DIVIDEND PAYOUT AND SHARE PRICES OF QUOTED FIRMS IN NIGERIA CAPITAL MARKET

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ABSTRACT

This study examines publicly traded corporation dividends from 1993 until 2024. Financial statements of selected publicly traded firms and the central bank's statistics bulletin 2024 composed the study's dataset. Profits per share were the dependent variable, whereas all share index, market capitalisation, and traded share value were independent. The research demonstrated a positive and substantial relationship between the dependent and independent variables. We believe stock market regulators should let traders to participate. Thus, trading conditions will improve and share prices will rise.

Keywords: *Error correction mode, variance ratio linear dependency, co-integration, earnings per share*

INTRODUCTION

The stock market, an essential feature of contemporary economies, promotes growth. Markets promote capital production and distribution efficiency. This strategy provides long-term finance for project funding, corporate growth, and modernisation for governments and corporations. Because stock market investments are long-term, political or economic instability may affect market performance.

Ndako (2021) states that the capital market is a complex mechanism that transfers long-term funds from consumers, firms, and the government to other sectors. Retail and institutional investors must consider the larger picture. The capital market is an economic structure that improves capital allocation and generation. Specialist services from the capital market boost economic development. Capital markets provide cash mobilisation, liquidity, risk diversification, information sharing and acquisition, and corporate governance. Okereke-Onyiuke (2022), Levine and Servos (1996), Obadan (1995), and McKinnon (1996) believe that fast service delivery may improve these activities and boost economic development.

The dividend choice strongly impacts a company's value, which is based on share price capital gains. For shareholders to get the most out of their investment, financial managers must improve firm value. Returns come from dividends and stock price increases. Even though retained earnings and dividends are negatively connected, both increase shareholder value. Retained earnings, or unallocated profits, finance realistic growth projects, while dividends improve shareholder returns.

Many authors and academics have studied how stock price affects listed businesses' performance in Nigeria's capital market. Even when stock prices and macroeconomic circumstances fluctuate,

many firms are still functioning well. Baskin (2022) examines the relationship between dividend yield and company stock price using five explanatory variables. Data shows a high association between listed company yield and share price. Nazir et al. (2023) examined 73 Karachi Stock Exchange (KSE) businesses from 2009 to 2020. Panel data was modelled using fixed and random effects. Results reveal that listed companies' yield and payout adversely correlate with stock movement.

However, Goetzmann-Jorion (2023) explored how dividend yield predicts bigger stock price fluctuations in the Nigerian stock market, contradicting findings. Panel data was used to test the null hypothesis that dividend yields do not effect investment returns in Nigerian publicly listed companies.

This study examines how dividend payments influence Nigerian stock prices of stock exchange-listed public corporations to address that information gap.

Literature Review

All share indexNGX All Share Index was founded with a 100 base value in January 1984. Index calculation only considers common shares. The daily value-relative index is calculated. Nazir et al. (2021) attribute the gap between official closing prices and intraday prices to exchange regulations. Most stock market-listed businesses are tracked by the all-share index. This is based on market capitalisation, which indicates market health and direction.

Market capitalization: 'Market cap,' short for "market value," is the current share price multiplied by the total number of shares in the market. It represents the total value of publicly traded companies' outstanding shares.

Earnings per shares: Divide net income (after preferred dividends) by weighted average shares to get a company's profitability per outstanding common share. Publicly listed companies use EPS as their major market measures, according to Ree (2024). Companies try to raise profits per share ratios to demonstrate profitability.

Value of shares traded: Goetzmann-Jorion (2021) defines traded share value as the total value of all shares exchanged in a market during a certain timeframe. To get this figure, multiply the number of shares by their transaction prices, which represent market activity and liquidity. Since it represents investor money entering and exiting the market, a high level indicates considerable interest and liquidity.

Theoretical framework

The Efficient market models: The research uses the efficient market model, an essential foundation for investors' market actions. In a completely efficient market, stock prices reflect all important facts regarding impacted assets due to their swift response to new information, according to the efficient market theory. If this is true, a company's performance depends on the market's view of its stock.

Empirical review

Baskin (2022) investigates firm share price and dividend yield using five explanatory factors. Data shows a high association between listed company yield and share price.
Nazir et al. (2021) examined data from 73 Karachi Stock Exchange businesses from 2010 to 2020. The researchers observed that stock fluctuation adversely affects payment and yield using panel data and fixed and random effect models.

Suleman et al. (2023) study Pakistani stock market volatility and dividend policy. Karachi Stock Exchange provided 2005–2009 sector statistics. Regular least squares regression was utilised. According to the study, market value is positively and directly related, contradicting Baskin's (2022) findings.

Goetzmann-Jorion (2021) explored how dividend yield predicts US stock price fluctuations. The research demonstrated that dividend yields do not substantially impact investment returns in either nation using panel data for hypothesis testing.
Rees (2019) examined the UK stock market using co-integration from 1987 to 1995. His sample size was 8,287 companies annually. Dividend payments strongly predicted stock price fluctuations in the UK.

Bar-Yosef-Kolodny (1999) found that consumers preferred dividend payments using multiple regression.

Methodology

Since it was impossible to predict how the factors would be related, the study conducted ex post facto research. The research used secondary data from SEC bulletin 2025 and audited financial statements of many publicly listed companies. The primary explanations are market capitalisation, share value, and total share index. Dependent variable: profits per share. The research used ordinary least squares regression to investigate the all-share index, market capitalisation, share trading value, and profits per share.

The econometric model of the research work is as shown below:
$EPS_t = \sigma_0 + \beta_1 ASI_t + \beta_2 MKTCAP_t + \beta_1 VST_t + \mu_t$

Where;
EPS= earnings per share, ASI= all share index, MKTCAP = market capitalization, VST = value of share traded μ = Stochastic disturbance term

Results and Discussions

The Augmented Dickey-Fuller (ADF) unit root test results are in Table 1. The findings reveal stationarity patterns at order 1 in the all-share index, market capitalisation, share value, and earnings per share. Tables 2, 3, and 4 exhibit the linear dependence test, co-integration analysis,

and error correction model findings. Company dividends affect the Nigerian stock market, according to the figures. This shows that every factor affected earnings per share.

Table 1: The ADF Unit Root Test Results

Variables	ADF Sta	5% level	Probability	Order
ASI	-3.530087	-2.998064	0.0164	1 (1)
EPS	-3.852037	-2.998064	0.0080	1(1)
MTCP	-3.850990	-2.998064	0.0080	1(1)
VST	-3.365641	-2.998064	0.0066	1(1)

Source: *Extracted from E-view, 13*

Table 1 shows the integrated order one time series variable. Every probability level is below 1%, 5%, and 10% significance. This shows that stationary trends exist and the variables utilised have no unit root. As anticipated, moving variables in time does not affect their probability distribution. We may incorporate predictive factors and go on to speedier analyses like the parsimonious error correction model.

Table 2: The Co-integration Test

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None	0.653893	39.30118	47.85613	0.2485
At most 1	0.462091	19.14205	29.79707	0.4827
At most 2	0.256606	7.360783	15.49471	0.0361
At most 3	0.086874	1.726740	3.841466	0.1888

The trace test indicates one co-integration equation; thus we reject the null hypothesis at 5%. If the null hypothesis is rejected, the model's dependent and independent variables may go into long-term equilibrium and co-integrate.

Table 3: Error Correction Model results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-7307.827	4112.293	-1.777069	0.0958
ASI	12.17786	4.129225	2.949189	0.0099
MKCP	9.953770	2.967241	2.980527	0.0071
VST	2.508551	1.680820	1.492456	0.0563
ECM(-1)	0.613691	0.310684	1.975293	0.0669
R-squared	0.787103	Mean dependent var		28626.60

Adjusted R-squared	0.656997	S.D. dependent var	15477.61
S.E. of regression	5852.978	Akaike info criterion	20.39961
Sum squared resid	5.14E+08	Schwarz criterion	20.64854
Log likelihood	-198.9961	Hannan-Quinn criter.	20.44820
F-statistic	29.46601	Durbin-Watson stat	1.877625
Prob(F-statistic)	0.000001		

Source: *E-view 13, 2025*

The Error Correction estimate suggests the out-of-equilibrium model will approach equilibrium 61% of the time. The coefficient probability values for most independent variables are much below the 5% threshold, indicating that treasury management contributes more to profits per share. The constant term (c) is -7307.827 percent. When all independent variables are zero, the regression equation's estimated intercept occurs. The model's intercept is not zero, as evidenced by the non-significant p-value of 0.0953.

The R-squared value of an independent variable measures its capacity to explain variability in a dependent variable. An R-squared score of 0.787103 indicates that the model's independent variables explain most of the variation in profits per share. Adjusted R-squared considers sample size and independent variables. Even after degrees of freedom, the independent variable model explains a lot of the dependent variable's variation with an adjusted R-squared value of 0.656997. The dependent variable, EPS, averages 28626.60 across all sample observations. Standard deviation of 15477.61 indicates how distant this dependent variable is from the mean. Independent factors positively impact the dependent variable, according parsimonious error correction model regression. High R-squared and statistically significant coefficients show that the model efficiently accounts for most of the dependent variable's variation via independent variables. The data show that all independent variables substantially correlate with and significantly impact publicly listed company profitability per share. The results support previous studies showing earnings per share affect corporate stock prices. By Goetzmann (2022) and Jorion, (2021).

Table 4: Market efficiency and random walk hypothesis

HP	**VR**	**Z-STA**	**PB**
4	0.292054	-1.354173	0.1757
8	0.122487	-1.422758	0.1548
16	0.011145	-1.469667	0.1417
4	0.322728	-1.225964	0.2202
8	0.108697	-1.372783	0.1698
16	0.039975	-1.358497	0.1743
4	0.329585	-1.115787	0.2645
8	0.104051	-1.268414	0.2047
16	0.092948	-1.177316	0.2391

Source: *E-view 13, 2025*

General rule: stock price random walks with a determined variance ratio less than one have negative autocorrelation. "Darrat and Zhong" (2024). Since our variance ratio coefficient for the three holding periods is less than one, we may accept the null hypothesis of a random walk with 99% confidence. Accepting random walk shows weak form market efficiency.

Discussion of findings

The empirical error correction estimates show that earnings per share, all share index, market capitalisation, and traded share value are positively and significantly connected. This supported Rees (2024)'s claim that profits per share increased publicly listed corporations' share price volatility. Suleman et al. (2023) say the all-share index and traded share value indicate a company's earnings potential. Ahuja H.L. (2024) found that earnings per share impact market capitalisation, which measures investor trust.

Aggressive factors significantly impact profits per share, according to our research. All else being equal, a growth in all metrics boosts the company's profit potential.

CONCLUSION

The analysis found that all independent factors significantly affected profits per share. Overall market performance has improved, boosting the company's earnings. The data show that investors are leery of companies with bad dividend histories.

Comprehensive government regulations should protect investors' money. Stock market authorities must offer the essential requirements for investors to trade. Thus, trading conditions will improve and share prices will rise.

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