ASSESSING THE IMPACT OF DIVIDEND POLICY ON FIRM'S VALUE: EMPIRICAL REVIEW OF THREE MANUFACTURING COMPANIES IN NIGERIA

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ABSTRACT: *This study examines the impact of dividend policy on firm value in selected manufacturing firms in Nigeria. Using secondary data obtained from the annual reports of Nestle Nigeria Plc, Cadbury Nigeria Plc, and Guinness Nigeria Plc from 2019 to 2023, the study employs panel data regression analysis to analyse the relationship between dividend policy proxies, such as dividend payout ratio, retention ratio, and dividend per share, and firm value measured by market price per share. The Hausman test was conducted to determine the appropriate regression model. Findings revealed that dividend payout ratio has an insignificant effect (Prob. F-Stat = 0.762692) on market price per share since the p-value was greater than 5% level of significance. Additionally, the retention ratio has a significant effect (Prob. F-Stat = 0.000000) on the market price per share since the p-value was less than 5% level of significance. Also, dividend per share has an insignificant effect (Prob. F-Stat = 0.919624) on market price per share since the p-value was greater than 5% level of significance. The study recommended that manufacturing firms adopt a balanced dividend policy to enhance investors' confidence while ensuring financial stability and growth, and corporate managers should consider reinvestment opportunities alongside dividend payments to maximize shareholder wealth.*

KEYWORDS: Dividend payout ratio, retention ratio, dividend per share, market price per share.

INTRODUCTION

Firm's value is a critical indicator of a company's performance and its attractiveness to investors. It reflects the company's ability to generate sustainable returns and maintain profitability over time. Factors such as profitability, capital structure, market dynamics, and corporate governance influence firm value (Ngatno et al., 2021). Among these, financial policies like dividend policy have garnered significant attention due to their role in shaping investor perceptions and impacting the company's market valuation (Amir et al., 2024).

Dividend policy involves decisions on whether to distribute a company's earnings as dividends or retain them for reinvestment. It reflects the management's approach to balancing shareholder expectations with long-term growth objectives (Goranova et al., 2022). A well-structured dividend policy can enhance firm value by attracting investors seeking consistent returns. According to Cunningham (2024), firms with stable or increasing dividends are often perceived as financially healthy and less risky, thereby boosting investor confidence and stock prices.

In the context of emerging markets like Nigeria, dividend policy assumes even greater importance. Nigerian firms often operate in volatile environments characterized by economic instability, regulatory challenges, and fluctuating investor behavior (Olubiyi, 2023). Consequently, dividend decisions significantly influence firm value, as they serve as signals of stability and growth potential. Several studies on Nigerian firms have yielded mixed findings. Sami and Abdallah (2021) reported a positive relationship between dividend policy and firm value, suggesting that dividend payments reassure investors about a firm's profitability and reduce information asymmetry. In contrast, Bond et al. (2019) found that excessive dividend payouts could constrain a firm's capacity for reinvestment, potentially reducing its long-term value.

Dividend policy has long been recognized as a crucial determinant of firm value, yet its precise impact remains contentious in academic and practical discourse. While some studies suggest that consistent dividend payouts attract investors and enhance firm valuation, others argue that excessive payouts constrain resources for reinvestment, potentially hampering growth (Wansley et al., 2024). This divergence highlights the complexity of dividend policy decisions and the need for context-specific investigations.

In Nigeria, the relationship between dividend policy and firm value is particularly significant due to the volatile business environment, characterized by fluctuating economic conditions, weak corporate governance, and inconsistent investor behavior. Despite the importance of dividend policy, existing studies on Nigerian firms have yielded mixed results. For instance, Olubiyi (2023) found a positive relationship between dividend policy and firm value, whereas Nguyen et al. (2021) argued that excessive dividend payments could hinder long-term profitability. These contradictions underscore the need for further empirical analysis to clarify the impact of dividend policy on firm value, particularly in emerging markets like Nigeria.

Furthermore, recent trends in dividend policy reveal a growing emphasis on shareholder returns amidst economic challenges, with firms striving to maintain or increase dividend payouts despite limited earnings growth. This raises questions about the sustainability of such policies and their implications for firm value (Flammer et al., 2019). However, few studies have critically examined how these trends influence firm valuation in the Nigerian context, creating a gap in the literature.

This study seeks to bridge these gaps by assessing the impact of dividend policy on firm value among Nigerian listed manufacturing firms. By addressing inconsistencies in prior research and incorporating recent trends, this study aims to provide actionable insights into how dividend policy decisions can optimize firm value. The findings will contribute to the broader discourse on corporate financial management in emerging markets. The following research questions derived from the research objectives were answered in this study:

i.   What is the impact of dividend payout ratio on market price per share?

ii.   To what extent does retention ratio have an impact on market price per share?

iii.   How does dividend per share have an impact on market price per share?

The hypotheses that provide a greater insight into the study are as follows:

H₀1:   Dividend payout ratio has no significant impact on market price per share.

H₀2:   There is no significant relationship between retention ratio and market price per share.

H₀3:   Dividend per share has no significant impact on market price per share.

LITERATURE REVIEW

Description of Variables

Firm Value

Firm value is a critical measure of a company's overall financial health and market performance, reflecting its ability to create wealth for shareholders. It represents the sum of the company's equity and debt, capturing both market perceptions and fundamental performance metrics (Naknok, 2022). Firm value is often used by investors and analysts to assess the long-term sustainability and profitability of a business, as well as its attractiveness as an investment option (Chang et al., 2022). Key factors influencing firm value include profitability, growth potential, capital structure, and corporate governance. A firm's ability to generate consistent earnings, reinvest in profitable ventures, and maintain efficient management practices significantly impacts its valuation. For instance, high earnings per share (EPS) and return on equity (ROE) often signal strong performance and attract investors, thereby boosting firm value (Adelicia et al., 2023).

Market Price per Share (MPS)

Market Price per Share (MPS) refers to the prevailing price at which a company's share is bought or sold in the stock market. It is a vital indicator of a firm's market valuation and investor confidence. MPS fluctuates based on various factors such as company performance, market expectations, dividend announcements, economic conditions, and geopolitical developments. Investors and analysts use MPS to assess a company's worth and to compare it with peers within the same industry. According to Yusuf et al. (2021), MPS serves as a reflection of a firm's anticipated earnings potential and market reputation.

The market price per share is also used in calculating important financial ratios, such as the

price-to-earnings (P/E) ratio and earnings per share (EPS), which further help investors evaluate the financial health of a company. Owolabi et al. (2022) emphasized that changes in MPS over time can influence investor behavior, either encouraging further investment or triggering disinvestment depending on market trends. Furthermore, Asogwa et al. (2023) argued that government policies, inflation, interest rates, and market liquidity are crucial external variables that can directly or indirectly impact MPS, thereby affecting stock market performance and corporate financing decisions.

Dividend Policy

Dividend policy refers to the strategic decision-making process regarding the portion of a firm's earnings distributed to shareholders as dividends versus the amount retained for reinvestment in the business. It is a critical aspect of corporate financial management that directly influences investor satisfaction, firm value, and long-term growth. A well-structured dividend policy signals financial stability and managerial confidence, often enhancing a firm's attractiveness to investors (Yahaya, 2024).

The impact of dividend policy on firm value has been widely debated in academic literature. The Dividend Irrelevance Theory proposed by Miller et. al. (1961) suggested that dividend policy has no impact on firm value in a perfect market. However, in real-world scenarios with taxes, transaction costs, and information asymmetry, dividend policy plays a significant role in shaping investor perceptions and firm valuation (Arhinful et. al., 2024). For instance, high dividend payouts may attract income-focused investors, while low or no dividends might appeal to those seeking capital gains (Amir et al., 2024). In Nigeria, dividend policy decisions are often influenced by economic volatility and market conditions. Studies have shown that consistent and sustainable dividend payouts positively impact investor confidence and firm value, especially in emerging markets characterized by high levels of uncertainty (Yilmaz, 2025). Consequently, understanding the nuances of dividend policy is vital for optimizing corporate financial strategies.

Dividend Payout Ratio

The Dividend Payout Ratio (DPR) is a key financial metric that indicates the proportion of a company's earnings distributed to shareholders as dividends. It is calculated by dividing the total dividend paid by the net income of the company. This ratio reflects the company's dividend policy and provides insight into how much profit is retained for reinvestment versus distributed to shareholders (Rahman, 2024). A high payout ratio signals that a company prioritizes returning value to its shareholders, which can be appealing to income-focused investors. However, it may also suggest limited reinvestment in growth opportunities, potentially affecting future earnings. Conversely, a low payout ratio indicates a focus on retaining earnings for expansion or debt reduction, which may benefit growth-oriented investors (Halim, 2024).

Retention Ratio

The Retention Ratio (RR), also known as the plowback ratio, measures the proportion of a company's earnings retained for reinvestment rather than being distributed as dividends to shareholders. It is calculated as 1 minus the dividend payout ratio, or, equivalently, by dividing retained earnings by net income. The retention ratio reflects a firm's focus on internal growth

and reinvestment strategies, making it a crucial metric for assessing financial management decisions (Musa, 2024). A high retention ratio indicates that a firm is prioritizing reinvestment in operations, research and development, or debt reduction, which may lead to long-term growth. However, it might also signal limited immediate returns to shareholders, potentially deterring income-focused investors (Yahaya, 2024). On the other hand, a low retention ratio demonstrates a company's preference for distributing profits to shareholders, possibly at the expense of reinvestment opportunities (Guerard et al., 2021).

Dividend Per Share

Dividend Per Share (DPS) is a financial metric that represents the amount of dividend paid to each outstanding share of a company. It is calculated by dividing the total dividend paid by the number of outstanding shares. DPS provides a direct measure of the income shareholders can expect to receive from their investment, making it an important indicator for investors who rely on dividends for returns (Davydenko et al., 2021). A higher DPS generally signals that a company is generating sufficient profits and is willing to share these earnings with its shareholders. It can enhance investor satisfaction and attract more income-oriented investors. However, an excessively high DPS may raise concerns about the company's ability to reinvest in its operations and maintain sustainable growth (Arduini et al., 2024). On the other hand, a low or zero DPS might suggest that the company is retaining most of its earnings for reinvestment, which can be appealing to growth investors who prioritize capital appreciation (Mwangi, 2022).

Theoretical Review

Dividend Irrelevance Theory

The dividend irrelevance theory was proposed by Miller et al. (1961). It argued that in a perfect capital market which is free of taxes, transaction costs, and information asymmetry, a firm's dividend policy does not affect its value or the wealth of shareholders. According to the theory, the value of a firm is determined solely by its investment decisions, which generate cash flow and profitability, rather than how earnings are distributed between dividends and retained earnings (Murniati et al., 2019). Miller et al. asserted that investors are indifferent between dividends and capital gains, as they can create "homemade dividends" by selling a portion of their shares if they prefer immediate income.

The theory rested on several assumptions, including the absence of taxes, no transaction costs, and no agency problems. It also assumes that firms and investors have equal access to information, and the firm's cost of capital remains constant. While the theory provides a foundation for understanding dividend policy, it has been criticized for being unrealistic in practical settings where market imperfections exist (Taleb, 2019). Supporters of the theory highlight its relevance in demonstrating that dividend policy is not the sole determinant of firm value and that management should prioritize profitable investment opportunities over dividend decisions. However, critics, such as Hoffmann et al. (2019) and Kumaraswamy et al. (2019), argued that the theory ignores the "bird-in-hand" effect, where investors prefer the certainty of dividends over potential capital gains. Signaling theory further critiques this by emphasizing the informational role of dividend policy.

The dividend irrelevance theory is relevant as it provides a baseline for exploring how dividend

policies might influence firm value in imperfect markets like Nigeria. While the assumptions of the theory may not fully hold in emerging economies, it offers a framework for comparing empirical findings to theoretical expectations.

Bird-in-Hand Theory

The bird-in-hand theory was proposed by Myron Gordon (1963) and John Lintner (1962). The theory argued that investors prefer the certainty of dividends (a "bird in hand") over the uncertainty of future capital gains (the "two in the bush"). According to this theory, higher dividend payouts reduce the perceived risk of an investment, as dividends provide immediate and tangible returns to shareholders. Consequently, firms with higher dividend payouts are expected to achieve higher market valuations. The theory assumes that investors are risk-averse and place a higher value on dividends because they view them as more reliable than potential future earnings (Hartzmark et al., 2019). It also assumes that dividend-paying firms signal financial stability and lower risk, which increases shareholder confidence and reduces the cost of capital. Supporters of the bird-in-hand theory argued that paying dividends is a critical way for firms to attract and retain investors, especially in markets where trust in long-term capital gains is limited. The theory has been supported by researchers who emphasized the importance of dividend payouts in reducing uncertainty and increasing firm value (Attig, 2021).

However, critics, including Grégoire et al. (2020), argued that the bird-in-hand theory misrepresents investor behavior in efficient markets. They claimed that rational investors are indifferent to whether returns come from dividends or capital gains, provided the total returns are equivalent. Furthermore, signaling theory challenges the assumption that dividends alone indicate firm stability, emphasizing that other factors like earnings and growth also play a role in investor decisions. The bird-in-hand theory is highly relevant because it provides a foundation for examining the impact of dividend policy on firm value, particularly in emerging markets like Nigeria. Here, investor preference for dividends may play a significant role in shaping firm valuation due to higher market uncertainties and limited trust in future growth prospects (Kapons et al., 2023).

Signaling Theory

Signaling Theory was introduced by Bhattacharya (1979) to explain how firms use dividend policy to convey information about their financial health and future prospects to investors. The theory posits that managers have more information about the firm's performance than external investors (asymmetric information). To address this information gap, firms use dividends as a signal of profitability and stability. A high or stable dividend payout communicates confidence in the firm's future earnings, while a reduction in dividends may indicate financial distress (Ham et al., 2020). The theory assumed that markets are not perfectly efficient, and information asymmetry exists between managers and investors (Bergh et al., 2019). It also assumed that dividends are a credible signal because they involve real cash outflows, making it costly for underperforming firms to mimic successful firms by paying high dividends. This costliness ensures that only firms with strong financial performance can afford to maintain high dividend payouts, thereby validating the signal's credibility (Munir et al., 2024).

Supporters of signaling theory argued that dividend changes provide valuable information to investors and influence stock prices. Research has shown that positive dividend announcements are often associated with increased stock prices, as they are interpreted as signals of strong

financial health (Ozo et al., 2019). Critics, however, question the efficiency of dividends as signals. Basse et al. (2021) argued that dividends should not carry special signaling power in perfect markets. Additionally, critics highlight that other factors, such as earnings reports and growth projections, may provide more accurate and cost-effective signals than dividends. Signaling theory is relevant for understanding how dividend policies impact firm value in markets like Nigeria, where information asymmetry and investor distrust are prevalent. By examining whether dividend policies effectively communicate financial stability and attract investors, the study explores how signaling mechanisms influence firm valuation (Lubis et al., 2024).

Empirical Review

Akpadaka et al. (2024) examined dividend policies among African firms, focusing on the trade-off between dividend payouts and retained earnings. The study found that firms with moderate dividend payouts achieved optimal firm value, while excessive reliance on either high payouts or reinvestment negatively affected performance. Bossman et al. (2022) examined the effect of dividend policy on firm value in listed firms on the Ghana Stock Exchange. The study found a significant positive relationship, indicating that firms with higher dividend payouts are perceived as financially stable by investors, which enhances their market valuation. This aligns with the Bird-in-Hand Theory, which suggests that dividends reduce perceived investment risk.

Falade et al. (2021) analyzed the impact of dividend payout on the profitability of Nigerian manufacturing firms. Using regression analysis, they concluded that higher dividend payout ratios attract and retain investors, ultimately enhancing firm value. However, they cautioned that excessive payouts could limit firms' ability to reinvest in profitable ventures, emphasizing the need for balance in dividend policies. Falade et al. (2021), in a study of Nigerian firms, demonstrated a strong positive relationship between dividend policy and firm value, emphasizing the role of dividends in attracting conservative investors who prioritize steady income. The study concluded that dividend policy is a key determinant of firm value in emerging markets characterized by high information asymmetry.

Kanakriyah (2020), in his study of Nigerian hotel firms, reported that dividend policy positively impacts firm performance. He noted that regular dividends enhance investor confidence, leading to increased stock prices, though the study also highlighted the variability in outcomes based on industry-specific factors. Similarly, Mamaro et al. (2019), in their study of the Nigerian stock market, found a significant positive relationship between dividend payouts and firm performance. The study noted that dividend policies serve as a signaling mechanism for investors, consistent with Signaling Theory, though challenges in maintaining consistent payouts due to fluctuating earnings were also highlighted.

Munawar et al. (2019) explored the effects of dividend policy on firm value in Nigeria and found that dividend announcements significantly influence stock prices. This finding supports the view that dividends act as a communication tool between firms and investors. Alenazi et al. (2019) conducted an empirical analysis of Nigerian banks, revealing a negative but statistically insignificant relationship between dividend policy and firm value. The researchers attributed this outcome to the unstable economic environment in Nigeria, which often limits firms' ability to maintain consistent dividend payouts. This highlights the importance of a balanced approach to dividend policy, especially in emerging markets with unique challenges.

Gaps in Literature

Despite extensive research on the relationship between dividend policy and firm value, significant gaps remain in the literature, particularly in the context of emerging markets like Nigeria. One major gap is the inconsistency in findings across various studies. While some researchers (e.g., Kanakriyah, 2020; Margono & Gantino, 2021) found a positive relationship between dividend policy and firm value, others (e.g., Falade, 2021; Munawar, 2019) reported a negative or insignificant relationship. These discrepancies suggest that contextual factors, such as economic conditions, market structure, and corporate governance, may play a crucial role in shaping this relationship, which has not been fully explored.

Another gap lies in the limited focus on the interplay between dividend policy proxies such as dividend payout ratio, retention ratio and dividend yield, and firm value indicators like earnings per share (EPS) and market-to-book ratio. Existing studies often examine these factors in isolation, overlooking their combined impact on firm value. Additionally, most research works on this topic emphasize developed markets, with minimal focus on firms operating in volatile economies with high information asymmetry, such as Nigeria (Malyshenko et al., 2021). Few studies address how economic instability, regulatory challenges, and cultural factors influence dividend decisions and their implications for firm value. This study aims to address these gaps by examining the impact of dividend policy on firm value in the Nigerian context, providing insights that can guide corporate decision-making and policymaking.

RESEARCH METHODOLOGY

This study adopted ex-post facto research design, which is used to refer to studies which investigated the possible cause and effect relationships by observing an existing condition or state of affairs. It was concerned with determining cause and effect relationships and to understand which variable is dependent and which is independent. This research design was the best in explaining if two variables are related or if they vary.

Population of the Study

The population of this study consisted of all manufacturing quoted on the floor of the Nigerian Exchange (NGX). This was census survey where secondary data was collected from the audited financial statement of selected three (3) prominent and most patronized manufacturing firms that have their financials available on the Nigerian Exchange. Descriptive statistics and inferential statistics were used to analyze the data to establish effects between the variables. Descriptive statistics were used in this study because they help to describe the basic features of the data in a study. Inferential statistics were used to analyze relationships between variables, drawing conclusions about the effect of corporate governance on financial performance. The Econometric Views (E-views) was used for the estimation. Panel regression models were used in this study because they easily measure the degree of confidence that the true relationship is close to the estimated relationship by estimating the fixed and random effect model.

Method of Data Collection

The study used a secondary source of data collection from the Annual Reports and Accounts of the selected manufacturing firms in Nigeria. The secondary data to be used is extracted from the annual report of Nestle Nigeria Plc, Cadbury Nigeria Plc and Guinness Nigeria Plc. The three manufacturing firms were selected because they were among the top players in the manufacturing firms' sector, with a longstanding reputation for financial stability and consistent performance over the years, which make them relevant for this study. The data was for the period of five (5) years ranging from 2019–2023. The period was used because the data captured recent trends, ensuring relevance and reflecting the firms' financial stability and consistency. Secondary data is considered appropriate given the fact that the study is correlational in nature and is attempting to establish implication (effect) or lack of it under the study variables.

Model Specification

Then the linear regression model for each variable is developed to determine the relationship between the variables.

$Y = f(X)$

where:

Y = dependent variable

X = independent variable

$Y = (y_1)$

$X = (x_1, x_2, x_3)$

Therefore:

$y_1 = x_1 + x_2 + x_3$

where:

y_1 = Market Price Per Share (MPS)

x_1 = Dividend Payout Ratio (DPR)

x_2 = Retention Ratio (RR)

x_3 = Dividend Per Share (DPS)

Functional Relationship:

$$MPS_{it} = \beta_0 + \beta_1 SPR_t + \beta_2 RR_{it} + \beta_3 DPS_{it} + \mu_{it} \dots\dots\dots\dots\dots 1$$

where:

β = Constant

$\beta_1 - \beta_3$ = Co-efficient

μ = error term

DATA PRESENTATION AND DISCUSSION OF RESULTS

Table 1: Descriptive Statistics

	MPS	DPS	DPR	RR
Mean	1.926853	0.501967	0.295885	5.579252
Median	1.591065	0.068197	0.205579	0.989424
Maximum	3.192149	2.997101	1.378578	20.50791
Minimum	0.944483	0.000000	-0.361338	-1.947394
Std. Dev.	0.918497	0.894299	0.494861	7.409407
Skewness	0.453857	1.862458	0.788727	1.014032
Kurtosis	1.492385	5.202258	2.779948	2.631311
Jarque-Bera	1.935530	11.70309	1.585491	2.655610
Probability	0.379931	0.002875	0.452600	0.265058
Sum	28.90279	7.529512	4.438269	83.68878
Sum Sq. Dev.	11.81092	11.19679	3.428422	768.5904

Source: *Extracted from E-views, Version 9 (2025)*

The descriptive statistics for the variables Market Price per Share (MPS), Dividend per Share (DPS), Dividend Payout Ratio (DPR), and Retention Ratio (RR) revealed valuable insights about the distribution and characteristics of the data used in the study. The mean value for MPS was 1.93, indicating the average share price of the firms over the study period, while the DPS averaged 0.50, reflecting moderate dividend payments to shareholders. The DPR had a mean of 0.30, showing that firms distributed about 30% of their earnings as dividends, while the RR averaged 5.58, implying that a significant portion of profits was retained for reinvestment.

The maximum and minimum values indicated substantial variation across firms and overtime. For example, DPR ranged from -0.36 to 1.38, highlighting instances of losses and high payout levels. DPS showed high variability (standard deviation = 0.89) and strong right-skewness (1.86), indicating that most values were low, with a few large dividend payments. The Jarque-Bera test probability for DPS was below 5%, suggesting non-normal distribution, whereas MPS, DPR, and RR were normally distributed.

Hypotheses Testing

This study employs panel data regression to analyze the relationship between explanatory and dependent variables. Panel regression is chosen because it accounts for cross-sectional heterogeneity over time, improving estimation accuracy. The three types of panel regression models considered are pooled ordinary least squares (OLS), random effects, and fixed effects models, each yielding different results. The Hausman test is used to determine whether the fixed or random effects model is more suitable. If the p-value is below 5%, the null hypothesis is rejected, favoring the fixed effects model. The best model will be selected to ensure accurate and unbiased findings.

Test of Hypothesis one

H₀1: Dividend payout ratio has no significant impact on market price per share (MPS) in selected manufacturing firms in Nigeria.

Table 2: Hausman Test

Model	Chi-Square	Probability
DPR on MPS	3.439514	0.0637

Source: *Output from E-views 9 (2025)*

Table 2 shows the result from conducting the Hausman test. In this research, the Hausman test is conducted to select whether fixed effect regression or random effect regression is more preferred in this study. According to the model, which is the effect of dividend payout ratio on market price per share, the p-value is greater than significance of 5%. Therefore, the null hypothesis is accepted, which shows the fixed effect regression is not applied in this study. Hence, the random effect regression is applied in this study. Below is the regression model using random effect regression model:

Table 3: Regression for Dividend Payout Ratio and Market Price per Share

Dependent Variable: MPS

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.915799	0.413326	4.635081	0.0005
DPR	0.037359	0.111171	0.336052	0.7422

R-squared	0.007261	Mean dependent var	0.205942
Adjusted R-squared	-0.069103	S.D. dependent var	0.179759
S.E. of regression	0.185866	Sum squared resid	0.449099
F-statistic	0.095087	Durbin-Watson stat	0.677483
Prob(F-statistic)	0.762692		

Source: *Output from E-views 9 (2025)*

The regression result in Table 3 examines the impact of the Dividend Payout Ratio (DPR) on Market Price per Share (MPS), with MPS as the dependent variable. The intercept (C) was statistically significant at the 1% level, with a coefficient of 1.92 and a p-value of 0.0005, indicating that when DPR is zero, the market price per share is approximately ₦1.92. However, the coefficient of DPR was 0.037, and its associated p-value was 0.742, suggesting that the DPR did not have a statistically significant effect on MPS at conventional significance levels.

The R-squared value was extremely low at 0.007, indicating that only 0.7% of the variation in MPS could be explained by changes in DPR. The adjusted R-squared was negative, reinforcing that the model had a poor fit. Additionally, the F-statistic was 0.095 with a probability of 0.763, meaning the overall model was not statistically significant. The Durbin-Watson statistic of 0.677 pointed to possible positive autocorrelation in the residuals, which may affect the reliability of the results.

Test of Hypothesis Two

H$_0$2: There is no significant effect between retention ratio and market price per share (MPS) in selected manufacturing firms in Nigeria.

Table 4: Hausman Test

Model	Chi-Square	Probability
RR on MPS	13.618978	0.0002

Source: *Output from E-views 9 (2025)*

Table 4 presents the Hausman test results, determining whether a fixed or random effects model is more appropriate. Since the p-value is less than the 5% significance level, the null hypothesis is rejected, indicating that the random effects model is not suitable. Therefore, the study applies the fixed effects model to examine the effect of the retention ratio on market price per share. The regression model using the fixed effects approach is shown below:

Table 5: Regression for Retention Ratio and Market Price per Share

Dependent Variable: MPS

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.957514	0.058705	33.34518	0.0000
RR	-0.005496	0.007167	-0.766826	0.4593

R-squared	0.974190	Mean dependent var	1.926853
Adjusted R-squared	0.967151	S.D. dependent var	0.918497
S.E. of regression	0.166471	Akaike info criterion	-0.524817
Sum squared resid	0.304837	Schwarz criterion	-0.336004
Log likelihood	7.936127	Hannan-Quinn criter.	-0.526828
F-statistic	138.3984	Durbin-Watson stat	1.252275
Prob(F-statistic)	0.000000		

Source: *Output from E-views 9 (2025)*

The regression result examined the effect of the Retention Ratio (RR) on Market Price per Share (MPS), using MPS as the dependent variable. The intercept (C) had a highly significant coefficient of 1.96 with a p-value of 0.0000, indicating that when RR is zero, the expected market price per share is approximately ₦1.96. The coefficient for RR was -0.0055, with a p-value of 0.4593, indicating that the retention ratio had a negative but statistically insignificant effect on MPS.

Despite the insignificance of RR, the model showed a very high R-squared value of 0.974, suggesting that about 97.4% of the variation in MPS could be explained by the model. However, this may be misleading since RR alone was not statistically significant, implying that the high R-squared might be due to overfitting or influenced by the constant term. The adjusted R-squared was also high at 0.967, further supporting the model's overall fit. The F-statistic of 138.40 with a probability of 0.0000 indicated that the regression model as a whole was statistically significant. Nonetheless, the Durbin-Watson statistic of 1.25 suggested some potential positive autocorrelation in the residuals. In conclusion, RR did not significantly affect MPS despite the model's overall statistical strength.

Test of Hypothesis Three

H_03: Dividend per share has no significant effect on marker price per share (MPS) in selected manufacturing firms in Nigeria.

Table 6: Hausman Test

Model	Chi-Square	Probability
DPS on MPS	0.103938	0.7472

Source: *Output from E-views 9 (2025)*

Table 6 presents the Hausman test results, determining whether a fixed or random effects model is more appropriate. Since the p-value exceeds the 5% significance level, the null hypothesis is accepted, indicating that the fixed effects model is not suitable. Therefore, the study applies the random effects model to examine the effect of the dividend per share on market price per share. The regression model using the random effects approach is shown below.

Table 7: Regression for Dividend Per Share and Market Price per Share

Dependent Variable: MPS

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.923269	0.835136	2.302940	0.0384
DPS	0.007140	0.071919	0.099276	0.9224

R-squared	0.000814	Mean dependent var		0.101820
Adjusted R-squared	-0.076047	S.D. dependent var		0.158839
S.E. of regression	0.164768	Sum squared resid		0.352929
F-statistic	0.010585	Durbin-Watson stat		0.953292
Prob(F-statistic)	0.919624			

Source: *Output from E-views 9 (2025)*

The regression analysis evaluated the impact of Dividend Per Share (DPS) on Market Price per Share (MPS), with MPS as the dependent variable. The constant term (C) had a coefficient of 1.9233 with a p-value of 0.0384, indicating statistical significance at the 5% level. This suggests that when DPS is zero, the estimated MPS is approximately ₦1.92. However, the coefficient of DPS was 0.0071 with a high p-value of 0.9224, indicating that DPS had a very weak and statistically insignificant effect on MPS. This means that changes in the dividend per share did not meaningfully influence the market price of shares in this model.

The R-squared value was extremely low at 0.0008, showing that only 0.08% of the variation in MPS was explained by DPS. The adjusted R-squared was negative (-0.076), further indicating that the model did not fit the data well. The F-statistic was also very low (0.0106) with a p-value of 0.9196, confirming that the model overall was not statistically significant. Additionally, the Durbin-Watson statistic of 0.95 suggested potential positive autocorrelation in the residuals. In summary, DPS had no significant effect on MPS in this study.

CONCLUSION AND RECOMMENDATIONS

The study assessed the impact of dividend policy on firm value, focusing on selected manufacturing firms in Nigeria. It explored how dividend payout ratios, retention ratios, and dividend per share influenced market price per share, a key indicator of firm performance. Given the significance of dividend policy in corporate finance, the study examined whether dividend decisions affect shareholder value and overall firm stability. The scope covered three major manufacturing firms in Nigeria, selected based on their financial stability and market presence. The study utilized secondary data obtained from the annual reports and accounts of these firms over a five-year period from 2019 to 2023. This timeframe was chosen to capture recent trends and changes in dividend policies and firm performance.

The methodology employed panel regression analysis to examine the relationship between dividend policy variables and firm value. Different regression models, including pooled ordinary least squares, fixed effects, and random effects models, were tested to determine the most suitable approach. The Hausman test was conducted to select between fixed and random effects models. The findings indicated that while dividend policy had an impact on firm value, the relationship was not statistically significant in most cases. The results suggested that other financial and economic factors might have influenced firm value beyond dividend policy.

Based on the findings of this study, the following recommendations are made:

Manufacturing firms in Nigeria should adopt a balanced dividend policy that aligns with both shareholder expectations and long-term financial stability. Firms should evaluate their dividend payout ratio carefully, ensuring it does not compromise reinvestment opportunities needed for future growth. Additionally, policymakers and corporate managers should consider external economic factors influencing firm value beyond dividend decisions. Financial analysts and investors should also assess firms holistically, incorporating profitability, leverage, and market conditions into valuation models rather than relying solely on dividend policies. Future research should explore other financial and non-financial factors influencing firm value while expanding the study sample beyond manufacturing firms. Incorporating macroeconomic

variables, such as inflation and interest rates, may provide deeper insights into how dividend policy interacts with broader economic conditions to influence firm value.

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