

Effect of Dividend Policy on Share Price Volatility of Listed Consumer Goods Firms in Nigeria

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ABSTRACT: This study examined the effect of dividend policy on the share price volatility of listed consumer goods firms in Nigeria over the period 2015–2024. The study adopted an ex-post facto research design and utilized panel data obtained from sixteen (16) firms, resulting in 160 observations. Data were analyzed using descriptive statistics, correlation analysis, and panel regression techniques. The regression results revealed that the dividend payout ratio had a positive and significant effect on share price volatility, while dividend per share also showed a positive and significant effect. Dividend yield had a negative and significant effect on share price volatility, whereas retained earnings had a negative but insignificant effect. Firm size exhibited a negative and significant effect. The study concluded that dividend policy significantly influences share price volatility in the Nigerian consumer goods sector. It was recommended that firms maintain a consistent and optimal dividend policy to enhance market stability and investor confidence.

KEYWORDS: Dividend Policy, Share Price Volatility, Dividend Payout Ratio, Dividend Yield, Dividend per Share, Retained Earnings

INTRODUCTION

Dividend policy remains one of the most debated issues in corporate finance, particularly due to its implications for shareholders' wealth and market performance. It refers to the decision by firms regarding the proportion of earnings to distribute as dividends and the portion to retain for reinvestment. In emerging markets such as Nigeria, where capital markets are still developing, dividend decisions play a crucial role in shaping investor perception and market outcomes. Empirical evidence shows that dividend payout decisions significantly influence firm valuation and investor behavior, as investors tend to reward firms with consistent and higher dividend payments (Ahmed & Modibbo, 2025). Similarly, dividend payout ratio and dividend yield have been found to significantly affect share prices, reinforcing the importance of dividend decisions in capital, 2024). In addition, dividend per share has been identified as a key determinant of market value, highlighting the relevance of dividend distribution in enhancing shareholders' wealth (., 2023).

Share price volatility, on the other hand, reflects the degree of fluctuation in stock prices over a given period and serves as a key indicator of market risk and investor sentiment. High volatility often signals uncertainty and risk, while low volatility suggests stability and investor confidence. Empirical studies have demonstrated that fluctuations in share prices are influenced by firm-specific financial decisions, including dividend policy variables (Amalikenemечи et al., 2025). For instance, share price volatility has been measured using percentage changes in stock prices as well as standard deviation, both of which capture market instability and risk exposure (Alajekwu&Ezeabasili, 2020). Furthermore, dividend-related variables such as dividend per share and payout ratios have been shown to significantly influence stock price movements, indicating that investors react to dividend announcements and policies (Emeka-Nwokeji., 2022). These findings suggest that dividend policy remains a critical factor in explaining stock price behavior in both developed and emerging markets.

In the Nigerian context, consumer goods firms represent a vital sector due to their contribution to economic growth and their active participation in the capital market. However, the share prices of these firms often exhibit fluctuations that may be linked to dividend policy decisions. While some firms adopt stable dividend policies to maintain investor confidence, others vary their payouts based on earnings performance and investment opportunities. Evidence from Nigerian firms indicates that dividend payout ratios and dividend yields significantly influence share prices, suggesting that dividend policy decisions play a crucial role in shaping market outcomes (Ngozi et al., 2025). In addition, dividend per share has been found to significantly affect market capitalization, further emphasizing the importance of dividend policy in firm valuation (Apuwa et al., 2023).

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Furthermore, empirical findings from prior studies reveal mixed results regarding the relationship between dividend policy and share price volatility. While some studies report that dividend payout ratio increases volatility due to signaling effects, others suggest that certain dividend variables may stabilize stock prices. For example, dividend payout ratio has been found to have a significant positive effect on share price volatility, whereas dividend yield and financial leverage often exhibit insignificant relationships (Koleosho et al., 2022). Similarly, dividend yield has been reported to have a negative relationship with share price movement, indicating a potential stabilizing effect (Kayode et al., 2022). These mixed findings highlight the need for further empirical investigation, particularly within the Nigerian consumer goods sector.

STATEMENT OF THE PROBLEM

Despite the theoretical and empirical relevance of dividend policy, there is no consensus on its effect on share price volatility, as prior studies have reported conflicting findings across different contexts. While some studies document a significant relationship between dividend variables and stock price behavior, others report weak or insignificant effects, thereby creating ambiguity in the literature. For instance, dividend payout ratio has been found to positively influence share price volatility, suggesting that higher dividend payments may trigger investor reactions and market fluctuations (Chindengwike, 2024). In contrast, other studies reveal that certain dividend components, such as retained earnings and dividend yield, may not significantly affect share price behavior, thereby questioning the strength of the relationship (Ngozi et al., 2025). Furthermore, dividend yield has been reported to exert a negative but significant effect on share price movement in some cases, indicating that its influence may vary depending on market conditions (Kayode et al., 2022).

Additionally, firm-specific factors such as profitability, leverage, and liquidity have been found to exhibit insignificant relationships with share price volatility, suggesting that volatility may not be driven solely by internal financial characteristics (Amalikenemechi et al., 2025). This inconsistency in empirical findings creates a gap in the literature, particularly in sector-specific studies focusing on consumer goods firms in Nigeria. More importantly, many previous studies have concentrated on firm value or share price levels rather than volatility, thereby limiting the understanding of how dividend policy affects price fluctuations. Consequently, there is a need for a focused study that examines the effect of dividend policy on share price volatility within the Nigerian consumer goods sector.

The main objective of this study is to examine the effect of dividend policy on the share price volatility of listed consumer goods firms in Nigeria

The specific objectives are to:

- i. Examine the effect of dividend payout ratio on the share price volatility of listed goods firms in Nigeria.
- ii. Determine the effect of dividend yield on the share price volatility of listed goods firms in Nigeria.
- iii. Assess the effect of dividend per share on the share price volatility of listed goods firms in Nigeria.
- iv. Evaluate the effect of retained earnings on share price volatility. of listed goods firms in Nigeria.

Research Hypotheses

The following null hypotheses are formulated:

HO₁: Dividend payout ratio has no significant effect on the share price volatility of listed goods firms in Nigeria.

HO₂: Dividend yield has no significant effect on the share price volatility of listed goods firms in Nigeria.

HO₃: Dividend per share has no significant effect on the share price volatility of listed goods firms in Nigeria.

HO₄: Retained earnings have no significant effect on the share price volatility of listed goods firms in Nigeria.

LITERATURE REVIEW

Conceptual Review

Overview of Dividend Policy

Dividend policy refers to the strategic decision made by a firm regarding the proportion of its earnings to be distributed to shareholders as dividends and the portion to be retained for reinvestment. It is a fundamental aspect of corporate financial management because it directly influences shareholders' returns, firm valuation, and long-term sustainability. Firms may adopt different dividend policies, such as a stable dividend policy, a constant payout ratio, or a residual dividend policy, depending on their financial position and strategic objectives. Dividend policy plays a crucial role in shaping investor perception and market performance. Investors often interpret dividend payments as signals of a firm's financial health and prospects. Firms that maintain stable and consistent dividend payments are generally perceived as less risky and more attractive to investors. Empirical evidence supports this assertion, as the dividend payout ratio has been identified as a significant determinant of firm value, with investors rewarding firms that maintain consistent payout patterns (Ahmed & Modibbo, 2025). Similarly, dividend payout ratio and dividend yield have been found to significantly influence share prices, highlighting the importance of dividend decisions in capital markets (Aza et al., 2024).

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Furthermore, the dividend policy is closely linked to firm performance and financial structure. Firms must strike a balance between distributing profits and retaining earnings for future investment. Evidence suggests that dividend payout has a positive and significant relationship with financial performance indicators such as return on assets and retained earnings (Olaoye & Olaniyan, 2022). In addition, dividend per share has been shown to significantly influence market capitalization, indicating that dividend payments contribute to firm valuation (Apuwa et al., 2023). However, not all components of dividend policy have uniform effects, as retained earnings have been found to exert insignificant influence on share prices in some cases (Ngozi et al., 2025). This suggests that the impact of dividend policy may vary depending on firm characteristics and market conditions.

Share Price Volatility defined

Share price volatility refers to the degree of fluctuation in the price of a firm's stock over time. It is an important measure of market risk and uncertainty, reflecting the extent to which stock prices deviate from their average values. High volatility indicates greater uncertainty and risk, while low volatility suggests stability and investor confidence in the firm. Volatility is commonly measured using statistical tools such as the standard deviation of stock prices or percentage changes in share prices. These measures capture the variability of stock prices and provide insights into market behavior. Empirical studies have widely applied these methods in analyzing stock price movements, particularly in emerging markets where volatility tends to be higher (Alajekwu & Ezeabasili, 2020). Similarly, percentage changes in share prices have been used to capture short-term fluctuations and investor reactions to market events (Amalikenemечи et al., 2025).

Share price volatility is influenced by both firm-specific and external factors. Firm-specific variables such as profitability, leverage, and liquidity have been examined as determinants of volatility, although their effects are often found to be insignificant (Amalikenemечи et al., 2025). This suggests that volatility may not be driven solely by internal financial characteristics but also by broader market forces and investor sentiment. In addition, corporate financial decisions, particularly dividend policy, play a significant role in influencing share price volatility. Dividend announcements and changes in payout decisions often trigger investor reactions, leading to fluctuations in stock prices. Empirical evidence shows that dividend per share has a significant positive effect on share prices, indicating that investors respond to dividend signals (Emeka-Nwokeji et al., 2022). Furthermore, dividend policy has been found to significantly influence stock price volatility, reinforcing its importance in explaining market behavior (Koleosho et al., 2022).

Dividend Payout Ratio and Share Price Volatility

The dividend payout ratio represents the proportion of a firm's earnings distributed to shareholders as dividends. It is a key indicator of a firm's dividend policy and reflects management's decision regarding the allocation of profits between distribution and retention. The relationship between dividend payout ratio and share price volatility can be explained through signaling and agency theories. A higher payout ratio may signal strong financial performance and prospects, thereby influencing investor expectations and market reactions. At the same time, higher dividend payments may reduce agency conflicts by limiting the funds available for managerial discretion.

Empirical findings on this relationship are mixed. Some studies report a positive relationship between dividend payout ratio and share price volatility, suggesting that higher payouts may increase market reactions and price fluctuations (Chindengwike, 2024). Similarly, dividend payout ratio has been found to have a significant positive effect on share price volatility among Nigerian firms (Koleosho et al., 2022). However, other studies report negative or insignificant effects. For instance, dividend payout ratio has been found to have a negative but insignificant relationship with share price volatility, indicating that higher payouts may stabilize stock prices (Araoye et al., 2019). These conflicting findings suggest that the effect of payout ratio depends on firm characteristics and market conditions.

Dividend Yield and Share Price Volatility

Dividend yield measures the return on investment derived from dividends relative to the market price of a stock. It is widely used by investors to assess the income-generating potential of a stock. Theoretically, dividend yield may influence share price volatility by attracting different categories of investors. High dividend yield is often associated with stable firms, which may reduce volatility, while low yield may indicate growth-oriented firms with higher risk. Empirical evidence on this relationship is inconclusive. Some studies find that dividend yield has a negative and significant relationship with share price movement, suggesting a stabilizing effect (Kayode et al., 2022). However, other studies report that dividend yield has an insignificant effect on share price volatility, indicating that its influence may not be strong (Alajekwu & Ezeabasili, 2020). This inconsistency suggests that the role of dividend yield in influencing volatility varies across different contexts.

Dividend per Share and Share Price Volatility

Dividend per share (DPS) represents the amount of dividend paid to each shareholder and serves as a direct measure of shareholder returns. It is an important indicator of a firm's dividend-paying capacity and financial performance. From a theoretical perspective, DPS influences share price volatility through signaling effects. An increase in DPS signals strong financial performance and may

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attract investors, leading to changes in stock prices. Conversely, a decrease may signal financial difficulties, resulting in negative market reactions. Empirical studies provide strong evidence of the importance of DPS. Dividend per share has been found to have a positive and significant effect on share prices, indicating that investors respond to dividend payments (Emeka-Nwokeji et al., 2022). Similarly, DPS has been identified as a major determinant of share price volatility, with a positive and significant relationship (Araoye et al., 2019). In addition, DPS has been shown to significantly influence market capitalization, further emphasizing its importance in firm valuation (Apuwa et al., 2023). However, some studies suggest that consistency in dividend payments may be more important than the absolute amount paid (Ahmed & Modibbo, 2025).

Retained Earnings and Share Price Volatility

Retained earnings represent the portion of a firm's net income that is reinvested in the business rather than distributed as dividends. It reflects a firm's internal financing capacity and growth strategy. The effect of retained earnings on share price volatility is complex. On one hand, higher retained earnings may signal growth opportunities and long-term profitability, which can reduce volatility. On the other hand, excessive retention without clear investment strategies may create uncertainty and increase volatility. Empirical findings on this relationship are mixed. Retained earnings have been found to significantly influence firm value, suggesting that reinvested earnings contribute to long-term growth (Tega et al., 2023). However, other studies report that retained earnings do not significantly affect share prices, indicating that investors may prioritize direct dividend payments (Ngozi et al., 2025). These conflicting results suggest that the impact of retained earnings depends on how effectively they are utilized.

THEORETICAL REVIEW

This study is anchored on two major theories that explain the relationship between dividend policy and share price volatility: Signaling Theory and the Bird-in-Hand Theory. These theories provide a theoretical foundation for understanding how dividend decisions influence investor behavior and stock price movements.

Signaling Theory

Signaling theory posits that corporate financial decisions, particularly dividend policy, convey important information to investors about a firm's current performance and prospects. Due to information asymmetry between managers and investors, managers use dividend payments as a signaling mechanism to communicate private information about the firm's financial health. According to this theory, an increase in dividend payments is interpreted as a positive signal that the firm has strong earnings and stable future cash flows, which can lead to an increase in share price. Conversely, a reduction in dividends may signal financial distress or poor future performance, leading to a decline in share price and increased volatility. As investors react to these signals, stock prices adjust accordingly, often resulting in fluctuations in the market.

Empirical evidence supports the relevance of signaling theory in explaining stock price behavior. For instance, dividend payout ratio and dividend yield have been found to significantly influence share prices, indicating that investors respond to dividend-related information when making investment decisions (Aza et al., 2024). Similarly, dividend per share has been shown to significantly affect share price movements, suggesting that dividend announcements serve as important signals to the market (Emeka-Nwokeji et al., 2022). In addition, studies have found that changes in dividend policy can lead to fluctuations in stock prices, reinforcing the idea that dividend decisions carry informational content (Koleosho et al., 2022). The implication of signaling theory for this study is that dividend policy variables such as dividend payout ratio, dividend yield, and dividend per share are expected to influence share price volatility, as investors react to the information embedded in dividend decisions.

Bird-in-Hand Theory

The Bird-in-Hand theory, developed by Gordon and Lintner, argues that investors prefer certain and immediate dividend payments over uncertain future capital gains. According to this theory, dividends are considered less risky than retained earnings because they provide immediate returns to investors, thereby reducing uncertainty. The theory suggests that firms that pay higher dividends are perceived as less risky, which can increase their attractiveness to investors and potentially stabilize share prices. Investors are willing to pay a premium for stocks that offer regular dividend income, as this reduces the risk associated with future earnings uncertainty. Consequently, dividend-paying firms may experience lower share price volatility compared to firms that retain a larger portion of their earnings.

Empirical findings provide support for the Bird-in-Hand theory. Studies have shown that dividend per share has a positive and significant effect on share prices, indicating that investors value dividend payments and respond positively to them (Emeka-Nwokeji et al., 2022). Furthermore, dividend payout ratio has been found to significantly influence firm value, suggesting that higher dividend payments enhance investor confidence and market valuation (Ahmed & Modibbo, 2025). In addition, evidence indicates that dividend yield may have a stabilizing effect on share price movements, as higher yields attract risk-averse investors seeking stable income (Kayode et al., 2022). However, despite its relevance, some empirical studies report mixed findings, indicating that the stabilizing effect of dividends may vary depending on market conditions and firm characteristics. Nonetheless, the Bird-in-Hand

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theory remains a key framework for understanding investor preference for dividends and its impact on stock price behavior. This study was anchored on signaling theory because it provides information on investors' performance.

Link to the Study

Both Signaling Theory and Bird-in-Hand Theory provide a strong theoretical foundation for this study. While Signaling Theory explains how dividend policy conveys information that influences investor reactions and price fluctuations, the Bird-in-Hand Theory emphasizes investors' preference for dividend income and its potential to reduce uncertainty. Together, these theories support the argument that dividend policy variables are significant determinants of share price volatility, particularly in emerging markets such as Nigeria, where information asymmetry and investor sensitivity to dividends are pronounced.

EMPIRICAL REVIEW

Empirical studies on dividend policy and share price volatility have produced mixed results. Ngozi et al. (2025) examined the effect of dividend policy on share prices of quoted manufacturing firms in Nigeria using panel regression. The study found that dividend payout ratio and dividend yield significantly influenced share prices, while retained earnings had no significant effect. It is recommended that firms emphasize dividend payouts to enhance shareholders' wealth. Amalikenemechi et al. (2025) investigated the impact of firm-specific factors on share price volatility in Nigerian industrial goods firms using the GMM approach. The results showed that leverage, profitability, and liquidity had insignificant effects on volatility, suggesting that these factors do not strongly drive stock price fluctuations. Ahmed and Modibbo (2025) analyzed the joint effect of earnings management and dividend policy on firm value among Nigerian consumer goods firms. The study found that the dividend payout ratio significantly influenced firm value, while dividend per share was less impactful. It concluded that consistent dividend policies are more important than the amount paid.

Chindengwike (2024) examined the relationship between dividend payout and share price volatility in firms listed on the Dar es Salaam Stock Exchange. The study found a positive relationship between dividend payout ratio and stock price volatility. Aza et al. (2024) studied the effect of dividend policy on share prices of Nigerian listed firms and found that dividend payout ratio and dividend yield had significant positive effects, while dividend per share had an insignificant negative effect. Financial leverage was found to negatively affect share prices. Nnah (2024) investigated the relationship between dividend policy and the financial performance of Nigerian consumer goods firms. The findings showed that dividend yield positively influenced return on equity, while dividend payout ratio had a negative effect, and dividend stability had a positive impact. Apuwa et al. (2023) examined the impact of dividend policy on the market capitalization of consumer goods firms in Nigeria using OLS. The results showed that dividend per share had a significant positive effect, while dividend yield had a significant negative effect, and payout ratio was insignificant.

Muhammad et al. (2023) also found that dividend per share and dividend yield significantly influenced market capitalization, whereas dividend payout ratio had no significant effect. Tega et al. (2023) analyzed dividend policy and firm value and found that dividend per share and retained earnings significantly influenced firm value, while dividend yield was insignificant. Ibrahim and Kurfi (2023) examined the moderating role of foreign ownership and found that dividend policy variables had no significant effect on firm performance, and foreign ownership did not significantly moderate the relationship. Kayode et al. (2022) found that dividend yield had a negative and significant effect on share price movement, while firm size positively influenced stock price volatility. Koleosho et al. (2022) examined dividend policy and share price volatility using the EGARCH model and found that the dividend payout ratio had a significant positive effect, while other variables were insignificant.

Olaoye and Olaniyan (2022) found that dividend payout positively influenced return on assets and retained earnings but negatively affected the debt–equity ratio. Emeka-Nwokeji et al. (2022) found that dividend per share had a positive and significant effect on share prices, while other dividend variables were insignificant. Alajekwu and Ezeabasili (2020) reported that dividend payout ratio had a significant positive effect on stock price volatility, while the dividend yield had an insignificant negative effect. Ugwu et al. (2020) found that dividend policy variables were positively related to financial performance, although only dividend per share was statistically significant. Araoye et al. (2019) found that dividend per share significantly influenced share price volatility, while dividend payout ratio had a negative but insignificant effect.

RESEARCH METHODOLOGY

Research Design

This study adopted an ex-post facto research design. This design was considered appropriate because the study relied on historical data obtained from the financial statements of listed consumer goods firms in Nigeria without manipulating any variables. The ex-post facto design enabled the researcher to examine the relationship between dividend policy and share price volatility using already existing data. This approach had been widely used in similar studies examining dividend policy and market behavior (Aza et al., 2024; Koleosho et al., 2022), thereby justifying its suitability for this study.

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Population of the Study

The population of the study comprised all consumer goods firms listed on the Nigerian Exchange Group (NGX) as at the end of the study period. These firms were selected because they actively participated in the capital market and consistently published financial reports required for the analysis.

Sample Size and Sampling Technique

The study employed a purposive (judgmental) sampling technique in selecting firms for analysis. This approach was adopted to ensure that only firms with relevant and complete data were included in the study. Specifically, firms were selected based on the availability of complete financial data for the period 2015–2024, continuous listing on the Nigerian Exchange Group throughout the study period, and consistent dividend payment records. Based on these criteria, a sample size of sixteen (16) listed consumer goods firms was selected for the study.

Sources of Data

The study relied on secondary data obtained from credible and reliable sources. These included the annual reports and accounts of the selected firms, the Nigerian Exchange Group (NGX) database, and other published financial statements and official company disclosures. The use of secondary data was appropriate because it provided consistent, verifiable, and historical financial information required for analyzing the relationship between dividend policy and share price volatility.

Method of Data Analysis

The data were analyzed using panel data regression techniques, which combined both cross-sectional and time-series data. This method was considered suitable because it allowed for the examination of variations across firms and over time. The analysis involved the use of descriptive statistics to summarize the data, correlation analysis to examine relationships among variables, and panel regression analysis using both Fixed Effects and Random Effects models. Furthermore, the Hausman test was conducted to determine the most appropriate model for the study, ensuring the robustness and reliability of the results.

Model Specification

The model for this study was adapted from prior empirical studies on dividend policy and share price volatility (Koleosho et al., 2022; Araoye et al., 2019).

The functional form of the model was specified as:

$$SPV = f(DPR, DY, DPS, RE, FS)$$

The econometric model was expressed as:

$$SPV_{it} = \beta_0 + \beta_1 DPR_{it} + \beta_2 DY_{it} + \beta_3 DPS_{it} + \beta_4 RE_{it} + \beta_5 FS_{it} + \mu_{it}$$

Where:

SPV = Share Price Volatility

DPR = Dividend Payout Ratio

DY = Dividend Yield

DPS = Dividend per Share

RE = Retained Earnings

FS = Firm Size (Control Variable)

β_0 = Constant term

$\beta_1 - \beta_5$ = Coefficients of independent variables

μ_{it} = Error term

i = Firm

t = Time period (2015–2024)

Measurement of Variables

Table 1: Variable Definition, Measurement, and Empirical Proxies

Variable	Operational Definition	Measurement / Proxy	A Priori Expectation	Source
Dependent Variable				
Share Price Volatility (SPV)	The degree of fluctuation in the market price of a firm's shares over time	Standard deviation of share prices or percentage change in share prices		Amalikenemechi et al. (2025); Alajekwu&Ezeabasili (2020)
Independent Variables				
Dividend Payout Ratio (DPR)	Proportion of earnings distributed to shareholders as dividends	Dividend per share ÷ Earnings per share	Positive (+)	Ngozi et al. (2025); Koleosho et al. (2022)

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Dividend Yield (DY)	Return on investment from dividends relative to share price	Dividend per share ÷ Market price per share	Negative (-)	Aza et al. (2024); Kayode et al. (2022)
Dividend per Share (DPS)	Actual cash dividend paid to each ordinary shareholder	Total dividends ÷ Number of outstanding shares	Positive (+)	Emeka-Nwokeji et al. (2022); Araoye et al. (2019)
Retained Earnings (RE)	Portion of net income retained in the business rather than distributed	Net income – Dividends paid	Negative (-)	Ngozi et al. (2025); Tega et al. (2023)
Control Variable:				
Firm Size (FS)	Scale of a firm's operations, which may influence volatility	Natural logarithm of total assets	Negative (-)	Ahmed & Modibbo (2025); Kayode et al. (2022)

Researcher's view, 2026

Diagnostic Tests

To ensure the validity and reliability of the results, several diagnostic tests were conducted. These include the multicollinearity test using the Variance Inflation Factor (VIF) to assess the degree of correlation among the independent variables, the heteroskedasticity test to examine the presence of unequal variance in the error terms, and the autocorrelation test to detect any serial correlation in the residuals. In addition, the Hausman test was carried out to determine the most appropriate model between the fixed effects and random effects estimators. Collectively, these tests ensured that the regression results obtained were robust, consistent, and reliable.

Model Justification

The use of panel regression was justified because it captured both cross-sectional and time-series variations, making it more robust than simple regression techniques. Previous studies had successfully applied similar models in examining the relationship between dividend policy and share price volatility (Koleosho et al., 2022; Amalikenemechi et al., 2025).

RESULTS AND DISCUSSIONS

Descriptive Statistics

As presented in Table 2, the descriptive statistics show that share price volatility (SPV) had a mean value of 0.245 with a standard deviation of 0.118, indicating moderate fluctuations in share prices among the sampled firms. The maximum and minimum values (0.689 and 0.052, respectively) suggest a reasonable spread in volatility levels across firms. The dividend payout ratio (DPR) recorded an average of 0.462, implying that firms distributed approximately 46% of their earnings as dividends, while dividend yield (DY) had a relatively low mean of 0.067, reflecting modest returns to investors. Dividend per share (DPS) exhibited notable variation, with a mean of 2.315 and a relatively high standard deviation of 1.225, indicating differences in dividend payments across firms. Retained earnings (RE) and firm size (FS) also showed considerable variation, suggesting differences in firm capacity and scale. The skewness values for all variables were positive, indicating a right-tailed distribution, while kurtosis values were close to 3, suggesting that the data were approximately normally distributed and suitable for further econometric analysis.

Table 2: Descriptive Statistics of Variables

Variable	Obs.	Mean	Median	Max.	Min.	Std. Dev.	Skewness	Kurtosis
SPV	160	0.245	0.231	0.689	0.052	0.118	1.203	3.954
DPR	160	0.462	0.450	0.890	0.120	0.185	0.876	3.215
DY	160	0.067	0.061	0.154	0.010	0.031	0.992	3.487
DPS	160	2.315	2.100	6.540	0.500	1.225	1.145	4.102
RE	160	5.812	5.420	9.876	2.105	1.845	0.768	3.008
FS	160	15.234	15.120	17.890	12.876	1.256	0.532	2.876

Correlation Analysis

Table 3: Correlation Matrix

As shown in Table 3, the correlation matrix reveals the nature and strength of relationships among the variables. Dividend payout ratio (DPR) and dividend per share (DPS) showed positive correlations with share price volatility (SPV), with coefficients of 0.421 and 0.538, respectively, indicating that higher dividend payments are associated with increased stock price fluctuations. In contrast, dividend yield (DY) and retained earnings (RE) exhibited negative relationships with SPV (-0.312 and -0.205 respectively), suggesting that higher yields and retained earnings may contribute to stabilizing share prices. Firm size (FS) also showed a negative relationship with SPV (-0.441), implying that larger firms tend to experience lower volatility. Additionally, the relationships among independent variables were generally moderate, with no correlation coefficient exceeding 0.8, indicating the absence of serious

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multicollinearity. Overall, the results suggest meaningful associations between dividend policy variables and share price volatility, providing a basis for further regression analysis.

Variable	SPV	DPR	DY	DPS	RE	FS
SPV	1.000					
DPR	0.421	1.000				
DY	-0.312	0.256	1.000			
DPS	0.538	0.462	0.331	1.000		
RE	-0.205	0.374	0.198	0.287	1.000	
FS	-0.441	0.305	0.278	0.356	0.412	1.000

Multicollinearity Test (VIF)

The VIF values in Table 4 for all independent variables were below the threshold of 10, while tolerance values were above 0.1. This indicates that there was no serious multicollinearity among the explanatory variables. Therefore, the variables were suitable for inclusion in the regression model.

Table 4: Multicollinearity Test (Variance Inflation Factor – VIF)

Variable	VIF	Tolerance
DPR	2.13	0.469
DY	1.89	0.529
DPS	2.45	0.408
RE	1.76	0.568
FS	1.98	0.505

Hausman Test

The Hausman test result in Table 5 showed a probability value of 0.029, which is less than 0.05. This indicates that the null hypothesis (that the random effects model is appropriate) was rejected. Therefore, the fixed effects model was considered more suitable for the analysis.

Table 5: Hausman Test Result

Test	Chi-Sq. Statistic	Prob.
Hausman Test	12.456	0.029

Panel Regression Results (Fixed Effects Model)

As presented in Table 6, the regression results revealed that the constant term was positive and statistically significant ($\beta = 0.512$, $p < 0.01$), indicating that in the absence of explanatory variables, share price volatility would still exist due to other underlying factors not captured in the model. The coefficient of determination ($R^2 = 0.682$) shows that approximately 68.2% of the variations in share price volatility were explained by the independent variables included in the model. The adjusted R^2 of 0.654 further confirms the goodness of fit of the model after adjusting for the number of predictors. The F-statistic (24.315) with a probability value of 0.000 indicate that the overall model was statistically significant. Additionally, the Durbin-Watson statistic of 2.041 suggests the absence of autocorrelation, confirming the reliability of the model estimates.

The results further show that the dividend payout ratio (DPR) had a positive and statistically significant effect on share price volatility ($\beta = 0.287$, $p = 0.002$). This implies that an increase in dividend payout ratio led to higher fluctuations in share prices. This finding supports the rejection of the null hypothesis (H_{01}) and suggests that dividend payout decisions significantly influence market behavior. The result is consistent with the findings of Koleosho et al. (2022), who reported a significant positive effect of dividend payout ratio on share price volatility. It also aligns with Chindengwiwe (2024), who found that higher dividend payouts increased stock price volatility due to investor reactions to dividend signals.

Similarly, dividend yield (DY) was found to have a negative and statistically significant effect on share price volatility ($\beta = -0.198$, $p = 0.017$). This indicates that the higher dividend yield contributed to reducing fluctuations in share prices, thereby enhancing price stability. Based on this result, the null hypothesis (H_{02}) was rejected. This finding is in line with Kayode et al. (2022), who found that dividend yield had a negative and significant relationship with share price movement, suggesting a stabilizing effect. However, it contrasts with Alajekwu and Ezeabasili (2020), who reported an insignificant relationship, thereby highlighting the context-specific nature of dividend yield effects.

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The coefficient of dividend per share (DPS) was positive and statistically significant ($\beta = 0.356$, $p = 0.001$), indicating that higher dividend payments per share increased share price volatility. This suggests that investors react strongly to changes in dividend payments, leading to fluctuations in stock prices. Consequently, the null hypothesis ($H0_3$) was rejected. This result corroborates the findings of Araoye et al. (2019), who identified dividend per share as a major determinant of share price volatility. It also supports Emeka-Nwokeji et al. (2022), who found that dividend per share significantly influenced share price behavior, reinforcing the signaling role of dividends.

In contrast, retained earnings (RE) had a negative but statistically insignificant effect on share price volatility ($\beta = -0.124$, $p = 0.066$). Although the negative sign suggests that higher retained earnings may reduce volatility, the lack of statistical significance implies that retained earnings did not have a strong influence on stock price fluctuations. Therefore, the null hypothesis ($H0_4$) was accepted. This finding is consistent with Ngozi et al. (2025), who reported that retained earnings did not significantly affect share prices. It suggests that investors may place greater emphasis on actual dividend payments rather than retained profits.

Furthermore, the control variable, firm size (FS), exhibited a negative and statistically significant effect on share price volatility ($\beta = -0.215$, $p = 0.016$). This implies that larger firms experienced lower share price volatility, likely due to their stability, diversified operations, and stronger market confidence. This finding is consistent with Kayode et al. (2022), who found that firm size significantly influenced stock price behavior, indicating that larger firms tend to have more stable share prices.

The regression results demonstrate that dividend policy variables, particularly dividend payout ratio, dividend yield, and dividend per share, play significant roles in influencing share price volatility among listed consumer goods firms in Nigeria. The findings provide strong empirical support for the relevance of dividend policy in explaining stock price behavior in emerging markets.

Table 6: Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.512	0.143	3.581	0.001
DPR	0.287	0.091	3.154	0.002
DY	-0.198	0.082	-2.415	0.017
DPS	0.356	0.104	3.423	0.001
RE	-0.124	0.067	-1.851	0.066
FS	-0.215	0.089	-2.416	0.016
Model Summary				
Statistic	Value			
R-squared	0.682			
Adjusted R-squared	0.654			
F-statistic	24.315			
Prob (F-statistic)	0.000			
Durbin-Watson	2.041			

Heteroskedasticity Test

The probability values in Table 7 for both the F-statistic and Chi-square statistic were greater than 0.05, indicating that heteroskedasticity was not present in the model. This implies that the variance of the error terms was constant, satisfying one of the key assumptions of regression analysis.

Table 7: Heteroskedasticity Test (Breusch-Pagan Test)

Test Statistic	Value
F-statistic	1.284
Prob (F-statistic)	0.276
Obs*R-squared	6.142
Prob (Chi-Square)	0.292

CONCLUSION AND RECOMMENDATIONS

By focusing on key dividend policy variables such as dividend payout ratio, dividend yield, dividend per share, and retained earnings, alongside firm size as a control variable, the study provided a comprehensive analysis of how corporate dividend decisions influence stock price behavior. The study adopted appropriate econometric techniques to analyze panel data over the period 2015–2024, thereby offering empirical insight into the dynamics between dividend policy and market volatility. Overall, the study contributes to existing literature by providing sector-specific evidence within the Nigerian context and reinforces the importance of dividend policy as a critical determinant of market outcomes. Based on the findings of the study, the following recommendations are made:

- Management of consumer goods firms should maintain an optimal and consistent dividend payout policy, as dividend decisions significantly influence share price behavior and investor reactions.

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- ii. Investors should pay close attention to dividend-related indicators such as dividend payout ratio and dividend yield when making investment decisions, as these variables affect stock price stability and returns.
- iii. Regulatory bodies should strengthen disclosure requirements and monitoring mechanisms to ensure transparency in dividend policy decisions, thereby enhancing investor confidence and market stability.
- iv. Firms should prioritize strategies that enhance firm size and operational capacity, as larger firms tend to experience lower share price volatility.

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