the portion of profit to shareholders in proportion of trust that the firm hold in the proportion shared is referred to as “DIVIDEND”. The pronouncement of earnings to investors can be in a various mode which includes repurchased stock, bonus, share deposit and cash dividend (Sholikhah, et al. 2023). Dividend policy is a corporate strategy that is toolled by the financial manager to determine the timing and cash dividend payments (Lyimo, 2024). Corporate dividend policy aid to maximize the market price of the shares of a firm. Dividend policy practiced in an organization/firm can either be managed or residual depending on the short and medium-term goals being pursued in the organization (Lyimo, 2024). Corporate The finance manager must apply a dividend policy that satisfies investor’s investment decision and it also improves the share price of the companies which they have fund or equity Dividend decision is a very germane components in determining a firm’s valuation on the market floor, which in the long-run depicts that extent of capital gain which investor enjoy on real and financial asset. Improving the equity holder’s wealth is the most important objective of the firm after profit maximization and other internal objectives. This objective aid to spur the return on investment of a firm which aid to categorizing a firm has a blue-chip company or a new IPO firm. Return consists of two components: dividends and bullish stock (capital gain), despite the inverse relationship between dividend and earnings ratio, dividend and retained earnings have similar purpose towards maximizing shareholders interest (wealth); the unshared profit (retained earnings) are used to finance viable projects for expansion while dividend increases the bargaining power of stakeholders (Lubis, et al, 2024).

Moreover, finance managers often strive to increase the basic fundamentals of its company; the fundamentals of companies as opined by the fundamentalist are earnings, earnings per share, dividend yield, dividend payout ratio, and dividend cover among others. The interrelated attributes of survival or continuity are reflected in share price wobbling in the stock market which shows in the long-run if wealth has been maximized or minimized by the finance manager or strategic level management. Apart from the fundamentals the finance manager must find-out the optimal dividend policy that will maximize the company stock price and in a broad way stimulate maximization of firm value (Olubiyi, 2023). Dividend decision is also a phenomenon that improves the growth of a firm in terms of finance (Gordon, 2008). Dividend payments tend to reduce the share price of a firm (Amimakmur, et al, 2024). according to the signaling effect. Modigliani and Miller (1958) and Modigliani and Miller (1961) have created a controversy in determining the effect of firm dividend policy and decision on the value of the firm. Ironing-out the effect on the dividend decision policy taken by the management and how it influences the risk-return portfolio of the investors.

The phenomenon of dividend policy cannot be underrated in the current business environment of an organization. Profit allocation decision remains an important financial policy, not only from the viewpoint of the company but also from that of the shareholder's, the consumers, employees, regulatory bodies and the government. Despite this financial decision in the corporate environment, there been conflicting objective concerning stakeholder's wealth maximization and market valuation of the firm. Several scholars have the understanding that stakeholder's interest and market value of the firm is reflected in the company's earnings per share and capital gain in share price respectively. Studies have moved the body of finance literature forward by suggesting that corporate fundamentals do not impact positively on firm value.

Conversely, the major proponent of the argument concerning the phenomenon of dividend policy and firm valuation can be evidenced from the Modigliani and Miller (1961) postulation that the overall structural dividend decision in a firm, has the tendency to influence the value of the firm either positively or negatively. The dividend policy controversy was sparked by two opposing theory of dividend relevance theory DeAngelo and DeAngelo (2006) and dividend Irrelevance theory Miller and Modigliani (1961). The relevance theorem didn't come to the common ground whether dividend policy affects share price and firm value. A leg of the theory above suggests that dividend policy is irrelevant; that one policy is as good as any other and that divided payment should not be made on a residual basis. Other theory holds the notion that well-managed dividend policy can positively influence firm value. Based on this inconclusiveness this study intends to investigate the impact of dividend policy on firm value. This study will proxy each model concerning the relevance (dividend payout ratio) and irrelevance theorem (retained earnings) on the firm value proxies.

2. LITERATURE AND EMPIRICAL REVIEW

Dividend or dividend are the share or cash that the equity holder receives for their reward in postponing consumption to a force able future. This dividend is an intrinsic component which is decided by the board of directors on behalf of the equity holders. It is not a mandatory or obligatory responsibility of the company to pay dividend, but it is a way of rewarding the shareholders from the company's profit. The retained earnings are the left-over fund after the different types of shareholders are been given the respective interest (The Economic Times, 2018).

Pandey (2005) defines dividend as the portion of a company overall profit after a financial year, which is decided for distribution depending on the fraction of share wealth or stock owned be an equity holder in a company. It is usually as a percentage of nominal value of the company's ordinary share capital at a fixed amount per share. Dividend can either be paid in two aspects either from the profit or general reserve. When a dividend is paid out the current year profit it is referred to as cash dividend. Also, when a company distribute earnings, it means payment is made in terms of stock dividend (bonus issue). The implication of cash dividend is that it has a shocking effect on the liquidity position and the reserves of the firm as it tends draw back or dwindle both the cash and reserves which is not for stock divided that does not affect the net worth of the company, but only capitalization of equity position.

Fama and French (2002) depicted that profit is a major propellant in any corporate organization and no firm can remain a going concern to perpetuity without making profit maximization a goal. Akpadaka, et al (2024). explained that different factors influence the profit maximization prospects of an organization which dividend annual policy is part of them that determines the financial and investment policy of the firm. Akinyomi (2014) illustrated that dividend policy and dividend are both side of coin the move towards the same direction towards dividend payments to investors. Similarly, Indrayani (2023). depicted that dividend as the benefit for postponing consumption towards owning a stock in a particular company. Jabbouri, (2016) provided the factors that affect dividend payment as current and past years profits, the variability of earnings, the growth of earnings and prior years dividends as the significant important factors that affect dividends payment. This implies the compensation for time and investment risks by investors towards the faith they have in the profitability status or prowess in a joint stock company. Sinebe (2023). illustrated that dividend policy is the organizational framework or structure a company explore for determining profits or dividend payments to shareholders. Baker and Kapoor (2015) affirmed that dividend policy is the objective and rules in sharing of cash and bonuses over time. The rules imply the constant sharing of the dividend among shareholders. Ukpong and Ukpe (2023). depicted that dividend policy is the function used in distributing the profit attained after expenses have been removed and after tax to the equity holder's but major challenge of establishing a dividend policy is determining the accurate level of dividend to

be given to firm and shareholders.

The dynamics of dividend policy continue to be the interest to firm managers, stakeholders, creditors and academicians because of its impact on shareholder's wealth and the retaining earnings capacity of the firm. Also, Velnampy et al. (2014) confirmed that the impact of dividend policy on firm performance has gained global attention over the years but there has been no universally accepted company behavior for dividend policies. Likewise, Samuel and Wikes (2005) reported that the behavior of dividend policy is still an arguable issue regarding its effect on firm performance in both developed and developing market. Determining the decision to pay dividends and the amount to be paid is influenced by different factors that which are intrinsically determined by companies. Linter (1956) identified a consensus between consistency of earnings and dividend, meaning that higher and lower earnings have the capacity to affect the level of dividend paid.

Dividend Irrelevance theory by Miller and Modigliani (1961) conceptualize the finance decision of dividend policy/decision to be passive in determining the going-concern or avoiding knight take over on market floor. They postulated that dividend policy in the operation or end of calendar year strategic decision is independent of the value of share price. They believed that it is all other component internal component decision that determines the value and measurement of financial gains of a firm on the market floor. The theory gave more credence in providing Net Present Value Investment in enhancing firm value that paying dividend to stimulate investor's return habit on viable investment opportunities. Dividend Relevance Theory by (Gordon, 1962) and DeAngelo and DeAngelo (2006) illustrated that dividend payment pattern in a corporate entity is a belief phenomenon enhanced by regulation and perception of board of directors that impact firm differently. They posit that dividend payment aid to relax that over bearing assumptions of a rational investor and capital market. They believe that dividend payment is an active decision while retained earning financing is a residual one towards stimulating firm value. It also allows investors to prefer dividend to capital gain because it allows the investor to have a taste of being a shareholder and how much his forgone consumption have yielded than losing the entire stock through investment dynamics on the stock exchange market.

Rajan (2024) examines the effects of dividend policies on the value of listed companies in India. The data used in this study consists of 596 listed companies on the NSE Stock Exchange for the period 2021 to 2024. Using the Fixed Effects Model (FEM), the empirical findings confirm that the dividend payout ratio has a positive relationship with the value of the listed company. This finding supports the bird-in-hand theory, suggesting that investors prefer to receive dividends in cash rather than capital gains in the future. Additionally, this study finds that dividend payment methods significantly affect the value of listed companies. In fact, cash dividends positively affect the value of the listed company. The evidence is consistent with the signaling theory, indicating that payment for dividends in cash is

a good signal from the company.

Lubis, et al (2024) investigated into the crucial relationship between dividend policy and firm value, analyzing the intricate dynamics that influence investor sentiment and strategic financial management. Through a comprehensive analysis of empirical data and theoretical frameworks, the study examines the impact of dividend policy decisions on shareholder wealth and market perceptions. The findings revealed the significance of aligning dividend policies with long-term financial objectives, optimizing payout ratios, and enhancing transparency and communication with investors. The study also explores the role of investor sentiment in shaping market perceptions and the strategic implications for firms in managing dividend policies amidst market uncertainties. Insights from this research provide actionable recommendations for firms and policymakers to optimize dividend policies, enhance shareholder value, and foster a conducive investment environment.

Lyimo (2024) investigated into the effect of dividend policy on share price valuation of commercial banks in Tanzania. Specifically, the study examined the influence of four dividend policy proxies: dividend per share, dividend payout ratio, dividend yield and propensity to pay dividends on share price of commercial banks. The study used panel data extracted from annual reports of four listed commercial banks from 2011 to 2022. The study used Panel Corrected Standard Error (PCSE) regression estimator in estimating the relationship. The findings revealed that dividend per share, dividend payout ratio and propensity to pay dividends have a profound positive influence on share price of commercial banks in Tanzania. The findings showed that when management efficiently utilizes profit to pay dividends, it affects positively share price of commercial banks. However, it was only found that dividend yield is significantly inversely linked with share price of commercial banks in Tanzania. This implies that an increase in dividend yield affects significantly negatively share price of commercial banks. In general, the findings support the dividend relevance theory and corporate managers are advised to maximize payment of dividends to enhance the share price valuation of commercial banks.

Njoku and Lee (2024) investigates the relationship between dividend policy, firm performance, and value within the Korean market, taking into account the unique context of Chaebol ownership structures. Utilizing a robust dataset of 5478 observations from the Korean Composite Stock Price Index, our empirical analysis employs advanced regression models, revealing distinctive effects of various dividend policy measures through the lenses of interest alignment and managerial entrenchment hypotheses. Surprisingly, while cash dividend payments exhibit a robust positive impact on Tobin's Q and market-to-book ratios, suggesting an overall positive link with market valuations, a closer inspection reveals divergent impacts for Chaebol and non-Chaebol firms. In Chaebol entities, dividend policy proxies consistently demonstrate positive effects on performance metrics, aligning

with the interest alignment hypothesis and highlighting strategic signaling efforts. Conversely, non-Chaebol firms exhibit intriguingly negative impacts, supporting the managerial entrenchment hypothesis and implying potential challenges to market value. Firms should prioritize transparent communication on dividend policies for improved investor decision making and enhanced corporate governance in the dynamic Korean market.

Amimakmur, et al (2024) this study investigates the complex relationship between dividend policy and company value in the technology sector, attributed through technology sector. The study employed the mixed-methods approach integrating quantitative analysis and qualitative insights. The empirical findings challenge conventional wisdom and theoretical expectations revealing a modest or insignificant correlation between dividend yield and firm valuation metrics and an unexpected negative correlation between payout ratio and firm valuation. The findings contribute to a deeper understanding of dividend policy dynamics in the technology sector, offering valuable insights for investors, managers and policymakers navigating the complexities of capital allocation, growth investment and shareholder value creation in a rapidly evolving and competitive market environment. Akpadaka, et al. (2024) examines how dividend policy, profitability, and institutional ownership affect the value of a company. The study used a longitudinal research design with 46 purposively sampled firms and a dataset spanning from 2012 to 2022, yielding 417 observations. We used multiple path analyses with bootstrap mediation and 2000 replications to examine the manufacturing sector and five subsectors. This helped us understand how exogenous variables affect endogenous variables in a more complex way by showing their direct, indirect, and total effects. The most important results showed that 1) DPS, which stands for dividend policy, did not have a significant mediating effect on profitability at the aggregate or subsector level; 2) DPS did have a significant positive mediating effect on institutional ownership at the aggregate level; and 3) DPS had a significant negative mediating effect on consumer staples. This study covered the manufacturing firms listed on the NGX, which limits the outcome's applicability to other sectors and geographic regions. Some implications for investors and regulators are that institutional ownership and dividend policy (DPS) are potent tools for mitigating agency costs and that dividend payments send signals and help reduce information asymmetry, which ultimately positively impacts value. This study contributes to the literature on mediation analysis in a novel manner by applying bootstrap mediation analysis within the geographic context of Nigeria, which brings a new perspective to financial analysis methodology in emerging markets.

Nwoye and Egbunike (2023) examines into how dividend policy and its interaction with capital investment affects share price volatility in Nigeria banking industry from 2013-2022. The study used a sample of 13 commercial banks quoted on the Nigeria stock exchange Preliminary analyses were also conducted, such as descriptive statistics and correlation matrix. In analyzing the data, the study

adopted panel multiple regression to identify the possible effects of dividend policy and capital investment on share price volatility. The study employed Pooled and panel data regression with least square dummy variable as time and organizational dummies were created to account for any effect which vary over time and across section. The result showed that dividend per share and dividend pay-out ratio has a significant positive effect on share price volatility while dividend yield shows a significant negative effect on share price volatility while earnings volatility is insignificant. However, the interaction of dividend yield and capital investment ($dy*capinv$) indicates a 5% significant negative influence on share price volatility this implies that in every 5% reduction in dividend yield and capital investment there will be a 5% reduction in share price. We concluded that corporate managers of the banks quoted on the Nigerian stock exchange can use dividend policy as a tool to control/manage share price volatility. We therefore, recommends that banks should try and improve on their financial performance that will enable consistent increase in the dividend per share for positive impact on market value.

Olubiya (2023) examines into the determinants of dividend per share in companies listed on the Nigerian Stock Exchange, shedding light on the key factors that influence dividend policy decisions. By analyzing a sample of 100 companies listed on the Nigerian Stock Exchange, the research employs multiple regression analysis to examine the relationships between various explanatory variables and dividend per share. The findings of the study highlight several important factors that significantly affect dividend per share in Nigerian Stock Exchange -listed companies. The current year earnings per share and previous year dividend per share (-1) emerge as key determinants, exhibiting positive and statistically significant relationships with dividend per share at the one percent level. This underscores the importance of current profitability and past dividend history in shaping dividend decisions. Furthermore, the study reveals that dividend pay-out ratio also plays a significant role in influencing dividend per share, with a positive and statistically significant relationship observed at the five percent level. This suggests that companies with higher pay-out ratios tend to distribute more dividends per share to their shareholders. Additionally, profitability and investment are identified as significant determinants of dividend per share, albeit at the 10 percent level. Interestingly, while profitability exerts a positive influence on dividend per share, investment exhibits a negative impact. This implies that companies with higher profitability levels are more likely to distribute higher dividends per share, whereas those with higher investment levels may opt to retain earnings for future growth opportunities rather than distributing them as dividends.

Sholikhah, et al., (2023) examines into the effects of debt policy, profitability, and dividend policy on business value. Apart from ascertaining whether the magnitude of the corporation can enhance the influence of profitability, debt policy, and dividend policy on the value of the organization. Moderate regression analysis (MRA) was used as the research methodology in this study. In theory, this method

works well for examining the effect variable following the addition of a moderating element. The addition of company size as a moderating variable, which is assumed to increase or diminish the relationship between dividend policy, profitability, and debt policy and firm value, is what makes this analysis new. 45 banking firms that are listed on the Indonesia Stock Exchange and engaged in the financial industry comprise the study's population. 10 banks make up the research sample. The study's conclusions show how corporation value is impacted by profitability and dividend policy. Next, the amount of the dividend policy mitigates its effect on business value.

Sinebe (2023) examines the relationship between firm performance and dividend payout of listed firms in Nigeria. The study employed secondary data sourced from financial records of sixteen service listed firms in Nigeria over period of tens beginning from 2012 to 2021. The study adopted four performance indices which includes return on asset, return on equity, earnings per share and tobin q. The dataset were analyzed using the descriptive statistics, diagnostic tests and inferential statistics. The study findings revealed that Tobin q has significant influence on dividend payout of listed firms. The findings indicated that collectively firm performance obtained significant relationship with dividend payout of listed service firms in Nigeria. On the basis of the results, the study recommended that companies should give maximum attention to their financial dealings and operations, as their performance determine the involvement and commitment of shareholders.

Ukpong and Ukpe (2023) examines into the effect of dividend policy on firm performance in Nigeria for the period 2015 to 2019. Ex post facto research design is used in this study. All listed consumer and service firms on the Nigerian stock exchange formed the study population. However, purposive sampling was used to sample 12 firms for the study. The secondary data was adopted in this study and the data was obtained from the annual financial report of consumer product and services sector. The measurement for firm performance is return on assets (ROA). Three measurement of dividend policy are selected to measure which include form of dividend payment (FDP) timing of dividend payment (TDP) and earning per share (EPS). Panel regression data was used for data analysis. Descriptive and correlational statistics was used to summarize the data and logistic regression was used to test the hypotheses. The findings shows that ROA has positive relationship with form of dividend payment, but negative relationships with earnings per share (EPS) and timing of dividend payment (TDP). The study concluded that there is no significant positive effect of the form of dividend payment (FDP), TDP and EPS on the performance of Nigerian companies. It was recommended that Companies have to adopt the form of dividend payment that is favourable to the growth of the organization since the form of the dividend payment is directly proportional to the growth of firms in Nigeria.

Indrayani, L. (2023) investigated into how avoidance, dividend policy and income smoothing impact the valuation of a company. This research employs a quantity approach, utilizing purposive sampling

to select samples. Hypothesis testing is conducted through panel data regression, employing E-views 9 software. The study focuses on 84 companies in the property and real estate sector listed on the Indonesian Stock Exchange (IDX) from 2017-2021. Out of these, 7 companies were selected as samples for analysis. The findings reveal the collectively, tax avoidance, dividend policy and income smoothing do not significantly impact firm value, whereas dividend policy demonstrates a positive effect on firm value.

Fauziah, et al (2019) influenced into the relationship between dividend policy, bank health and firm value. The study made use of the entire banking industry quoted on the Indonesia Stock Exchange while the time frame was within 2008-2014. The purposive sampling technique was used to frame 31 companies among the entire banks in Indonesia. The structural equation modeling approach. The study risk profile and profitability of the company is affects dividend policy used in the various company. Good corporate governance and profitability does not pose any threat on dividend policy, but affected by bank's risk profile and profitability. Capital only has the capacity to influence firm value through the decision of dividend policy.

Enebrand and Magnusson (2018) investigated into the dividend policy on firm value. The specific objective was to examine the relationship between firm performance and stock price, has affected by the level of dividends in a firm. The secondary data was sourced from the Stockholm stock exchange market and was subjected to correlation and regression analysis to draw the inferential analysis. The time period falls within the 2007-2017. The study revealed that increase in divided yield of firms are significant on financial performance compared to firms that have low divided yield. The correlation result depicted their existence as a positive relationship between financial performance and stock price for both samples.

3. RESEARCH METHODOLOGY

This research work utilized a descriptive research design which is *ex-post facto* nature, relying on secondary data obtained after the occurrence of the event which the researcher has no control over. Both inferential and descriptive statistics are relied on to examine the impact of dividend policy on firm valuation on non-financial firms in Nigeria. This research work used panel data (time series and cross sectional) covering seven years (7) from 2017-2023 (both years inclusive) which was gathered from the financial statement (Comprehensive income statement and statement of financial position) and national bureau of statistics. The consumer goods sector and financial sector was from the selected population of the study, which was ninety (90) companies from the information available. These sectors where to be selected due to the fact that the two sectors have the highest tendency to influence the broad money supply in the economy and attract investors to invest in them due to the quick return on investment. This study employed the convenience sampling in selecting five companies from each



stratum was used for the study for a period of (7) Seven years from 2012-2018. **Consumer goods Sectors;** Cadbury Nig. Plc., Dangote Flour Mill, Guinness Nig Plc, Honeywell Flour Mill, Nestle Nig. Plc. **Financial Sector;** Aiico Insurance, African Alliance Insurance; GTB (Guaranty Trust Bank), First Bank of Nigeria and Union Bank of Nigeria.

Model Specification

The model for this study was adopted from the work of Akpadaka, et al (2024), and Rajan (2024). The model for this study is therefore specified below in order to examine the investigating the impact of dividend policy on firm value of companies in Nigeria which is explained as follows:

$DP_{t(RE,DPR,DY,CDP)} = f(FV_t) \dots\dots\dots 1$

$FV_{i,t} = f(MPS_{i,t}, EY_{i,t}, PER_{i,t}) \dots\dots\dots 2$

Dividend Irrelevance Model

$RE_{i,t} = (\alpha_0 + \beta_1MPS_{i,t} + \beta_2EY_{i,t} + \beta_3PER_{i,t} + \mu_t) \dots\dots\dots 3$

Dividend Relevance Model

$DPR_{i,t} = (\alpha_0 + \beta_1MPS_{i,t} + \beta_2EY_{i,t} + \beta_3PER_{i,t} + \mu_t) \dots\dots\dots 4$

Where:

RE= Retained Earnings Ratio at time t

DPR= Dividend payout ratio at time t

MPS= Market price of share at time t

EY= Earnings yield at time t

PER= Price-earnings ratio at time t

U= Disturbance term/White noise at time t

i= nth term

α = Intercept

$\alpha_1- \alpha_6$ = Coefficient of the Independent Variables.

Table 1. Variables description and measurement

Variables	Description	Measurement
Dependent Variable		
RE	It is the amount profit which an organization decide to plough back in to the business.	It is measured by one – divided per share divided by net income
DPR	It is the percentage of earnings that the firm pays out as cash dividend	It measured by dividend per share over earnings per share.
Independent Variables		
MPS	Is the price a single share of a number of saleable stocks of a company, derivative or other financial assets.	It is measured by the current company's rating on the market floor
EY	It refers to the earnings per share for the most recent twelve (12) month period divided by current market price per share. it is the inverse of P/E	It measured by Earnings per share EPS/ Market price per share.
PER	Is the ratio of a company's share price to the company's earnings per share	It measured by market price of share divided by earnings per share

Source: Authors Compilation, 2023.

4. EMPIRICAL RESULTS

Table 1. Descriptive Analysis

	DPR	DY	RE	EY	MPS	PER
Mean	1.009403	0.498350	0.630761	4.405316	13.43890	9.931150
Median	0.458891	0.032438	0.802630	0.235475	8.354100	4.262487
Maximum	6.954261	8.284767	0.999212	187.9405	58.56000	156.1711
Minimum	0.002049	9.961005	-1.988621	0.006403	0.024800	0.005321
Std. Dev.	1.330765	1.380381	0.514219	23.28317	15.00781	20.02384
Skewness	2.385870	3.851613	-2.911893	7.279996	1.468378	5.810600
Kurtosis	9.128463	18.70310	12.69609	57.04325	4.278607	42.05284
Jarque-Bera	175.9554	892.2873	373.1311	9136.943	29.92316	4842.181

Probability	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Sum	70.65823	34.88452	44.15330	308.3721	940.7233	695.1805
Sum Sq. Dev.	122.1946	131.4762	18.24508	37405.31	15541.18	27665.85
Observations	70	70	70	70	70	70

Source: Authors Compilation, 2023.

The table 1 depicted the descriptive statistics used in the study. DPR (Dividend payout ratio) has a mean value of 1.00%, median value of 0.45% and standard deviation which is a variation from the mean value to be 1.33%. DY (Dividend yield) has a mean value of 0.49%, median value of 0.03% and Standard deviation which is a variation from the mean value to be 1.38%. RE (Retained earnings) has a mean value of 0.63%, median value of 0.80% and Standard deviation which is a variation from the mean value to 0.51%. EY (Earning yield) has a mean value of 4.40%, median value of 0.23% and standard deviation which is a variation from the mean value of 23.2%. MPS (Market price of share) has a mean value of 13.4%, median value of 8.35% and standard deviation which is a variation from the mean value to be 15.0%. PER (Price earnings ratio) has mean value of 9.93%, median value of 4.26% and standard deviation which is a variation from the mean value to be 20.0%. The minimum value and maximum value of the variable include the following: DPR (Dividend payout ratio) has a minimum value of 0.00 and maximum value of 6.95. DY (Dividend yield) has a minimum 9.96 and maximum value of 8.26. RE (Retained earnings) has a minimum value of -1.98 and maximum value of 0.99. EY (Earnings yield) has a minimum value 0.00 and maximum value of 187.9. MPS (Market price of share) has a minimum value 0.02 and maximum value of 58.5. PER (Price earnings ratio) has a minimum value 0.00 and maximum value of 156.1. The skewness in the variable include DPR (Dividend payout ratio) mirrors a long-tailed (positive skewness) at 2.38. DY (Dividend yield) mirrors long-tailed (positive skewness) at 3.85. RE (Retained earnings) mirrors a short-tailed (negative skewness) of -2.91. EY (Earnings yiled) mirror a long-tailed skewness at 7.27. MPS (Market price of share) mirrors a long-tailed (positive skewness) at 1.46 and PER (Price earnings ratio) mirrors a long-tailed (positive skewness) at 5.81. The Kurtosis in the variable include: DPR (Dividend payout ratio) is leptokutic at 9.12, since $(9.12 > 3)$. DY (Dividend yield) is leptokutic at 18.7, since $(18.7 > 3)$. RE (Retained earnings) is leptokutic at 12.6, since $(12.6 > 3)$. MPS (Market price of shares) is leptokutic at 4.27, since $(4.27 > 3)$. EY (Earnings yield) is leptokutic at 57.0, since $(57.0 > 3)$ and PER (Price earnings ratio) is leptokutic at 5.81, since $(42.0 > 3)$. The Jarque-Bera Statistics include: DPR (Dividend payout ratio) is 175.9 at 0.00 which is indicating the variable is not normally distributed. DY (Dividend yield) is 892.2 at 0.000 which is indicating the variable is not normally distributed. RE (Retained earnings) is 373.1 which is indicating the variable is not normally distributed 0.000. EY (Earning yield) is 913.9 which is indicating the variable is not normally distributed 0.00. MPS (Market Price of

Shares) is 29.9 which is indicating the variable is not normally distributed 0.0000. PER (Price earnings ratio) is 484.1 which is indicating the variable is not normally distributed 0.0000.

Table 2. Correlation Matrix

	DPR	DY	RE	EY	MPS	PER
DPR	1.000000					
DY	0.418883	1.000000				
RE	-0.135478	-0.172664	1.000000			
EY	-0.128177	0.028456	-0.441931	1.000000		
MPS	-0.096115	-0.285742	0.268463	-0.156450	1.000000	
PER	0.290628	-0.095377	0.193687	-0.093024	-0.019815	1.000000

Source: Authors Compilation, 2023

The table 2 depicts that DPR (Dividend payout ratio) has a positive relationship with PER (Price earnings ratio) at 0.29 and negative relationship with EY (Earning ratio) at -0.12 and MPS (Market price of shares) at -0.09. DY (Dividend yield) has positive relationship with EY (Earning yield) at 0.02 and negative relationship with MPS (Market price of shares) at -0.28 and PER (Price earnings ratio) at -0.09. RE (Retained earnings) has a positive relationship MPS (Market price of shares) at 0.26 and PER (Price earnings ratio) at 0.19 and negative relationship with EY (Earnings yield). To test for the presence of multicollinearity which relationship indication is at 0.81.

Table 3 Regression Analysis

Dependent variable: Retained Earnings (RE) (Dividend Irrelevance Model)

Variable	Pooled	Fixed	Random
C	0.5312 (0.000)	0.8967 (0.0002)	0.5300 (0.000)
MPS	0.0071 (0.0542)**	-0.0197 (0.2261)	0.0074 (0.1311)
PER	0.0041 (0.1342)	0.0013 (0.6260)	0.0028 (0.2839)
EY	-0.0087 (0.0005)*	-0.0030 (0.2122)	-0.0061 (0.0093)**
R ²	0.2617	0.6183	0.1535
Adjusted R ²	0.2281	0.4836	0.1150
Durbin Watson	1.0765	1.7782	1.2100
F-Statistics	7.8004	4.5905	3.9915

Prob (F-statistics)	0.0001	0.0000	0.0112
Hausman Test	0.9000		

$p < 0.05^*$; $p < 0.1^{**}$

The pooled regression results revealed that MPS (Market Price of Shares) has positive relationship with RE (Retained earnings) of selected firms in Nigeria and statistically significant to RE (Retained earnings), which implies that a percentage increase in MPS (Market Price of shares) will lead to 0.00 increase in RE (Retained earnings). PER (Price earnings ratio) has a positive relationship with RE (Retained earnings) of selected firms in Nigeria and statistically insignificant to RE (Retained earnings), which implies that a percentage increase PER (Price earnings ratio) will lead to 0.00 increase in RE (Retained earnings). EY (Earning yield) has a negative relationship with RE (Retained earnings) of selected firms in Nigeria and statistically significant to RE (Retained earnings), which implies that percentage increase EY (Earning yield) will lead to -0.00 decrease in RE (Retained earnings).

The coefficient of determination using adjusted R^2 shows that explanatory variable of MPS (Market Price of shares), PER (Price earnings ratio) and EY (Earnings yield) explained 26.17% percent variation in selected companies in Nigeria. That is 73.83% are explained by other variables not included in the model. The overall statistical level of the model depicts that the model is good for forecasting giving the F-statistics of 7.80 and its probability of 0.000. Since the p-value is less than 0.05, hence we conclude that the model is statistically significant and brings about the acceptance of the null hypothesis. This means that MPS (Market Price of shares), PER (Price earnings ratio) and EY (Earnings yield) have significant effect on companies in Nigeria.

The fixed regression results revealed that MPS (Market Price of Shares) has negative relationship with RE (Retained earnings) of selected firms in Nigeria and statistically insignificant to RE (Retained earnings), which implies that a percentage increase in MPS (Market Price of shares) will lead to -0.01 decrease in RE (Retained earnings). PER (Price earnings ratio) has a positive relationship with RE (Retained earnings) of selected firms in Nigeria and statistically insignificant to RE (Retained earnings), which implies that a percentage increase PER (Price earnings ratio) will lead to 0.00 increase in RE (Retained earnings). EY (Earning yield) has a negative relationship with RE (Retained earnings) of selected firms in Nigeria and statistically insignificant to RE (Retained earnings), which implies that percentage increase EY (Earning yield) will lead to -0.00 decrease in RE (Retained earnings).

The coefficient of determination using adjusted R^2 shows that explanatory variable of MPS (Market Price of shares), PER (Price earnings ratio) and EY (Earnings yield) explained 61.83% percent

variation in selected companies in Nigeria. That is 39.58% are explained by other variables not included in the model. The overall statistical level of the model depicts that the model is good for forecasting giving the F-statistics of 4.90 and its probability of 0.000. Since the p-value is less than 0.05, hence we conclude that the model is statistically significant and brings about the acceptance of the null hypothesis. This means that MPS (Market Price of shares), PER (Price earnings ratio) and EY (Earnings yield) have significant effect on companies in Nigeria.

The random effect model revealed that MPS (Market Price of Shares) has positive relationship with RE (Retained earnings) of selected firms in Nigeria and statistically insignificant to RE (Retained earnings), which implies that a percentage increase in MPS (Market Price of shares) will lead to 0.00 increase in RE (Retained earnings). PER (Price earnings ratio) has a positive relationship with RE (Retained earnings) of selected firms in Nigeria and statistically insignificant to RE (Retained earnings), which implies that a percentage increase PER (Price earnings ratio) will lead to 0.00 increase in RE (Retained earnings). EY (Earning yield) has a negative relationship with RE (Retained earnings) of selected firms in Nigeria and statistically significant to RE (Retained earnings), which implies that percentage increase EY (Earning yield) will lead to -0.00 decrease in RE (Retained earnings).

The coefficient of determination using adjusted R^2 shows that explanatory variable of MPS (Market Price of shares), PER (Price earnings ratio) and EY (Earnings yield) explained 15.35% percent variation in selected companies in Nigeria. That is 84.65% are explained by other variables not included in the model. The overall statistical level of the model depicts that the model is good for forecasting giving the F-statistics of 3.99 and its probability of 0.01. Since the p-value is less than 0.05, hence we conclude that the model is statistically significant and brings about the acceptance of the null hypothesis. This means that MPS (Market Price of shares), PER (Price earnings ratio) and EY (Earnings yield) have significant effect on companies in Nigeria.

Table 4 Regression analysis
Dependent variable: Dividend Payout Ratio (DPR) (Dividend Relevance Model)

Variable	Pooled	Fixed	Random
C	0.9866 (0.0001)	1.7057 (0.0020)	1.0207 (0.0322)
MPS	-0.0096 (0.3571)	-0.0668 (0.0835)**	-0.0168 (0.0093)*
PER	0.0184 (0.0206)*	0.0215 (0.0012)*	0.0228 (0.0002)*

EY	-0.0068 (0.0165)*	-0.0027 (0.6220)	-0.0026 (0.6164)
R²	0.5664	0.6862	0.5547
Adjusted R²	0.5458	0.5755	0.5381
Durbin Watson	1.1593	2.8110	1.1072
F-Statistics	2.6202	6.1972	5.3222
Prob (F-statistics)	0.0580	0.0000	0.0024
Hausman Test	0.7482		

p<0.05*; p<0.1**

The pooled regression model revealed that MPS (Market Price of Shares) has negative relationship with DPR (Dividend Payout ratio) of selected firms in Nigeria and statistically insignificant to DPR (Dividend Payout ratio), which implies that a percentage increase in MPS (Market Price of shares) will lead to -0.00 decrease in DPR (Dividend Payout ratio). PER (Price earnings ratio) has a positive relationship with DPR (Dividend Payout Ratio) of selected firms in Nigeria and statistically significant to DPR (Dividend Payout Ratio), which implies that a percentage increase PER (Price earnings ratio) will lead to 0.02 increase in DPR (Dividend Payout Ratio). EY (Earning yield) has a negative relationship with DPR (Dividend Payout Ratio) of selected firms in Nigeria and statistically significant to DPR (Dividend Payout Ratio), which implies that percentage increase EY (Earning yield) will lead to -0.00 decrease in DPR (Dividend Payout Ratio).

The coefficient of determination using adjusted R² shows that explanatory variable of MPS (Market Price of shares), PER (Price earnings ratio) and EY (Earnings yield) explained 56.64% percent variation in selected companies in Nigeria. That is 43.36% are explained by other variables not included in the model. The overall statistical level of the model depicts that the model is good for forecasting giving the F-statistics of 2.64 and its probability of 0.058. Since the p-value is higher than 0.05, hence we conclude that the model is statistically insignificant and brings about the rejection of the null hypothesis. This means that MPS (Market Price of shares), PER (Price earnings ratio) and EY (Earnings yield) have insignificant effect on companies in Nigeria.

The fixed effect model revealed that MPS (Market Price of Shares) has negative relationship with DPR (Dividend Payout ratio) of selected firms in Nigeria and statistically significant to DPR (Dividend Payout ratio), which implies that a percentage increase in MPS (Market Price of shares) will lead to -0.06 decrease in DPR (Dividend Payout ratio). PER (Price earnings ratio) has a positive relationship with DPR (Dividend Payout Ratio) of selected firms in Nigeria and statistically significant to DPR (Dividend Payout Ratio), which implies that a percentage increase PER (Price earnings ratio) will lead to 0.02 increase in DPR (Dividend Payout Ratio). EY (Earning yield) has a negative

relationship with DPR (Dividend Payout Ratio) of selected firms in Nigeria and statistically insignificant to DPR (Dividend Payout Ratio), which implies that percentage increase EY (Earning yield) will lead to -0.00 decrease in DPR (Dividend Payout Ratio).

The coefficient of determination using adjusted R^2 shows that explanatory variable of MPS (Market Price of shares), PER (Price earnings ratio) and EY (Earnings yield) explained 68.62% percent variation in selected companies in Nigeria. That is 31.38% are explained by other variables not included in the model. The overall statistical level of the model depicts that the model is good for forecasting giving the F-statistics of 6.19 and its probability of 0.000. Since the p-value is less than 0.05, hence we conclude that the model is statistically significant and brings about the acceptance of the null hypothesis. This means that MPS (Market Price of shares), PER (Price earnings ratio) and EY (Earnings yield) have significant effect on companies in Nigeria.

The random effect model revealed that MPS (Market Price of Shares) has negative relationship with DPR (Dividend Payout Ratio) of selected firms in Nigeria and statistically significant to DPR (Dividend Payout Ratio), which implies that a percentage increase in MPS (Market Price of shares) will lead to -0.01 decrease in DPR (Dividend Payout Ratio). PER (Price earnings ratio) has a positive relationship with DPR (Dividend Payment Ratio) of selected firms in Nigeria and statistically significant to DPR (Dividend Payout Ratio), which implies that a percentage increase PER (Price earnings ratio) will lead to 0.02 increase in DPR (Dividend Payout Ratio). EY (Earning yield) has a negative relationship with DPR (Dividend Payout Ratio) of selected firms in Nigeria and statistically insignificant to DPR (Dividend Payout Ratio), which implies that percentage increase EY (Earning yield) will lead to -0.00 decrease in DPR (Dividend Payout Ratio).

The coefficient of determination using adjusted R^2 shows that explanatory variable of MPS (Market Price of shares), PER (Price earnings ratio) and EY (Earnings yield) explained 55.47% percent variation in selected companies in Nigeria. That is 44.53% are explained by other variables not included in the model. The overall statistical level of the model depicts that the model is good for forecasting giving the F-statistics of 5.32 and its probability of 0.00. Since the p-value is less than 0.05, hence we conclude that the model is statistically significant and brings about the acceptance of the null hypothesis. This means that MPS (Market Price of shares), PER (Price earnings ratio) and EY (Earnings yield) have significant effect on companies in Nigeria.

5. SUMMARY, CONCLUSION AND RECOMMENDATION

However, findings revealed that MPS (Market price of share) and PER (Price earnings ratio) has a positive insignificant effect on RE (Retained Earnings) while EY (Earnings yield) has a negative significant effect on retained earnings which is consistent with the study of Lubis, et al, (2024) that

just showed that retained earnings has a positive relationship with firm performance, but inconsistent with Olubiyi, (2023). It is concluded that retained can only influence the yield or profit component of the firm after negating the ideology of divided payment at the end of a calendar year. The findings revealed that MPS (Market price of share) and PER (Price earnings ratio) has a negative and positive significant effect on DPR (Dividend payout ratio) while EY (Earnings yield) has a negative insignificant effect on DPR (Dividend payout ratio) which is consistent Amimakmur, et al, (2024), but inconsistent with Sholikhah, et al (2023). It could be concluded divided payment decision by the organization would aid to improve the valuation on the market due to the fact the investors will see the return on their investment in terms of the gains they enjoy on their stock in companies rather than only seeing the increase in term capitalization growth. The findings revealed PER (Price earnings ratio) and EY (Earnings Yield) has a negative significant effect on DY (Dividend yield) while the MPS (Market Price of Shares) has negative insignificant effect on DY (Dividend yield) which is consistent with Njoku and Lee (2024), but inconsistent with Ukpong and Ukpe (2023). Based on the findings of the both theory and postulation they equally have the tendency to determine firm valuation. The result for the dividend irrelevance model illustrated that retained earnings could be essential to stimulate how much percentage a company could earn in terms of earning per share while the dividend relevance model showed that sharing dividend at the end of any calendar year have the capacity to determine period valuation of shares on the stock market and dollar investment of a particular share.

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