

## **FIRM ATTRIBUTES AND STOCK PRICE OF LISTED FINANCIAL SERVICE FIRMS IN NIGERIA**

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### **Abstract**

The Nigerian financial services sector, a critical component of the nation's economy, faces challenges in navigating the intricate interplay between share prices, dividend policies, and leverage. Despite the sector's pivotal role in mobilizing long-term resources and sustaining investor confidence, there exists a gap in understanding how specific firm attributes, particularly dividend policy and leverage, influence share prices over an extended period. Therefore, this research aims to address these gaps by examining the intricate relationships between dividend policy, leverage, and share prices in Nigerian financial service firms over a 15-year period from 2008-2022, employing robust methodologies for a more comprehensive and applicable understanding of the challenges and opportunities in the sector. The theoretical framework draws on signaling theory, providing insights into the complexities of stock prices and the strategic use of signals by managers. The study's employed correlation research design, multiple regressions on panel data, and robustness tests to ensure the validity and reliability of the statistical inference. The findings reveal a significant inverse relationship between share prices and leverage, emphasizing the importance of prudent debt structure management for investor confidence. Conversely, a significant and positive correlation is observed between share prices and dividend policy, underscoring the potential value enhancement through a robust dividend distribution plan. Based on the findings, the study recommended that, management should highlight the need for financial institutions to strike a balance between meeting obligations and minimizing risk exposure. Transparent communication, optimal debt management, and cultivating strong dividend policies are crucial. Policymakers and regulators should consider these findings to create a more robust and investor-friendly financial environment in Nigeria.

**Keyword:** Firm attributes, stock price, financial service firms in Nigeria.

### **1.0 Introduction**

The issuance of stocks by corporations is a pivotal means of financing for publicly traded companies, requiring a robust performance history in the capital market for favorable outcomes. Capital markets, with their global impact, play a crucial role in mobilizing long-term resources for productive investments (Juhmani, 2017). The Nigerian stock market has undergone scrutiny in the past decade, witnessing a decline in market capitalization from N12.95 billion in 2012 to an average of N8.974 billion in 2019, indicating a 3.98 percent decrease (Tribune, 2022). The

All-Share Index experienced a significant drop of 2.48% from 2012 to 2019, declining from 28.078 billion to 26.847 billion. Global financial markets are instrumental in mobilizing resources for profitable projects (Musa et al., 2020), and stock prices, as noted by Cheng et al. (2019), impact management performance and serve as indicators of a company's success.

Efforts spanning decades, dating back to Collins's (1957) groundbreaking research, have delved into comprehensively scrutinizing the diverse determinants shaping share prices in various markets. Despite diligent empirical research, a unanimous consensus within the literature regarding the substantial impact of dividend policy on share prices remains elusive. Irregular dividend payments, according to Hassan et al. (2020) and reports in *Thisday* (2017) and *Thisday* (2022), contribute to a persistent downward trend in share values, causing disillusionment among investors in financial service firms. Two prominent theories, the asymmetric information theory (Bhattacharya, 1979; John & Williams, 1985; Miller & Rock, 1985), and the agency theory (Easterbrook, 1984; Jensen, 1986), provide divergent perspectives on the consequences of dividend payments.

Studies by Ali and Hegazy (2022), Bozos and Nikolopoulos (2011), and Dasilas and Leventis (2011) assert that dividends operate as signals indicating a company's financial strength and future prospects within the context of asymmetric information. Simultaneously, the agency costs theory suggests that the separation of management and ownership can incur agency costs, which might be mitigated through the distribution of dividends. Collins (1957) made expressive contributions to the understanding of share prices, presenting compelling evidence regarding the influential roles of dividends and leverage. Myers (2001) extends this discussion, proposing that opting for debt over external equity can mitigate negative selection costs associated with external financing, especially in situations of information asymmetry where the cost of debt remains lower than external equity. This collective body of research underscores the intricate relationship between dividend policy and leverage, and their combined impact on share prices.

Embarking on an exploration of publicly listed financial service firms in Nigeria, this study critically examines the pivotal roles of specific firm attributes, particularly dividend payout and leverage, in influencing share prices. While drawing insights from a diverse array of global studies, such as Zhang and Zhou (2020), Juwita and Diana (2020), and Subagyo (2020), studies limited generalizability due to the small sample size of 12 companies, the challenge persists in translating findings from different countries to the nuanced intricacies of the Nigerian financial market. Noteworthy methodological gaps, identified in Suhadak et al.'s (2019) and Al Qaisi's (2016) studies raise questions about the depth of their models. Additionally, the lack of specificity in statistical techniques, as seen in the study by Juwita et al., (2020), and the absence of a comprehensive analysis, such as Lavanya's (2021) focus solely on dividend policies without considering other variable, suggest areas for improvement.

Furthermore, studies like Sudibyo's (2021) exploration of the effect of mixed qualitative and quantitative methods may introduce subjectivity and impact rigor. The need for further research is emphasized in Farooq et al.'s (2021) and Syofyan et al.'s (2020) studies, where evolving contexts and limited geographical scopes, as in Syed (2023) focus on Indonesian Stock Exchange companies, call for continuous investigation and broader perspectives in future research. In addition, to the best of researcher's knowledge, most previous studies pay less attention on firm-specific attributes especially in respect of dividend policy and leverage and their impact on share price in financial sector. Hence, the present research fills this research gap by extending the

period of the study to 15 years, using larger sample size and robust technique analysis on how these aforementioned factors influence share price.

The insights derived from these studies provide invaluable guidance for policymakers, investors, and financial institutions, assisting them in navigating the distinctive challenges and opportunities inherent in Nigeria's financial ecosystem. This study places particular emphasis on dividend policy and leverage, recognizing their inherent significance as critical determinants of financial health and stability. Dividend policy serves as a key signal of a company's willingness and ability to distribute profits to shareholders, reflecting its financial strength and commitment to shareholder value. Concurrently, leverage, representing a firm's reliance on debt, carries implications for risk and financial stability. Within this intricate web of firm attributes, these two factors emerge as linchpins, exerting profound impacts on share prices. Therefore, a meticulous examination of dividend policy and leverage is warranted, as they serve as key indicators of financial robustness and risk exposures, shaping the overall landscape of Nigeria's financial markets.

## **2.0 Literature Review**

The concept of firm attributes, integral to arts and social sciences, undergoes varied definitions influenced by individual firm peculiarities and diverse regulatory frameworks across nations. Disparities in socio-economic, cultural, legal, and political settings, coupled with researchers' perspectives, contribute to these differences. Alam and Islam (2022) define firm attributes as characteristics affecting financial performance, encompassing size, leverage, profitability, and growth. Shehu and Farouk (2014) view them as relatively persistent variables among different firms over time, highlighting distinctive features like dividend payout and leverage.

Dividend, described by Barros et al., (2020), Mustafa et al., (2020), and others, involves payments from retained earnings to shareholders. The study defines dividend policy as the tendency of the firm to declare dividends at the end of the accounting period (Dewasiri et al., 2019). Leverage, as outlined by Mehul and Varadjat (2013), Keown et al. (2021), and others, represents the ratio of a firm's debt to equity or the use of debt to finance assets, magnifying potential returns and risks. Hence, this study, in line with Mehul and Varadjat (2013) and Keown et al. (2021), defines leverage as the extent to which a firm utilizes debt to finance its assets, thereby amplifying both potential returns and risks associated with its financial structure.

On the other hand, the concept of stock price is intricate, encompassing factors such as supply and demand dynamics, investor psychology, information asymmetry, and macroeconomic influences. While traditional finance theories predominantly focus on fundamental analysis, recent research underscores the significance of behavioral factors and market inefficiencies in understanding stock price movements (Porterba, 2010). There is evidence both supporting and challenging the notion that stock prices follow a random walk (Shiller, 2010). The price of a stock is viewed as the present value of all future cash flows discounted by a risk premium reflecting uncertainty (Bodie, Kane, & Marcus, 2018). Smith et al. (2020) define stock price as the market value of a company's shares at a given point, considering supply and demand dynamics, investor sentiment, and fundamental factors. Consequently, this research aligns with Abdelkarim (2014), defining stock price as the current price of a share listed/traded on a stock exchange, as determined by market participants, and influenced by the demand and supply of the relevant shares in the capital market.

## **Review of Empirical Studies**

In their investigation spanning the years 2007 to 2016, Zhang and Zhou (2020) explored the impact of debt on stock prices, employing quantile regression and institutional ownership data from accounting research databases and the China stock market. Their findings revealed that both financial and operational leverage exerted a detrimental influence on stock price synchronization. Notably, a higher level of stock price synchrony was associated with a more significant impact on stock prices. Juwita and Diana (2020) focused on the relationship between leverage, equity, and share prices in the Jakarta Islamic Index Companies from 2015 to 2019. Utilizing a quantitative approach and multiple linear regression analysis, their research underscored that while leverage had no discernible impact on the stock market, return on equity did exhibit influence. However, they emphasized the need for a larger sample size to enhance the reliability of their results.

Examining the interplay between capital structure and company value, Subagyo (2020) considered the impact of debt on stock prices for manufacturing businesses listed from 2015 to 2018 on the Indonesia Stock Exchange. Employing subgroup moderation, the study uncovered a positive effect of capital structure on firm values, highlighting the intricate nature of the link between debt and corporate value, dependent on the organization's future potential. Similarly, Suhadak et al. (2019) delved into the effect of debt on stock prices by contrasting their results with sales growth, return on equity, cash ratio, and debt-to-equity ratio. Utilizing a purposive sample of manufacturing companies on the Indonesia Stock Exchange, the research found that the selected characteristics could only explain 4.84% of the volatility in stock prices, with sales growth emerging as the sole significant positive influence. The study concluded that achieving more substantial results would necessitate a longer time span.

In a study spanning the years 2011 to 2015 on the Amman Stock Exchange, Al Qaisi (2016) investigated the impact of company age, leverage, and return on equity on market stock prices of insurance companies. Employing multiple linear regression and a sample of 20 insurance businesses, the study revealed a strong association between market stock prices and return on assets, leverage, company size, and firm age. However, no apparent relationship was observed between market stock prices and return on equity. The study acknowledged the five-year span as one of its limitations. Hence, based on the review of the empirical studies, the study hypothesizes that:

H<sub>01</sub>: Leverage has no significant effect on the share price of listed financial service firms in Nigeria

## **Dividend Policy and Stock Price**

In Lavanya's (2021) study examining the relationship between dividend policy and stock prices of 16 Bombay Stock Exchange-listed companies, the absence of a significant correlation at a 5% significance level underscored the complexity of this association. Sudiby's (2021) research on the impacts of leverage, earnings per share (EPS), and stock prices, considering dividend policies, found no substantial effects of the debt/equity ratio variable on stock prices. However, a noteworthy influence of dividend payout rate on stock prices was observed, emphasizing the multifaceted nature of these dynamics.

Farooq et al.'s (2021) investigation into the effects of dividend policies on stock prices in the MENA area concluded that dividend-paying companies had significantly lower risks of losing stock prices, indicating a potential risk mitigation role of dividends. In contrast, Olawale and Ilo's (2021) examination of the impact of dividend policy on the valuation of common stocks listed on the Nigeria Exchange revealed a significant positive correlation between stock prices and size and earnings per share (EPS). The study also highlighted the nuanced influence of factors such as payout ratio, leverage, and market-to-book value. Akib et al. (2020) explored the impact of dividend strategy, business valuation, and capital structure on stock market prices, finding positive relationships between dividend policy and stock price. Suwanhirunkul and Masih's (2019) research on dividend policy and stock price volatility in the Dow Jones U.S. Index and Dow Jones Islamic U.S. Index indicated a declining overall importance of dividend policies in contributing to stock price volatility. Araoye et al. (2019) examined the connection between dividend policy and stock price volatility in the Nigerian stock market, with dividends per share emerging as a significant determinant of share price volatility.

These studies collectively highlight the intricate nature of the relationship between dividend policy and stock prices, considering various contextual factors and emphasizing the need for nuanced analyses in diverse market settings. Because the study was performed between 2005 and 2014, changes have likely occurred, necessitating further research. Hence, based on the review of the empirical studies, the study hypothesizes that:

H<sub>02</sub>: Dividend policy has no significant effect on the share price of listed financial service firms in Nigeria

### **Theoretical Framework**

Signaling/information asymmetry theory, introduced by Spence in the early 1970s and applied to finance in the 1980s, plays a pivotal role in understanding the complexities of stock prices. It involves signals generated by management policies, including those related to financing, dividends, and leverage, aiming to inform potential investors about the company's prospects. The theory assumes that managers, possessing information not available to investors, use these signals to convey the firm's value, considering the existence of asymmetric information. While agency theory and stakeholder theory have limitations in addressing market failures, signaling theory emerges as a suitable framework for this study. Researchers like Bhattacharya (1979), Myers and Majluf (1984), and Miller and Rock (1985) have explored the role of signaling in dividend policy, emphasizing the information conveyed to the market about a firm's future prospects. The theory extends to the dividend-taxed signaling model (John & Williams, 1985), highlighting the strategic use of dividends to signal undervaluation and attract investors. Additionally, leverage is considered a signal of positive changes and progress, enhancing transparency and confidence among stakeholders (Veronesi, 2000). Overall, signaling theory provides an intuitive and widely used framework for understanding stock prices, incorporating various aspects such as information asymmetry, investor psychology, and market inefficiency.

### **3.0 Methodology**

In brevity, this paper employed a correlation research design to underpin the statistical justifications. This is because it allows for testing of expected relationship between or among variables and making prediction regarding these relationships. The study's foundation was established on a population of 43 listed financial institution firms. A comprehensive census sampling technique was employed, ensuring equitable representation and the inclusion of all

eligible companies in the study. The predefined criteria stipulated that the financial institution must have been listed on the Nigerian Exchange Group for at least one year before 2008, should not have been delisted during the study period, must provide the necessary data in its annual financial reports for the period spanning from 2008 to 2022, report its financial statements in Naira, and must not have experienced financial distress during the covered period. As a result of the application of these specific filtering criteria, the study identified and included 36 listed financial service firms in Nigeria to form the adjusted population. The dataset utilized for this research comprises secondary data, encompassing both time series and cross-sectional data. This data was extracted from the annual reports and accounts of the identified institutions listed on the Nigerian Exchange Group, spanning the period from 2008 to 2022. The data analysis employed multiple regressions on the panel data, with additional diagnostic tests conducted to ensure the analysis's adherence to the best linear unbiased estimate (BLUE) principles. Following the recommendations of Wooldridge (2012), tests for Multicollinearity, Autoserial Correlation, Heteroskedasticity, and Normality were conducted. The model specification used in this study was based on the explanation of the relationship between the dependent and independent variable of this research. Therefore, the study adapted the model by Ugwanyi and Okanya (2017), as follows:

$$SP_{it} = \beta_1 DP_{it} + \beta_2 LEV_{it} + \dots + \epsilon_{it}$$

Whereas: SP = Stock Price was measured by closing stock price on December 31 for the year ended.

DP = Dividend Policy was measured by Dummy variable equal to 1 if the dividend is declared and 0 otherwise.

LEV = Leverage was measured as ratio of total debt to total asset

The measurements of the dependent and independent variables are provided in the table 1.

**Table 1:**  
*Variables, Definitions Measurement and Sources*

| Variable           | Definition       | Measurement   | Sources                    |
|--------------------|------------------|---|----------------------------|
| <b>Dependent</b>   |                  |   |                            |
| sp                 | Share price      | Closing share price on 31 December year ended           | Abdelkarim (2014).         |
| <b>Independent</b> |                  |   |                            |
| LEV                | Leverage         | Total debts to company's total asset                    | Mehul and Varadjat (2013). |
| DP                 | Dividend Pay-out | Dummy variable if dividend is declared 1 not declared 0 | Barros et al. (2020).      |

Source: Field Work, (2024).

#### 4.0 Results and Discussion

The data presentation, analysis, and interpretation are presented in this part. As previously mentioned, the part includes regression analysis, diagnostic testing, testing of hypotheses, descriptive analysis, and a discussion of the results.

**Table 2:**

***Descriptive Statistics Result***

| Variable | Obs | Mean     | Std. dev. | Min      | Max      |
|----------|-----|----------|-----------|----------|----------|
| SP       | 540 | .2015741 | .5646681  | .1       | 13       |
| LEV      | 540 | .6818671 | .3384452  | .1221455 | 2.547496 |
| DP       | 540 | .4296296 | .4954822  | 0        | 1        |

**Source:** STATA 13 Outputs, (2024).

From the figures in table 2, the number of observations is 540, which was obtained by multiplying the number of listed financial service firms (36) by the number of years covered by the study (15). In Table 2, the descriptive statistics for share prices indicate an average value of N0.2016, reflecting the central tendency of the data. The corresponding standard deviation of N0.564 signifies a substantial degree of variability in share prices among the sampled listed financial firms. The minimum and maximum values of N0.1 and N13 respectively, highlight the wide range within which share prices vary in the dataset. This information underscores the diversity and dispersion in the observed share price values across the financial firms included in the sample.

Leverage is characterized by a mean of 0.682 and a standard deviation of 0.338, as outlined in the analysis. This mean value of 0.682 implies that, on average, for every N100 used to finance a firm's business activities, approximately 68.2% are sourced through debts. In other words, the sampled firms, on average, rely more on equity (about 31.8%) than on debts for financing their business operations. The standard deviation of 0.338 indicates a moderate level of heterogeneity or variability in leverage across the sampled firms. This suggests that there is a notable diversity in the extent to which these firms utilize debt in their financial structures. The range between the minimum leverage of 12.2% and the maximum of 2547% emphasizes the wide spectrum of leverage practices among the sampled firms. The dividend policy variable exhibits an average of 0.429, and its standard deviation is 0.495, as highlighted in the analysis. The comparison of these two figures indicates that the standard deviation is higher than the mean, emphasizing a substantial degree of variability in dividend policies across the sampled listed firms. This implies that there is a significant range and diversity in how these firms approach and implement their dividend distribution practices. Additionally, the minimum and maximum values, dichotomously measured as 1 and 0 respectively, signify a binary nature of the dividend policy variable firms either have a dividend policy (coded as 1) or do not have one (coded as 0). This binary coding simplifies the representation of the diverse dividend policies observed among the sampled firms.

**Table 3:**

***Correlation Matrix***

| Variables | (1) | (2) | (3) |
|-----------|-----|-----|-----|
|-----------|-----|-----|-----|

|         |                    |                    |       |
|---------|--------------------|--------------------|-------|
| (1) SP  | 1.000              |                    |       |
| (2) LEV | -0.600*<br>(0.000) | 1.000              |       |
| (3) DP  | 0.363*<br>(0.000)  | -0.662*<br>(0.000) | 1.000 |

\*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

Source: STATA 13 Outputs, (2024).

The correlation analysis unveils the relationships among Share Price (SP), Leverage (LEV), and Dividend Policy (DP). The negative correlation between SP and LEV, indicated by a coefficient of -0.600, signifies that decreasing leverage is associated with an increase in share prices. Conversely, the positive correlation between SP and DP (coefficient: 0.363) suggests that firms with robust dividend policies may witness higher share prices. Furthermore, a substantial negative correlation (-0.662) between LEV and DP implies that as leverage decreases, there tends to be an increase in dividend policy, and vice versa. All these correlations are statistically significant at a high confidence level ( $p < 0.01$ ), reinforcing the robustness of these observed associations.

### Diagnostics Tests

Robustness tests were carried out to guarantee the accuracy and dependability of the regression model's statistical inference. The multicollinearity, vif, Hausman specification, autocorrelation heteroskedasticity, and residual normality tests are among the robustness tests carried out.

**Table 4:**  
*Variance inflation factor*

|          | VIF  | 1/VIF |
|----------|------|-------|
| DP       | 1.00 | 0.998 |
| LEV      | 1.00 | 0.998 |
| Mean VIF | 1.00 | .     |

Source: STATA OUTPUT, (2024).

Table 4 shows that there is no multicollinearity when the variance inflation factors continuously fall below 10. The fact that the values are inside the permissible range of 0 to 10 lends credibility to this. Additionally, tolerance values often exceed the 10% cutoff, providing further evidence that multicollinearity between the independent variables does not present (Neter et al., 1996; Tabachnick & Fidell, 1996). The claim that the statistical inferences gained from this research are unaffected by the lack of multicollinearity is highly supported by these empirical results.

**Table 5:**  
*Summary of post estimation test*

| Tests   | Hetest | Autocorr | SWilk  | Ovtest |
|---------|--------|----------|--------|--------|
| Chi2    | 5.28   | 5.176    | -4.913 | 0.59   |
| P-value | 0.6253 | 0.0525   | 1.000  | 0.558  |

**Source:** summary of STATA OUTPUT, (2024).

In this research, various diagnostic tests were executed to evaluate the assumptions and reliability of the regression model. The implementation of the Breusch-Pagan test to scrutinize the presence of heteroskedasticity resulted in a Chi-Square value of 5.28, accompanied by a corresponding P-value of 0.6253. The non-significant P-value (greater than 0.05) implies the absence of heteroskedasticity, signifying that the residuals demonstrate homoscedasticity. Consequently, the null hypothesis of constant residuals is affirmed. Subsequently, attention was given to the concern of auto/serial correlation, which has the potential to violate the assumption of longitudinal data in panel data analysis. The Wooldridge test for autocorrelation was applied, with the criterion of accepting the null hypothesis (No Autocorrelation) if the P-value exceeds 5%. The obtained P-value of 0.275 supports the conclusion that there is no auto/serial correlation in the residuals. Furthermore, the study conducted the Ovttest to examine misspecification in the model, with the acceptance of the null hypothesis (No Misspecification) if the P-value is greater than 5%. The results, with a P-value of 0.558, indicate no misspecification in the model. Additionally, normality of residuals, a crucial assumption for parametric tests, was assessed using the Shapiro-Wilk test. The argument was made that normality should be examined on the residuals rather than the raw data. The obtained P-value, greater than 0.05 at a 5% significance level, led to the acceptance of the null hypothesis. Consequently, the study concludes that the residuals follow a normal distribution, supporting the reliability of the linear regression model for generalization and therefore, the assumptions of OLS are met.

**Table 6;**  
**Regression Analysis**

| SP                 | Coef.   | St.Err. | t-value         | p-value | [95%<br>Conf | Interval] | Sig |
|--------------------|---------|---------|-----------------|---------|--------------|-----------|-----|
| LEV                | -0.036  | 0.001   | -29.23          | 0.000   | -.039        | -0.034    | **  |
| DP                 | 0.017   | 0.003   | 6.58            | 0.000   | 0.012        | 0.023     | **  |
| Constant           | -35.059 | 5.354   | -6.55           | 0.000   | -45.575      | -24.542   | **  |
| Mean dependent var |         | 0.256   | SDdependent var |         | 0.320        |           |     |
| R-squared          |         | 0.632   | Number of obs   |         | 540          |           |     |
| F-test             |         | 460.465 | Prob > F        |         | 0.000        |           |     |

**Source:** summary of STATA OUTPUT, (2024).

The regression analysis yielded a notable R-squared value of 0.632, indicating that the model successfully explains 63.2% of the variability observed in share prices among listed financial service firms in Nigeria. The F-test further supports the model's validity, with a remarkably low p-value of 0.000, signifying statistical significance. These findings collectively provide robust evidence of the substantial influence exerted by dividend policy and leverage on share prices within the examined financial context.

In view of the relationship between leverage and share price, the result of this study shows that the relationship between leverage (LEV) and share price (SP) is negatively significant. This can be seen in Table 6 with the parameter value of -0.036. It means that leverage ratio (LEV) and

share price have an inverse connection, which means they fluctuate in opposing ways. A drop in LEV indicates a decreased dependence on debt financing, which may minimize financial risk and make the firm more desirable to investors. This increased investor interest may cause the share price to rise. Furthermore, market perception is important, since a larger LEV may raise worries about a firm's capacity to satisfy financial commitments, thereby reducing investor trust and triggering a share price decrease. Thus, changes in LEV might have an immediate influence on a firm's market value. As a corporation incurs more debt, a bigger share of its revenues may be allocated to interest payments and debt service, lowering profitability and future cash flows. This loss in value may result in a reduced share price. The p-value of 0.000 provides strong evidence to reject the null hypothesis, suggesting that leverage has a significant negative effect on share prices. This supports the proposition of information asymmetry theory that higher leverage is associated with a higher likelihood of bankruptcy, leading to a reduction in share prices. These findings support the proposition of signalling theory that higher use of leverage is indicative of a larger likelihood of filing for bankruptcy, as a result, although a rise in LEV may result in a reduction in share price. This finding also supports that of Zhang and Zhou (2020), Juwita and Diana (2020), Subagyo (2020), Suhadak et al. (2019), Al Qaisi (2016) who found that leverage has negative effect on share price.

Considering the relationship between dividend policy and share price, the result of this study shows that the relationship between dividend policy (DP) and share price (SP) is positively significant. This can be seen in Table 6 with the parameter value of 0.017. The increased dividend distribution also suggests that the firm is producing significant and continuous earnings, making it an appealing alternative for income-seeking investors who depend on dividends for steady cash flows. This, in turn, draws additional investors and raises the stock price of the firm. Furthermore, a greater dividend payment ratio indicates effective distribution of income to shareholders, which improves investors' opinion of the firm's worth. As a result, although a bigger dividend distribution may boost share prices. The result is found to be significant with the p-value of 0.000. This provides sufficient evidence to reject the null hypothesis that dividend policy has no significant effect on share price of listed financial service firms in Nigeria. This finding is in line with the proposition of signalling theory that, higher dividend policy results in increases stock value and the findings of Araoye et al. (2019), Suwanhirunkul and Masih (2019), Rita Syofyan et al. (2020), Olawale and Ilo (2021), Omar Farooq et al. (2021) and Lavanya (2021) who discovered that stock prices are affected by dividends.

### **Policy Implications**

The study's findings have substantial policy implications for listed financial service firms in Nigeria. Firstly, the significant negative relationship between leverage (LEV) and share prices (SP) emphasizes the importance for firms to manage their debt structures carefully, striking a balance between reducing financial risk and meeting commitments to maintain investor confidence. Policymakers and regulatory bodies play a crucial role in advocating for financial literacy initiatives and ensuring transparency in disclosing leverage ratios, empowering investors to make well-informed decisions. Secondly, the observed positive and significant relationship between dividend policy (DP) and share prices (SP) highlights the potential market value enhancement through a robust dividend distribution strategy. Financial service firms are encouraged to optimize their dividend policies to attract income-seeking investors, thereby boosting share prices. In essence, fostering a collaborative effort among policymakers,

regulators, and financial institutions is imperative to create an environment incentivizing prudent debt management and effective dividend policies.

## **5.0 Conclusion and Recommendations**

This research explored the dynamics of share prices in Nigerian listed financial services companies, paying particular attention to the functions of dividend policy and leverage. The findings showed a significant inverse link between share prices (SP) and leverage (LEV), therefore, concludes that prudent debt structure management is essential to preserving investor confidence. It becomes crucial to find a balance between fulfilling obligations and lowering risk exposure. Conversely, a significant and positive correlation was shown between share prices (SP) and dividend policy (DP), indicating that a company's market value may be increased by cultivating a strong dividend distribution plan. The analysis emphasizes how crucial sound dividend policies and responsible debt management are for financial services companies. Policymakers, regulators, and financial institutions seeking to establish a robust and investor-friendly financial environment in Nigeria may benefit greatly from these results.

Based on the research findings, management of financial services companies in Nigeria are advised to prioritize prudent debt structure management by striking a careful balance between meeting financial obligations and minimizing risk exposure, considering the significant inverse link between share prices and leverage. The study also recommends that, management should focus on cultivating strong and sustainable dividend distribution plans, as the positive correlation between share prices and dividend policy indicates its potential to increase market value. They should carefully assess their financial health, profitability, and overall risk profile to make informed decisions about dividends and leverage. Transparent communication about dividend policies and debt management strategies is crucial to building and maintaining investor trust. Policymakers and regulators can contribute by considering guidelines or regulations that encourage responsible financial practices among listed financial services companies. Continuous monitoring of market conditions and adaptability to changing economic landscapes are emphasized to ensure long-term resilience and investor confidence. These measures collectively aim to foster a more stable and investor-friendly financial environment in Nigeria.

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