



INFLUENCE OF DIVIDEND POLICY ON STOCK PRICE VOLATILITY OF NON-FINANCIAL FIRMS LISTED NIGERIAN STOCK EXCHANGE

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Abstract

Stock Price Volatility with Dividend Policy pose relevant factors to an investor's choice in stock investment. The focus of the study was intelligent view on the long-run and short-run causal significance of dividend management on stock price volatility. Panel Auto Regressive Distribution Lag was conducted on listed non-financial firms in Nigeria. The result showed that Stock Price Volatility in the long-run based on a threshold of 1% level of significance is significant as movement of Dividend Payout Ratio, Dividend Yield, Earnings Volatility and Firm Size causes about 0.15%, 0.76%, and 0.008% increase and about 3% decrease respectively on change in stock price on the long run while in the short-run, all the variables except Earnings Volatility have insignificant effect. The study recommended that low dividend payout ratios at a stable rate serve as a good signal out to all investors for expectation of returns which in turn increases firm value and stabilize stock price.

Key words:

Dividend Yield,
Dividend payout Ratio,
Stock Price Volatility,
Earning Volatility,
Firm size.

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1. Introduction

According to Section 380 of Company and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria, (2004), as long as firms meet up the debt demand dividends can then be paid out of the profits arising from the use of the firm's assets, revenue reserves or net realized profits on the assets sold. However, Section 381 stated

that if the firm failed to meet up its liabilities as they due, no dividend should be declared or paid. The decision to make dividends payment or not is called Dividend Policy and it falls under one of the three main decisions made by the company's management which are called dividend decision, the other two being financing decision and investment decision.

Jo and Pan (2009) opined that dividends payment in line with corporate governance practices serves as a signal to investors. It is good news when there is an increased dividend and vice versa when it is otherwise. (Ordu, Eneke & Anyanwaokoro, 2014). Dividend payment has its way of attracting investors to the company which in turn increases the company's value which then result to an improvement on share price of the company. According to Lintner (1956), firms take caution in matter that relate to reduction of dividends as investors could interpret such decision as a sign of poor performance and cause share prices to fall. Hence the decision to increase or decrease dividends payment has a signaling effect to it which may affect firms and cause share prices to rise or fall. The degree to which share prices rise or fall is called share price volatility.

The share price volatility which as described above is not only a consequent effect, it also has a causal effect. The volatility of stock prices is an indicator to the investor on the risks he is exposed in investing in shares. By default, investors are wary of investment risks and it can be concluded that high price volatility represents high risk in investment while low price volatility represents low risk in investment, which could be an incentive or deterrent to invest in such shares. As a result, it is necessity for firms' managing director to understand the weight their dividend decisions carry as the consequences could affect the firms' value and could encourage or discourage investment.

However, whether or not Dividend Policy is of relevance to firms' value and share prices that has been the debate among scholars. Most recognized scholars of Miller & Modigliani (1961) were of the opinion that Dividend management is of no relevance to a firm's value which depend on the future cash flow subject to the investment policy. This irrelevance theory seems to suggest that firms should focus more on their investment decisions if they are to attract investors. On the other hand, the relevance theory proposes that Dividend Policy does in fact affects firms' value. The main proponents of this theory are Gordon and Lintner who argued that investors prefer present dividends to future dividends due to risks associated with future earning (Hashemijoo, Ardekani&Younesi, 2012). Although there have been many studies which have either validated or refuted these arguments, most researches focused their study on developed nations and their environment, and have findings

that represent such environments. However, very little have been done to capture the realities of the Nigerian environment.

Also it is believed that stock volatility signals to the current and prospective investors concerning the risks involved if investors buy firms' shares. High volatility is said to translate to high risk while low volatility is said to translate to low risk. This means that stocks with low price volatility are more predictable in their price change (Lindeman, 2016). However, despite its causal effect on investment decision, it is actually a consequent effect from the firms' point of view being one of the effects of the Dividend Policy of firms. So, this research study examined the dividend factors, earnings and size factors as they affect change in the stock price of selected listed firms on the NSE to determine the relationships that exist between them, attested to whether or not Dividend Policy is relevant to stock price changes, both in the long-run and short-run effects, and made recommendations.

2. Literature Review

There are many mixed reactions on the subject as discussed by many scholars in the field of finance while some indicated positive relationships which were either significant or not, others showed negative relationships which were either significant or insignificant.

Khan et al (2017) investigated 42 firms with different sampled sectors: textile, sugar and chemical sector of Pakistan for the period of six year (2006-2011) applying pool cross sectional regression analysis. Their study documented positive and significant relationship between change in stock price and the firm's dividend policy which found positive significant regression coefficient with volatility in price and Dividend Yield. Also, there was a positive significant coefficient of movement of stock price and firm size. His study also presented a significant positive relationship of debt on the price volatility, recommending that the high leveraged firms, have price volatility.

Ali & Waheed (2017) in their study covered the period of 2007-2016 with sample of ten (10) firms on the Pakistan Stock Exchange to establish the association between movement of stock price and Dividend Policy (proxied by Dividend Yield, dividend payout, firm's size, firm's growth, earning volatility and leverage). Regressions analysis was employed under the method of least squares model. It was found that all variables have significant change on the share price, and was implied that firms that pay regular dividend to its shareholders are more stable in their stock price.

Shah & Noreen (2016) on the Karachi Stock Exchange studied a sample of fifty (50) non-financial firms from the period of 2005-2012 with the use of multiple

regressions analyses through panel data assisted firms' Firm Size, long-term debt, earning volatility, asset growth and earnings per share as control variables. Though the study was robust but there is a negative relationship existing between stock price volatility and dividend policy variables despite positive significance of some control variables (Earnings Volatility, Asset Growth, and Earning per Share). The remaining two control variables (Firm Size and Long-term Debt) showed negatively related to it.

Lindeman (2016) in his study investigated 99 companies listed on the Helsinki Stock Exchange out of 107 observations in all. The period covered was 2010-2014. The methodology put in place was Pearson Correlation Coefficient with the assistance of SPSS software. It was a pity situation as there is a negative correlation between Dividend Policy measures (Dividend Yield & Dividend Payout Ratio) and share price volatility of the selected firms while there was a positive correlation between variables used to capture the dividend policy.

Otieno (2016) employing purposive sampling studied 38 firms listed on the Nairobi Stock Exchange which have been consistently trading from 1994-2015. Data was analyzed using panel data analysis. The relationship between the variables was determined through Regression analysis but some pre-tests were carried out which are tests for multicollinearity, heteroskedasticity test, panel unit root test assisted with Hausman specification test. The study revealed that Dividend Policy (dividend, yield and payout ratio) depicted negative insignificant relationship to the change in Stock Price while only firm size has positive significant.

Ullah, Saqib and Usman (2015) studied a sample of 5 firms from the Textile industry in Pakistan for the period 2003-2008. Pool Multiple regression model was employed to investigate the relationship where Firm Size, Earnings Volatility and growth were selected as control variables. The result showed that Dividend Payout Ratio was significantly affecting the stock price. Other variables indicated in the study had mixed reaction and were found relatively significant.

Abrar-ul-haq, Akram&Ullah (2015) carried out their study with the application of stratified random sampling to select 11 non-financial firms from the floor of Karachi Stock Exchange-100 index from years 2001 and 2014. The study made use of pre estimation (descriptive statistics) and estimation techniques of correlation and regression models on the panel data that revealed dividend policy has no relevance on the stock price volatility as in the case of MM theory.

Hooi, Albaity and Ibrahimy (2015) study the whole Malaysian stock market with 319 firm son the Kuala Lumpur Stock Exchange which cover the years from the 2003 to 2013. The study made used of dividend yield and dividend payout to capture the dividend policy that had negative relationship along with the movement of stock

price of those firms under review. The study also find out that earnings, asset growth and long term do not contribute to price volatility compared to the study of Khan et al (2017) recommending that the high leveraged firms, have price volatility.

Lashgari& Ahmadi (2014) studied a sample of 51 firms listed on the Tehran Stock Exchange and covered the period 2007-2012. They made use of panel multivariable regression model assisted with some pre-tests using Unit root test to test for stationary test while important test like Chaw test and Hausman test were also carried out on all the variables. The result recommended the use of fixed effect models for the interpretation at 5% level of significance. Using Dividend Payout Ratio to capture the dividend policy, which has negative effect on the movement of stock price while only asset growth rate has a significantly positive effect on Stock Price Volatility. Other variables: leverage, earning volatility and firm size on Stock Price Volatility have no effect.

Kenyoru, Kundu & Kibiwott (2013) in their study using listed firms from Nairobi Securities Exchange for a period of ten (10) years from 1999 – 2008 as the scope used and the estimation technique was based on pool multiple regression analysis. Change in dividend policy was found to be major determinant on the share price volatility. The Dividend Yield negatively affects share price volatility. It brought about the conclusion that the higher the dividend payout ratio the wrong signal to the share price volatility, and with the same application to the Dividend Yield.

Ramadan (2013) investigated all 77 industrial firms on the Amman Stock Exchange from the period 2000 through 2011. A cross-sectional time series was used for the study assisted with descriptive analysis, correlation analysis and multiple least square regression method. The results indicated significant negative influence dividend policy to the tune absolute parallel line with stock price which revealed that both move in opposite direction. Hashemijoo, Ardekani & Younesi (2012) similar with Ramadan (2013) study investigated 84 firms out of 142 consumer goods manufacturing firms from the Kuala Lumpur Stock Market Exchange ranged from 2005 to 2010. The results didn't differ from the opposite direction of variables used to capture the dividend policy and the change in stock price except the fact that Dividend Yield and size have higher impact on share price volatility than other predictor variables.

Nazir, Abdullah & Nawaz (2012) conducted a study on the Karachi Stock Exchange, Pakistan which investigated a sample of 75 firms for the period 2006-2010 using fixed effect regression analysis. From the study negative relationship was also established between Dividend Yield and stock price volatility vis a vis dividend payout. This is an indicator to the investors that Dividend Policy play prominent role as well as a tool in setting share prices for firms in emerging economy like Pakistan.

Habib, Kiani & Khan (2012) investigated a sample of non-financial firms on the Karachi Stock Exchange of 100 index. A Cross-sectional data was also used for the study that resulted to the negative relation of Dividend Payout Ratio to the change in stock price. The size couple with the debt are negatively and positively related with the share price volatility respectively. Hussainey, Mgbame & Chijoke-Mgbame (2010) investigated a number of sample firms on the London Stock Exchange. The analyses used were multiple regression analyses. This was done for a period of 10 years (1998 - 2007) with a positive relationship between dividend yield and stock price changes and a negative relationship between Dividend Payout Ratio and stock price changes. In addition, their results show that firm's growth rate, debt level, size and earnings explained stock price changes.

3. Methodology

The data sourced for this study was secondary data which was sourced from publications of the non-financial sectors listed on Nigerian Stock Exchange (NSE) coupled with audited annual reports. This descriptive research design makes it possible to establish the cause-effect relationship between variables involved. The variables used are Dividend Payout Ratio (DPR), Dividend Yield (DY) and Earnings Volatility (EV) and the Price of shares using Panel Regression equation disclosed:

$$PV_{it} = \beta_0 + \beta_1 DPR_{it} + \beta_2 DY_{it} + \beta_3 EV_{it} + \varepsilon_{it} \dots \quad (1)$$

There is multicollinearity problem among the independent variables as it appear in Drury, 2008 as cited in Hussainey et al, 2010 which call for the need of firm size as control variable changing the panel regression equation to be:

$$PV_{it} = \beta_0 + \beta_1 DPR_{it} + \beta_2 DY_{it} + \beta_3 EV_{it} + \beta_4 SZ_{it} + \varepsilon_{it} \dots \quad (2)$$

Where PV = Price volatility, β_0 = constant, $\beta_1 - \beta_4$ = Regression coefficients, DPR = Dividend payout ratio, DY = Dividend yield, EV = Earnings volatility, SZ = Firm size, ε = Error margin, i = Firms, t = Years.

Measurement of the Variables

Stock Price Volatility was measured using the standard deviation of monthly returns of share prices within each year. On the other hand, the independent variable was measured using Dividend Payout Ratio, Dividend Yield and Earnings Volatility, taking into consideration the control variable, Firm Size. These variables were calculated as indicated in the table below:

Table 1

Measurement of the Variables

Variables	Type	Measurement
Stock Price Volatility	Dependent	$\sqrt{\frac{\sum_{t=1}^{12} (R - \bar{R})^2}{12}}$ <p>where $R = \text{natural log of } \frac{p_t}{p_{t-1}}$ where $p_t = \text{price in current month, and } p_{t-1} = \text{price in previous month}$</p>
Dividend Payout Ratio	Independent	$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$
Dividend Yield	Independent	$\frac{\text{Dividend per share}}{\text{Market price per share}} \times 100$
Earnings Volatility	Independent	$\left(\frac{E_t}{E_{t-1}} \right) - 1$ <p>where $E_t = \text{Profit before tax to Turnover ratio in current month, and } E_{t-1} = \text{Profit before tax to Turnover ratio in previous month}$</p>
Firm Size	Control	$\ln(T_t)$ <p>Where $T_t = \text{Turover (Revenue) of firm at the end of year } t.$</p>

Source: Researcher's Compilation.

Data Estimation Technique and Estimation

Panel data was analyzed using Panel Autoregressive Distributive Lag (PARDL) to show the long-run and short-run effects that subsist by the identified independent variable on the dependent variable. However some pre-tests were conducted, among which is the Unit Root Test to test the stability of each variable under consideration. Variables are used in the study in the order of integration determined by the unit root test designed for the regression model. If the variable is stationary at level after performing unit root test, then it is I (0); otherwise it is I (d) where d represents the number of times the series is differentiated before it becomes stationary. The differences are the 1st difference and the 2nd difference.

However, for the panel ARDL to be used it must not exceed the first difference and the test type to be used is the Levin, Lin & Chu Unit Root Test, using the

Schwarz Info Criterion across all three test equations (Intercept, Trend and Intercept, and None) and it must be stationary in at least one of these three at any of the three levels of significance (1%, 5% and 10%). The need for running unit root tests in the PARDL procedure is probably to ensure that none of the variables is integrated of order 2 or above.

4. Result and Discussion

Descriptive Statistics

The Descriptive statistics reveal the qualities of the panel data under consideration for estimation. These details enhanced the use of appropriate methodology for estimation. The table below summarizes the descriptive statistics:

Table 2

Descriptive Statistics Table

	DPR	DY	EV	SZ	PV
Mean	0.475249	0.038025	0.043060	23.34911	0.098321
Median	0.426966	0.032648	0.005809	23.28301	0.087879
Maximum	2.941176	0.136612	4.398541	26.00624	0.283837
Minimum	-0.559701	0.000000	-6.709953	20.35474	0.000000
Std. Dev.	0.424017	0.029866	1.035682	1.535798	0.060122
Skewness	2.339943	1.015096	-1.514801	-0.047891	0.973052
Kurtosis	14.18829	3.644132	24.25695	1.898100	3.673362
Jarque-Bera	606.7020	18.71343	1901.775	5.046349	17.49306
Probability	0.000000	0.000086	0.000000	0.080205	0.000159
Sum	47.04961	3.764470	4.262927	2311.562	9.733761
Sum Sq. Dev.	17.61949	0.087414	105.1185	231.1501	0.354239

Source: Researcher's Computation.

From the panel data however, each cross-sections was duly observed and two salient outcomes were drawn out. First, the researcher checked for firms that have DPR of above 49% in each cross-sections within the eleven years' span under study. It was found out that for A.G. Leventis Nigeria Plc., the DPR was above the stated threshold in 5 out of 11 times. For Aluminum Extrusion Industries Plc., it was found to be 0 out of 11 times, same with Beta Glass Plc. For Glaxo Smithkline Consumer Nigeria Plc., it was found to be 4 out of 11 times.

In Julius Berger Nigeria Plc., it was found to be 8 out of 11 times, same as University Press Plc. For Presco Plc., it was found to be 3 out of 11 times. For Unilever Nigeria Plc., it was found to be 7 out of 11 times, same as 11 Plc.

Second, the researcher checked for what the average DPR was in each cross-section with the study’s period scope. It was observed that A.G. Leventis Nigeria Plc. had an average DPR of 44%, Aluminum Extrusion Industries Plc. had an average DPR of 16%, Beta Glass Plc. had an average DPR of 11%, Glaxo Smithkline Consumer Nigeria Plc. had an average DPR of 46%, Julius Berger Nigeria Plc. had an average DPR of 80%, 11 Plc. had an average DPR of 56%, Presco Plc. had an average DPR of 37%, Unilever Nigeria Plc. had an average DPR of 76%, University Press Plc. had an average DPR of 62%.

Unit root test result

The variables were subjected to a unit root test. This already spelt out in the third chapter is to test for the stability of the each variable. This is to ensure that none of the variables are in the integrated order of two and above as the ARDL model cannot accommodate such variables. The test type used is the Levin, Lin & Chu Unit Root Test and the result is presented in the table below:

Table 3

Levin, Lin & Chu Unit Root Test Result

VARIABLES	MODEL A	I(d)	MODEL B	I(d)	MODEL C	I(d)
PV	-5.67926 (0.0000)	I(0)	-5.34336 (0.0000)	I(0)	-3.42149 (0.0003)	I(0)
DPR	-5.24305 (0.0000)	I(0)	-9.44290 (0.0000)	I(0)	-2.28800 (0.0111)	I(0)
DY	-3.26287 (0.0006)	I(0)	-2.14054 (0.0162)	I(0)	-1.28817 (0.0988)	I(0)
SZ	-2.95753 (0.0016)	I(0)	-3.67302 (0.0001)	I(0)	6.03960 (1.0000)	I(1)
EV	-5.26771 (0.0000)	I(0)	-5.84263 (0.0000)	I(0)	-8.49179 (0.0000)	I(0)

Source: Researcher’s Computation (2018).

From the result above, it is proved that the variables are I (0) variables in model A and model B, that is, stationary at level, while model C has an exemption to Firm Size which is an I (1) variable of which combination is what is practical. The result shows that none of the variables under all three model is an I (2) variable, hence fit for ARDL analysis.

The correlation analysis was conducted to show the possible association between the variables. The results are presented in Table 4 below.

Table 4

Correlation of the Variables

	PV	DPR	DY	EV	SZ
PV	1	0.158491	0.084170	0.045307	0.032493
DPR	0.158491	1	0.222293	-0.065943	0.264229
DY	0.084170	0.222293	1	-0.215594	0.103088
EV	0.045307	-0.065943	-0.215594	1	-0.044726
SZ	0.032493	0.264229	0.103088	-0.044726	1

Source: Researcher's Computation.

The results from the table above show a positive association between Dividend Payout Ratio and Stock Price Volatility. This means that an increase (decrease) in Dividend Payout Ratio will bring about approximately 16% increase (decrease) in Stock Price Volatility of the companies examined. Also a low but positive association is observed between Dividend Yield and Stock Price Volatility. This indicates that an increase (decrease) in Dividend Yield will bring about approximately 8% increase (decrease) in Stock Price Volatility of the companies examined.

Earnings Volatility, is observed to have a low but positive association with Stock Price Volatility. This association is represented by a value of about 5%, which means that an increase (decrease) in Earnings Volatility will bring about approximately 5% increase (decrease) in Stock Price Volatility. The control variable, Firm Size, is observed to have a low but positive association with Stock Price Volatility to the tune of about 3%, which means that an increase (decrease) in Firm Size will bring about approximately 3% increase (decrease) in Stock Price Volatility.

Coming to the associations between the independent variables, it was observed from the result that Dividend Payout Ratio and Dividend Yield have a positive association of approximately 22%. It was also observed to have a negative association with Earnings Volatility to the tune of about 7% from which it can be inferred that the higher the Earnings Volatility, the lower the Dividend Payout Ratio and vice versa, while it was observed to have a positive association with Firm Size to the tune of approximately 26%. The Dividend Yield shows a negative association with Earnings Volatility to a tune of about 22% and a positive association with Firm Size to the tune

of about 10%, while Earnings Volatility shows a negative association with Firm Size to a tune of about 4.5%.

Regression Analysis

Panel Auto Regressive Distributive Lag (ARDL) was used in the analysis of the panel data to examine the long-run relationship, the short-run relationship and the cross-section relationship of the independent and dependent variables. The model was first subjected to the Vector Auto Regressive test to estimate the number of lags to be used which was determined to be 1 lag based on the Schwarz criterion. The model was then estimated based on this lag which subjected the variables to a maximum lag of 1 which is best fit for annual data and considerably, the eleven (11) years used. The only fixed regressor was the constant term. The result is presented in the table below;

Table 5

Panel ARDL Result

Dependent Variable: D(PV)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.*
Long Run Equation				
DPR	0.157416	0.036093	4.361396	0.0001
DY	0.762185	0.146754	5.193613	0.0000
EV	0.008088	0.001475	5.484062	0.0000
SZ	-0.030008	0.011458	-2.618860	0.0123
Short Run Equation				
COINTEQ01	-0.670502	0.140388	-4.776074	0.0000
D(DPR)	0.042819	0.103396	0.414124	0.6809
D(DY)	3.571326	4.043262	0.883278	0.3822
D(EV)	0.024674	0.011408	2.162849	0.0364
D(SZ)	0.084164	0.052620	1.599489	0.1174
C	0.445373	0.102472	4.346278	0.0001

Source: Researcher's Computation.

From the table above, it is observed that both the independent and control variables significantly drive Stock Price Volatility in the long-run based on a threshold of 1% and 5% level of significance, However, it is also observed that while

Dividend Payout Ratio, Dividend Yield and Earnings Volatility positively affect Stock Price Volatility, Firm Size have negative impact on it.

Explicitly, an increase in each of Dividend Payout Ratio, Dividend Yield, Earnings Volatility and Firm Size causes about 0.157416 increase, 0.762185 increase, a 0.008088 increase and about 3% decrease respectively on Stock Price Volatility.

Meanwhile, in the short-run, all the variables except Earnings Volatility have insignificant effect on Stock Price Volatility, based on a threshold of 10% level of significance. The result indicated that an increase in each of Dividend Payout Ratio, Dividend Yield, Earnings Volatility and Firm Size causes a 0.042819 increase, 3.571326 increase, 0.024674 increase and about 8% increase respectively on Stock Price Volatility. The error correction coefficient COINTEQ01 which is negative and significant indicates cointegration, and that there is 67% annual rate of adjustment from short run into the long run equilibrium. This means that the short-run effect of the independent variables on Stock Price Volatility quickly adjust to the long-run effect at an annual rate of about 67% which is significantly fast.

Dividend Payout Ratio and Sock Price Volatility

Dividend Payout Ratios observed to have a positive and significant effect on stock price fluctuations in the long-run while, in the intermediate period, any change in Dividend Payout Ratio will not significantly affect stock price changes compared to a similar study Abrar-ul-haq et al (2015) where the Dividend Payout Ratio had a high positive effect on Stock Price Volatility but was insignificant. This is different from the usual expectation that the increase in Dividend Payout Ratio would reduce the stock price fluctuations significantly. Hence it can be induced that when the Dividend Payout Ratio is high and it increases, Stock Price Volatility is likely to rise.

Dividend Yield and Stock Price Volatility

Dividend Yield showed a positive relationship with stock price fluctuations which is also different from what is expected both in the long-run and short run. However, while the long-run results indicated a significant effect thereby rejecting the null hypothesis in the long-run period, the short-run result indicated an insignificant effect thereby validating the null hypothesis for the short-run period (Long-run: $\beta = 0.762185$, p-value= 0.0000; short-run: $\beta = 3.571326$ and p-value= 0.3822), meaning that the Dividend Yield increase causes an insignificant 3.571326 increase in stock price fluctuations in the short-run, and a significant 0.762185 increase in stock price fluctuations in the long-run. This positive effect could also be trailed back to the dividend per share argument raised earlier.

Earnings Volatility and Stock Price Volatility

For Earnings Volatility, it is also observed to be in line with theoretical expectations as the result indicates a positive and high significant effect of Earnings Volatility on stock price fluctuations in the long-run period. This translates to long-run period position ($\beta= 0.008088$ and $p\text{-value}= 0.0000$), meaning that high changes in earnings significantly cause rapid changes in stock prices in the long-run period. Since a firm's earning is one of its indicators of profitability, and that earnings are not always constant, the fluctuations in earnings' stream from one period to the other will affect firms' Dividend Policy. If the earnings are low for a particular period, the management may be constrained to reduce their dividends payment which may send the wrong signal to investors and consequently cause firms' value to drop as firms with volatile earnings are considered to be risky. Evidence for this is earnings per share. It has been observed that as EPS increases, so does the share price. Hence volatile earnings would translate to volatile stock price that also apply to the intermediate period meaning that an increase in earnings fluctuations will cause a positive and significant increase in stock price fluctuations in the intermediate period by 0.024674.

Firm Size and Stock Price Volatility

The result also showed that Firm Size in line with theoretical expectation that it has a negative and highly significant effect on stock price fluctuations in the long-run. It means that an increase in Firm Size will contribute to the significant decrease in Stock Price Volatility by about 3%. Consequently, the larger the firm, the lower the Stock Price Volatility, affirmed by Hashemijoo et al (2012) who in their study opined that due to more diversification by large-sized firms and limited access to public information to small firm, larger firms are expected to be less risky and have less share price volatility. Also Zakaria et al (2012), concluded that the bigger the size, the more significantly it could influence the volatility of the share price. Hence affirming the high negative relationship observed between Firm Size and Stock Price Volatility.

5. Conclusion and Recommendation

Volatility in stock price may reduce aggregate output temporarily as it delays business investment by raising uncertainty or by inducing expensive resource reallocation. It can be collectively concluded from the research findings that Dividend Policy as a matter of fact has a significant effect on Stock Price Volatility. This significant effect occurs mainly in the long-run period. However in the intermediate period, it can be concluded that Dividend Policy does not significantly

affect Stock Price Volatility. The study recommended that firms with low dividend payout ratios should increase their dividend payments and try as much to keep it stable. This will send a good signal out to current and potential investors that the firms are doing well and can always predict within what range their expected returns from their investment will fall. This in turn increases firm value and stabilize stock price change. The investors should consider sectors before their investments as some sectors behave better than others as in the case of Oil and Gas sector and Construction sector meaning that investors and traders of investment in Nigerian Stock Exchange are advised to take utmost interest in sectoral performance when policy prescriptions concerning dividend decision are looked into.

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