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ORIGINAL ARTICLE

DIVIDEND POLICY, FIRM CHARACTERISTICS, AND SHARE PRICE FLUCTUATIONS: THE MODERATING ROLE OF BOARD SIZE IN NIGERIA'S CONSUMER GOODS SECTOR

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Abstract

This study examined the relationship between dividend policy, firm characteristics and share price fluctuations among listed consumer goods firms in Nigeria, with particular emphasis on the moderating role of board size. The study adopted a quantitative research design and analysed panel data comprising 154 firm-year observations. Share price fluctuations constituted the dependent variable, while dividend payout ratio, dividend yield, board size, their interaction terms, firm size, sales growth, profitability, liquidity and leverage served as explanatory variables. Pooled Ordinary Least Squares, Fixed Effects and Random Effects models were estimated, with post-estimation tests used to select the appropriate specification. The Breusch–Pagan Lagrange Multiplier and Hausman tests supported the Random Effects model. The results showed that dividend payout ratio and dividend yield had negative but statistically insignificant effects on share price fluctuations. Board size had a statistically significant negative effect, while its interactions with dividend payout ratio and dividend yield were statistically insignificant, indicating that board size did not significantly moderate the relationships between dividend policy and share price fluctuations. Leverage, however, had a positive and statistically significant effect on share price fluctuations. The study concludes that dividend policy does not significantly explain share price fluctuations among the sampled firms, whereas board size and leverage are relevant to share price behaviour. The findings underscore the importance of considering corporate governance and financial structure in understanding share price dynamics in Nigeria's consumer goods sector.

Keywords: Dividend Policy, Share Price Fluctuations, Dividend Payout Ratio, Dividend Yield, Leverage.

INTRODUCTION

Dividend policy is a central corporate-finance decision because it determines how a firm allocates earnings between distributions to shareholders and retention for future investment. Unlike investment and financing decisions, dividend decisions have a direct and visible connection with shareholders because dividend declarations provide an immediate cash return on equity investment while retained earnings constitute an internal source of finance for business expansion. The relevance of dividend policy becomes particularly pronounced in publicly listed firms because investors continuously assess dividend announcements, earnings prospects, firm-specific characteristics and governance structures when forming expectations about future cash flows and firm value. Consequently, changes in dividend policy may influence investors' perceptions and, through trading decisions, contribute to movements in share prices (Adler et al., 2024; Ali et al., 2023). The relationship is, however, not necessarily uniform because the information content of dividends can differ across firms according to their profitability, size, liquidity, leverage, growth opportunities and governance arrangements.

The theoretical relationship between dividend policy and share prices has long been debated in corporate-finance literature. The dividend irrelevance proposition associated with Modigliani and Miller argues, under restrictive assumptions such as perfect capital markets, absence of taxes and transaction costs, and symmetric information, that dividend policy should not affect firm value. In actual capital markets, however, these assumptions rarely hold. Information asymmetry, agency conflicts, taxation, transaction costs and investor preferences create circumstances under which dividend decisions can convey information about a firm's prospects. The signalling perspective therefore suggests that dividend changes may communicate management's private information concerning expected future earnings and cash flows. Similarly, the bird-in-the-hand argument associates current dividend payments with investor preferences for relatively certain cash returns, whereas agency theory emphasises dividends as a mechanism through which managers' discretion over free cash flow can be constrained (Bhalla, 2023; Abdelfattah & Moharram, 2025). These competing theoretical explanations help account for why the relationship between dividends and share-price behaviour remains an empirical rather than purely theoretical question.

The issue is especially important in emerging capital markets such as Nigeria, where information asymmetry, market imperfections and corporate-governance concerns can influence how investors respond to corporate announcements. The Nigerian capital market provides the institutional setting within which the shares of listed companies are continuously valued and traded. Share prices consequently incorporate information relating to corporate earnings, dividend announcements, business prospects, macroeconomic conditions and investor expectations. Share-price fluctuation in this context represents changes in the market valuation of firms over time and may reflect both firm-specific information and broader market conditions. For shareholders, excessive or unpredictable fluctuations can increase investment uncertainty, while for corporate managers, persistent price instability may affect the firm's ability to attract and retain investors and raise equity capital.

The consumer goods sector provides an important setting for examining these relationships. Consumer goods companies occupy a significant position in Nigeria's real economy because they produce and distribute products with relatively broad household demand, including food, beverages, personal-care products, household products and other fast-moving consumer goods. At the same time, listed consumer goods firms operate in an environment characterised by changing input costs, exchange-rate movements, inflationary pressures, supply-chain constraints, consumer purchasing-power changes and intense competition. These factors can affect profitability, cash flows and investment requirements and, consequently, the amount of earnings available for distribution as dividends. Recent



Nigerian evidence confirms that the consumer goods sector has attracted considerable research attention because firm-specific characteristics such as profitability, size, leverage, institutional ownership and market valuation influence corporate financial decisions. Akpadaka, Falolu and Dang (2024) , for example, found that return on assets and equity-to-debt ratio were important predictors of dividend policy among Nigerian consumer goods firms, while firm turnover was not statistically significant.

The dividend decision of consumer goods firms is therefore unlikely to be determined solely by the amount of profit reported in a particular accounting period. Profitability provides the financial capacity to pay dividends, but liquidity determines the extent to which accounting profits can be translated into cash distributions. Leverage can constrain dividend payments because highly indebted firms must meet contractual debt obligations before distributing residual cash to shareholders. Firm size may also matter because larger firms may have more stable earnings, greater access to external finance and more established dividend-payment practices. Growth opportunities, asset structure and cash-flow conditions can similarly influence the balance between retained earnings and shareholder distributions. Evidence from Nigerian consumer goods companies indicates that profitability and firm size have been particularly important determinants of both the likelihood and magnitude of dividend payments (Abu Khalaf & Awad, 2023; AlAli et al., 2024).

These firm characteristics are also potentially relevant to share-price fluctuations. Investors do not evaluate dividend payments independently of the underlying financial condition of the firm. A dividend increase supported by sustained earnings and strong cash flows may be interpreted differently from an increase financed despite deteriorating fundamentals. Similarly, a reduction in dividends may generate different market reactions depending on whether investors perceive it as evidence of financial distress or as a rational decision to finance profitable investment opportunities. Thus, firm characteristics may influence both dividend policy and the manner in which the stock market responds to dividend-related information. This creates an important analytical connection between dividend policy, firm characteristics and share-price fluctuations.

The Nigerian consumer goods sector provides empirical evidence of this interconnectedness. A recent sector-specific study covering 16 listed consumer goods firms over 2015–2024 found that dividend payout ratio and dividend per share were positively associated with share-price volatility, while dividend yield had a negative and significant relationship with volatility; the study also reported a negative and significant relationship between firm size and share-price volatility. Although such evidence provides useful insight, it also illustrates the complexity of the relationship because different measures of dividend policy can produce different relationships with share-price behaviour. Dividend payout ratios, dividend per share and dividend yield do not represent precisely the same dimension of dividend policy. A study that incorporates several dimensions of dividend policy can therefore provide a more comprehensive assessment than one relying on a single dividend measure.

The role of corporate governance adds another dimension to this relationship. Corporate governance determines the mechanisms through which shareholders' interests are protected, managers are monitored, and major corporate decisions are scrutinised. In Nigeria, listed companies operate within the framework of the Nigerian Code of Corporate Governance (NCCG) 2018 and relevant Securities and Exchange Commission guidelines. The SEC states that the NCCG 2018 applies across sectors and those public companies are required to comply with the Code and the SEC Corporate Governance Guidelines. The SEC guidelines further specify that the board of a public company should have no fewer than five members.

Within this governance framework, board size is potentially important because the number of directors may influence the board's monitoring capacity, diversity of expertise,



deliberation process and ability to oversee management decisions. A larger board may provide a wider range of knowledge, experience and professional perspectives, which could improve monitoring of managerial decisions concerning dividend distributions and disclosure. Conversely, an excessively large board may create coordination and communication difficulties, increase the potential for free-riding and slow decision-making. Board size therefore represents a governance characteristic whose effect cannot automatically be assumed to be either beneficial or detrimental; its relevance depends on how board composition and organisational circumstances affect the quality of corporate oversight.

The importance of board size becomes clearer when dividend policy is viewed through agency theory. Managers may prefer to retain corporate resources because retained earnings increase the resources under managerial control, whereas shareholders may favour dividend distributions because they reduce the amount of free cash flow available for potentially inefficient managerial expenditure. An effective board can monitor this conflict and influence the firm's dividend decisions. The board may also assess whether dividend distributions are consistent with the firm's investment opportunities, liquidity position and long-term financial sustainability. Consequently, board size may alter the strength or direction of the relationship between dividend policy and share-price fluctuations by influencing the quality of oversight surrounding dividend decisions.

There is already evidence linking board characteristics with dividend decisions in Nigerian consumer goods firms. Hanga, Idimisiye and Emmanuel's 2024 study of six listed consumer goods firms over 2013–2023 reported an insignificant association between board size and dividend payout, while profitability and board composition showed statistically significant relationships with dividend payout. More recent evidence also indicates that board characteristics can be associated with dividend policy: a 2026 study of Nigerian consumer goods firms reported significant relationships between board independence, board gender diversity, board expertise and dividend payouts. These findings suggest that governance characteristics may matter for dividend decisions, but they do not by themselves establish whether board size changes the effect of dividend policy on subsequent share-price fluctuations. That distinction is important for the present study.

The moderating role of board size is therefore conceptually different from treating board size simply as another independent variable. As a moderator, board size is expected to influence the strength or direction of the relationship between dividend policy and share-price fluctuations. The underlying argument is that identical dividend decisions may generate different market responses depending on the governance structure through which those decisions are formulated, approved and communicated. Where the board provides effective oversight, investors may have greater confidence in the credibility and sustainability of dividend decisions. Where board structure is less effective, dividend announcements may be interpreted with greater uncertainty because investors may attach different levels of credibility to management's financial signals. Thus, board size provides a governance-based mechanism through which the dividend–share-price relationship may vary across firms.

The issue is particularly pertinent in an emerging market because corporate information may not be distributed symmetrically among market participants. Dividend declarations can contain information about management's expectations concerning future profitability, but investors must assess whether those signals are credible. Corporate governance can influence this assessment. A board with appropriate size and expertise may strengthen monitoring, reduce managerial opportunism and improve the credibility of financial disclosures. On the other hand, increasing board size without corresponding improvements in independence, expertise or coordination may not necessarily strengthen monitoring. This makes it empirically necessary to investigate board size rather than assume that larger boards automatically produce better governance outcomes.



The existing Nigerian literature also reveals a degree of fragmentation. Some studies have concentrated on determinants of dividend policy, examining variables such as profitability, liquidity, cash flow, leverage, size and ownership. For example, evidence from quoted Nigerian consumer goods companies indicates that cash flow and liquidity can significantly influence dividend payout. Other studies have examined dividend policy in relation to firm value, with recent evidence reporting a significant positive relationship between dividend payout ratio and Tobin's Q among Nigerian listed consumer goods firms. A separate stream of research has examined dividend policy and share-price volatility, including recent evidence specifically for Nigerian consumer goods firms. Yet these strands of literature do not necessarily provide an integrated explanation of how dividend policy and firm characteristics jointly relate to share-price fluctuations while accounting for the moderating influence of board size.

There is consequently a need to distinguish between dividend policy effects, firm-characteristic effects, and governance-conditioned effects on share-price behaviour. Dividend policy represents management's distribution decision; firm characteristics capture the internal financial and operational conditions that shape the firm's capacity and incentives to distribute earnings; while board size represents a governance mechanism that may influence how these decisions are made and perceived by investors. Combining these dimensions provides a more complete corporate-finance framework for understanding share-price fluctuations than examining any one dimension in isolation.

The choice of the Nigerian consumer goods sector is also justified by the sector's distinctive operating environment. Consumer goods companies depend substantially on domestic consumer demand while simultaneously being exposed to production costs, imported inputs, exchange-rate movements, inflation and financing conditions. Changes in these factors can affect earnings and cash flows and consequently influence dividend capacity. At the same time, changes in expected profitability can affect investors' valuation of listed consumer goods companies. Firm characteristics therefore provide an important transmission mechanism between operating conditions, dividend decisions and market valuation. Recent research similarly identifies exchange-rate volatility, supply-chain disruptions, infrastructure constraints, regulatory conditions and changing consumer preferences as important contextual issues for Nigerian listed consumer goods companies.

Furthermore, the continuing development of Nigeria's corporate-governance environment makes board characteristics increasingly relevant to capital-market research. The NCCG 2018 replaced earlier sector-specific corporate-governance codes and established a broader governance framework for Nigerian companies, while the SEC subsequently issued additional guidelines for public companies. This regulatory development reinforces the importance of examining whether a specific board characteristic—board size—has implications for the relationship between corporate financial decisions and market outcomes.

Against this background, the study titled “Dividend Policy, Firm Characteristics, and Share Price Fluctuations: The Moderating Role of Board Size in Nigeria's Consumer Goods Sector” is positioned at the intersection of corporate finance, capital-market behaviour and corporate governance. The study is premised on the view that share-price fluctuations cannot be adequately understood solely from general market conditions because investors also respond to firm-level financial information and governance structures. Dividend payout, dividend yield and dividend per share can provide information about corporate cash distributions, while profitability, liquidity, leverage, firm size and other firm characteristics provide information about the financial capacity and circumstances underlying those distributions. Board size, in turn, may condition how dividend decisions are formulated and how credible those decisions appear to market participants.

The study is therefore expected to contribute to the Nigerian literature by bringing



these three dimensions into a single analytical framework. Rather than asking only whether dividend policy affects share-price fluctuations, it examines whether the relationship is conditioned by firm-specific characteristics and whether board size changes the magnitude or direction of that relationship. Such an approach is particularly relevant given the mixed empirical evidence already emerging from Nigerian consumer goods firms. The available evidence indicates that dividend payout, dividend yield, firm size, profitability and governance characteristics do not necessarily produce uniform effects across different corporate outcomes (Nwoye & Egbunike, 2023). The resulting empirical question is therefore not simply whether dividends matter, but under what firm and governance conditions dividend decisions are associated with greater or lower share-price fluctuations.

In this respect, the study addresses an important gap between the dividend-policy literature and the corporate-governance literature in Nigeria. Existing studies have separately examined determinants of dividend policy, relationships between dividend policy and firm value, board characteristics and dividend payments, and dividend policy and share-price volatility. However, comparatively less attention has been devoted to examining board size as a moderating mechanism in the dividend policy–share-price fluctuation relationship within the Nigerian consumer goods sector. By explicitly modelling this interaction, the study can provide evidence on whether differences in board size help explain variations in the market response to dividend decisions among listed consumer goods firms. This evidence would be relevant to corporate managers in designing dividend policies, to boards in considering their governance structures, and to investors in interpreting dividend information alongside firm fundamentals and governance characteristics.

Firms' the Share price stability is an important concern in the capital market because persistent or substantial fluctuations in share prices increase investment uncertainty, affect investors' wealth and may influence firms' ability to mobilise equity capital. In an efficient capital market, share prices are expected to respond to information concerning firms' current performance and future prospects. Dividend announcements constitute one such source of information because dividends provide shareholders with a direct return and may signal management's assessment of future earnings and cash-flow capacity. However, the response of share prices to dividend decisions is not uniform. The same dividend increase, reduction or omission may generate different market reactions depending on the financial condition of the firm, its growth opportunities and the credibility investors attach to management's decisions. This makes dividend policy an important issue in explaining share-price fluctuations among listed firms.

The problem is particularly relevant in Nigeria, where the capital market operates within an environment characterised by information asymmetry, macroeconomic uncertainty, exchange-rate pressures, and inflation and changing financing conditions. These factors can affect corporate earnings and cash flows and, consequently, firms' capacity and willingness to distribute dividends. For listed companies, fluctuations in share prices may therefore reflect not only general market conditions but also investors' interpretation of firm-specific financial information. Where dividend decisions are perceived as credible signals of sustainable earnings, they may influence investor expectations positively; conversely, unexpected dividend reductions or unstable dividend patterns may generate uncertainty concerning future corporate performance. The extent to which dividend policy explains share-price fluctuations among Nigerian listed companies therefore remains an empirical question.

The problem is further complicated by differences in firm characteristics. Firms do not make dividend decisions under identical financial circumstances. Profitability determines the earnings available for distribution, liquidity affects the ability to meet immediate cash obligations, leverage creates competing claims on corporate cash flows, while firm size may influence access to external financing and the stability of earnings. Growth opportunities can



also encourage firms to retain earnings rather than distribute them. These characteristics can simultaneously influence dividend policy and investors' assessment of the firm's future prospects. Consequently, examining dividend policy without considering firm characteristics may provide an incomplete explanation of share-price fluctuations. A firm paying high dividends because of strong and sustainable profitability may be interpreted differently by investors from a highly leveraged firm maintaining a similar payout despite weak cash-flow conditions.

Empirical evidence from Nigeria has not produced a completely consistent picture of these relationships. Studies of Nigerian consumer goods firms have reported different findings concerning the effects of profitability, firm size, liquidity, leverage and other firm characteristics on dividend policy (Abdelfattah & Moharram, 2025; Abu Khalaf & Awad, 2023; Ali et al., 2023). Similarly, evidence concerning the relationship between dividend policy and market outcomes varies according to the measure of dividend policy and the measure of firm performance or market behaviour employed. Recent evidence on Nigerian listed consumer goods firms, for instance, indicates that dividend payout ratio and dividend per share may be positively associated with share-price volatility, whereas dividend yield may have a negative relationship with volatility. The same evidence reports a negative association between firm size and share-price volatility. Such differences suggest that dividend policy cannot necessarily be treated as a single-dimensional phenomenon and that firm characteristics may be important in explaining differences in market responses.

A further problem arises from the corporate-governance environment within which dividend decisions are made. Dividend policy involves an inherent agency dimension because managers may prefer to retain corporate resources for investment or other managerial purposes, whereas shareholders may prefer distributions that reduce the amount of free cash flow under managerial discretion. The board of directors is expected to monitor management and safeguard shareholders' interests in making major financial decisions. Board size is particularly relevant because the number of directors may influence the board's monitoring capacity, diversity of expertise, deliberation and decision-making processes. However, a larger board does not necessarily translate into more effective governance. While additional directors may provide broader expertise and perspectives, excessive board size may create coordination problems, slower decision-making and weaker individual accountability.

Existing Nigerian studies have predominantly examined board size either as a determinant of dividend policy or as a corporate-governance characteristic associated with firm performance. For example, evidence from listed consumer goods firms has produced findings that board size may have an insignificant relationship with dividend payout, while other board characteristics have shown significant relationships with dividend decisions. This mixed evidence raises an important unresolved question: does board size merely influence dividend policy, or does it alter the way dividend policy translates into share-price fluctuations? The latter question is particularly important because the market response to a dividend decision may depend partly on investors' confidence in the governance structures responsible for making and approving that decision.

This constitutes a significant gap in the existing literature. Much of the Nigerian literature has investigated the determinants of dividend policy, the relationship between dividend policy and firm value, or the direct relationship between corporate-governance characteristics and dividend decisions. Other studies have examined dividend policy and share-price volatility. However, these strands of literature have generally been investigated separately. Consequently, limited empirical attention has been devoted to integrating dividend policy, firm characteristics and board size within a single framework in which board size moderates the relationship between dividend policy and share-price fluctuations. The absence of such an integrated approach makes it difficult to determine whether differences



in corporate governance help explain why apparently similar dividend decisions generate different market outcomes across firms.

The problem is particularly important within Nigeria's consumer goods sector because firms in the sector face substantial differences in operating and financial conditions despite operating within the same broad industry. Changes in consumer purchasing power, production costs, inflation, exchange rates, imported-input costs, financing conditions and competitive pressures can produce significant differences in profitability, liquidity and cash-flow positions across firms. These differences can affect dividend decisions and simultaneously influence investors' expectations regarding future corporate performance. Therefore, the observed fluctuation in consumer goods companies' share prices may reflect a combination of dividend policy, underlying firm characteristics and governance conditions rather than dividend decisions alone.

Another concern is that investors may not interpret dividend information independently of corporate governance. A dividend declaration from a firm with strong monitoring structures and credible financial fundamentals may be perceived differently from a similar declaration by a firm whose governance mechanisms provide weaker oversight. If board size affects the quality of monitoring, information disclosure and oversight of management, it may consequently influence the strength of the relationship between dividend policy and share-price fluctuations. Without incorporating this moderating mechanism, empirical models may attribute differences in share-price behaviour solely to dividend policy when part of the variation may be associated with governance structures.

The unresolved empirical issue, therefore, is not simply whether dividend policy affects share-price fluctuations among Nigerian consumer goods firms. The more fundamental problem is whether the effect of dividend policy on share-price fluctuations varies according to the financial characteristics of firms and whether board size changes the strength of this relationship. Resolving this issue is important because inconsistent dividend policies, substantial share-price fluctuations and weak understanding of governance-related differences can increase uncertainty for investors and complicate dividend and governance decisions for corporate managers and boards.

Accordingly, the study seeks to address the identified problem by empirically examining the relationship between dividend policy and share-price fluctuations among listed consumer goods firms in Nigeria, while incorporating relevant firm characteristics and explicitly testing the moderating role of board size. The study is designed to determine whether dividend policy has a significant relationship with share-price fluctuations, whether firm characteristics significantly explain variations in share-price behaviour, and whether board size changes the relationship between dividend policy and share-price fluctuations. By addressing these relationships within a unified framework, the study seeks to provide empirical evidence that can contribute to the understanding of dividend decisions, corporate governance and market behaviour in Nigeria's consumer goods sector.

LITERATURE REVIEW

The literature on dividend policy, firm characteristics, share price fluctuations and board size is situated within the broader fields of corporate finance, capital market behaviour and corporate governance. Dividend policy concerns the manner in which firms determine the proportion of earnings to be distributed to shareholders and the proportion retained for investment and other corporate purposes, while share price fluctuations reflect changes in the market valuation of firms' equity over time. The relationship between these variables has attracted considerable theoretical and empirical attention because dividend decisions may convey information about a firm's current financial position and management's expectations concerning future earnings and cash flows. The theoretical literature provides competing explanations for this relationship.



Theoretical Perspectives

The study is grounded in several theories of corporate finance and investment that explain the relationship among dividend policy, firm-specific factors, and share price volatility. The most relevant theories include:

Dividend Irrelevance Theory

This theory was propounded by Franco Modigliani and Merton Miller (1961). Dividend Irrelevance Theory posits that in a perfect capital market, dividend policy does not affect firm value or shareholder wealth. The theory rests on strict assumptions: absence of taxes, no transaction costs, symmetric information, rational investor behaviour, and fixed investment policy. Under these conditions, a firm's value is determined solely by its earning power and investment decisions.

Modigliani and Miller argue that investors are indifferent between dividends and capital gains because they can create “homemade dividends” by selling part of their shareholdings. Consequently, the payout policy becomes a financing decision without valuation consequences. The implication for share price volatility rests on the premise that, if dividend policy is truly irrelevant, then Changes in dividend payout should not systematically influence share price volatility and that price fluctuations should reflect only changes in fundamentals (earnings, risk, and investment opportunities). This theory provides the null benchmark for the study. However, in emerging markets such as Nigeria, the assumptions of perfect capital markets rarely hold. Market inefficiencies, information asymmetry, and governance limitations suggest that dividend policy may carry informational and governance implications. Therefore, the empirical investigation tests whether the irrelevance proposition holds within the Nigerian manufacturing sector.

Dividend Relevance Theory (Bird-in-the-Hand Theory)

Myron Gordon (1963) and John Lintner (1956) are the proponents of the theory. Dividend Relevance Theory argues that investors prefer certain dividends today over uncertain future capital gains. Gordon and Lintner maintain that dividends reduce perceived risk, leading investors to assign higher value to firms that maintain stable or higher payout ratios. The Implication for Share Price Volatility is that higher and stable dividends reduce uncertainty, lower perceived risk reduces fluctuations in required return, and firms with consistent payout policies may experience lower share price volatility.

Consumer goods firms in Nigeria operate within an environment characterised by macroeconomic instability, exchange rate volatility, inflation, and infrastructural challenges. In such contexts, stable dividends may act as a risk-mitigating mechanism, reassuring investors and dampening price swings. This theory predicts a negative relationship between dividend stability and share price volatility.

Signaling Theory

Stephen Ross (1977) is the originator of the theory. Signalling Theory is grounded in information asymmetry between managers and investors. Managers possess private information about future earnings prospects. Dividend changes serve as credible signals because altering dividend policy is costly and difficult to reverse. In addition, dividend increases signal strong expected future performance, while dividend cuts may signal financial distress. The Implications of these for share price volatility are that unexpected dividend announcements can trigger abnormal returns. Also, positive or negative signals may increase short-term volatility, while stable dividend policies may reduce informational uncertainty over time.

In markets where disclosure quality and analyst coverage are limited, such as



Nigeria, dividend announcements may carry strong informational value. Manufacturing firms' dividend decisions may therefore generate observable fluctuations in share prices due to signaling effects.

Agency Cost Theory

Michael Jensen and William Meckling (1976) propounded this theory. Agency Cost Theory explains dividend policy as a mechanism for mitigating conflicts between managers (agents) and shareholders (principals). Managers may retain excessive earnings for personal benefit or unprofitable investments. Dividend payments reduce free cash flow, limiting managerial discretion and aligning managerial interests with shareholders. This theory for share price volatility implies that higher dividends reduce agency risk. It also indicates that lower agency conflict enhances investor confidence, in addition to the fact that reduced governance uncertainty may stabilise share prices. Corporate governance frameworks in emerging economies are still evolving. Dividend payments may function as a governance signal in Nigerian manufacturing firms, particularly where external monitoring is limited. Firms with stronger dividend commitments may experience lower volatility due to enhanced investor trust.

Clientele Effect Theory

The Clientele Effect Theory is primarily attributed to Merton Miller and Franco Modigliani in the context of dividend policy, particularly in their discussions on investor preferences for dividends versus capital gains. The theory suggests that different groups of investors ("clienteles") prefer different dividend policies based on their tax situations, income needs, or investment strategies. For example, some investors prefer high-dividend-paying firms for regular income, while others prefer low-dividend or zero-dividend firms to benefit from capital gains. The theory explains why firms may maintain certain dividend policies to attract or retain specific investor groups, which can in turn affect stock demand, liquidity, and potentially share price volatility. The implications for Share Price Volatility are that changes in dividend policy may lead to investor migration, while portfolio adjustments may increase trading activity. In addition, Temporary volatility may arise from liquidity shifts.

The theory explains why firms may maintain certain dividend policies to attract or retain specific investor groups, which can in turn affect stock demand, liquidity, and potentially share price volatility. In Nigeria's equity market, where retail participation is significant, dividend changes may influence investor composition and trading behaviour, thereby affecting volatility dynamics.

Behavioural Finance Theory

The Behavioural Finance Theory was primarily developed by Daniel Kahneman and Amos Tversky in the 1970s–1980s, with Kahneman later extending the concepts to economics and earning the Nobel Prize in Economics in 2002. Their initial seminal work was in 1974. The theory introduced the concept of cognitive biases (e.g., overconfidence, loss aversion, anchoring) and their effect on financial decision-making. It challenged the assumption of fully rational investors in classical finance theories. It also demonstrated that psychological factors influence market behaviour, including asset pricing, trading patterns, and reactions to corporate announcements. This indicates that Investors may overreact or underreact to dividend announcements due to biases like herding or loss aversion, which can amplify short-term volatility in stock prices. Emerging markets often exhibit stronger behavioural trading patterns. Dividend-related news in Nigerian manufacturing firms may therefore produce volatility spikes driven by sentiment rather than fundamentals.



Information Asymmetry Theory

The Information Asymmetry Theory is primarily associated with Joseph E. Stiglitz and George A. Akerlof, building on foundational concepts from Michael Spence in the 1970s. It addresses situations in which one party to a transaction possesses more or better information than the other, leading to market inefficiencies. Asymmetric information arises when managers, investors, or firms have unequal access to relevant information which can lead to adverse selection (wrong choices due to incomplete info) or moral hazard (risk-taking when not fully accountable). In corporate finance, dividend policy often acts as a signal to reduce information gaps between managers and shareholders. Dividend announcements provide credible information about a firm's financial health, reducing uncertainty. Unexpected dividend changes can trigger price adjustments as investors interpret the signal, affecting share price fluctuation. Especially relevant in emerging markets like Nigeria, where information asymmetry is pronounced due to limited disclosure and reporting standards.

Theoretical Synthesis

The impact of dividend policy on share price volatility in manufacturing companies can be examined through a multi-theoretical lens, as no single theory fully captures the complex interplay between corporate actions, investor perceptions, and market behavior. Each theory provides a unique perspective on how dividends may influence stock price dynamics, and when considered together, they offer a comprehensive understanding for empirical investigation.

Modigliani and Miller's Dividend Irrelevance Theory posits that in a perfect capital market, dividend policy does not affect firm value or shareholder wealth because investors can create their own "homemade dividends" by selling shares if they require cash. While this theory provides a baseline assumption that dividends may not influence stock prices, its real-world applicability is limited, especially in emerging markets like Nigeria where market imperfections such as taxes, transaction costs, and limited investor information exist. In this context, the theory serves as a reference point against which deviations caused by real-world factors can be evaluated.

Contrasting M&M, the Dividend Relevance Theory emphasises that investors often prefer certain dividends over uncertain capital gains, the "bird-in-hand" argument. Stable and predictable dividends reduce perceived risk and increase investor confidence, which can dampen share price volatility. In the Nigerian manufacturing sector, where macroeconomic uncertainties are prevalent, and this theory suggests that firms maintaining consistent dividends may experience lower fluctuations in stock prices as investors perceive them to be less risky and more financially sound.

Signalling Theory provides an explanation for how dividend policy communicates information in the presence of information asymmetry between managers and investors. Dividend increases may signal strong future earnings, while cuts may indicate potential financial distress. This signaling role of dividends can lead to short-term volatility, as investors adjust stock prices in response to perceived information about firm performance. The theory is particularly relevant in Nigeria, where corporate disclosure standards may be inconsistent, making dividend announcements a key source of credible information for investors.

Agency Theory focuses on conflicts of interest between managers and shareholders. Managers may have incentives to retain earnings for personal benefits or unprofitable projects, creating agency problems. By distributing profits through dividends, firms constrain managerial discretion, aligning management behaviour with shareholder interests. This alignment can enhance investor confidence and potentially reduce share price volatility, especially in emerging markets where corporate governance mechanisms are still developing.



The Clientele Effect Theory suggests that investors have preferences for certain dividend policies depending on their tax situation, income needs, or investment strategy. Firms may maintain a specific dividend pattern to attract or retain their preferred investor base. In Nigeria, retail investors form a large portion of the stock market; thus, dividend policy decisions can influence trading activity, affecting liquidity and short-term price volatility. Firms may need to balance their dividend strategy to satisfy the expectations of diverse investor clienteles.

Behavioural Finance Theory highlights the role of cognitive biases and heuristics in investment decisions. Investors often overreact to dividend announcements due to loss aversion, herding behaviour, or overconfidence, which can amplify short-term volatility in share prices beyond what would be expected from fundamental information alone. In the context of Nigeria, where retail investor sentiment is influential, behavioural factors are likely to magnify the market's response to dividend changes. Information Asymmetry Theory explains that when managers have more information than investors, dividend policy acts as a mechanism to reduce uncertainty. Unexpected changes in dividends provide signals about the firm's financial health, prompting price adjustments. This theory complements Signalling Theory and underscores why dividends can lead to volatility, especially in markets like Nigeria with limited transparency and high informational gaps between managers and investors.

The theoretical framework of this study is anchored on Dividend Signalling Theory, supported by Agency Theory and Dividend Irrelevance Theory, which collectively provide complementary explanations for the relationship between dividend policy, firm characteristics, board size and share price fluctuations.

Empirical Perspectives

Abdelfattah and Moharram (2025) examine how dividend policy, specifically dividend payout and dividend yield, affects stock price volatility (SPV) among firms listed in Egypt. It draws on secondary data from companies included in the EGX 100 index, using a sample of 64 firms over the period 2017 to 2023. Adopting a quantitative research design, the analysis employs the feasible generalised least squares (FGLS) technique, implemented in Stata 17, to test the proposed hypotheses. The findings indicate that both dividend payout and dividend yield exert a statistically significant influence on stock price volatility.

Bhatti et al. (2023) examine dividend policy in the chemical industry and its effect on market prices using data from 16 out of 26 firms in Pakistan's chemical sector over the period 2013–2022. A panel data approach is adopted, with estimation based on the fixed-effects model and analysis conducted using EViews software. To ensure robustness, several diagnostic tests are performed, including Levin-Lin-Chu unit root, Hausman specification, and Wald, Variance Inflation Factor (VIF), tolerance, Durbin–Watson, normality, and heteroskedasticity tests. The empirical results indicate that, except for profit after tax, all explanatory variables are statistically significant in influencing share prices. Notably, dividend policy variables have a significant impact on market prices, providing strong evidence for the dividend relevance theory. This suggests that dividend decisions play a crucial role in shaping investor behaviour and firm valuation. The findings imply that firms should carefully design their dividend policies in alignment with prevailing market conditions, as investors exhibit a clear sensitivity to price movements. Overall, the study reinforces the view that dividend policy is a key determinant of share price behaviour in the Pakistani chemical industry.

AlAli et al (2024) investigate the relationship between share prices and a set of dividend policy and profitability variables using data from five insurance companies listed on the Kuwait Stock Exchange over the period 2014 to 2022. Adopting an OLS regression approach, the analysis examines the effect of earnings per share (EPS), dividend yield (DY),



earnings-to-price ratio (EP), risk premium (RP), and retention ratio (RR) on stock prices. The results indicate that approximately 55.3% of the variation in stock prices is explained by these variables, highlighting their collective relevance in determining market valuation. The findings show a significant positive relationship between stock prices and earnings per share, suggesting that investors are attracted to more profitable firms. Similarly, the earnings-to-price ratio exhibits a statistically significant positive effect at the 99% confidence level, while the risk premium also shows a positive and significant relationship at the 90% level. In contrast, dividend yield is found to have a significant negative relationship with stock prices, implying that investors may prefer stable dividend payouts over uncertain capital gains prospects. Meanwhile, the retention ratio does not exhibit a statistically significant effect on share prices, indicating a limited role in influencing investor valuation decisions within the sampled firms.

Akib et al. (2023) examine the effect of capital structure, profitability, and dividend policy on the stock prices of consumer goods manufacturing firms listed on the Indonesia Stock Exchange over the period 2018–2020. Grounded in agency theory and financial management principles, the study conceptualises capital structure using the debt-to-equity ratio, profitability through return on assets, and dividend policy via the dividend payout ratio, emphasizing how these financial indicators influence firm performance and ultimately stock prices. Employing a quantitative research design, the study utilizes financial ratio data analyzed through descriptive statistics and panel data regression techniques with the aid of EViews 12 (Student version). The findings reveal that capital structure, profitability, and dividend policy jointly exert a significant influence on stock prices. However, when examined individually, the results indicate that the debt-to-equity ratio has a significant negative effect on stock prices, suggesting that higher leverage reduces firm value. In contrast, return on assets does not exhibit a statistically significant relationship with stock prices, and similarly, the dividend payout ratio is found to have no significant effect. These results imply that while financial structure plays a critical role in determining stock prices, profitability and dividend policy may not independently drive stock price movements within the sampled firms during the study period.

Adler et al. (2024) investigate the effect of dividend announcements on stock prices, with particular emphasis on cum-dividend and ex-dividend dates, while also examining whether dividend policy moderates this relationship. The analysis focuses on manufacturing firms listed on the Indonesia Stock Exchange (IDX) over the period 2013–2018, excluding 2019–2021 due to disruptions associated with the COVID-19 pandemic. Using firm-level data, the study finds that dividend announcements on both cum-dividend and ex-dividend date exert a positive influence on stock prices. However, dividend policy is found to weaken this relationship, suggesting a moderating effect that dampens the price response to such announcements. The results further indicate that the impact of dividend announcements varies across firms, reflecting heterogeneity in market reactions. Notably, the study does not adopt an event study methodology but instead employs a descriptive analytical approach. The findings have important implications for corporate managers, policymakers, and investors, particularly in guiding portfolio decisions. The study also contributes to the literature by addressing a gap in Indonesian research, where limited attention has been given to the moderating role of dividend policy in the relationship between dividend announcements and stock price behaviour.

Khalaf et al. (2023) investigate the effect of dividend policy on share price volatility among non-financial firms listed in GCC countries over the period 2010 to 2021. Although an initial population of 532 firms across Saudi Arabia, Oman, Qatar, the UAE, Kuwait, and Bahrain was identified, 380 firms were excluded due to incomplete data, resulting in a reduced sample for analysis. The study adopts a panel regression framework, estimating both fixed and random effects models, with the Hausman test indicating the superiority of the



fixed effects specification. Share price volatility is used as the dependent variable, while dividend yield serves as the proxy for dividend policy. The model also incorporates control variables including firm size, growth, and leverage. The findings reveal that firm size and leverage exhibit a significant negative relationship with share price volatility, whereas growth shows a positive but statistically insignificant effect. Importantly, the results indicate that dividend policy does not have a significant impact on share price volatility, suggesting that dividend decisions do not meaningfully influence stock price fluctuations in GCC markets.

Amirthalingam and Rajaratnam (2022) examine the effect of dividend policy on share price volatility using evidence from firms listed on the Colombo Stock Exchange. Recognising dividend policy as a critical component of corporate financial management, the study focuses on the materials industry during the period 2019–2021, a time characterised by significant economic disruptions in Sri Lanka. A sample of 23 firms classified under the GICS materials sector is selected, and a cluster sampling technique is employed for the analysis. The empirical results reveal that dividend policy has a statistically significant impact on share price volatility, with the relationship confirmed at the 95% confidence level.

Ferdaous and Barua (2020) investigate the influence of firm-specific factors on stock returns of 29 private commercial banks listed on the Dhaka Stock Exchange in Bangladesh. The study employs a combination of time-series, cross-sectional, and panel data techniques to analyse both internal and external determinants of stock returns, with particular emphasis on the relatively underexplored context of emerging markets. Using a balanced panel dataset comprising 3,712 observations over the period 2009–2019, the study examines the effects of variables such as firm beta (volatility), earnings per share (EPS), market-to-book value ratio (MTBV), firm size, trading volume, and turnover by value. To ensure model appropriateness, the study applies the Hausman specification test and the Breusch–Pagan Lagrangian Multiplier test, with results favouring the fixed effects model over the random effects alternative. The empirical findings indicate that firm beta and firm size exert a significant negative impact on stock returns, while turnover by value and trading volume have a significant positive effect. Overall, the results both align with and diverge from existing empirical evidence, highlighting the context-specific nature of firm-level determinants of stock returns in emerging markets like Bangladesh.

Kengatharan and Ford (2021) examine the effect of dividend policy on share price volatility using data from 81 non-financial firms listed on the Colombo Stock Exchange over the period 2013–2017. The study adopts a panel data approach, measuring dividend policy through dividend payout ratio, dividend yield, and dividend per share, while controlling for firm size and financial leverage. The random effects estimation results indicate that the explanatory variables account for approximately 25% of the variation in share price volatility. The findings reveal that dividend yield has a significant positive effect on share price volatility, whereas dividend per share exhibits a significant negative relationship with price movements. Firm size is also found to have a significant negative influence on volatility. However, dividend payout ratio and financial leverage do not show statistically significant effects. Overall, the study concludes that dividend yield, dividend per share, and firm size are key determinants of share price volatility in the Sri Lankan context, thereby supporting the dividend relevance theory. The results further suggest that dividend policy can serve as a stabilising mechanism for managing share price fluctuations and enhancing shareholder wealth.

Putri et al. (2022) investigate the impact of dividend policy on stock price volatility among manufacturing firms listed on the Indonesia Stock Exchange over the period 2019–2020. The study also considers additional firm-specific factors—namely firm size, earnings volatility, and leverage—as control variables. Adopting a quantitative research design, the analysis is based on secondary data obtained from firms' annual financial reports. A purposive sampling technique is employed to select 62 firms, yielding a total of 124



observations, and the data are analysed using multiple regression with SPSS 16. The empirical results indicate that dividend policy has a significant negative effect on stock price volatility, implying that higher dividend payments are associated with lower price fluctuations. Among the control variables, firm size and leverage are found to have no significant influence on stock price volatility, while earnings volatility exhibits a positive and significant relationship. These findings suggest that while dividend policy plays a stabilising role in stock price behaviour, earnings instability contributes to increased volatility in the Indonesian manufacturing sector.

Hossin and Ahmed (2020) examine the effect of dividend policy on stock prices in Bangladesh using data from firms listed on the Dhaka Stock Exchange. From a population of 330 listed companies, the study focuses on a sample of 10 firms drawn from the Food & Allied, Ceramics, and Cement sectors over the period 2008 to 2017. The analysis employs panel data techniques, estimating both Fixed Effects and Random Effects models to assess the relationship between dividend policy and market price of shares, while controlling for variables such as earnings per share, the logarithm of profit after tax, asset growth, and dividend payout ratio. Model selection procedures indicate that the Random Effects model provides a better fit than the Fixed Effects alternative. In addition, a multicollinearity test confirms the absence of significant correlation among the explanatory variables, ensuring the robustness of the estimates. The findings suggest evidence consistent with weak-form market efficiency in Bangladesh and reveal that investors exhibit a preference for stock dividends over cash dividends. Overall, the study highlights the relevance of dividend policy in influencing stock prices within the sampled sectors.

Adam et al. (2020) examine the effect of dividend policy on share prices of firms listed on the Ghana Stock Exchange (GSE). The study focuses on 14 quoted firms that paid dividends at least once within a five-year period, using purposively sampled panel data covering 2009–2018. The analysis incorporates several explanatory variables, including dividend-price ratio, dividend payout ratio, and retention ratio, earnings per share, net profit after tax, firm size, and asset growth. To estimate the relationships, the study employs pooled OLS, fixed effects, and random effects models, with the Hausman test indicating that the fixed effects specification is most appropriate. The empirical findings from the fixed effects model reveal a positive relationship between dividend payout ratio and share price, suggesting that increases in dividends per share tend to raise market prices, although this effect is not statistically significant. In contrast, the dividend-price ratio shows a negative and statistically significant effect at the 10% level, while the retention ratio is negatively related but not significant. Earnings per share emerge as the most influential determinant, exhibiting a strong and significant positive effect on share prices. Additionally, net profit after tax and firm size are found to have significant positive impacts on share price determination. Overall, the study underscores the importance of profitability and certain dividend policy indicators in explaining share price behaviour in the Ghanaian market.

Pertiwi and Wiagustini (2020) examine the influence of dividend payout ratio, leverage, and firm size on stock price volatility among manufacturing firms listed on the Indonesia Stock Exchange over the period 2014–2018. The study adopts a census sampling approach, selecting 11 firms that consistently paid dividends during the study period. Data are collected through non-participant observation and analysed using multiple linear regression techniques. The findings indicate that dividend payout ratio, leverage, and firm size jointly have a significant effect on stock price volatility. However, when considered individually, dividend payout ratio and leverage do not exhibit statistically significant effects, whereas firm size shows a significant influence on stock price volatility. This suggests that, within the sampled firms, company size plays a more decisive role in explaining stock price fluctuations than dividend policy and leverage.

Ali et al. (2023) investigate the effect of dividend policy on share price volatility



among firms listed on the Pakistan Stock Exchange (PSX). The study utilises a quantitative research design, drawing on secondary data from 15 firms over a 15-year period spanning 2004 to 2019. Share price volatility is specified as the dependent variable, while dividend policy is proxied by dividend payout ratio (DPR) and dividend yield (DY). The analysis is conducted using correlation and regression techniques with EViews software. The findings reveal that dividend policy has a significant overall impact on share price volatility. Specifically, dividend yield is found to exert a positive and significant influence on price volatility, whereas dividend payout ratio demonstrates a negative effect. These results suggest that different components of dividend policy affect stock price behaviour in distinct ways. The study's conclusions are consistent with several prior empirical findings from Pakistan and other contexts, reinforcing the relevance of dividend policy in explaining stock price volatility.

Kadri and Hardin (2023) examine the effect of corporate dividend policy on stock price volatility within the food and beverage sector in Malaysia. The study adopts a quantitative research design, utilising secondary data sourced from publicly available financial statements and stock market records. A sample of 30 firms listed on Bursa Malaysia is analysed over a 16-year period from 2005 to 2020, incorporating both dividend-paying and non-dividend-paying companies to enable comparative insights. The analysis employs descriptive statistics and regression techniques to evaluate the relationship between dividend policy and stock price volatility, while controlling for additional factors such as firm financial performance, prevailing market conditions, and industry-specific characteristics. The study provides empirical evidence on how dividend policy influences stock price behaviour in the Malaysian context, contributing to the broader literature on dividend relevance and market dynamics. Its findings offer valuable insights for investors, policymakers, and corporate managers by enhancing understanding of how dividend decisions may shape stock price fluctuations and overall market performance in the food and beverage sector.

Aktürk et al. (2022) examine the impact of dividend policy on stock price volatility using a large cross-country panel of 1,221 firms from eleven developed and emerging European economies over the period 2003–2017. The study analyses the relationship between volatility and three key dividend policy indicators, dividend yield, dividend payout ratio, and stock repurchases, employing a fixed effects panel data approach. In addition, the study accounts for potential structural effects of the 2008–2009 global financial crisis by comparing pre-crisis (2003–2007) and post-crisis (2010–2017) periods. The empirical findings reveal a consistent inverse relationship between dividend policy measures and stock price volatility, indicating that higher dividend-related payouts and repurchases are associated with lower volatility. These results are robust across different country classifications (developed versus emerging markets) as well as across sub-periods, suggesting that the stabilising effect of dividend policy on stock price behaviour holds under varying economic conditions and market environments.

Kimani and Olweny (2021) examine the relationship between dividend payout ratio and stock price volatility among listed commercial banks in Kenya, incorporating firm size as a control variable. The study is anchored on the signaling theory, which suggests that dividend announcements convey information to the market and may influence share price movements. The analysis focuses on banks listed between 2015 and 2019, excluding those that emerged through mergers to maintain consistency in the sample. The findings reveal a negative relationship between dividend payout ratio and stock price volatility, indicating that an increase in dividend payout tends to reduce price fluctuations among the sampled banks. In contrast, dividend yield is found to have an insignificant relationship with stock price volatility. Furthermore, the moderating role of firm size shows that when firms are relatively small, dividend payout ratio exerts a negative influence on volatility, whereas for larger firms,



the relationship becomes positive. These results highlight the conditional effect of firm size in shaping how dividend policy influences stock price behaviour in the Kenyan banking sector.

Mahirun et al. (2023) investigate the role of dividend policy as an intervening variable in the relationship between capital structure and firm value, while also examining other determinants of stock prices such as investment opportunity set, trading volume, and profitability. The study focuses on firms included in the LQ45 index of the Indonesia Stock Exchange over the period 2012–2021. Using a quantitative approach, the authors employ path analysis to evaluate both direct and indirect effects among the variables, based on a sample of 177 firm-year observations. The findings indicate that dividend policy, proxied by the dividend payout ratio (DPR), does not mediate the relationship between capital structure and firm value in influencing stock prices. However, return on equity (ROE) and DPR are found to have a positive and statistically significant effect on stock prices. In contrast, variables such as price-to-earnings ratio (PER) and debt-to-equity ratio (DER) exhibit positive but insignificant effects. Additionally, debt-to-assets ratio (DAR) and trading volume activity (TVA) are identified as factors that significantly reduce stock prices, while price-to-book value (PBV) and return on assets (ROA) show negative but insignificant relationships. Overall, the study highlights the complex interplay between financial structure, dividend policy, and firm performance in determining stock price behaviour.

Hanafi et al. (2023) examine the effect of dividend policy on share price performance among firms listed on the FTSE Bursa Malaysia 100 (FBM100) index over the period 2011–2020. The study adopts a panel data approach, analysing a filtered sample of 56 firms. Dividend policy is proxied by dividend yield and dividend payout, while additional variables such as return on invested capital, trading volume, firm size (measured by market capitalisation), and free cash flow yield are incorporated as control variables. The analysis is conducted using panel regression techniques to assess the relationship between these variables and share price movements. The empirical results indicate that dividend payout ratio does not have a statistically significant effect on share prices, whereas dividend yield exhibits a significant negative relationship. Among the control variables, return on invested capital, trading volume, and firm size are found to have significant effects on share prices, while free cash flow yield is not statistically significant. Overall, the findings suggest that dividend policy plays a meaningful role in influencing share price behaviour, although its components may have differing effects.

Provaty and Siddique (2021) examine the relationship between dividend policy and stock price volatility within the financial services sector in Bangladesh. The study focuses on two key dividend policy proxies, dividend yield and dividend payout ratio, while controlling for firm-specific factors such as firm size, asset growth, earnings volatility, long-term debt, and earnings per share. Stock price volatility is specified as the dependent variable, and panel regression analysis is employed to assess the relationships among the variables. The findings indicate a significant positive relationship between dividend yield and stock price volatility, suggesting that higher dividend yields are associated with increased price fluctuations among the sampled firms. The study provides important insights into how stock prices respond to dividend-related information and contributes to the broader debate on dividend relevance. Its results are particularly useful for regulators and investors seeking to understand the dynamics of stock price movements in response to corporate financial decisions.

Bachmeier and Sinha (2023) empirically examine whether dividend policy influences stock price volatility within firms in the S&P 100 index. The study uses a quarterly dataset covering 34 companies over the period 2010–2020, resulting in 1,496 observations. A panel data framework is adopted, employing pooled OLS, fixed effects, and random effects models to evaluate the relationship between stock price volatility and dividend policy variables, specifically dividend yield and dividend payout ratio. The analysis also incorporates control



variables such as leverage, firm size, asset growth, and earnings volatility to account for additional determinants of stock price fluctuations. The results indicate that dividend yield has a positive and significant effect on stock price volatility, while dividend payout ratio is statistically insignificant. Among the control variables, only firm size shows a significant negative relationship with volatility, whereas leverage, asset growth, and earnings volatility are not significant. The study concludes that dividend policy, particularly through dividend yield, plays a role in explaining stock price risk, thereby supporting dividend relevance theory. However, since the fixed effects model is identified as the most appropriate estimator, the findings are primarily interpreted as being specific to the sampled firms rather than broadly generalisable to the entire population.

Foong and Malek (2022) examine the relationship between dividend policy and firm performance among publicly listed companies in Malaysia. The study focuses on a selected subsector within the consumer products and services industry listed on Bursa Malaysia, using data covering an eight-year period from 2011 to 2018, with a total of 200 firm-year observations. Firm performance is measured using return on equity (ROE) and return on assets (ROA), while dividend policy is proxied by earnings per share (EPS), dividend payout ratio (DPR), and price-to-earnings ratio (PER). The empirical findings indicate that EPS has a significant positive relationship with both ROE and ROA, suggesting that higher earnings are associated with improved firm performance. In contrast, PER shows a mixed effect, being insignificant with ROE but significant with ROA. Meanwhile, DPR is found to have no significant relationship with either performance measure. Overall, the study highlights that not all dividend policy indicators exert a uniform effect on firm performance, with EPS emerging as the most consistent determinant. The results provide useful insights for investors and policymakers in understanding how dividend-related variables influence corporate performance in Malaysia's consumer sector.

Siddique et al. (2020) examine the effect of dividend policy decisions on share price volatility among Modaraba companies listed on the Pakistan Stock Exchange. The study utilises data obtained from the Pakistan Stock Exchange, Recorder archives, and KSEStocks.com, focusing on a sample of 19 Modaraba firms over the period 2010–2018. A panel data framework is applied, with estimation based on a fixed effects multiple regression model. To enhance robustness and reduce potential bias, the analysis includes control variables such as firm size, growth, operating earnings, and leverage. The empirical results support the dividend relevance theory, showing that dividend policy has a significant negative effect on share price volatility, implying that higher dividend payments are associated with reduced stock price fluctuations. In addition, leverage is found to have a positive relationship with volatility, indicating that higher debt levels increase price instability. Earnings volatility also shows a positive association with share price volatility. Conversely, firm size and asset growth exhibit negative but statistically insignificant effects. Overall, the study highlights the importance of dividend decisions and financial structure in shaping stock price behaviour in the Pakistani Modaraba sector.

Shrestha (2020) investigates the impact of dividend policy on stock market prices of Nepalese enterprises using data from 33 dividend-paying firms listed on the Nepal Stock Exchange (NEPSE). The study employs an unbalanced panel dataset covering the period 2000/01 to 2018/19. To determine the appropriate estimation technique, the Breusch–Pagan Lagrangian Multiplier test is first applied, indicating that pooled OLS is unsuitable. Subsequently, the Hausman specification test suggests that the Random Effects model is also inappropriate, leading to the adoption of the Fixed Effects model for the empirical analysis. The study controls for variables such as return on equity and earnings per share in examining the relationship between dividend policy and stock prices. The results reveal that dividend policy has a significant effect on stock market prices in Nepalese firms. Specifically, cash dividends are found to have a significant negative impact on stock prices, while stock



dividends exhibit a significant positive effect. These findings suggest that investors in the Nepalese market respond differently to forms of dividend distribution, with distinct implications for market valuation and investment decisions.

Budhathoki and Khadka (2024) examine the effect of dividend policy on share prices in Nepalese microfinance institutions, focusing on dividend yield, retention ratio, and dividend payout ratio, while also assessing their indirect effects through profitability measures such as return on assets (ROA) and return on equity (ROE). The study utilises financial data from 61 Nepalese microfinance institutions listed on the Nepal Stock Exchange (NEPSE) for the period 2017–2021, with a subset of 10 firms serving as the primary analytical sample. Data were obtained from institutional reports, ShareSansar, and NEPSE statistics, and analysed using SPSS (PROCESS v4.3), employing descriptive statistics, correlation, and regression techniques to estimate total, direct, and indirect effects. The findings reveal a complex relationship between dividend policy variables and share price behaviour. Overall, dividend yield exhibits a negative effect on share price, while retention ratio shows a positive and significant influence, and dividend payout ratio has a negative and significant effect. In terms of direct effects, dividend yield remains negative, whereas retention ratio and dividend payout ratio are positive but statistically insignificant. The indirect effects indicate mixed pathways: dividend yield and retention ratio negatively influence share price through ROA but show a positive and significant effect through ROE, while dividend payout ratio has a positive and significant indirect effect via ROA. However, ROE itself is found to have a negative and insignificant effect on share price.

Ajao and Robinson (2022) investigate the impact of dividend policy determinants on stock price volatility across selected Sub-Saharan African economies, specifically Nigeria, Kenya, and South Africa. The study draws data from 2011 to 2019, covering a nine-year period, and employs a combination of econometric techniques to analyse the relationship between dividend-related variables and stock price volatility. Stock price volatility is first generated using the Generalized Autoregressive Conditional Heteroskedasticity (GARCH) model, while the relationship between variables is estimated using a panel Autoregressive Distributed Lag (ARDL) framework. The key explanatory variables include leverage, firm size, dividend yield, earnings per share, and dividend payout ratio. The empirical findings reveal that the selected variables exhibit varying degrees of association with stock price volatility across both the long-run and short-run dimensions. The pooled long-run results show that dividend payout, dividend yield, earnings per share, leverage, and firm size are all significantly related to stock price volatility. However, no statistically significant short-run relationship is observed for the combined sample. Overall, the study concludes that dividend payout, dividend yield, and earnings per share are important predictors of stock price volatility in African stock markets. Consequently, it recommends that firms adopt stable and consistent dividend policies, as smoothing dividend payments may help reduce excessive fluctuations in stock prices.

Al-Sharif (2020) examines the relationship between dividend payout policy and share price volatility in Islamic banks, focusing on Jordan Islamic Bank and Al-Safwa Bank over the period 2009–2018. The study adopts a regression-based approach using SPSS to analyse the effects of different components of dividend policy, including cash dividends, stock dividends, and retained earnings, on share price volatility. The empirical results indicate an overall negative relationship between dividend payout policy and share price volatility, suggesting that dividend distributions tend to stabilise share prices. Retained earnings are found to have a positive association with share price volatility within the dividend framework. Among the dividend components, cash dividends exert a stronger influence on stabilising market value compared to stock dividends, which are statistically insignificant. The study also highlights the mediating role of variables such as debt ratio, net profits, and bank size in explaining the relationship, collectively accounting for about 70% of the variation in share



price volatility.

Synthesis of the Empirical Literature

The empirical literature on dividend policy and stock price behaviour presents a heterogeneous but broadly informative pattern, spanning multiple markets, methodologies, and model specifications.

A dominant strand of evidence supports the dividend relevance hypothesis, indicating that dividend policy significantly influences stock prices and/or stock price volatility. Studies such as Abdelfattah and Moharram (2025), Amirthalingam and Rajaratnam (2022), Ali et al. (2023), Ajao and Robinson (2022), and Shrestha (2020) consistently report that dividend policy variables—particularly dividend payout ratio and dividend yield—exert statistically significant effects on stock price volatility or market prices. Similarly, Bhatti et al. (2023) and Hossin and Ahmed (2020) find that dividend decisions play a central role in shaping investor behaviour and firm valuation, reinforcing the informational and signalling content of dividends. Cross-country evidence by Aktürk et al. (2022) further strengthens this position by demonstrating a robust inverse relationship between dividend measures and volatility across both developed and emerging European markets.

However, the direction of the relationship remains inconsistent, reflecting contextual and structural differences across markets. A substantial number of studies (e.g., Putri et al., 2022; Siddique et al., 2020; Kimani and Olweny, 2021; Al-Sharif, 2020; Aktürk et al., 2022) document a negative relationship, suggesting that higher dividend payouts stabilise stock prices by reducing uncertainty and information asymmetry. In contrast, other studies (e.g., Kengatharan and Ford, 2021; Provaty and Siddique, 2021; Bachmeier and Sinha, 2023; Ali et al., 2023 for dividend yield) report a positive relationship, implying that higher dividend yields may be associated with increased volatility, possibly due to market expectations, risk perceptions, or signalling of firm maturity and limited growth opportunities. Additionally, some evidence (AlAli et al., 2024; Hanafi et al., 2023; Budhathoki and Khadka, 2024) shows negative effects of dividend yield on stock prices, suggesting investor preference for stable earnings prospects over dividend income in certain contexts.

A third cluster of studies provides partial or insignificant effects, challenging the universality of dividend relevance. For instance, Akib et al. (2023), Khalaf et al. (2023), Pertiwi and Wiagustini (2020), and Hanafi et al. (2023) find that dividend policy variables are either insignificant or only jointly significant with other firm characteristics. These findings align more closely with the dividend irrelevance perspective, suggesting that firm value and stock price behaviour may be driven more by fundamentals such as profitability, leverage, and firm size than by dividend decisions alone.

Beyond direct effects, several studies highlight the conditional and interactive nature of the relationship. Kimani and Olweny (2021) demonstrate that firm size moderates the dividend–volatility nexus, while Adler et al. (2024) find that dividend policy weakens the impact of dividend announcements on stock prices. Mahirun et al. (2023) further show that dividend policy does not mediate the relationship between capital structure and firm value, indicating limited indirect influence in certain structural models. These results suggest that dividend policy operates within a broader financial ecosystem rather than as an isolated determinant.

Moreover, the literature underscores the importance of firm-specific and macroeconomic controls. Variables such as earnings per share, firm size, leverage, growth, and earnings volatility frequently emerge as significant determinants of stock price behaviour (e.g., Adam et al., 2020; Ferdaous and Barua, 2020; Bachmeier and Sinha, 2023). In many cases, these factors either complement or overshadow the role of dividend policy, reinforcing the multifactorial nature of stock price dynamics.

Methodologically, the studies predominantly employ panel data techniques (fixed



effects, random effects, FGLS, ARDL), often supported by diagnostic and robustness tests (Hausman, unit root, heteroskedasticity, multicollinearity). While this enhances empirical rigor, variations in estimation techniques, sample sizes, time periods, and sectoral focus contribute to the observed inconsistencies in findings.

Overall, the empirical literature does not yield a uniform conclusion on the dividend policy–stock price nexus. Rather, it indicates that while dividend policy remains an important determinant of stock price behaviour, its influence is inherently context-specific. The direction and magnitude of this relationship differ across countries, industries, and methodological approaches, reflecting variations in market structure and investor dynamics. Moreover, the effect of dividend policy is not isolated but contingent on firm-specific characteristics such as size, profitability, and leverage, suggesting that its role in shaping stock price movements is conditional rather than universally consistent.

METHODOLOGY

This study adopts a panel data research design to examine the relationship between dividend policy, firm characteristics and share price fluctuations, while assessing the moderating role of board size among listed consumer goods firms in Nigeria. Panel data combine cross-sectional observations of individual firms with time-series observations across multiple periods, thereby enabling the study to account for both differences among firms and changes within firms over time. The use of panel data is appropriate because the study involves several listed consumer goods firms observed over a specified period, with information on dividend policy, firm characteristics, board size and share price fluctuations obtained from firm-level financial statements, annual reports and relevant capital-market records.

The panel-data approach offers several methodological advantages for the study. First, it permits the analysis of firm-specific heterogeneity, recognising that listed consumer goods firms may differ in characteristics such as profitability, liquidity, leverage, size, dividend practices and governance structures. These differences may influence share-price behaviour and, if ignored, could bias the estimated relationships among the study variables. Second, combining the cross-sectional and time-series dimensions increases the number of observations and improves the efficiency of parameter estimation relative to relying exclusively on either cross-sectional or time-series data. Third, panel estimation provides greater capacity to examine the dynamic behaviour of firm-level variables and determine whether changes in dividend policy and firm characteristics within a firm are associated with subsequent variations in share-price fluctuations.

The study considers the principal panel-data estimators, including pooled ordinary least squares (Pooled OLS), fixed-effects and random-effects models, in determining the appropriate empirical specification. The pooled model assumes that the intercept and slope coefficients are common across all firms and periods, whereas the fixed-effects model permits unobserved firm-specific characteristics that are constant over time to be controlled for through firm-specific intercepts. The random-effects model, in contrast, treats the unobserved firm-specific effects as random and assumes that they are uncorrelated with the explanatory variables. The appropriate estimator will be determined using relevant specification tests, particularly the F-test for pooled versus fixed effects, the Breusch–Pagan Lagrange Multiplier test for pooled versus random effects, and the Hausman specification test for fixed versus random effects.

The panel framework is particularly suitable for investigating the proposed moderating effect of board size. The empirical model can incorporate an interaction term between dividend policy and board size to determine whether the relationship between dividend policy and share-price fluctuations varies according to differences in board size. Thus, the panel-data methodology allows the study to examine not only the direct effects of



dividend policy and firm characteristics but also whether the governance structure represented by board size conditions the relationship between dividend policy and share-price fluctuations. The use of panel data consequently provides an appropriate empirical framework for addressing the study's objectives while controlling for unobserved firm-specific characteristics and exploiting both the cross-sectional and temporal dimensions of the Nigerian consumer goods sector.

Model Specification

Functional relationships (Model Form)

$$SPF = f(DPR, DY, BS, DPR * BS, DY * BS, FS, SG, PRF, LIQ, LV) \quad 1$$

Econometrics Form

$$SPF_{it} = \beta_0 + \beta_1 DPR_{it} + \beta_2 DY_{it} + \beta_3 BS_{it} + \beta_4 (DPR * BS)_{it} + \beta_5 (DY * BS)_{it} + \beta_6 FS_{it} + \beta_7 SG_{it} + \beta_8 PRF_{it} + \beta_9 LIQ_{it} + \beta_{10} LV_{it} + \varepsilon_{it} \quad 2$$

Whereas:

SPFit = Share Price Fluctuations of firm i, at time t

DPRit = Dividend Payout Ratio of firm i, at time t

DYit = Dividend Yield of firm i, at time t

BSit = Board Size of firm i, at time t

FSit = Firm Size (log of total assets) of firm i, at time t

SGit = Sales growth of firm i, at time t

PRFit = Profit (ROA) of firm i, at time t

LVit = Leverage of firm i, at time t

DPR * BS = interaction term of Dividend Payout ratio and Board Size

DY * BS = interaction term of Dividend Yield and Board Size

β_0 = constant term

$\beta_{1it} - \beta_{9it}$ = coefficients of independent variables

ε_{it} = error term

RESULTS

Table 1: Descriptive Statistics of the variables (N-154)

Variables	Mean	Median	Std. Dev.	Minimum	Maximum	Skew ness	Kurtosis
SPF	15.720	0.000	81.035	-91.500	656.06	4.267	28.980
DPR	1.049	0.138	4.126	-17.500	32.051	3.089	27.225
DY	3.566	1.109	7.010	0.000	63.014	4.965	37.207
BS	11.130	11.000	2.248	6.000	17.000	0.457	2.876
DPR*BS	11.398	1.374	42.104	-140.000	320.513	3.417	24.708
DY*BS	42.437	12.274	86.410	0.000	693.151	4.392	27.425
FS	18.236	18.450	1.421	14.369	21.124	-0.295	2.500
SG	0.201	0.107	0.448	-0.974	2.687	1.893	12.161
PRF	0.029	0.036	0.109	-0.644	0.265	-1.995	12.767
LIQ	1.105	1.035	0.501	0.380	2.840	0.988	3.792
LEV	4.224	1.540	11.974	-8.790	103.62	5.772	40.831

Source: Author's Computation (2026)

Table 1 presents the descriptive statistics for the study variables based on 154 observations. The statistics include the mean, median, standard deviation, minimum, maximum, skewness and kurtosis. These measures provide information on the central tendency, dispersion and distributional characteristics of the variables.

The SPF variable has a mean value of 15.720, while its median is 0.000, indicating a substantial difference between the average and the central observation. Its standard



deviation of 81.035 is considerably larger than its mean, suggesting substantial variability in SPF across the observations. The variable ranges from -91.500 to 656.060. The positive skewness of 4.267 indicates a pronounced right-skewed distribution, while the kurtosis of 28.980 indicates a highly leptokurtic distribution with substantial tail concentration and the presence of extreme observations. This suggests that a relatively small number of observations have exceptionally high SPF values.

The DPR variable records a mean of 1.049 and a median of 0.138, with a standard deviation of 4.126. The substantial difference between the mean and median, together with the range from -17.500 to 32.051, indicates considerable dispersion. Its skewness of 3.089 shows that DPR is positively skewed, while the kurtosis of 27.225 indicates heavy tails and possible extreme observations. Thus, the distribution of DPR is substantially different from a normal distribution.

The DY variable has a mean of 3.566 and a median of 1.109, with a standard deviation of 7.010. The values range between 0.000 and 63.014. Its skewness of 4.965 indicates a strong positive skew, while the kurtosis of 37.207 indicates an extremely leptokurtic distribution. The results imply that although most observations are relatively low, a few observations record exceptionally high values of DY.

For BS, the mean of 11.130 is relatively close to its median of 11.000, suggesting that the observations are reasonably concentrated around the centre of the distribution. The standard deviation of 2.248 indicates comparatively low dispersion, while the minimum and maximum values are 6.000 and 17.000, respectively. The skewness of 0.457 indicates only mild positive skewness. Its kurtosis of 2.876 is close to the normal-distribution benchmark of 3, suggesting that BS has a distribution that is comparatively close to normality.

The interaction variable DPR*BS has a mean of 11.398 and a median of 1.374, with a relatively large standard deviation of 42.104. Its values range from -140.000 to 320.513. The positive skewness of 3.417 indicates substantial right skewness, while the kurtosis of 24.708 indicates heavy tails and considerable departure from normality. The large difference between the mean and median also suggests that the mean is influenced by relatively large positive observations.

Similarly, DY*BS has a mean of 42.437 and a median of 12.274, with a standard deviation of 86.410. The variable ranges from 0.000 to 693.151. Its skewness of 4.392 indicates substantial positive asymmetry, while the kurtosis of 27.425 suggests a highly leptokurtic distribution. These statistics indicate substantial heterogeneity in the interaction between DY and BS, with some observations considerably larger than the majority.

The FS variable exhibits a mean of 18.236 and a median of 18.450, showing that the mean and median are very close. Its standard deviation is 1.421, while the minimum and maximum values are 14.369 and 21.124, respectively. The skewness of -0.295 indicates only slight negative asymmetry, while its kurtosis of 2.500 is reasonably close to the normal benchmark. Overall, FS displays relatively low dispersion and a comparatively well-behaved distribution.

The SG variable has a mean of 0.201 and a median of 0.107, with a standard deviation of 0.448. The minimum and maximum values are -0.974 and 2.687, respectively. Its skewness of 1.893 indicates moderate positive skewness, while the kurtosis of 12.161 indicates substantial excess kurtosis. This suggests that the distribution contains some relatively extreme observations despite the relatively small mean.

The PRF variable records a mean of 0.029 and a median of 0.036, with a standard deviation of 0.109. It ranges from -0.644 to 0.265. The skewness of -1.995 indicates considerable negative asymmetry, while the kurtosis of 12.767 indicates heavy tails. The negative skewness suggests that the distribution is influenced by relatively large negative observations.

The LIQ variable has a mean of 1.105, compared with a median of 1.035, and a



standard deviation of 0.501. Its values range from 0.380 to 2.840. The skewness of 0.988 indicates moderate positive skewness, while the kurtosis of 3.792 is only moderately above the normal benchmark. Thus, LIQ exhibits some right-tailed behaviour but considerably less extreme distributional characteristics than SPF, DPR, DY and the interaction variables.

Finally, LEV has a mean of 4.224 and a median of 1.540, with a standard deviation of 11.974. The variable has a wide range, from -8.790 to 103.620. Its skewness of 5.772 is the highest among the variables, indicating a very strong positive skew. The kurtosis of 40.831 is also the highest in the table, indicating an extremely heavy-tailed distribution and the likely presence of substantial outlying observations.

Taken together, the descriptive statistics reveal considerable heterogeneity among the study variables. BS, FS and, to a lesser extent, LIQ display relatively moderate dispersion and more balanced distributions. In contrast, SPF, DPR, DY, DPRBS, DYBS and LEV exhibit substantial positive skewness and excess kurtosis. SG and PRF also depart from symmetry, although SG is positively skewed while PRF is negatively skewed.

Importantly, the high skewness and kurtosis values do not by themselves invalidate the subsequent regression analysis, particularly where the analysis is based on panel observations and the estimation procedure is robust to non-normality. However, the extreme values observed for some variables warrant attention because they may reflect genuine economic/financial heterogeneity or influential observations. It would therefore be appropriate to complement the descriptive analysis with outlier/influential-observation diagnostics and appropriate robustness checks before drawing substantive conclusions from the regression estimates.

Overall, the statistics indicate that the sample contains substantial variation in the variables, which is useful for empirical estimation, while the pronounced non-normality of several variables should be recognised when interpreting the subsequent econometric results.

Table 2: Correlation Matrix of Variables (Test of Multicollinearity)

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
(1)DPR	1.000									
(2)DY	-	1.000								
(3)BS	0.039	0.030	1.000							
(4)DPR*BS	-	0.176	-	1.000						
(5)DY*BS	0.993	0.030	0.018	0.027	1.000					
(6)FS	-	0.036	0.986	0.259	0.045	0.294	1.000			
(7)SG	0.050	-	0.267	0.305	-	-	-	1.000		
(8) PRF	0.016	0.026	0.125	0.023	0.037	0.079	0.035	0.035	1.000	
(9)LIQ	0.119	0.091	0.062	0.122	0.079	0.138	0.084	0.327	0.089	1.000
(10) LEV	0.242	0.138	0.215	0.253	0.167	0.125	0.084	0.327	0.089	1.000
	0.134	0.108	0.072	0.134	0.103	0.203	0.001	0.235	0.089	1.000

Source: Author's Computation (2026)

Table 2 presents the Pearson correlation coefficients among the explanatory, moderating, interaction and control variables. The correlation matrix provides an initial assessment of the degree of linear association among the variables and serves as a preliminary diagnostic for potential multicollinearity. Correlation coefficients range from -1 to

+1, with values closer to either extreme indicating stronger linear association. As a general rule, absolute correlations approaching 0.80 or 0.90 may warrant further investigation for possible multicollinearity, although correlation analysis alone is not sufficient to establish its presence.

The correlation between DPR and DY is -0.039 , indicating a negligible negative association. Similarly, DPR has very weak correlations with BS (-0.030), FS (0.050), SG (-0.016), PRF (0.119), LIQ (0.242) and LEV (0.134). These coefficients indicate that DPR is not strongly linearly associated with the other non-interaction variables.

The correlation between DY and BS is 0.176 , indicating a weak positive relationship. DY is also weakly correlated with FS (0.267), SG (-0.026), PRF (0.091), LIQ (-0.138) and LEV (-0.108). None of these coefficients approaches conventional thresholds for serious multicollinearity.

However, the interaction variables exhibit very high correlations with their underlying constituent variables. In particular, DPR*BS is correlated with DPR at 0.993 , while DY*BS is correlated with DY at 0.986 . These are extremely high correlations. They are not surprising because the interaction terms are mathematically constructed from the respective variables and BS. Consequently, these high correlations should not be interpreted in the same way as high correlations between two independent explanatory variables. Rather, they reflect the mechanical relationship created by constructing the interaction terms.

The correlation between DPRBS and DYBS is -0.027 , indicating virtually no linear association between the two interaction variables. DPRBS also has very weak correlations with BS (-0.018), FS (0.045), SG (-0.023), PRF (0.122), LIQ (0.253) and LEV (0.134). Likewise, DYBS has a correlation of 0.259 with BS, 0.294 with FS, -0.037 with SG, 0.079 with PRF, -0.167 with LIQ, and -0.103 with LEV. These relationships are generally weak.

Among the control variables, FS and BS have a correlation of 0.305 , while FS is correlated with SG (0.079), PRF (-0.138), LIQ (-0.125) and LEV (0.203). SG has very weak correlations with PRF (-0.035), LIQ (-0.084) and LEV (0.001). PRF and LIQ exhibit a correlation of 0.327 , while PRF and LEV have a correlation of -0.235 . Finally, LIQ and LEV have a relatively weak negative correlation of -0.089 . Thus, none of these relationships indicates a strong association among the ordinary explanatory and control variables.

The correlation matrix provides mixed evidence when the interaction terms are included. The correlations of 0.993 between DPR and DPR*BS and 0.986 between DY and DY*BS are clearly very high and would ordinarily raise a multicollinearity concern. However, because these variables are interaction terms constructed directly from their respective main effects and BS, high pairwise correlations are mechanically expected.

Table 3: Multicollinearity Test (Variance Inflation Factor (VIF))

Variable	VIF	Tolerance values
DPRc	1.8519	0.5400
DYc	1.3592	0.7357
BS	1.2722	0.7860
DPR*BS _c	1.8485	0.5409
DY*BS _c	1.2773	0.7829
FS	1.2649	0.7906
SG	1.0605	0.9430
PRF	1.2169	0.8218
LIQ	1.3017	0.7682
LEV	1.1550	0.8658

Source: Author's Computation (2026)

The VIF and tolerance statistics reported in Table 3 indicate that multicollinearity is not a serious concern in the estimated model. All VIF values are below 2.00 and all tolerance

values exceed 0.50, which are comfortably within accepted thresholds. Of particular importance, the mean-centering of DPR and DY before constructing the interaction terms substantially mitigates the non-essential multicollinearity associated with the product terms. This is particularly relevant given the very high correlations initially observed between DPR and DPRBS (0.993) and between DY and DYBS (0.986) in Table 2. Following centering, the VIF values for DPRc, DPRBS_c, DY_c and DYBS_c are 1.8519, 1.8485, 1.3592 and 1.2773, respectively. Thus, the high correlations associated with the uncentered interaction terms do not translate into problematic variance inflation in the estimated model. The results provide evidence that the interaction terms can be included in the moderation analysis without serious multicollinearity concerns.

Table 4: Panel Regression Results for the Model (Dependent Variable = SPF)

Variables	Pooled (OLS) Model	Fixed Effects (F/E) Model	Random Effects (R/E) Model
DPR	-10.5106 [0.3941]	-8.1672 [0.5109]	-11.5726 [0.3545]
DY	-3.0106 [0.6127]	-6.4227 [0.3135]	-5.3494 [0.3931]
BS	-5.1300 [0.1243]	-9.4460 [0.0773]*	-7.8163 [0.0494]**
DPR*BS	0.7424 [0.5400]	0.6595 [0.6059]	0.8844 [0.4764]
DY*BS	0.2446 [0.6209]	0.47929 [0.3702]	0.4132 [0.4289]
FS	1.9947 [0.6738]	-33.0829 [0.0646]*	3.0913 [0.6170]
SG	13.7601 [0.3186]	-2.2290 [0.8737]	13.3842 [0.3331]
PROF	-88.9004 [0.1455]	28.0840 [0.7250]	-69.3830 [0.2932]
LIQ	4.4202 [0.7460]	-11.4646 [0.5160]	0.1646 [0.9913]
LEV	2.7376 [0.0000]***	2.919132 [0.0000]***	2.8695 [0.0000]***
Constant	22.7361 [0.7955]	727.7198 [0.0214]	36.9708 [0.7437]
Model Summary statistics			
R squared	0.222336	0.448793	0.234864
F/Wald	4.088394	2.960734	4.389486
Prob. (Wald)	0.000058	0.000009	0.000022
Durbin Watson	1.614090	1.649109	1.660908
Observations	154	154	154
Post Estimation test		Statistics	Prob.
Breusch–Pagan		5.205622	0.0225
Lagrange Multiplier			
Hausman Test		5.939325	0.8203
Wooldridge Test		2.199567	0.1453

Cross
Sectional
Dependence
Test (Pesaran
CD)

Note: *, **, **** are 10%, 5% and 1% significant level

Source: Author's Computation (2026)

Table 4 presents the panel regression estimates for SPF using pooled Ordinary Least Squares (OLS), Fixed Effects (FE), and Random Effects (RE) estimators. The table also reports the Breusch–Pagan Lagrange Multiplier (LM), Hausman, Wooldridge and Pesaran Cross-Sectional Dependence tests. The revised LM result is particularly important because it changes the model-selection conclusion.

Under the pooled OLS model, DPR has a negative coefficient of -10.5106 with a p-value of 0.3941 . Although the coefficient suggests an inverse relationship between DPR and SPF, the relationship is statistically insignificant. Similarly, DY has a negative coefficient of -3.0106 ($p = 0.6127$), indicating an insignificant negative relationship with SPF. BS also has a negative coefficient of -5.1300 ($p = 0.1243$). Thus, BS is negatively associated with SPF in the pooled model, but the effect is not statistically significant at the conventional 5% or 10% levels.

The two interaction terms, DPR*BS and DY*BS, have positive coefficients of 0.7424 and 0.2446 , respectively. However, their p-values of 0.5400 and 0.6209 indicate that neither interaction effect is statistically significant. Consequently, the pooled OLS estimates provide no evidence that BS significantly moderates either the relationship between DPR and SPF or that between DY and SPF.

Among the control variables, FS, SG, PROF and LIQ are statistically insignificant. In contrast, LEV has a positive coefficient of 2.7376 and a p-value of 0.0000 , indicating a statistically significant positive relationship with SPF. Thus, a one-unit increase in LEV is associated with approximately a 2.738-unit increase in SPF, *ceteris paribus*.

The pooled model has an R^2 of 0.2223 , implying that approximately 22.23% of the variation in SPF is explained by the included variables. The model F-statistic of 4.0884 is statistically significant ($p = 0.000058$), indicating that the explanatory variables are jointly significant.

Under the FE specification, DPR remains negative (-8.1672) but statistically insignificant ($p = 0.5109$). DY also remains negative (-6.4227) and statistically insignificant ($p = 0.3135$). BS has a coefficient of -9.4460 with a p-value of 0.0773 , indicating a statistically significant negative relationship at the 10% level. This suggests that, after controlling for time-invariant entity-specific effects, higher BS is associated with lower SPF. However, neither interaction term is statistically significant. DPRBS has a coefficient of 0.6595 ($p = 0.6059$), while DYBS has a coefficient of 0.4793 ($p = 0.3702$). Therefore, the FE estimates do not support a statistically significant moderating effect of BS.

Among the control variables, FS has a negative coefficient of -33.0829 and is marginally significant at the 10% level ($p = 0.0646$). SG, PROF and LIQ remain insignificant. LEV continues to be positive and highly significant, with a coefficient of 2.9191 ($p = 0.0000$).

The FE model records an R^2 of 0.4488 , indicating that approximately 44.88% of the variation in SPF is explained within the FE specification. The model is jointly significant, with a reported statistic of 2.9607 and $p = 0.000009$.

The RE estimates show that DPR (-11.5726 , $p = 0.3545$) and DY (-5.3494 , $p = 0.3931$) remain negative but statistically insignificant.

Unlike the pooled OLS specification, BS is statistically significant under the RE model, with a coefficient of -7.8163 and a p-value of 0.0494 . This indicates a statistically significant negative association between BS and SPF at the 5% level. The interaction terms

remain statistically insignificant. DPRBS has a coefficient of 0.8844 ($p = 0.4764$), while DYBS has a coefficient of 0.4132 ($p = 0.4289$). Thus, the RE model also provides no statistical evidence that BS moderates either of the two relationships.

FS, SG, PROF and LIQ are statistically insignificant, whereas LEV remains positive and highly significant (2.8695, $p = 0.0000$). The RE model has an R^2 of 0.2349, while the Wald statistic of 4.3895 is statistically significant ($p = 0.000022$), indicating joint significance of the explanatory variables.

The Breusch–Pagan LM test produces a statistic of 5.205622 with a p-value of 0.0225. Since the p-value is below 0.05, the null hypothesis of no panel-level random effects is rejected. This means that pooled OLS is not the appropriate estimator because there is statistically significant evidence of individual-specific effects. The analysis should therefore proceed with a panel estimator—FE or RE.

The Hausman test subsequently becomes the decisive model-selection test between FE and RE. The Hausman statistic is 5.939325, with a p-value of 0.8203. Since the p-value is substantially greater than 0.05, the null hypothesis that the RE estimator is consistent cannot be rejected. Hence, there is no statistical evidence that the FE and RE coefficients differ systematically. The Random Effects model is therefore preferred to the Fixed Effects model.

Accordingly, the RE estimates should be treated as the principal results for inference, while the pooled OLS and FE estimates can be presented as alternative specifications or robustness comparisons.

The Wooldridge test reports a statistic of 2.199567 with a p-value of 0.1453. Since this exceeds 0.05, the null hypothesis of no first-order serial correlation is not rejected. Therefore, there is no statistical evidence of first-order autocorrelation in the panel residuals. The Pesaran CD test produces a statistic of 0.807653 and a p-value of 0.4193. The null hypothesis of cross-sectional independence is therefore not rejected. This indicates that there is no statistically significant cross-sectional dependence among the panel units.

Since the LM test rejects pooled OLS and the Hausman test supports RE over FE, the Random Effects model is the appropriate model for interpreting the substantive results.

Under the preferred RE specification, DPR and DY have negative but statistically insignificant effects on SPF. BS has a negative and statistically significant effect on SPF, with a coefficient of -7.8163 ($p = 0.0494$). This indicates that a one-unit increase in BS is associated with an approximately 7.816-unit reduction in SPF, holding the other variables constant.

However, the interaction coefficients are not statistically significant. The coefficient of DPR*BS is 0.8844 ($p = 0.4764$), while DY*BS is 0.4132 ($p = 0.4289$). Therefore, although both interaction coefficients are positive, the evidence does not indicate that BS significantly changes the effect of DPR or DY on SPF.

The most robust result across the three specifications concerns LEV, which is positive and statistically significant in all models. Under the preferred RE model, its coefficient is 2.8695 ($p < 0.001$). This suggests that leverage is positively associated with SPF after controlling for the other explanatory and control variables.

In summary, the panel regression results indicate that the Random Effects model is the appropriate specification for the study. The Breusch–Pagan LM test rejects the null hypothesis of no panel-level effects (LM = 5.205622; $p = 0.0225$), indicating that pooled OLS is inappropriate. The Hausman test, however, fails to reject the null hypothesis of no systematic difference between the FE and RE estimators ($\chi^2 = 5.939325$; $p = 0.8203$), thereby supporting the Random Effects specification. Under the preferred RE model, DPR and DY have negative but statistically insignificant effects on SPF, whereas BS has a statistically significant negative effect ($\beta = -7.8163$; $p = 0.0494$). The interaction terms DPRBS ($\beta = 0.8844$; $p = 0.4764$) and DYBS ($\beta = 0.4132$; $p = 0.4289$) are statistically



insignificant, indicating that the study does not find evidence of a significant moderating effect of BS on the relationships between DPR, DY and SPF. LEV exhibits a positive and statistically significant effect on SPF ($\beta = 2.8695$; $p < 0.001$). The Wooldridge and Pesaran CD tests further indicate that the model does not suffer from statistically significant first-order serial correlation or cross-sectional dependence.

DISCUSSION OF RESULTS

The study examined the relationship between dividend policy and share price fluctuations among listed consumer goods firms in Nigeria, with particular attention to the moderating role of board size. The Random Effects model was selected as the appropriate specification based on the Breusch–Pagan LM and Hausman tests. The results indicate that dividend payout ratio and dividend yield have negative but statistically insignificant relationships with share price fluctuations, while board size has a significant negative direct relationship. Neither board size–dividend payout nor board size–dividend yield interaction is statistically significant. Among the control variables, leverage is the only variable that exhibits a robust and statistically significant relationship with share price fluctuations.

The negative but insignificant coefficient of dividend payout ratio suggests that higher dividend distributions are associated with lower share price fluctuations, although the relationship is not sufficiently strong to establish a systematic effect. This finding provides some directional support for the Dividend Relevance or bird-in-the-hand perspective, which suggests that relatively certain dividend income may reduce investors' perceived uncertainty and consequently stabilise share prices. However, the lack of statistical significance limits the extent to which this proposition can be supported in the Nigerian consumer goods sector. The finding is consistent with the strand of empirical literature reporting insignificant or conditional effects of dividend policy on stock-price behaviour, including Akib et al. (2023), Khalaf et al. (2023), Pertiwi and Wiagustini (2020), and Hanafi et al. (2023). It contrasts with studies such as Putri et al. (2022), Siddique et al. (2020), and Kimani and Olweny (2021), which report significant negative relationships between dividend policy and stock-price volatility. The difference suggests that the market response to dividend payouts may be context-specific and dependent on institutional, sectoral and firm-level conditions.

Dividend yield similarly exhibits a negative but statistically insignificant relationship with share price fluctuations. Although the direction is compatible with the argument that dividend income may reduce perceived investment risk, the absence of statistical significance suggests that dividend yield does not independently explain variations in share-price fluctuations in the sampled firms. This result also has implications for Signalling Theory. Dividend yield may not provide an unambiguous signal of corporate prospects because a high yield can reflect either attractive dividend payments or a decline in the firm's market price. Investors may therefore evaluate dividend yield alongside profitability, financial risk and future growth prospects. The finding contributes to the mixed empirical evidence reported in the literature. While Kengatharan and Ford (2021), Provaty and Siddique (2021), Bachmeier and Sinha (2023), and Ali et al. (2023) report positive relationships between dividend yield and volatility, other studies, including AlAli et al. (2024) and Hanafi et al. (2023), report negative relationships. The present evidence therefore reinforces the view that the relationship between dividend yield and market-price behaviour is not uniform across markets.

An important finding is that board size has a significant negative relationship with share price fluctuations. This result suggests that larger board structures are associated with lower share-price fluctuations among the firms studied. The finding is consistent with the governance mechanism proposed by Agency Theory, under which effective board oversight can constrain managerial opportunism, strengthen monitoring and reduce uncertainty surrounding corporate decisions. However, board size should not automatically be



interpreted as synonymous with board effectiveness because larger boards may also create coordination and free-riding problems. The result therefore establishes an empirical association rather than a universal governance prescription.

Despite the significant direct effect of board size, its interaction with both dividend payout ratio and dividend yield is statistically insignificant. Thus, board size does not significantly alter the relationship between either measure of dividend policy and share price fluctuations. This distinction is important: board size appears to have a direct association with market-price stability, but the evidence does not support its proposed role as a moderator of dividend-policy effects. The result provides only partial support for the Agency Theory explanation because governance characteristics appear relevant to share-price behaviour without significantly changing investors' responses to dividend information. It also qualifies the signalling argument, since board size does not appear to strengthen or weaken the informational effect of dividend payout or dividend yield.

The control variables provide further evidence that share-price fluctuations are not explained by dividend policy alone. Firm size, sales growth, profitability and liquidity are statistically insignificant in the preferred specification. In contrast, leverage has a positive and highly significant relationship with share price fluctuations, and this relationship remains stable across the pooled OLS, Fixed Effects and Random Effects estimates. The result indicates that financial risk associated with greater leverage is more consistently related to share-price fluctuations than either dividend payout ratio or dividend yield. Higher leverage increases firms' contractual financial obligations and may heighten investors' sensitivity to changes in earnings, cash flows and future business prospects. The finding therefore supports the broader argument in the empirical literature that firm fundamentals and financial risk can be more important determinants of market behaviour than dividend decisions considered in isolation.

Overall, the findings provide a nuanced assessment of the competing theoretical perspectives. The insignificant dividend-policy effects are compatible with the benchmark proposition of Dividend Irrelevance Theory, while their negative directions are consistent with the risk-reduction argument of Dividend Relevance Theory. The results also suggest that dividend signals may not be sufficiently strong to generate systematic changes in share-price fluctuations once other firm characteristics are considered. At the same time, the significant direct effect of board size highlights the relevance of corporate governance, while the robust positive effect of leverage demonstrates the importance of financial risk. The study therefore contributes to the literature by showing that, among Nigerian listed consumer goods firms, dividend policy does not independently explain share-price fluctuations, whereas governance structure and financial leverage appear to have greater empirical relevance. The insignificant interaction effects further indicate that the role of board size should not be assumed to operate through the dividend-policy channel.

CONCLUSION

This study examined the relationship between dividend policy and share price fluctuations among listed consumer goods firms in Nigeria, with particular emphasis on the moderating role of board size and the influence of selected firm characteristics. Using panel data and the Random Effects estimator, the study finds that dividend payout ratio and dividend yield have negative but statistically insignificant relationships with share price fluctuations. Although the negative coefficients suggest a potential stabilising association, the absence of statistical significance indicates that dividend policy, measured through payout ratio and dividend yield, does not independently explain variations in share price fluctuations among the sampled firms.

The study further finds that board size has a statistically significant negative relationship with share price fluctuations. This suggests that board structure is relevant to



market-price stability, consistent with the agency perspective that effective corporate oversight can reduce uncertainty associated with corporate decisions. However, the interaction terms between board size and both dividend payout ratio and dividend yield are statistically insignificant. Thus, board size does not significantly moderate the relationship between either dimension of dividend policy and share price fluctuations. The evidence therefore distinguishes the direct governance role of board size from its proposed moderating role.

Among the firm-specific characteristics, leverage emerges as the most consistent determinant of share price fluctuations, exhibiting a positive and highly significant relationship across the alternative panel estimators. In contrast, firm size, sales growth, profitability and liquidity do not have statistically significant effects in the preferred specification. Overall, the findings indicate that share price fluctuations among Nigerian consumer goods firms are not adequately explained by dividend policy alone. Rather, corporate governance and financial risk appear to provide important additional explanations for variations in share-price behaviour. The findings consequently provide a nuanced perspective on the competing dividend theories: they offer limited evidence for dividend relevance through the negative direction of the dividend coefficients, while the statistical insignificance of the dividend variables is also compatible with the dividend irrelevance proposition.

RECOMMENDATIONS

Based on the findings, the study recommends that management of listed consumer goods firms should adopt dividend policies that are consistent with the firm's underlying earnings, cash-flow position and investment requirements rather than relying on dividend increases as a mechanism for stabilising share prices. Since neither dividend payout ratio nor dividend yield has a statistically significant relationship with share price fluctuations, firms should avoid assuming that changes in dividend distributions will necessarily produce corresponding improvements in market-price stability.

The study also recommends that boards of listed consumer goods firms should give greater attention to effective corporate oversight and board functionality. The significant negative relationship between board size and share price fluctuations suggests that board structure is relevant to market stability. However, the absence of significant moderating effects indicates that increasing board size alone should not be regarded as sufficient to strengthen the dividend–share-price relationship. Greater emphasis should therefore be placed on the quality of board oversight, relevant expertise, effective deliberation, accountability and monitoring rather than board size in isolation.

Given the positive and highly significant relationship between leverage and share price fluctuations, corporate managers should exercise greater prudence in managing financial leverage. Firms should maintain debt levels that are consistent with their capacity to generate sustainable operating cash flows and meet contractual financial obligations. Effective debt management may reduce the financial-risk exposure that contributes to heightened fluctuations in market valuation.

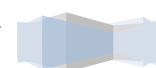
Finally, investors and other capital-market participants should evaluate dividend information alongside the underlying financial and governance characteristics of firms. The findings indicate that dividend measures alone provide limited explanation of share price fluctuations, whereas leverage and board structure exhibit more discernible relationships with market behaviour. Investors should therefore consider dividend decisions together with financial risk, corporate governance and other firm-specific information when assessing listed consumer goods firms.



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