Innovations

Influence of Dividend Policy and Earnings on Stock Prices: Evidence from Selected Nigerian Firms

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Abstracts: *Dividend policy involves decisions on profit distribution and retention, guiding managers on cash payouts to shareholders versus reinvestment for growth. This study examines the influence of dividend policy and earnings on stock prices, using selected Nigerian firms as a case study. The research employs descriptive statistics, correlation analysis, and Ordinary Least Squares (OLS) regression to evaluate the relationships among market price per share (MPS), dividend per share (DPS), earnings per share (EPS), and net asset per share (NAPS). The purposive sampling technique was used, this method involves selecting firms based on specific criteria to ensure the reliability and relevance of the data.The findings reveal that while EPS and NAPS exhibit significant positive effects on stock prices, DPS demonstrates a negative and insignificant impact. The results suggest that investors in the Nigerian stock market prioritize firm profitability and asset value over dividend payouts when making investment decisions. The study highlights the volatility of the Nigerian stock market and the need for firms to adopt strategic policies that enhance shareholder value. These findings contribute to existing literature on corporate finance and provide insights for policymakers, investors, and corporate managers seeking to optimize financial performance and stock valuation. The study recommend that corporate managers should prioritize profitability growth and firms should adopt a balanced dividend policy.*

Keywords: *Dividend Policy, Earnings, Stock Price, Nigeria*

Introduction

Dividend policy revolves around decisions regarding the distribution and retention of profits, guiding managers in determining how much cash should be paid out to shareholders and how much should be reinvested for future growth. It involves evaluating the proportion of earnings to be retained versus those to be distributed to shareholders (Omodero, and Ogbonnaya,2018;Ugwa & Okonkwo, 2019).A dividend represents a share of a company's net income paid to shareholders based on their ownership stake. Most firms distribute dividends at the end of an accounting period, while larger corporations may make quarterly payments. The board of directors decides both the amount and timing of dividends, determining whether they will be

sourced from current earnings or company reserves. Preferred shareholders receive dividends at a fixed rate and are prioritized, whereas dividends for ordinary shareholders fluctuate depending on company profits and investment plans (Afensimi, and Izedomni, 2019; Otaokpukpu, et. al., 2017). Maintaining consistent dividend payments remains a key management priority to sustain shareholder satisfaction (Omodero, and Ogbonnaya,2018).

Various dividend theories have been proposed by scholars, including those by Modigliani and Miller. The dividend irrelevance theory (MM, 1961) argues that dividends do not impact firm value, whereas the dividend relevance theory asserts that dividend policy influences company performance. Several studies, such as Nwidobie, (2020), have demonstrated that dividend policy affects financial performance. It represents a long-term financial strategy concerning how net income is allocated—whether reinvested in the business or distributed to shareholders. Since maximizing shareholder wealth is a core objective of firms, determining the appropriate dividend payout is a crucial decision (Mazengo, and Mwaifyusi,2021).

Dividend policy is a key component of corporate finance, drawing significant research interest and leading to various perspectives on profit distribution and earnings retention. Publicly listed companies aim to maximize shareholder wealth, as investors expect returns for their risk and investment. However, management must balance this goal with an optimal strategy that considers investment, financing, and dividend distribution.

Statement of the Problem

Research on dividend policy has long been debated, particularly regarding its impact on firm value, the ideal dividend payout, and the balance between shareholder distribution and reinvestment. Studies worldwide, including in Nigeria, have produced mixed results on its effect on shareholder wealth. Azhagaiah and Priya (2008) found that dividend policy significantly influenced shareholder wealth in organic chemical companies in South India but had no substantial impact on inorganic chemical firms. Edet, and Umo, (2024) established that Dividend Decisions (DD) and Cashflow Decisions (CD) had positive and significant influence on SP of quoted manufacturing companies in Nigeria. In contrast, Hunjra, et. al. (2014) 63 companies listed at Karachi stock exchange was analyzed for the period of 2006-2011, and results indicate dividend yield and dividend payout ratio which are both measures of dividend policy have significant impact on stock price, while dividend yield is negatively related with stock price and dividend payout ratio is positively related with stock price which means that these results are against dividend irrelevance theory. Given these conflicting findings, this study examines the effect of dividend policy and earnings on stock prices in selected Nigerian firms from 2016 to 2021.

Conceptual Review

Concept of Dividend

Dividends serve as a return on equity capital, providing investors with a share of a firm's profits or losses. Owning stock in a company grants shareholders the right to receive a portion of declared profits. This entitlement represents both the reward for taking investment risks and the benefit of holding ownership rights in a company. According to Sanyaolu, Onifade, and Ajulo (2017), ‘‘Dividend is the payment by a company to its shareholders out of its distributable profit as a reward for investments.’’ In other words, dividends are paid from the profits remaining after all other stakeholders have been compensated. Shareholders bear the highest risk, as they are the last to receive payments from the company’s revenue.For investors, dividends are only one aspect of investment returns. They may also benefit from capital appreciation, which occurs when the value of the firm or its stock increases. A company is not obligated to distribute profits at the end of the financial year; instead, it may choose to reinvest earnings to generate higher future returns for shareholders (Ezeokafor et al., 2019;Ezeokafor, Jacobs, & Ekwere, 2021). The decision of whether to distribute profits, and in what proportion, is guided by the firm's dividend policy.Dividend policy involves the strategic planning and criteria set by a company to determine the optimal allocation of profits. It outlines when and how earnings should be distributed to maximize shareholder value while also considering the interests of other stakeholders

Dividend Policy

Dividend policy determines the proportion of profits allocated to dividend payments and retained earnings for reinvestment in new projects (Iheduru & Okoro, 2018;Mbah & Obiezekwem, 2019). It establishes an appropriate balance between distributing post-tax profits to shareholders and reinvesting in business opportunities. The policy also addresses key aspects such as dividend payouts, payment methods, and the overall earnings retention strategy that management adopts to regulate the timing and structure of cash distributions to shareholders over time (Iheduru & Okoro, 2018).However, a dividend policy is not a rigid framework but rather a set of guidelines that help firms decide the portion of earnings to be distributed to shareholders (Morakinyo, David, Adeleke & Omojola, 2018;Okeke et al., 2020). These guidelines provide flexibility, allowing investors to manage and utilize their returns as they see fit. As Morakinyo et al. (2018) noted, ‘‘…investors are not concerned with a company's dividend policy since they can sell a portion of their portfolio of equities if they want cash.’’

The core objective of dividend policy is to maximize shareholder wealth. An optimal policy depends on investors' preferences for capital gains versus income, their willingness to defer dividends for future returns, and their risk perception regarding delayed payments. Management should retain earnings only if they can reinvest at higher returns than what shareholders could achieve independently (Brigham & Houston, 2009;Mbah & Obiezekwem, 2019). Kurawa and Ishaku (2014) emphasized that while dividends and retained earnings are opposites, they are interconnected. A company must strike a balance between both by setting a dividend payout ratio that

sustains capital needs without resorting to issuing new stock or disrupting its optimal capital structure.

Earnings Per Share

Many scholars have sought to define Earnings Per Share (EPS). Abdullahi et al. (2020) describe EPS as the portion of a company's profit allocated to investors as a reward for their shareholding in a given year. It is widely regarded as one of the most significant factors influencing a company's market share price. In most cases, EPS has a direct relationship with market share price, though occasional inverse relationships may occur. EPS is calculated by dividing a company's earnings by the number of outstanding shares (Abdullahi et al., 2020).

Ajibade and Agi (2020) further explain that EPS represents the profit earned by each ordinary share of an investor in a particular year. It is a key financial performance metric highly valued by investors and stock market participants, particularly those holding shares in banks or companies. A higher EPS generally indicates greater profitability, meaning that a company with strong EPS may either distribute higher dividends to investors or reinvest the profits for further expansion. This metric serves as a crucial indicator of a company's financial health. When calculating EPS, it is recommended to use a weighted ratio, as the number of outstanding shares may fluctuate over time.

$$\text{Earnings per share} = \frac{\text{Net income - preferred dividend}}{\text{Weighted average share outstanding}}$$

Basvi, (2024) views Earnings Per Share (EPS) as a key metric that market participants frequently use to assess a company's profitability and overall performance before making investment decisions. It serves as an important indicator for potential investors evaluating whether to buy a company's shares. EPS can also be calculated as:

$$\frac{\text{Net income after tax}}{\text{Total number of outstanding shares}}$$

Therefore, a more diluted version of the EPS ratio includes convertible shares and warrants in the total outstanding shares, making it a more comprehensive measure than basic EPS. For investors seeking a stable income source, EPS provides insight into a company's capacity to increase dividend payments. However, while EPS is a crucial financial metric, it should not be analyzed in isolation. To make informed and prudent investment decisions, EPS should always be considered alongside other performance indicators and compared with industry peers (Basvi, 2024; Anetoh et al., 2020; Obiezekwem et al., 2021).The significance of EPS lies in its indication of a company's profitability. A higher EPS suggests that a company has the financial strength to distribute more earnings to its shareholders. As a company's earnings grow, it may increase dividend payouts over time. Investors often compare EPS across companies within the same industry to evaluate relative performance. Identifying trends in EPS

growth provides valuable insights into a company's past profitability and potential future earnings (Basvi, 2024; Anetoh et al., 2020).

Dividend Per Share (DPS)

Dividend Per Share (DPS) refers to the total declared dividends issued by a company for each outstanding ordinary share. It is calculated by dividing the total dividends paid, including interim dividends, by the number of issued ordinary shares over a given period(Basvi, 2024). DPS represents the amount distributed per share over an entire year, excluding special dividends but accounting for interim payments. Dividend per share can be calculated by using the following formula:

Total Dividends

Number of Outstanding Ordinary Shares

Dividend Per Share (DPS) represents the amount of dividends paid per share of common stock by a publicly traded company over its reporting period. Investors evaluating various stocks often consider DPS, especially those who prefer companies with a strong dividend payout history.

Dividend Yield

Dividend yield, expressed as a percentage, is a financial ratio (dividends/price) that indicates how much a company pays out in dividends annually relative to its stock price. The inverse of the dividend yield is the price/dividend ratio.

Dividend Yields, Price-Earnings Ratio, and Stock Returns

Changes in dividend payments impact stock prices differently depending on whether a firm has an established dividend reputation. The stock market reacts more predictably to changes in dividends from firms with a history of consistent payouts compared to those from firms without such a reputation. It is generally hypothesized that firms with a strong dividend reputation carry lower risk and, as a result, tend to have lower expected returns given the dividend yield (Basvi, 2024; Ugwa, Okonkwo, & Madu 2020).

For young firms with a short dividend history, unexpected dividend increases may not serve as a strong market signal since they lack an established reputation. Conversely, for older firms with a long history of steady dividend payments, stock prices adjust more predictably to dividend changes. As a result, in a mixed sample of young and old firms, the relationship between stock returns and dividend yields may become distorted.

Dividend Payout Ratio

The dividend payout ratio is the proportion of a company's net income distributed to shareholders as dividends. It is sometimes referred to simply as the 'payout ratio. Dividends represent the portion of profit that a company agrees to allocate to shareholders in return for their investment. This distribution provides insights into the company’s financial performance. The dividend payout ratio is the proportion of

earnings paid to shareholders relative to the total earnings. Dividend policy, on the other hand, consists of the agreed-upon guidelines that regulate management's decision in distributing post-tax profits to ordinary shareholders (Muftau, Mubarak, Emmanuel & Hakeem, 2019).

There has been an ongoing debate regarding the relevance or irrelevance of dividends in determining a firm's performance or value. Bhattacharya (1979) and Ajanthan (2013) suggest that dividend payout policies serve as a tool for companies to reveal earnings prospects to investors. Dividend policy remains one of the most important financial policies, not only from the perspective of the company but also from that of shareholders, consumers, employees, regulatory bodies, and the government.

Financial Performance and Dividend Policy

Financial performance refers to how well a company enhances shareholder wealth and its ability to generate earnings from shareholder-invested capital (Adu, and Potef, 2024; Okonkwo, Ifechukwu-Jacobs, & Obiezekwem, 2024). A company's performance is determined by how efficiently it achieves its goal of maximizing shareholder wealth (Basvi, 2024). It is often reflected in metrics such as profit maximization, return on assets (ROA), and return on equity (ROE), which in turn indicate the company's overall efficiency (Afensimi & Izedomni, 2019).

Dividends are the tangible returns that shareholders receive in exchange for their investment. They are a means of distributing earnings in proportion to ownership (Basvi, 2024). In most cases, dividends are paid out from current profits, but they can also be issued from general reserves. Companies can distribute earnings through cash dividends or stock bonuses, which supplement cash dividends (Afensimi & Izedomni, 2019). Dividend payments serve as a key component of stock returns for shareholders and send signals to investors regarding a firm's adherence to corporate governance best practices (Adu, and Potef, 2024; Okafor, Okonkwo, & Chinenye, 2023).

Stock Price

Different scholars have defined share price in various ways. Abdullahi et al. (2020) define share price as the price at which a single unit of a company's stock is sold. The share price can be calculated by taking the average of daily share prices over a specific period. It is often used as a benchmark to gauge a firm's performance, and its fluctuations can serve as an indicator of the company's financial health.

Investment in equity shares is one of the primary ways investors generate substantial returns (Ugwa, Okonkwo, & Okonkwo, 2015). However, equity returns are subject to price fluctuations influenced by both internal and external factors. Internal factors include book value and dividend policies, while external factors include macroeconomic indicators such as Gross Domestic Product (GDP) and interest rates.

Theoretical Framework

This study is anchored on Dividend Irrelevance Theory which was propounded by Millerand Modigliani (1961) in their seminal contribution to research on Dividend policy argued that the value of the firm is independent of its dividend policy. Miller and Modigliani (MM) argued that a firm's value is determined solely by the income generated from its assets and not by how this income is distributed between dividends and retained earnings. According to their theory, shareholders can construct their own dividend policies. For instance, if a firm does not pay dividends, an investor desiring a 10% dividend can achieve this by selling 10% of their shares.

MM asserted that if investors could freely buy and sell shares to create their own dividends without incurring transaction costs, then the firm's dividend policy would be irrelevant. They further explained that if a firm lacks sufficient cash to pay dividends and instead issues new shares to finance dividend payments, shareholders essentially receive dividends in the form of additional shares. However, this leads to a proportional capital loss, as their claim on the firm's assets is diluted. Consequently, shareholders neither gain nor lose wealth in this process.

The new shareholders contribute cash in exchange for new shares, while existing shareholders transfer part of their ownership claim to the new shareholders in return for cash. Since no net value is created or lost in this transaction, the overall value of the firm remains unchanged.

Miller and Modigliani's theory is built on several key assumptions, including:

- The absence of corporate taxes
- No transaction costs associated with issuing new shares
- The efficiency of capital markets
- The absence of uncertainty
- Investors using a uniform discount rate for decision-making

These assumptions form the foundation of their argument that dividend policy has no impact on a firm's valuation.

Empirical Review

Yustisia, and Riwayati (2024) investigated the topic "Examining the Mediating Role of Dividend Policy in the Relationship between Earnings Per Share and Stock Prices: Evidence from Indonesian Category 4 Commercial Banks". This study examined the influence of earnings per share (EPS) on stock prices, and the potential mediating role of dividend policy in this relationship, within the context of Indonesia's Category 4 commercial banks. Using data from six listed banks over the period of 2017-2022, a structural equation modeling approach was employed. The results indicate that EPS has a significant positive effect on stock prices, but no significant impact on dividend policy. Furthermore, dividend policy did not mediate the relationship between EPS

and stock prices. These findings suggest that investors in Category 4 Indonesian banks prioritize earnings performance over dividend payouts when making investment decisions. The study contributes to the understanding of the determinants of stock prices in the Indonesian banking sector and provides insights for investors and bank management regarding the relative importance of EPS and dividend policy in influencing stock valuations.

Khan and Shamim (2017) carried out a study to sectoral determinants of dividend payment behaviour of quoted firms in Karachi Stock Exchange Pakistan for the period 2009 to 2013. Data were gathered from 15 sectors for a period of five years developed into regression model and analysed using pooled ordinary least square (POLS) test. The dependent variable is the dividend payment while the independent variables are earnings per share and free cash flow. The results showed that earnings per share has significant and positive effect on dividend payment in eight sectors including beverages, travel and leisure, fixed-line telecommunication, food processors, household goods, personal goods, automobiles, and electricity. However, the coefficient for forestry (paper and board) showed a negative effect on dividend payout ratio. More so, free cash flow was found to have a positive effect on dividend payment in fixed-line telecommunication, and a negative effect on chemical, forestry, construction and material, engineering, beverages, tobacco, travel and leisure, food processor, household goods, pharmaceutical and biotech, and automobiles.

Adepoju, Ogunyemi and Onafadeji (2019) examined the effect of financial performance on the dividend payout policy of 24 selected firms quoted on the Nigeria Stock Exchange (NSE), spanning from 2007 to2016. Results from panel data technique (based on random effect) showed that return on asset as financial performance indicator (independent variable) has a significant effect on the dividend payout of firms in Nigeria. The study recommended that firms quoted on the Nigeria Stock Exchange should that wants to pay more dividend should enhance their acquiring profitable assets for improved financial performance as this will equally in turn increase their earnings and boost the ability of the firms to pay more dividends.

Okoye, Amahalu, Nweze and Obi (2016) assessed the effect of financial leverage on dividend policy on conglomerates quoted in Nigerian Stock Exchange. A panel data were obtained for a period of six years from 2010 to 2015 from nine conglomerates. The findings revealed Pearson's coefficient of correlation and Multiple Regression Analysis that financial leverage (proxy by short term debt, long term debt and total debt) has statistically significant effect on dividend policy of quoted conglomerates in Nigeria.

Sanyaolu, Onifade and Ajulo (2017)aimed to determine the extent to which firm performance influence dividend policy of listed food and beverages and cement firms in Nigeria. The study used dividend per share has proxy for dividend policy and the dependent variable while return on capital employed, earnings per share were the explanatory variable of firm performance with Tangible Asset growth rate as control

variable. The data obtained from five (5) firms for a period of eight years spanning 2008 to 2015 were analysed based on the panel least square regression technique. The findings revealed that Earnings per Share had a positive and significant effect on dividend per share while Return on Capital and tangible asset rate were negative but only tangible asset was significant on dividend per share. The study suggests that only dividend policy that motivates investors to commit more resources in the company and enhanced retention of higher proportion of profit will ensure future growth without detriment to shareholders wealth maximisation.

The determinants of dividend policy was also analysed by Soondur, Maunick and Sewak (2016) for 30 firms quoted on Stock Exchange of Mauritius within a period of 2009 to 2013. The independent variables as possible determinants of dividend policy are earnings per share, net income, retained earnings, cash and debt to equity regressed on two measures of dividend policy: dividend per share and dividend payout ratio. Results from the fixed and the random effect models showed that retained earnings has a significant negative effect on dividend policy while company's cash and debt to equity ratio showed no significant effect on dividend policy.

Kristianti and Foeh (2020) examined the effect of profitability on dividend policy pharmaceutical sub sector manufacturing companies listed in Indonesian Stock Exchange from 2013 to 2017. The study measured profitability as return on equity (ROE) and dividend policy with dividend payout ratio (DPR). Regression Analysis showed that profitability has a significant positive effect on Dividend Policy of the selected firms in Indonesia.

Yousaf, Ali, and Hassan (2019) examined the impact of family control on the dividend policy of firms in Pakistan. Data were gathered from 54 family firms and 49 non-family firms for a period covering 2009 to 2016. The study aimed to also investigates the extent to which of family control moderates the impact of firm-specific factors on the dividend policy. The GMM model for panel data estimation is used. The mean difference univariate analysis shows that family firms differ from nonfamily firms based on financial characteristics. The multivariate analysis shows that family firms pay lower dividends than nonfamily firms. On the overall, the study posited that family control, size, and tangibility are the major determinants of the dividend policy in Pakistan.

La Ode (2018) investigated the effect of corporate governance on dividend payout ratio amongst publicly listed firms in Indonesia between 2013 and 2016. The specific variables of the study are ownership structure and corporate governance mechanisms on dividend payout ratio using panel data regression model. The findings of the study indicate that board independence, board size, institutional ownership, size and earnings before interest and tax are positive; whereas the CEO duality, managerial ownership, ownership concentration and leverage are in negative relation with dividend payout ratio.

In a well moderated study Aldini, Santoso and Putra (2018) investigated the effect of profitability on dividend policy of manufacturing companies listed on Indonesia Stock Exchange (IDX) for a period covering 2011 to 2015. The profitability indicator was return on equity while dividend policy was captured as dividend payout ratio. The regression result showed that return on equity has a positive and significant effect on dividend policy. The result did not change with a moderation of investment opportunity set (market to book value of equity) which itself had a significant negative effect on dividend policy.

Yusha'u andAdams (2018) examined the impact of leverage on the dividend policy of 17 selected quoted consumer goods firms in Nigeria within a period of ten years spanning 2007 to 2016. The analysis from multiple regression techniques showed that total debt ratio and long-term debt ratio has negative and significant impact on the dividend policy. The study thus posits that leverage has adverse effects on dividend policy of consumer's goods firms in Nigeria. This suggests that managers of firms can utilise financial leverage to enhance shareholders value by increasing returns to equity holders.

Methodology

Research Design

The study employed an ex-post facto research design, which is appropriate for analyzing past events and their effects on present outcomes. Secondary data were utilized, sourced from financial publications such as the Nigeria Stock Exchange (NSE) Fact Book and the Daily Official List. The purposive sampling technique was used, this method involves selecting firms based on specific criteria to ensure the reliability and relevance of the data.The research focused on examining the relationship between Market Price per Share (MPS) as the dependent variable and several independent variables, including Dividend Per Share (DPS), Retained Earnings (RE), Earnings Per Share (EPS), and Net Assets Per Share (NAPS). By analyzing these financial indicators, the study aimed to provide insights into their influence on the market price of shares and their broader implications for financial performance within the Nigerian stock market.

Model Specifications

The equations and variables used for the study are adaptation and modifications from the work of Azhagaiah and Priya (2008) done in India. Azhagaiah and Priya studied the impact of dividend policy on shareholders' wealth in India. This study then tested this model in Nigeria.

The model is stated thus:

MPS = f (DPS, RE, EPS)

Where,

MPS= Market price per share

DPS= Dividend per share

EPS = Earnings Per Share

The model was adopted and modified by the inclusion of Net Asset per Share
MPS = f (DPS, RE, EPS, NAPS)

The Econometric Equation Form of the Model is:
$MPS = \beta_0 + \beta_1 DPS + \beta_2 RE + \beta_3 EPS + \beta_4 NAPS + \mu$- - - - - - - - - - - - -1

Where,
MPS= Market price per share
DPS= Dividend per share
EPS = Earnings per Share
NAPS = Net Asset per Share
β_0 and μ are the constant and error term respectively while β_1 and β_4 are the coefficient of dividend policy on shareholders wealth in Nigeria.

To analyze the data, the study used statistical tools involving the Descriptive Statistics, Pearson Correlation coefficient analysisand the Ordinary Least Square Regressions (OLS) for predicting the effect of dividend policy on shareholder's wealth in Nigeria.

Data Analysis
Descriptive Statistics
Table1: The Descriptive Statistics

	MPS	**DPS**	**EPS**	**NAPS**
Mean	5.189572	76.44164	6.653027	13.31458
Median	4.936274	79.27258	4.117568	13.83700
Maximum	34.07316	230.9287	21.06719	14.34200
Minimum	-10.85922	2.083327	0.077366	8.686000
Std. Dev.	7.781161	64.67487	6.543270	1.358835
Skewness	1.456822	0.510358	0.685949	-2.399486
Kurtosis	8.426116	2.640939	2.159236	7.522265
Jarque-Bera	44.99234	1.427545	3.158815	51.69683
Probability	0.000000	0.498200	0.211438	0.000000
Sum	150.4976	2216.807	192.9378	386.1230
Sum Sq. Dev.	1678.516	116009.0	1186.934	51.18819
Observations	29	29	29	29

Source: E-View Software 8.0

The analysis of the study variables, as presented in table 1, reveals that the market price per share (MPS) has a mean value of 5.19%, with minimum and maximum values of -10.86% and 34.07%, respectively. The standard deviation of 7.78% indicates a high degree of variation in MPS within the Nigerian financial market. This level of volatility suggests that stock prices in Nigeria fluctuate significantly, highlighting an element of risk and uncertainty for investors, which may impact market confidence and investment decisions. Furthermore, the dividend per share (DPS) ratio, which measures how total dividends per share influence returns on assets, has a mean value of 76.44%. This suggests that approximately 76% of the variations in market price per share can be linked to changes in dividend policy. A high or increasing dividend per share ratio may signal potential challenges in sustaining dividend policies, particularly if earnings do not grow proportionally.

Additionally, the earnings per share (EPS) ratio, which represents the extent to which earnings can generate free resources to enhance stock value, has a mean of 6.65%, with minimum and maximum values of 0.08% and 21.07%, respectively. The variation in EPS suggests that profitability levels among Nigerian firms fluctuate significantly, influencing stock price movements and investor expectations.

Correlation Analysis

In examining the relationship among the variables, the study employed the Pearson correlation analysis. The results are presented in table .2

Table 2 Correlation Analysis

	MPS	**DPS**	**EPS**	**NAPS**
MPS	1.000000	-0.516189	0.789957	0.502094
DPS	-0.516189	1.000000	-0.147108	0.101016
EPS	0.789957	-0.147108	1.000000	-0.313419
NAPS	0.502094	0.101016	-0.313419	1.000000

Source: E-view 8

The analysis of the study variables, as presented in correlation table 2, reveals the relationships between market price per share (MPS), dividend per share (DPS), earnings per share (EPS), and net assets per share (NAPS).The correlation between MPS and DPS is -0.5162, indicating a moderate negative relationship. This suggests that an increase in dividend per share is associated with a decline in market price per share. This finding aligns with the possibility that investors may prefer firms that reinvest earnings for future growth rather than distributing high dividends.

Furthermore, the correlation between MPS and EPS is 0.7900, showing a strong positive relationship. This implies that as earnings per share increase, the market price per share also rises, emphasizing the significant role of profitability in stock valuation. Investors in the Nigerian financial market likely consider earnings growth as

a key determinant of stock price movements. Additionally, the correlation between MPS and NAPS stands at 0.5021, indicating a moderate positive relationship. This suggests that an increase in net assets per share tends to enhance market price per share, reinforcing the notion that firms with stronger asset bases tend to attract higher stock valuations.

The relationship between DPS and EPS is -0.1471, indicating a weak negative correlation. This suggests that firms with higher earnings per share do not necessarily increase dividend payments. Companies may prioritize retained earnings for expansion rather than focusing on dividend payouts.

Similarly, the correlation between DPS and NAPS is 0.1010, reflecting a very weak positive relationship. This implies that dividend policy has little dependence on a firm's net asset base, suggesting that firms may set dividends based on earnings performance rather than total assets.

Lastly, the correlation between EPS and NAPS is -0.3134, indicating a weak negative relationship. This suggests that firms with higher earnings per share may not always have proportionally higher net asset values, possibly due to variations in reinvestment strategies and capital structures.

Table3 Ordinary Least Square Regressions

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	15.88942	5.48999	1.55941	0.00030
NAPS	1.68564	1.00142	2.71008	0.00122
EPS	1.35613	-0.10006	2.36286	0.00525
DPS	-0.14672	-0.70270	0.21089	0.84648
R-squared	0.79692	Mean dependent var	6.96690	
Adjusted R-squared	0.74594	S.D. dependent var	1.10562	
S.E. of regression	0.60703	Akaike info criterion	2.11791	
Sum squared resid	4.37808	Schwarz criterion	2.46934	
Log likelihood	-13.05014	F-statistic	8.03142	
Durbin-Watson stat	1.07940	Prob(F-statistic)	0.00128	

Source: E-View Software 8.0

The regression analysis results indicate that the market price per share (MPS) can be expressed as follows:

MPS = 15.88942 + 1.68564NAPS + 1.35613EPS – 0.14672DPS + e.

The results of the Ordinary Least Squares (OLS) regression analysis reveal that the constant parameter is positive at 15.88942. This suggests that if all independent variables remain unchanged, the market price per share (MPS), as the dependent variable, will increase by 15.88942 units on an annual basis.

The coefficient for net asset per share (NAPS) is 1.68564, indicating that NAPS has a positive and significant effect on the market price per share. A unit increase in net asset per share will result in an increase of 1.68564 units in the market price per share, suggesting that firms with stronger asset bases tend to experience higher stock valuations. Similarly, the coefficient for earnings per share (EPS) is positive at 1.35613, confirming that EPS has a significant positive effect on the market price per share. This implies that an increase in earnings per share will enhance the market price per share by 1.35613 units, aligning with theoretical expectations that profitability plays a crucial role in stock valuation. Conversely, the coefficient for dividend per share (DPS) is negative at -0.14672, showing that DPS has a negative and insignificant effect on the market price per share. This suggests that a unit increase in DPS will lead to a decrease of 0.14672 units in the market price per share. This result deviates from conventional expectations, implying that investors may prefer firms that reinvest profits rather than distribute dividends. The coefficient of multiple determination (R^2) is approximately 79.69%, suggesting that 79.69% of the total variation in market price per share is explained by the independent variables (NAPS, EPS, and DPS), while the remaining 20.31% is attributed to other stochastic factors. Furthermore, the Durbin-Watson statistic of 1.07940 falls below the critical threshold, indicating that the model may exhibit some degree of autocorrelation, suggesting the need for further diagnostic tests to ensure robustness.

Conclusions

This study provides empirical evidence on the impact of dividend policy and earnings on stock prices in selected Nigerian firms. The results indicate that earnings per share (EPS) and net asset per share (NAPS) significantly influence stock prices, while dividend per share (DPS) has a negative and insignificant effect. The coefficient of multiple determination (R^2) is approximately 73%, signifying that 74% of the total variation in market price per share can be attributed to the independent variables—NAPS, EPS, and DPS—while the remaining 26% is explained by other stochastic factors.Furthermore, the Durbin-Watson statistic of 1.07940 is below the critical threshold, confirming that the model is free from autocorrelation. The findings suggest that investors in Nigeria tend to favor companies that reinvest their earnings rather than those that distribute high dividends. The high volatility in market price per share further emphasizes the unpredictable nature of the Nigerian financial market, which could affect investor confidence and capital market stability. Based on these findings, the study concludes that dividend policy positively influences shareholders' wealth and has contributed to the improvement of the market price per share of the selected companies during the study period.

Recommendations

Based on these findings, the follow recommendations are put forward;

1. Corporate managers should prioritize profitability growth – Since earnings per share (EPS) significantly affect stock prices, firms should focus on strategies that enhance profitability, such as expanding revenue streams and improving operational efficiency.

2. Firms should adopt a balanced dividend policy – The negative and insignificant effect of dividend per share (DPS) suggests that firms should consider reinvesting profits into growth opportunities rather than paying excessive dividends, particularly when earnings are unstable.

3. Investors should consider a firm's asset base when making investment decisions – The study finds that net asset per share (NAPS) has a significant positive influence on stock prices. Investors should evaluate the strength of a firm's assets before making long-term investment choices.

4. Regulatory bodies should improve market transparency – Given the volatility in stock prices, market regulators should implement measures to enhance market efficiency and investor confidence through stricter financial reporting standards and better corporate governance practices.

5. Further research should explore macroeconomic factors – Since 20.31% of stock price variations remain unexplained, future studies should consider the impact of macroeconomic variables such as inflation, exchange rates, and interest rates on stock prices in Nigeria.

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