

Effect of Dividend Payout Ratio and Dividend Per Share on Stock Price Performance on Listed Consumer Goods Firms in Nigeria

Preye Cynthia Ochanya; Musa Jibrin Success; Dr. Odiba Paul Simon

Student¹, Supervisor², Co-Supervisor³

^{1,2,3} Accounting Department, Veritas University Abuja.

Publication Date: 2026/07/28

Abstract: This study examined the effect of dividend payout ratio and dividend per share on the stock price performance of listed consumer goods firms in Nigeria. The study employed secondary data obtained from published annual reports of selected firms covering the period 2020–2025. Dividend policy was proxied by dividend payout ratio (DPR) and dividend per share (DPS), while stock price performance was measured using market capitalization (MC). The data were analyzed using descriptive statistics, correlation analysis, Hausman test, and fixed effects regression model. The descriptive analysis revealed significant variability in dividend policy variables, including periods of zero dividend payments. Correlation results indicated positive relationships among the variables, with a strong association between DPS and DPR. The Hausman test supported the use of the fixed effects model. Regression results showed that DPS ($\beta = 1.53E+09$, $p < .05$) had a positive and significant effect on market capitalization, while DPR ($\beta = -3.45E+08$, $p > .05$) had a negative and insignificant effect. The overall model was statistically significant ($F = 25.92$, $p < .001$), with an R^2 of 0.878, indicating that the explanatory variables accounted for a substantial proportion of the variation in stock price performance. The findings indicated that dividend per share plays a more significant role in influencing stock price performance than dividend payout ratio among listed consumer goods firms in Nigeria. The study recommended that firms should maintain stable and attractive dividend per share to enhance market value and investor confidence.

Keywords: Dividend Policy, Dividend Per Share (DPS), Dividend Payout Ratio (DPR), Market Capitalization (MC), Stock Price Performance.

How to Cite: Preye Cynthia Ochanya; Musa Jibrin Success; Dr. Odiba Paul Simon (2026) Effect of Dividend Payout Ratio and Dividend Per Share on Stock Price Performance on Listed Consumer Goods Firms in Nigeria.

International Journal of Innovative Science and Research Technology, 11(7), 1592-1602. <https://doi.org/10.38124/ijisrt/26jul924>

I. INTRODUCTION

Traditionally, there are three fundamental decisions the managers of companies make with a view to impacting positively on their market value. These decisions include an investment, financing and dividend decisions. Dividend decision involves the determination of the appropriate percentage of the company's earning to earmark for the dividend payment to investors and amount to retain within the company for future expansion (Uwuigbe, Olowe & Agu, 2012). These decisions were conceptualized and worked out with intent to maximize the wealth of the shareholders. It is expected that the decision to pay a certain percentage of earnings as

dividend must be favourably compared with the opportunity cost of retained earnings (Pandey, 2005).

An overview of dividend payout pattern shows that profitable mature firms pay higher dividend than younger rapidly growing ones. For instance, the British firms have the highest payouts in the industrialized world. North America companies have higher payouts in the industrialized world. North America companies have higher payouts than the Western European or Japanese companies. This is simply because the former use capital market for financing while the latter use intermediated financing. In contrast, France with

strong socialist traditions and Italy with long state intervention tend to discourage dividend payment (Amadasu, 2011).

Moreover, companies in developing countries like, Nigeria have low dividend payout if they perhaps pay at all. Consequently, this study's scope is narrowed down to listed industrial goods firms in Nigeria. The problem of this study is that answers regarding the effect of dividend payout and Dividend per share on stock price of listed industrial goods firms in Nigeria have not been sufficient in theoretical and empirical literature. Establishing the effect of Dividend payout and Dividend per share on stock price of listed industrial goods firms in Nigeria has become paramount thus, The researchers adopted (2) two variables for the analysis since there were many conflicting findings on the subject matter over the years which necessitated the need to carry out a research on the subject matter using new data of Nigeria Exchange group (NSE). The variables employed are as follows: Dividend Payout Ratio (DPR); Dividend Per Share (DPS) and share price (Market Capitalization).

The following research questions are posed in order to achieve the objectives of the study:

- To what extent does Dividend Payout Ratio (DPR) have effect on the stock price of listed industrial goods firms in Nigeria?
- Does Dividend Per Share (DPS) have any effect on the stock price of listed industrial goods firms in Nigeria?

However, this research is to determine the effect of dividend payout and Dividend per share on stock price of listed industrial goods firms in Nigeria using more recent data of Nigeria Exchange Group. It is an attempt to fill the gap by empirically investigating the effect of dividend payout and dividend per share on stock price of listed industrial goods firms in Nigeria.

➤ Objectives:

This work aimed to actualize the following objectives

- To ascertain the effect of Dividend Payout Ratio (DPR) on stock price of listed industrial goods firms in Nigeria.
- To determine the effect of Dividend per share on the stock price of listed industrial goods firms in Nigeria.

➤ Hypothesis:

The study was guided by the following hypotheses

- Dividend payout ratio (DPR) has no significant effect on stock price (market capitalization) of listed consumer goods firms in Nigeria.
- Dividend per share (DPS) has no significant effect on stock price (market capitalization) of listed consumer goods firms in Nigeria.

II. LITERATURE REVIEWS

This literature review consists of three frameworks: conceptual, theoretical and empirical. Attempt was made to clarify some concepts, give theoretical reinforcement to the study as well as ascertain the gap from which a statement of the research problem has been derived.

➤ Conceptual Review

• Dividend Payout

Udoka, John, and Orok, (2022). Defines Dividend Payout as the proportion of a company's earnings that is distributed to shareholders in the form of dividends. It can be expressed as a percentage of the company's net income and reflects the company's policy on how much profit is retained for growth and how much is returned to shareholders. According to Azende and Apebo (2021), dividend pay-out is a financial term that describes the amount of money a company pays its shareholders in dividends relative to its total earnings. This metric is crucial for investors as it indicates the company's commitment to sharing profits with its shareholders and provides insights into the company's financial strategy and stability. The Dividend Payout is the percentage of a company's net income that is distributed to shareholders in the form of dividends. This ratio helps investors assess the sustainability of a company's dividend payments and understand how much of its earnings are being reinvested into the business versus paid out as dividends. This study measures dividend payout using the dividend payout ratio. The formula involves dividing total dividends by net income. Azende and Apebo (2021), describe the Dividend Payout Ratio as the ratio of dividends paid to common shareholders to the net income available to common shareholders. The calculation involves dividing total dividends by earnings available for common stockholders.

Farrukh, et al, (2024) defines Dividend Payout Ratio as the fraction of earnings distributed to shareholders in the form of dividends. It is the method used by a company to pay out dividends. The ratio is calculated by dividing total dividends by the firm's net income.

The implication of dividend payout on companies is however complex. A high dividend payout policy means more current dividends and less retained earnings, which may consequently result in slower growth and perhaps lower market price per share. Low payout policy means less current dividends, more retained earnings and higher capital gains. Therefore, it is plausible that some investors will prefer high-payout companies while others may prefer low-payout companies. It is important to note that paying dividends involves outflows of cash; the cash accountable for the payment of dividend is affected by the companies' investment and financial decision.

The issue of dividend payout is a very crucial matter in the current business environment and more especially on the performance evaluation of firms. Individuals invest in firms or companies mainly because they expect some returns from the later. A dividend is a payment by a corporation to its shareholders, usually as a distribution of profit. When a corporation earns a profit or surplus, the corporation is able to re-invest the profit in the business (retained earnings) and pay a proportion of the profit as a dividend to shareholders. Distribution to shareholders may be in cash (usually a deposit into a bank account) or, if the corporation has a dividend reinvestment plan, the amount can be paid by the issue of further shares or share repurchase.

When dividends are paid, shareholders typically must pay income taxes, and the corporation does not receive a corporate income tax deduction for the dividend payments. More so, dividend payout is the regulations and guidelines that a company uses to decide whether to make dividend payments to shareholders or not. Companies come into existence with an aim to maximize the wealth of their shareholders and the value of the company as a whole. The dividend payment decisions of firms are the primary element of any corporate policy which is basically the benefits of shareholders in return for investing their money in that particular organization.

A dividend policy is expected to lead higher share prices because of the greater confidence of investors about the future prospects of the company. Enhancing shareholders' wealth and profit making are among the major objectives of a firm (Pandey, 2003). The dividend payout ratio measures the percentage of net income that is distributed to shareholders in the form of dividends during the year. In other words, this ratio shows the portion of profits the company decides to keep funding operations and the portion of profits that is given to its shareholders. Investors are particularly interested in the dividend payout ratio because they want to know if companies are paying out a reasonable portion of net income to investors. For instance, most startup companies and tech companies rarely give dividends at all (Benartzi et al., 2017).

The dividend payout of firms is not only the source of cash flow to the shareholders but it also serves as informant to shareholders, regulatory agencies, potential investors and government about the information relating to firm's current and future performance. Hashemijoo et al. (2012), sees dividend policy as a company's policy which determines the amount of dividend payments and the amounts of retained earnings for reinvesting in new projects. The philosophy of dividend is that the investors would not want any dividend less than the expected except they have the conviction that the investment to which the retained earnings are committed would yield returns over and above what they could be opportune to elsewhere.

Dividend payout is the amount of cash that a company sends to its shareholders in the forms of dividends. The

company can decide to send all the profits back to its shareholders or investors, or could keep a portion of it as retained earnings. Healthy dividends payouts thus indicate that companies are generating real earnings (Barron, 2022). A dividend is a distribution from a firm to its investors (Welch, 2019). Dividend payout ratio is the fraction of net income a firm pays to its stockholders in dividends. The part of the earnings not paid to investors is left for investment to provide for future earnings growth. Dividends are the distribution of a company's gains over a fixed period of time to shareholders (Brigham & Houston, 2018).

- *Dividend Per Share*

Brigham and Houston, (2021), define Dividend Per Share as the total dividend payments made by a company divided by the total number of outstanding shares. According to Sari, Pratama, and Wijaya, (2023). Dividend Per Share is the aggregate dividends distributed by a company divided by the total number of outstanding shares. Umaru et al (2022), describe Dividend Per Share as the ratio of total dividends paid to common shareholders to the number of common shares outstanding. Brealey and Allen, (2014) define Dividend Per Share as the total dividends declared by a company divided by the weighted average number of outstanding shares during a specific period. All four authors employ a consistent measure for Dividend Per Share, calculating it as the total dividends declared or paid by a company divided by the relevant measure of outstanding shares. This measure provides a per-share perspective on the dividends distributed, allowing investors to evaluate the cash or stock return on their investment in a more granular manner. A higher DPS indicates a more generous dividend distribution, while a lower DPS may suggest a more conservative dividend policy or reinvestment of earnings into the business. Dividend per share (DPS) is a financial metric that measures the amount of dividend that a company pays to each of its common shareholders. It indicates the profitability and financial health of the company, as well as the return on investment for the shareholders. Different dividend per share values can reflect different dividend policies and earnings levels of the company, as well as the number of shares outstanding. This study measures dividend per share using the dividend per share ratio. The Dividend Per Share (DPS) ratio is a financial indicator that quantifies the dividend amount paid on each share of a company's stock over a given period, typically one year. This ratio is important for investors seeking income from their investments, as it reflects the company's dividend paying capacity and its policy regarding the distribution of profits to shareholders. It is calculated as total dividend/number of issued.

- *Market Price per Share (SP)*

Market Price per Share (SP): According to Walter (1980), the market value of a company is used to classify it as mature, growing, or decreasing. Gordon's 1963 growth model was used to calculate market price per share.

Concept of Share Price. The market or share price of any entity refers to the value per share of the entity at the end of each trading day. While the market prices change during any trading day, the price at the close of trading on any particular day represents the price at the end of that day (Nigerian Exchange, 2021). From a total value perspective, when the value per share is multiplied by the number of outstanding shares at any particular period, it gives the Market capitalization.

➤ *Theoretical Framework*

• *Dividend Relevance Theory*

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

The Dividend Relevance Theory, first put forward by Miller and Modigliani, (1961), Claims that dividend policy does impact stock prices and firm value in real-world settings. It aims to explain the link between dividend policy and a firm's financial performance. This review evaluates the theory's basic assumptions, arguments for and against it, all in relation to the effect of dividend policy on the financial performance of listed industrial goods firms in Nigeria. The Dividend Relevance Theory rests on several assumptions. Firstly, it assumes that investors view dividends as the main source of income from their investments, preferring current income over future capital gains. Secondly, the theory assumes that managers and shareholders have asymmetric information, leading to the belief that dividends signal a firm's financial strength and profitability. Lastly, the theory assumes that capital markets are efficient, allowing investors to reinvest dividend income at a similar rate of return as the firm. Rozeff, M. S. (1982), contend that dividends are crucial in determining a firm's financial performance. Firstly, dividends offer a stable and predictable income stream for investors, which can attract shareholders and keep stock price stable. Secondly, dividends can be a sign of a firm's profitability and growth potential, as companies that pay dividends regularly are likely to have stable and solid financial foundations. Finally, supporters argue that keeping a dividend

policy enables firms to avoid unproductive investment opportunities and concentrate on projects with higher returns, possibly leading to improved financial performance. Ngwoke and Hubs (2021), propose that dividend policy has no significant effect on a firm's financial performance. Firstly, they argue that investors care more about a firm's overall financial health, growth potential, and future profits than the amount or timing of dividend payments. Secondly, critics suggest that dividend payments may restrict a firm's ability to invest in profitable opportunities, potentially hampering long-term growth and profitability. Lastly, opponents point out the existence of dividend tax penalties, which may deter investors from considering dividends as a major income source. The dividend relevance theory is the theoretical framework that underpins this research work as it seeks to explain the preference of shareholders for dividend payment as return for their investment in shares.

• *Signaling Theory*

Signaling theory, originating from economics and contract theory, investigates how entities utilize signals to transmit credible information, particularly in situations where there are disparities in knowledge or information. This theory is highly relevant when analyzing the Effect of Dividend Per share and payout on Financial Performance of Listed Industrial Goods Firms in Nigeria. Michael Spence is a key proponent of signaling theory, known for his publication in 1973 on the job-market signaling model. Gordon, (1959). proposed that individuals signal their abilities to prospective employers through education credentials, under the assumption that these signals correlate with higher levels of skill and capability (Gordon, 1959). His model elucidates how signals can mitigate information asymmetry between job seekers and employers, thereby influencing hiring decisions based on perceived abilities. This principle extends signaling theory beyond economics into evolutionary biology, demonstrating the widespread applicability of signaling mechanisms in conveying valuable information. Signaling theory operates on fundamental assumptions: firstly, that there exists asymmetric information in economic transactions where one party possesses information that the other lacks; secondly, that signaling involves the transmission of signals to convey pertinent aspects of quality or intentions; and thirdly, that recipients interpret these signals and adjust their behavior accordingly. Advocates of signaling theory argue its efficacy on several fronts. It enhances resource allocation efficiency by reducing information asymmetries, fosters credibility and trust between parties through honest signals and confers a competitive advantage by allowing differentiation based on perceived qualities or intentions (Gordon, 1959).

➤ *Empirical Review*

Ayudia, Ariesa, and Wiliam (2024), studied the effect of dividend policy and capital structure on firm value on companies listed in the Jakarta Islamic Index. The variables used in this study are dividend policy, capital structure, firm

value, and corporate social responsibility. The proxies for the variables are dividend payout ratio, debt to equity ratio, Tobin's Q, and corporate social responsibility index respectively. The type of data used in this study is secondary data obtained from the Indonesia Stock Exchange and the Indonesian Capital Market Directory. The population of this study consists of companies listed on the Jakarta Islamic Index for the 2019-2021 period. The sample is selected using purposive sampling technique, resulting in 41 companies with 123 observations. The research design used in this study is the causal design method, which aims to test the causal relationship between the independent and dependent variables. The tools of analysis used in this study are panel data analysis using the E-views program. The panel data analysis consists of descriptive statistics, classical assumption tests, model selection tests, hypothesis testing, and moderation analysis. The study found that dividend policy has a positive and insignificant effect on firm value. The study concluded that dividend policy is not significant in determining firm value. The recommendations of this study are that companies should consider the optimal level of dividend payout to maximize their firm value, and that companies should also implement corporate social responsibility activities to enhance their reputation and social performance.

The study by Njoku and Lee (2024), examined the effect of dividend policy on firm performance and value in the Korean market, using a sample of 100 listed firms from 2010 to 2019. The authors use dividend payout ratio and dividend yield as proxies for dividend policy, and return on assets, return on equity, and Tobin's Q as proxies for firm performance and value. The study employs secondary data from the Korea Exchange and the Korea Information Service. The authors use panel data regression analysis and Granger causality test for analysis. The main findings of the study are that dividend policy has a positive and significant impact on firm performance and value, and that there is a bidirectional causal relationship between dividend policy and firm performance and value. The study conclude that dividend policy is an important determinant of firm performance and value in the Korean market, and recommend that managers and investors should consider the dividend policy when making decisions. The study also contributes to the literature by providing empirical evidence from an emerging market with different institutional and regulatory settings than developed markets. A research gap observed in the study is that it focuses only on Korea and as such the applicability of its findings to the Nigerian industrial goods sector is adversely affected. Therefore, this study will focus on the Nigerian industrial goods sector to fill this gap.

Ukpong and Ukpe (2023), examined the effect of dividend policy on firm performance in Nigeria for the period 2015 to 2019. The specific objectives were to analyze the effect of the form of dividend payment, the timing of dividend payment, and the earnings per share on the performance of Nigerian companies. The dependent variable of the study was firm performance, measured by return on assets (ROA). The

independent variables were dividend policy indicators, measured by form of dividend payment (FDP), timing of dividend payment (TDP), and earnings per share (EPS). The study used secondary data obtained from the annual financial reports of consumer product and service firms listed on the Nigerian stock exchange. The population of the study consisted of all listed consumer and service firms on the Nigerian stock exchange. The study used purposive sampling to select 10 firms for the analysis. The study found that ROA had a positive relationship with form of dividend payment, but negative relationships with earnings per share and timing of dividend payment. The study also found that there was no significant positive effect of the form of dividend payment, timing of dividend payment, and earnings per share on the performance of Nigerian companies. The study concluded that dividend policy did not have a significant impact on firm performance in Nigeria. The study recommended that firms should invest in profitable assets that will yield higher returns in the future and attract investments. The study has a limited and out-dated time scope, which may reduce the generalizability and reliability of the findings. This study will rely on the most recent time scope to fill the observed research gap. Sari, et al (2023), analyzed the effect of capital structure, profitability, and dividend policy on firm value for companies listed on the LQ45 index of the Indonesia Stock Exchange in 2017–2021. The study used panel data regression techniques to test their hypotheses. The variables used were debt to equity ratio (DER), return on equity (ROE), dividend payout ratio (DPR), and price to book value (PBV). The study used secondary data from the companies' financial reports and stock prices. The population of the study was all 45 companies in the LQ45 index, but the sample was selected using purposive sampling to obtain 13 companies that met the criteria. The study found that dividend policy had no significant effect on firm value. The paper concluded that profitability was the most important factor influencing firm value, and suggested that managers should optimize their capital structure and dividend policy to enhance shareholder value. The study also contributed to the literature by providing consistent findings on the relationship between capital structure, profitability, dividend policy, and firm value in the Indonesian context. The study used a relatively short and outdated time period, which may limit the generalizability and robustness of the results. Therefore, the study will leverage on a longer and more recent time to fill the research gap observed.

Buti, and Wiyarni, (2023), examined the effect of financial performance on firm value, with dividend policy as a moderating variable, in manufacturing companies listed on the Indonesia Stock Exchange from 2016 to 2020. The research utilized a regression analysis method with SPSS to analyze data from a purposive sample of 38 companies out of a population of 195. Financial performance was measured by liquidity (Cash Ratio), leverage (Debt to Equity Ratio), and profitability (Return on Equity), while firm value was measured by Tobin's Q, and dividend policy by Dividend Payout Ratio. The study found that liquidity and leverage did not significantly affect

firm value, and dividend policy did not moderate this effect. However, profitability showed a significant positive impact on firm value. The authors concluded that profitability is a key determinant of firm value and recommended that companies focus on improving profitability. The study presents a geographical research gap as it does not include Nigerian companies, and a time gap since the time scope does not extend beyond 2020. This study will fill the gap by focusing on Nigerian firms over a more recent time scope.

Olaoye, and Olaniyan (2022), investigated the effect of dividend policy on firm performance of listed consumer goods companies in Nigeria exchange group. Dividend policy (dependent variable), return on assets, retained earnings, and debt on equity (independent variables) are the variables used in the study. Secondary data from the annual reports of eight consumer goods firms from 2010 to 2020 were used to represent the variables of interest. The study's population included eighteen consumer goods firms listed on the Nigerian Stock Exchange as of March 5, 2021. Eight consumer goods firms were selected as the study sample by random sampling techniques. Ex post facto quantitative research design was also employed for the study. The study covered a time scope of eleven years that span from 2010 to 2020. Descriptive statistics, granger causality test, cointegration test, unit root test, and panel data regression were all statistical tools employed by the study to carry out relevant analysis. The study found that dividend pay-out has a positive and significant relationship with return on assets and retained earnings, and a negative and significant relationship with debt on equity. The study concluded that performance has a significant impact on the dividend policy of listed consumer goods companies in Nigeria. The study recommends that consumer goods companies should increase the dividends paid to their shareholders to boost their profitability, consider the factors of profitability, retained earnings, and debt to equity ratio when deciding on dividend distribution, and focus on improving their profit margin and fundamentals. The study could be improved by addressing some limitations, such as the small sample size, the use of only one measure of dividend policy and heterogeneity issues in the panel data regression.

Umaru, et al (2022), investigated the influence of dividend policy on the financial performance of selected quoted firms in Nigeria. The study specifically focuses on assessing the impact of earnings per share (EPS) and dividend per share (DPS) on the financial performance, measured by return on equity (ROE), of these selected firms. Additionally, firm size, determined by the natural log of total assets, serves as a control variable. The secondary data for the study is sourced from the annual reports and financial statements of ten firms in the consumer goods, industrial goods, and conglomerate sectors listed on the Nigerian Stock Exchange as of December 31, 2020. The study

employed a correlation research design, the study utilizes panel data analysis, ordinary least squares (OLS) method, Pearson correlation, and t-test statistics for data analysis, while also testing for normality, multicollinearity, and autocorrelation of the data. The findings reveal that both EPS and DPS positively and significantly impact ROE, indicating the relevance of dividend policy in influencing the financial performance of quoted selected firms in Nigeria. The study recommended that firms adopt optimal dividend policies balancing dividends and retained earnings for future growth, consider shareholder preferences, monitor earnings and dividend patterns for consistency, and enhance profitability and liquidity to attract more investors. The time scope covered by the research can no longer be considered current for research purposes due to recent developments since the completion of the study in 2022. Therefore, this study relies on more recent data from the Nigerian industrial goods sector to fill the observed research gap.

III. RESEARCH METHODS

The study used the ex post facto research design to construct the research model. The population of this study consist of the entire 13 listed Industrial goods firm in Nigeria. However, the sample size consists of 10 of the listed firms. The purposeful sampling technique was used in order to forge a study sample that is representative of the industrial goods sector in Nigeria. In this investigation, the study will employ pre-existing secondary data to examine the subject matter. The study scrutinized annual data spanning from 2020 to 2025, obtained from a selected set of companies included in the selected sample.

This study used descriptive statistics, variance inflation factors, hausman specification tests, likelihood ratio tests, correlation, and panel regression analysis methods. The data analysis was done with the E-view Statistics software, and regression analysis was the main tool for testing the hypotheses.

The analysis follows this model, which was based on [20], to study the data:

$$MC_{it} = \beta_0 + \beta_1 DPS_{it} + \beta_2 DPR_{it} + \epsilon_{it} \quad \text{..... (i)}$$

Where: MC= Market Capitalization

DPS= Dividend Per Share Ratio

DPR = Dividend Pay-out Ratio

ϵ_{it} = The aproir expectation of the study is that an increase in dividend payout rates and Dividend per share will lead to an increase in the stock price of sampled enterprises.

Table 1: Variables Measurement

VARIABLE NAME	VARIABLE MEANING	VARIABLE MEASUREMENT	SOURCES
DEPENDENT VARIABLE			
SP	Stock price (Market Capitalization)	Total Dividend/Cost of Cost of Equity	Onakoya, Afintinni & Ogundajo (2022)
INDEPENDENT VARIABLES			
DPS	Dividend Per Share	Total Amount of Dividend Declared / Number of Ordinary share Issued	Umaru, Abubakar, Olumuyiwa, and Olumuyiwa, (2022).
DPR	Dividend Payout Ratio	Total Amount of Dividend Paid / Profit After Tax $\times 100/1$ OR Dividend Per Share/ Earning Per Share	Ayudia, Ariesa, and Wiliam, (2024).

Source: Researcher Compilation, (2026)

IV. RESULTS AND DISCUSSION

Table 2: Descriptive Statistics

Statistic	MC	DPS	DPR
Mean	4.00E+11	7.405833	35.59583
Median	2.36E+11	0.080000	13.50000
Maximum	1.55E+12	61.50000	122.3000
Minimum	1.60E+10	0.000000	0.000000
Std. Dev.	4.50E+11	19.42730	41.10325
Skewness	1.179761	2.303178	0.616555
Kurtosis	3.288566	6.374403	1.980000
Jarque-Bera	5.650617	32.60511	2.560960
Probability	0.059290	0.000000	0.277904

Source: Researcher's Eviews Computation (2026)

Table 2 presented the descriptive statistics for Market Capitalization (MC), Dividend Per Share (DPS), and Dividend Payout Ratio (DPR) of listed consumer goods firms in Nigeria.

MC recorded a mean value of ₦4.00E+11 with a standard deviation of ₦4.50E+11, indicating wide variation in firm values. The values ranged from ₦1.60E+10 to ₦1.55E+12. The skewness (1.18) showed a right-skewed distribution, while the kurtosis (3.29) suggested slight leptokurtic behaviour. The Jarque-Bera probability (0.059) indicated that MC was approximately normally distributed. DPS had a mean of 7.41 and a standard deviation of 19.43, showing high variability in dividend payments. The minimum value of 0.00 indicated that some firms did not pay dividends, while the maximum of 61.50 reflected high payouts in some periods. The skewness (2.30) and kurtosis (6.37) showed a highly skewed and leptokurtic distribution. The Jarque-Bera probability (0.000) confirmed that DPS was not normally distributed.

DPR recorded a mean of 35.60 with a standard deviation of 41.10, indicating fluctuations in payout decisions. The values ranged from 0.00 to 122.30, suggesting that some firms paid dividends above earnings. The skewness (0.62) indicated moderate positive skewness, while the kurtosis (1.98) suggested a platykurtic distribution. The Jarque-Bera probability (0.278) showed that DPR was normally distributed. The results indicated variability in market values and dividend policies among the firms, with irregular dividend payments and differences in payout behaviour across the period.

Table 3: Correlation Analysis

	MC	DPS	DPR
MC	1.000000	1.000000	
DPS	0.212766	0.953540	
DPR	0.138787		1.000000

Source: Researcher's Eviews Computation (2026)

Table 3 presented the Spearman rank-order correlation coefficients among Market Capitalization (MC), Dividend Per Share (DPS), and Dividend Payout Ratio (DPR). The result showed that MC had a weak positive relationship with DPS ($r = 0.213$) and DPR ($r = 0.139$), indicating that increases in dividend per share and payout ratio were associated with slight increases in market capitalization. The relationship between DPS and DPR was very strong and positive ($r = 0.954$), indicating that firms with higher dividend per share also tends to record higher payout ratios. The correlation analysis indicated positive associations among the variables. However, the very high correlation between DPS and DPR suggested the possibility of multicollinearity, which should be taken into account in the regression analysis.

Table 4: Hausman Test for Cross-Sectional Random Effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	70.574661	2	0.0000

Source: Researcher's Eviews Computation (2026)

Table 4: The Hausman Test for Cross-Sectional Random Effects results showed a Chi-Sq. Statistic of 70.5747 with 2 degrees of freedom and a p-value of 0.0000. The null hypothesis of the Hausman test states that the random effects model is appropriate, while the alternative hypothesis suggests that the fixed effects model is more suitable. Since the p-value is less than 0.05, the null hypothesis is rejected. This indicated that there was a significant difference between the fixed effects and random effects models, implying that the fixed effects model was more appropriate for the analysis. The result suggested that the individual-specific effects were correlated with the explanatory variables, making the random effects model inconsistent. Based on this outcome, the Fixed Effects Model was adopted for the analysis of the panel data, as it provided more reliable and consistent estimates for the listed consumer goods firms.

Table 5: Heteroskedasticity Test (Breusch–Pagan–Godfrey)

Test	Statistic	Probability
F-statistic	0.8617	0.4368
Obs*R-squared (LM)	1.8202	0.4025

Source: Researcher's Eviews Computation (2026)

Table 5: The Breusch–Pagan heteroskedasticity test produced an LM statistic of 1.8202 with a probability value of 0.4025. The corresponding F-statistic was 0.8617 with a probability value of 0.4368. Since both probability values were greater than the 5 percent level of significance, the null hypothesis of homoskedasticity was not rejected. This indicated that the residuals had constant variance and there was no evidence of heteroskedasticity in the regression model. The result suggests that the estimated relationship between Dividend Payout Ratio (DPR), Dividend Per Share (DPS), and stock price performance measured by Market Capitalization (MC) of the selected listed consumer goods firms in Nigeria was not affected by heteroskedasticity. Consequently, the estimated coefficients and their corresponding statistical tests are considered reliable and appropriate for drawing valid conclusions regarding the impact of dividend payout ratio and dividend per share on the stock price performance of the sampled firms.

➤ Regression Model Estimates

Table 6: Fixed Effects Model Coefficients (Dependent Variable = MC)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.01E+11	4.97E+10	8.063158	0.0000
DPS	1.53E+09	3.53E+09	0.431850	0.0417
DPR	-3.45E+08	1.32E+09	-0.261175	0.7969

 $R^2 = 0.878$; $\text{Adj-}R^2 = 0.844$; $F\text{-statistic} = 25.92167$ ($p = 0.000000 < 0.05$)

Table 6: presented the results of the fixed effects regression model with Market Capitalization (MC) as the dependent variable. The model explained about 87.8% of the variation in MC, while the adjusted R^2 of 84.4% indicated a high explanatory power after adjusting for degrees of freedom. The entire model was statistically significant, as shown by the F-statistic (25.92) with a probability value of 0.0000, indicating that the explanatory variables jointly influenced market capitalization. The coefficient of Dividend Per Share (DPS) was positive and statistically significant ($\beta = 1.53E+09$, $p = 0.0417$). This indicated that an increase in dividend per share led to an increase in market capitalization. The result suggested that firms that paid higher dividends per share tended to experience higher market valuation. On the other hand, Dividend Payout Ratio (DPR) had a negative and statistically insignificant effect on MC ($\beta = -3.45E+08$, $p = 0.7969$). This indicated that changes in payout ratio did not significantly influence market capitalization during the period under study. The results showed that while dividend per share contributed positively to stock price performance, dividend payout ratio did not exert a meaningful effect on market valuation of listed consumer goods firms in Nigeria.

➤ *Test of Hypothesis*

The hypotheses of this study were tested using the t-statistics of the individual variable coefficients.

• *Hypothesis One (H_{01})*

Dividend payout ratio (DPR) has no significant effect on stock price (market capitalization) of listed consumer goods firms in Nigeria.

The result in Table 4.4 showed that dividend payout ratio (DPR) had a negative and statistically insignificant relationship with market capitalization ($\beta = -3.45E+08$, $t = -0.261$, $p = 0.7969 > 0.05$). Since the p-value was greater than the 5% level of significance, the null hypothesis was not rejected. This implied that dividend payout ratio did not have a significant effect on the stock price of listed consumer goods firms in Nigeria.

• *Hypothesis Two (H_{02})*

Dividend per share (DPS) has no significant effect on stock price (market capitalization) of listed consumer goods firms in Nigeria.

The regression result showed that dividend per share (DPS) had a positive and statistically significant effect on market capitalization ($\beta = 1.53E+09$, $t = 0.432$, $p = 0.0417 < 0.05$). Since the p-value was less than the 5% significance level, the null hypothesis was rejected. This indicated that dividend per share had a significant positive effect on stock price, suggesting that firms that paid higher dividends per share experienced higher market valuation.

V. DISCUSSION OF FINDINGS

The study examined the effect of dividend policy on stock price performance of listed consumer goods firms in Nigeria, with market capitalization (MC) serving as the dependent variable. Dividend policy was proxied by dividend payout ratio (DPR) and dividend per share (DPS). The findings showed varying effects across the variables, reflecting both theoretical expectations and empirical evidence.

The result for dividend payout ratio (DPR) showed a negative and statistically insignificant effect on market capitalization. This indicated that the proportion of earnings distributed as dividends did not significantly influence stock price performance. This outcome is consistent with the Dividend Irrelevance Theory as proposed by Merton Miller and Franco Modigliani, which argues that dividend policy does not affect firm value under certain conditions. It also aligns with the findings of Sari Pratama Wijaya (2023) and Ayudia Ariesa Wiliam (2024), who reported that dividend policy does not significantly influence firm value.

The analysis further revealed that dividend per share (DPS) had a positive and statistically significant effect on market capitalization. This implied that the actual dividend received by shareholders played a significant role in influencing stock price performance. This finding supports the Dividend Relevance Theory as developed by Myron Gordon (1963) and James Walter (1956), which suggests that investors prefer current dividends to uncertain future gains. It is also consistent with Signaling Theory as introduced by Michael Spence (1973), which posits that dividend payments signal firm strength and future profitability. Empirical evidence from Umaru Abubakar Olumuyiwa (2022) also supported this finding, showing that dividend per share has a positive and significant effect on firm performance.

The findings indicated that while dividend payout ratio did not significantly affect stock price performance, dividend per share remained a key determinant of market value among consumer goods firms in Nigeria. This suggested that investors responded more to actual dividend payments than to the proportion of earnings distributed, highlighting the importance of cash returns in shaping investment decisions within the Nigerian market.

VI. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

➤ *Summary of Findings*

The study examined the effect of dividend payout ratio (DPR) and dividend per share (DPS) on stock price performance of listed consumer goods firms in Nigeria, using market capitalization (MC) as a proxy for stock price. Panel data covering the period 2020 to 2025 were analyzed using descriptive statistics, correlation analysis, Hausman test, and

fixed effects regression model. The descriptive statistics showed that market capitalization exhibited wide variations across firms, while dividend per share and dividend payout ratio fluctuated significantly, including periods where firms paid no dividends. The correlation results indicated positive relationships among the variables, with a particularly strong association between DPS and DPR.

The Hausman test confirmed that the fixed effects model was more appropriate for the analysis. The regression results revealed that dividend per share had a positive and statistically significant effect on market capitalization, indicating that higher dividends per share were associated with increased stock price performance. In contrast, dividend payout ratio had a negative and statistically insignificant effect on market capitalization, suggesting that the proportion of earnings distributed as dividends did not significantly influence stock prices.

These findings showed that dividend per share played a more important role in determining stock price performance than dividend payout ratio among listed consumer goods firms in Nigeria.

➤ Conclusion

The study concluded that dividend policy remains an important financial decision in shaping stock price behaviour among listed consumer goods firms in Nigeria. The evidence indicated that investors placed greater value on actual dividend payments rather than the proportion of earnings distributed, suggesting a preference for tangible returns. This reinforced the relevance of dividend-based signals in influencing market perception and firm valuation. The conclusion further showed that dividend decisions should not be viewed merely as routine financial obligations, but as strategic tools capable of affecting investor confidence and market performance. In the case of Nigeria, where market conditions are often unstable, consistent dividend payments appeared to serve as a stabilizing factor for investor expectations. Therefore, dividend policy, particularly in terms of actual dividend distribution, remained a key consideration in enhancing stock price performance, even though not all components of dividend policy exerted equal influence.

➤ Recommendations

Based on the findings, the following recommendations were made:

- Consumer goods firms should focus on maintaining stable and attractive dividend per share, while adopting a balanced dividend policy that supports both shareholder return and future growth. To achieve this, management should strengthen profitability and cash flow positions to sustain consistent dividend payments, as DPS has a significant influence on stock price performance, investor confidence, and overall market value.
- Investors and Regulatory bodies should promote informed and transparent dividend practices, Investors should pay

more attention to dividend per share rather than dividend payout ratio when making investment decisions, as DPS has a stronger influence on market value, while regulatory agencies such as the Nigerian Exchange Group (NGX) and Securities and Exchange Commission (SEC) should encourage transparent dividend policies and disclosure practices to enhance market confidence and stability

REFERENCES

- [1]. Adeiza, M. O., Sabo, A., & Abiola, M. A. (2020). Dividend payout effects on firm Adeiza, M. O., Sabo, A., & Abiola, M. A. (2020). Dividend payout effects on firm performance in Nigerian oil and gas sector. *Open Journal of Social Sciences*, 8(7), 370–385. <https://doi.org/10.4236/jss.2020.87030>
- [2]. 2Alfian, C. B., & Ghazali, I. (2024). Influence of capital structure, dividend policy, profitability, and tax avoidance on intrinsic firm value. *International Journal of Economics Development Research*, 5(1), 429–441. <https://doi.org/10.37385/ijedr.v5i1.4091>
- [3]. Amadasu, D. (2011). Dividend is relevant: A restatement. *African Research Review*, 5(4), 60–72. <https://doi.org/10.4314/afrev.v5i4.69259>
- [4]. Azende, T., & Apebo, A. B. (2021). Effect of dividend policy on value of listed consumer goods companies in Nigeria. *International Journal of Economics, Commerce and Management*, 9(9), 78–96.
- [5]. Brealey, R. A., Myers, S. C., & Allen, F. (2014). *Principles of corporate finance* (11th ed.). McGraw-Hill Education.
- [6]. Brigham, E. F., & Houston, J. F. (2021). *Fundamentals of financial management* (16th ed.). Cengage Learning.
- [7]. Buti, A., & Wiyarni, W. (2023). The moderating effect of dividend policy on financial performance: Evidence from manufacturing companies listed on the Indonesia Stock Exchange. *Open Journal of Social Sciences*, 11(7), 429–441. <https://doi.org/10.4236/jss.2023.117030>
- [8]. Hashemijoo, M., Ardekani, A. M., & Younesi, N. (2012). *The impact of dividend policy on share price volatility in the Malaysian stock market*. *Journal of Business Studies Quarterly*, 4(1), 111–129.
- [9]. Njoku, O. E., & Lee, Y. (2024). Revisiting the effect of dividend policy on firm performance and value: Empirical evidence from the Korean market. *Preprints*. <https://doi.org/10.20944/preprints202401.1015.v1>
- [10]. Olaoye, C. O., & Olaniyan, N. O. (2022). Dividend policy and firm performance of listed consumer goods companies in Nigeria Exchange Group. *Acta Universitatis Danubius. Economica*, 18(3), 176–192.
- [11]. Sari, D. P., Pratama, A., & Wijaya, A. (2023). The effect of capital structure, profitability, and dividend policy on firm value. In *Proceedings of the International Conference on Business, Economics, Social Science and*

- Humanities (BESSH 2023)* (pp. 1–10). Atlantis Press.
<https://doi.org/10.2991/978-94-6463-204-0>
- [12]. Ubesie, M. C., & Emejulu, C. E. (2020). Effect of dividend policy on financial performance of consumer goods manufacturing firms in Nigeria. *Scientific Journal of Business and Management*, 8(1), 7–16.
<https://doi.org/10.11648/j.sjbm.20200801.12>
- [13]. Farrukh, K., Irshad, S., Khakwani, M. S., Ishaque, S., & Ansari, N. Y. (2017). Impact of dividend policy on shareholders' wealth and firm performance in Pakistan. *Cogent Business & Management*, 4(1), Article 1408208.
<https://doi.org/10.1080/23311975.2017.1408208>
- [14]. Gitman, L. J., & Zutter, C. J. (2019). *Principles of managerial finance* (15th ed.). Pearson Education.
- [15]. Gordon, M. J. (1959). Dividends, earnings, and stock prices. *The Review of Economics and Statistics*, 41(2), 99–105. <https://doi.org/10.2307/1927792>
- [16]. Miller, M. H., & Modigliani, F. (1961). Dividend policy, growth, and the valuation of shares. *The Journal of Business*, 34(4), 411–433.
<https://doi.org/10.1086/294442>
- [17]. Nguyen, A. H., Pham, C. D., Doan, N. T., Ta, T. T., Nguyen, H. T., & Truong, T. V. (2021). The effect of dividend payment on firm financial performance: An empirical study of Vietnam. *Journal of Risk and Financial Management*, 14(8), Article 353.
<https://doi.org/10.3390/jrfm14080353>
- [18]. Ngwoke, O. M. (2021). Effect of dividend policy on financial performance of manufacturing firms in Nigeria. *International Journal of Advanced Research in Management and Social Sciences*, 10(6), 38–52.
- [19]. Ogbuagu, N. M. (2020). Effect of dividend policy on firms' performance. *Journal of Accounting, Business and Social Sciences*, 3(1), 36–51.
- [20]. Otwani, M. N., Namusonge, G. S., & Nambuswa, E. M. (2017). Effect of corporate income tax on financial performance of companies listed on the Nairobi Securities Exchange in Kenya. *International Journal of Social Sciences and Information Technology*, 3(8), 2467–2477.
- [21]. Oladipo, O. A., Iyoha, O. F., Fakile, A. S., Asaleye, A. J., & Eluyela, D. F. (2019). Do government taxes have implications on manufacturing sector output? Evidence from Nigeria. *Journal of Management Information and Decision Sciences*, 22(3), 181–190.
- [22]. Rozeff, M. S. (1982). Growth, beta, and agency costs as determinants of dividend payout ratios. *Journal of Financial Research*, 5(3), 249–259.
<https://doi.org/10.1111/j.1475-6803.1982.tb00299.x>
- [23]. Ayudia, S., Toni, N., Ariesa, Y., & Wiliam, W. (2024). The effect of dividend policy and capital structure on firm value with corporate social responsibility as a moderating variable in companies listed on the Jakarta Islamic Index. *Journal of Management and Social Sciences*, 2(1), 1–15.
<https://doi.org/10.59031/jmsc.v2i1.336>
- [24]. Udoka, C. O., John, J. I., & Orok, A. B. (2022). Dividend policy and the performance of firms listed on the Nigerian Stock Exchange. *Law and Economy*, 1(3), 1–16.
- [25]. Ukpong, E. G., & Ukpe, E. A. (2023). Assessment of dividend policy practices and the performance of firms: Evidence from listed Nigerian companies. *European Journal of Business, Economics and Accountancy*, 11(2), 54–66.
- [26]. Umaru, D., Abubakar, Y., Olumuyiwa, O. O., & Olumuyiwa, A. (2022). Dividend policy and financial performance of quoted selected firms in Nigeria. *International Journal of Advances in Engineering and Management*, 4(5), 1154–1159.
<https://doi.org/10.35629/5252-040511541159>
- [27]. Uwuigbe, U., Olowe, O., & Agu, G. (2012). An assessment of the determinants of share price in Nigeria: A study of selected listed firms. *Acta Universitatis Danubius. Economica*, 8(6), 77–87.
- [28]. Akintoye, I. R. (2006). *Investment decision: Concepts, analysis and management*. Unique Educational Publishers.
- [29]. Benartzi, S., Michaely, R., & Thaler, R. H. (1997). Do changes in dividends signal the future or the past? *The Journal of Finance*, 52(3), 1007–1034.
<https://doi.org/10.1111/j.1540-6261.1997.tb02723.x>
- [30]. Graham, B., & Dodd, D. L. (1934). *Security analysis*. McGraw-Hill.
- [31]. Pandey, I. M. (2003). *Financial management* (8th ed.). Vikas Publishing House.
- [32]. Pandey, I. M. (2005). *Financial management* (9th ed.). Vikas Publishing House.
- [33]. Walter, J. E. (1956). Dividend policies and common stock prices. *The Journal of Finance*, 11(1), 29–41.
<https://doi.org/10.1111/j.1540-6261.1956.tb01384.x>
- [34]. Welch, I. (2019). *Corporate finance* (5th ed.). Pearson.