



## MODERATING EFFECT OF BOARD INDEPENDENCE ON THE RELATIONSHIP BETWEEN DIVIDEND POLICY AND STOCK PRICES OF LISTED INSURANCE FIRMS IN NIGERIA

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### Abstract

*The study was carried out to examine the moderating effect of board independence on the relationship between Dividend policy and stock price of listed insurance companies in Nigeria. The population of this study comprises all the listed insurance companies on the Nigerian Stock Exchange (NSE) as at 31<sup>st</sup> December, 2022, which constitutes (24) companies. Eighteen (18) companies were emerged as sample of the study after six (6) companies were filtered out based on some criteria. Data were collected from the annual reports and accounts of the sample companies for the period of the study. The data collected were analyzed using descriptive statistics, correlation and multiple regression technique. The findings of the study revealed that Dividend yield (DY) has positive and significant impact on the stock price of listed insurance companies in Nigeria. The finding further shows that dividend per share (DPS) is negative and insignificantly related to the stock price of listed insurance companies in Nigeria. Finally, the finding shows that dividend pay-out (DPO) has negative but significant relationship with stock price of listed insurance companies in Nigeria. It was also discovered that the moderating variable board independence can only moderate the relationship between dividend yield and stock price but will not moderate the relationship between DPS and DPO with stock price of listed insurance companies in Nigeria. The study therefore, concludes that dividend policy has impact in influencing the stock price of listed insurance companies in Nigeria. It is therefore recommended that the management of the insurance companies should consider enhancing its dividend policy in improving their stock prices.*

**Keywords:** Dividend per share; Nigeria; Stock prices, Insurance companies; Board independence

### 1. Introduction

Stock price performance in measuring a company's overall standing (Fama & French, 2001). It emphasizes the long-term goal of enhancing company performance through share value and stresses the role of financial management functions, particularly dividend policies, investment, and finance. Adesina et al. (2017) highlight the significance of dividend policy not only for the firm but also for shareholders, customers, and regulatory bodies. Dividend policy is portrayed as a reflection of a company's value, considering factors such as return on investment, pricing, and the company's financial solvency. Habib et al. (2012) stresses the investor's perspective, viewing dividend policy as a source of income and a means to assess a company for investment, aiming to maximize returns with low risk. From the company's viewpoint, selecting an appropriate dividend policy is a crucial decision influencing flexibility for future investments, considering factors like managerial environment, profitability ratios, and the company's willingness. Overall, this study,



emphasizes the integral role of dividend policy in shaping a company's financial performance and its perception by investors and stakeholders.

A firm's primary goal should be to maximize its stock value, with management decisions evaluated based on their impact on the stock price. Dividends are viewed as both a source of income for investors and an indicator of a company's financial soundness for potential investments. The importance of a proper dividend policy is emphasized, serving as crucial financial information for both firm management and stockholders. Similarly, the dividend strategy is significant for administrators and shareholders alike, involving decision-making on the disbursement and collection of dividends. In fact, determining an appropriate dividend strategy is a fundamental decision, acting as a revenue source for shareholders and reflecting the firm's overall performance.

The role of the Nigeria Stock Exchange (NSE) as a platform for trading various securities, with investors receiving yearly rewards like dividends based on companies' dividend policies. It specifically highlights the importance of the insurance sector listed on the NSE, noting its crucial role in encouraging savings through financial instruments like shares and debentures. The successful insurance sector is seen as essential for modern economies, as it not only manages business risks but also facilitates the transfer of savings for investment, generating long-term funds that contribute to economic development and job creation in Nigeria.

Dividend policy and stock price as aspects of corporate finance remain a source of debate despite both theoretical and empirical research conducted. The relationship between dividend policy and stock price changes causes controversy around the world and in Nigeria as well. The effect of dividend policy on the company share price was intensively studied in the literature but the findings thereof are divergent. Some researchers believe that market price of an equity is a representation of the present value of estimated cash dividends that can be generated by the equity (Gordon, 1959), others believe that dividend payout is irrelevant to evaluating the worth of equity and earnings are more relevant to the share value (Miller & Modigliani, 1961). There are several findings which hold that dividend policy affect stock price positively (Oyinlola & Ajeigbe 2014; Ilo & Olawale 2018; Purna, 2020). However, other studies found contrary findings that dividend policy affect stock price negatively (Tuigong, 2015; Anabila, 2018; Abu & Adebayo, 2019; Bello & Lasis, 2020; Emuze, 2020; Otitolaiye & Siyanbolam, 2021). The existence of divergent findings on the nexus between share price and dividend policy of firms particularly in the insurance sub-sector therefore calls for extensive empirical study of the subject matter. In resolving this consistency, this study proposes to introduce a moderating variable (board independence) in the relationship between share prices and dividend policy of listed insurance firms in Nigeria. Although, board independence has been argued to be a determinant of board's ability in protecting the interests of shareholders, for instance, in dividend distribution to shareholders (Brickley & Zimmerman, 2010; Al-Gamrh et al., 2020) but the extent to which it moderates the relationship between dividend policy and share prices of insurance firms has not been clarified in empirical literature.

The formulation of a firm's dividend policy is a crucial finance function, exclusively within the purview of the board of directors. The board, identified as a pivotal element in corporate governance, is responsible for shaping the overall direction and policies of the firm, as well as evaluating management performance. The decision-making authority regarding dividends is explicitly attributed to the board members. The board to effectively protect shareholders' interests, independence is essential. Independence allows the board to make decisions autonomously, free from external influences that could compromise their decision-making capability.



The important role of dividend policy in the financial management of insurance firms in Nigeria, positioning the insurance sector as a significant player in the country's financial sub-sector. Investors in the insurance sector, similar to other sectors, prioritize wealth maximization and scrutinize dividend policies as a key factor. Despite this, the impact of dividend distribution policies on the financial performance of insurance firms remains unclear, especially considering the moderating influence of board independence. The insurance sector is acknowledged for its importance in managing business risks and facilitating the transfer of savings for investment, contributing to long-term funds for economic development and job creation. Despite various managerial and legal restrictions on dividend declarations, there is no consensus among researchers on the effect of dividend policy on share prices of insurance firms. Consequently, the study aims to fill this knowledge gap by examining the moderating effect of board independence on the relationship between dividend policy and share prices in the insurance sector.

Based on the objectives of the study, the following hypotheses will be tested;

1. Dividend yield has no significant impact on the stock price of listed insurance firms in Nigeria
2. Dividend per share has no significant effect on the stock price of listed insurance firms in Nigeria
3. Dividend payout has no significant impact on the stock price listed insurance firms in Nigeria
4. Board independence has no significant impact on the stock price of listed insurance firms in Nigeria
5. Board independence has no moderating effect on the relationship between dividend policy and stock price of listed insurance firms in Nigeria

## 2.Literature Review

### Concept of Stock Price

Share price/stock price is the price of a single share of a number of saleable stocks of a company. The rationale behind stock price movements is captured in both micro and macro factors affecting the firms. If the micro economic conditions are favorable and expected to continue for long run, shareholders and investors tend to feel more confident. Again, when firms perform well and post high profits this is attributed to the economic conditions which are favorable (Pandey, 2010). Nigeria stock exchange prices of securities going up and down, among the factors that bring about the changes are in respect to firm information outflow of good news like high profit reports, high dividend payout, introduction of new product, securing new contract and high demand. All these factors compounded will make the price of the company go up. Again, on the flip side, signal of bad news like massive losses, news of receiverships, restructuring, mergers and acquisition, change of management, employee layoff and internal scandals scenarios, prices go down swiftly. On the macro factors perspective if the economic climate is not favorable, investors may feel worried and nervous they may be bothered that a company's profitability will suffer due to macro factor like high inflation, political instability, high tax system, terrorism and devaluation of currency which affect the future profits and tend to reduce demand for shares so prices may fall significantly (Majanga, 2015).



According to Ordu et al. (2014), theoretically, the major factor that influences stock prices in any stock market is the forces of demand and supply. Thus, when there are more persons willing to buy a particular security than suppliers, the price will rise and vice versa. Increase in the demand of stocks shows an anticipation of a buoyant economy. However, in practice there are some other endogenous and exogenous variables that tend to combine to influence the reaction of stock market participants to stock prices. These factors include (Ordu et al., 2014), companies' fundamental s like merger proposals, takeover bids, quality of management, growth history, competitive position of the company and potentials for technological breakthroughs. Other factors mentioned by the authors are speculation of the performance of a company of an aggravate share price movement; level of interest and yield differentials; money supply and by extension inflation; trading volume; the company's earnings; the world economy and political situation within the country.

### **Concept of Dividend**

Dividend is commonly defined as the distribution of earnings (past or present) in real assets among the shareholders of the firm in proportion to their ownership and is usually expressed as a percentage of nominal value of the company's ordinary share capital or as a fixed amount per share (Williams & Duro, 2017). In other words, a dividend is a distribution of profits by a corporation to its shareholders (Nguyen et al., 2021). According to the authors, when a corporation earns a profit or surplus, it is able to pay a proportion of the profit as a dividend to shareholders. The remaining profit after dividend, namely retained earnings will be used to re-invest in the future (Nguyen et al., 2021). Dividend has also been described as the share of the company's legally available profits divided among the residual shareholders and received by the residual shareholders in cash or stock or both, or in other forms of paper claims to wealth (Nwude, 2018).

Measurement of dividends, according to Mafiejor (2021) are dividend per share, dividend rate, dividend yield, dividend payout ratio, and dividend price ratio. The author explains dividend per share as the absolute amount of dividend attributed to each share of the company. Therefore, dividend per share is measured in Naira and Kobo. Dividend rate is the ratio of the amount of dividend declared compare to either market value or par value of the share, depending on the interest expressed. Dividend yield approximates the effective return on the dividend. Dividend payout ratio is the ratio of total earning paid out as dividends in a year in respect of the company involved. Dividend price ratio is the ratio of dividend paid per share compared to the market price attribute to each share (Mafiejor, 2021). Types of dividends include cash dividend (dividends distributed in the form of cash), property dividend (dividends distributed in the form of property and assets), liquidating dividend (dividends distributed to return a portion of the investment to shareholders); stock dividend (dividends distributed in the form of shares in the company); and dividend scrip (dividends distributed in the form of notes payable (debt securities) (Supriyantini, 2015). However, the most popular type of dividend is the cash dividend.

### **Dividend Policy**

Dividend policy refers to a company's payment of dividends to shareholders (Supriyantini, 2015). Also, dividend policy can be defined as an appropriation of profits to shareholders after deducting tax and fixed interest obligations on debt capital (Baker et al., 2002). Dividend policy relates to efforts to create a balance between current dividends and future growth (Puspitaningtyas, 2019). Dividend (profit share) policy is the decision that companies use to decide how much they will pay out to shareholders in the form of dividends (Kaymaz et al., 2021). Dividend policy refers to a company's policy which determines the amount of dividend payments and the amount of



retained earnings for reinvesting in new projects. This policy is related to dividing the firm's earnings between payments to shareholders and reinvestment in new opportunities (Akani & James, 2022). In other words, dividend policy refers to a company's policy which determines the amount of dividend payments and the amount of retained earnings for reinvesting in new projects. This policy is related to dividing the firm's earnings between payments to shareholders and reinvestment in new opportunities (Ayunku & Aperi, 2020).

Dividend policy is the guiding principle for determining the portion of a company's net profit after taxes to be paid to the residual shareholders as dividend during a particular financial year (Nwude, 2018). Dividend policy is the regulations and guidelines that a company uses to decide to make dividend payments to shareholders. The major concern of the dividend policy is the trade-off between dividend payout and retained earnings. Dividend payout and dividend yield have been generally recognized as the proxies for dividend policy (Lasghari & Ahmadi, 2014). Dividend payout is the ratio of total cash dividend paid out to common stock holders to net income available for common stock holders. Dividend yield, on the other hand, is a profitability indicator expressed as a cash dividend per share for common stocks divided by the per share market value, i.e. dividend per share divided by the market value per share. Dividends are normally paid in cash, and this form of dividend payment is known as cash dividend (Adefila et al., 2013). Dividend payment is a major component of stock return to shareholders. Dividend payment could provide a signal to the investors that the company is complying with good corporate governance practices. The dividend policy decisions of firms are the primary element of corporate finance policy (Adesina et al., 2017).

### **Board independence**

Board refers to either the entire board or where applicable for an individual institution, a committee of the board that has been delegated a particular element of board oversight. The board normally exercises leadership, enterprise, integrity and judgment in directing the company so as to achieve continuing survival and prosperity of the company (Liuraman et al, 2020).

Board independence otherwise called directors' independence refers to the freedom from any relationship with the company or its management which may mar its ability to an independent and objective judgment (Nigerian Code of Corporate Governance, 2011). The Code provides that the composition of the board should be such that there is an appropriate mix of executive and non-executive directors so that no individual or group can dominate the decision of the board. It should be noted that the roles of non-independent directors are mainly in the areas of management decision supervision but the independent directors supervise the procedures the management adopted in taking any decision (Kabir, 2020). Therefore, the larger the number of non-executive directors that are independent, the easier the board can independently supervise and advise managers to promote the interests of shareholders (Brickley & Zimmerman, 2010). Since, dividend of one the key interests of the shareholders, this study proposes board independence as a capable of mediating the relationship between dividend policy and share prices of firms. Moderating variable affects the direction and/or strength of the relation between independent variable and a dependent variable (Baron & Kenny, 1986).



### 3. Theoretical Review

#### Signaling Theory

The signaling theory has its origins in Lintner (1956) study who revealed that the price of a company's stocks usually changes when the dividend payments changes. Even though Miller and Modigliani (1961) argued in favour of the dividend irrelevance. They also stated that in the real world disregarding the perfect capital markets, dividend provides an "information content" which may affect the market price of the stock (Bhattacharya, 1979). The theory is based on the assumptions that outside investors have imperfect information regarding the company's future cash flows and capital gains. Another important assumption is that dividends are taxed at a higher rate compared to capital gains. Bhattacharya (1979) argues that under these circumstances even though there is a tax disadvantage for dividends, companies would choose to pay dividends in order to send positive signals to shareholders and outside investors.

The signaling hypothesis suggested by Linter (1956) is derived from the level of information asymmetry between managers and investors' dividend changes convey information about the firm's prospects. Linter noted that managers are more willing to raise rather than reduce dividend levels, and this is construed to mean that dividend decreases are associated with negative signals while dividend increases signal positive news (Muriungi & Mwangi, 2020). The signaling theory which is built on the presumption that managers have superior information than the stakeholders on the activities of the firm, and for that matter managers could increase the leverage component. However, in contrast to market timing, where securities offerings are seen as an attempt to raise "cheap" capital, the signaling model assumes that financing decisions are designed basically to convey managers' confidence in the firm's future prospects to outside investors (Akorsu, 2014). Budagaga (2017) observes that the essence of signaling theory is that a firm's management is likely to have private knowledge about the current and future situation of their company than outsiders will have (asymmetric information). Signaling theory posits that owners of high-quality firms are able to bridge the asymmetric information gap by employing costly signals of quality that poor quality firms are unable to mimic. The Signaling theory states that increase in the dividend payouts of the earnings provides a good sign to the markets about company earnings in the future (Alali et al., 2019).

The signaling theory is related to this study in that emphasizes the information content of dividend payment and the capability of changes in dividend payments in predicting the stock prices of firms. The theory relates dividend policy to share prices by proposing that the former determines the latter. Thus, according to the signaling theory, payment of dividends sends positive signals to shareholders and outside investors and thereby tends to positively affect firms share prices and vice versa. Therefore, this study is underpinned by the signaling theory of dividends which revealed that the price of a company's stocks usually changes when the dividend payments changes. Given the "information content" of dividend policy of firm, it is expected that the market price of the stock will be affected. In other words, signaling theory is relevant to this study in that it posits that dividends may function as a signal of expected future cash flows which in turn have the potential of influencing the share prices of firms.

#### 4. Empirical Review

The dividends policy poses a significant challenge within the realm of finance. Despite wide investigation into the Dividend policy and the stock price in Nigeria and other countries, the literature presents diverse findings. While some research established a positive relationship



between the variables concern, while others fail to find significant effects on stock price performance. Insurance firms, especially when faced with heightened market uncertainty stemming from inherent information irregularity between investors and top management, are inclined to emit potential signals through dividend policy decisions (Kopcke, 1992).

Michae and Benson, (2014) conducted a study the impact of dividend policy on stock prices of quoted firms in Nigeria. The research was conducted on 22 companies listed on Nigerian Stock Exchange (NSE) using secondary data on their firms' fundamentals as available on their respective annual reports from 2009 to 2013 and their closing quoted share prices extracted from two Nigerian Dailies – The PUNCH and the GUARDIAN. Regression analysis, Correlation analysis and Granger Causality Test were used to test research hypothesis on 110 observations and the findings reveal that both dividend payout and retained earnings are significantly relevant in the market price per share of the companies. It is, therefore, recommended that optimal trade-off between dividend payment and retained earnings that would increase the shareholders' wealth in terms of cash and/or stock dividend as well as capital appreciation should be adopted by Nigerian listed firms in which insurance company is among.

Similarly, Khan, et al, (2018) study on the impact of dividend policy on shareholders' wealth: an empirical analysis of listed insurance companies in Pakistan. This study aims to investigate the impact of dividend policy on shareholders' wealth using secondary data of 17 listed insurance companies in Pakistan employing nonprobability convenience sampling for 2012-2015. Shareholders' wealth is used as dependent variable measured by earning per share whereas dividend policy as independent variable measured by three ratios namely dividend per share, Retention ratio and dividend payout ratio. Analysis techniques include descriptive statistics, regression analysis and correlation analysis. The results show that all the independent variables impact dependent variable positively with dividend per share and retention ratio significant at 5%. Moreover, study reveals that the theory of dividend irrelevancy failed in the case of insurance industry of Pakistan.

Another research was equally carried out by Dang, et al, (2019) on the impact of dividend policy on variation of stock prices: empirical study of Vietnam. For this study, the data were collected from 248 listed firms on the Vietnamese stock market for the period from 2014 to 2017. By employing ordinary least squares (OLS) and quantile regression (QR), and it found that there is a negative relationship between dividend policy and variation of stock prices. Some variables including income variation, long term liabilities and growth have positive relationships with stock price variation whereas firm size has no impact on it. The study equally found that firms using low dividend yields influence stock prices variation in a clearer way. The results of this study are important for management in emerging countries, and in this case Vietnam, to have a proper dividend policy because dividend policy is crucial information for stakeholders to make economic decisions.

In a similar vein, Abubakar, et al, (2022) carried out a study on ownership structure and dividend policy of listed insurance firms in Nigeria. Sample of seventeen (17) listed insurance firms in Nigeria was used based on availability of data for period (2010-2019). The study uses correlation and ex-post facto research design and multiple panel regression analysis, adopted agency theory as well. All robustness tests were conducted and random effect multiple regression model was used for the study. The findings indicate that managerial ownership has a significant and positive impact on the dividend payout ratio of the listed insurance firms in Nigeria. It was however found that institutional and ownerships concentration have no significantly impact on the



dividend policy of listed insurance firms in Nigeria. The study therefore, recommends among others that management of listed insurance firms in Nigeria should not concentrate on ownership structure of institutional shareholders but spread the shares and have benchmarks in embarking on sound dividend policy that will alleviate the conflicts that could arise between managers and owners of the firm.

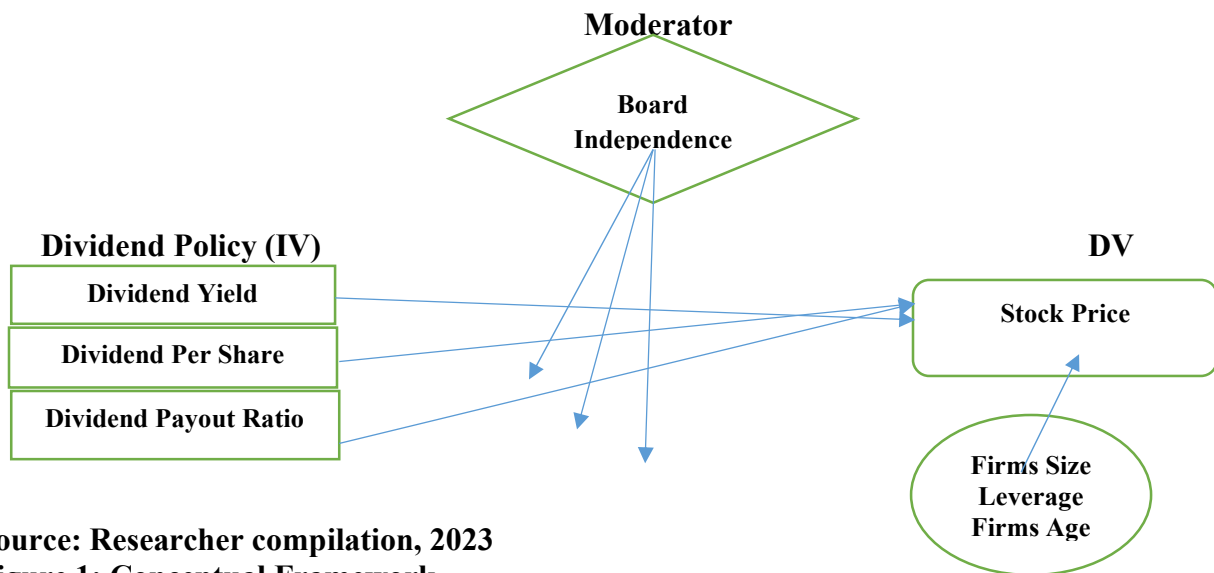
Recently, Basse, et al, (2023) study on the developing an empirical framework for macroeconomic determinants of insurance companies' stock performance in Nigeria. Longitudinal research design was adopted for the study as panel data from the Nigerian Stock Exchange (NSE) fact book and Central Bank of Nigeria annual statistical bulletin for the period 1990- 2021 was used in the study. Panel data regression model was used in data analysis. The result from the analysis revealed a significant negative relationship between interest rate spread and stock price of insurance companies, a significant positive relationship between exchange rate and stock price of insurance companies, and a significant negative relationship between inflation and the stock price of insurance companies. Furthermore, results from the analysis indicated a long-run relationship between the macroeconomic variables and stock price of insurance companies which is captured by a random effect model. Based on the findings, ensuring relative stability of macroeconomic determinants which will enhance the predictability of stock prices of insurance companies in Nigeria was recommended.

In addition, Adegbe, et al, (2023) study on dividend policy and market performance of Nigerian listed insurance firms. This study used an ex-post facto research design approach and employed pooled ordinary least squares to analyze data gathered for 10 selected firms from 2008 to 2020. The study's preliminary analysis revealed that all the employed are positively related. The pooled regression result showed that dividend payout (DVP) had a negative but insignificant impact on market price per share (MSP), while dividend yield (DVY) and dividend per share (DPS) had a positive and significant impact on MSP. Furthermore, the results showed that return on assets had a negative but insignificant impact on the market price per share (MSP), and the adjusted R-squared results revealed that dividend policy explains about 82% of the changes in market performance of the selected insurance firms.

Lastly, Bayisa (2023) investigated on the determinants of Dividend Payout in Private Insurance Companies of Ethiopia. This study used a quantitative research approach and the secondary data from ten insurance companies for eleven years period from 2010 to 2020 were used as panel data for analysis. The study analyzed both internal and macroeconomic variables; profitability, liquidity, leverage, firm size, firm age, and growth from internal factors and GDP and inflation from Macroeconomic variables. The random effect model was used to identify the effect of each explanatory variable on the dividend payout of Ethiopian private insurance companies. The result showed that profitability, liquidity, and firm size were found significant factors in dividend payout. Contrary to the predictions, the remaining variables-firm age, leverage, growth, GDP, and Inflation found to be insignificant. Thus, profitability, liquidity, and firm size have a positive and significant effect on dividend payout as predicted. According to the study, the Ethiopian private insurance company managers should prioritize profitability, liquidity, and firm size when making dividend payout decisions.

### 5. Conceptual Framework

The conceptual framework for this study is proposed and depicted in Fig. 2.1.



Source: Researcher compilation, 2023

Figure 1: Conceptual Framework

### 2. Methodology

This study adopts ex-post facto research design. The population for the study is the 24 insurance companies listed on the Nigerian Stock Exchange (NSE) as at December, 2023 and the sample size of the study is 18 companies which were arrived based on the criteria that a firm must have been listed on the floor of the Nigeria Exchange Group for the whole period of the study 2014-2023 and a firm must have its annual report and accounts accessible for the period under study. Therefore, the sample size for this study is eighteen (18) companies listed on the Nigerian Stock Exchange (NSE). Secondary data were obtained from the annual account and reports of the sample firms and the data obtained were analyzed using multiple regression techniques.



**Table 3.3: Variable Measurements**

Variables	Notation	Measurement	Source
Dependent Variable:			
Share Price	SP	Share price is the market price of the common stock as determined at the dealing session; and reported as at the end financial year of firms.	Alali et al (2019), Oniyama, Olaoye, and Ogundajo (2021), Ilo and Olawale (2018)
Independent Variables:			
Dividend Yield	DY	Dividend yield is measured by the ratio of dividend per share to market price per share	Alali et al (2019)
Dividend Per Share	DPS	Dividend per share is the quotient of dividend to total number of shares	Ahmed and Idrees (2020)
Dividend Payout	DPO	Dividend payout is measured by the quotient of dividend per share to earnings per share or dividend divided by net profit.	Alali et al (2019), Ahmed and Idrees (2020), Ilo and Olawale (2018)
Control Variables:			
Firm size	FSIZ	Natural logarithm of total assets	Ilo and Olawale (2018)
Leverage	LEV	Ratio of non-current liabilities to total assets	Ilo and Olawale (2018)
Firm Age	FAG	Natural logarithm of years of existence of the firms	Kabir (2020)
Moderating Variable:			
Board Independence	BOIN	The proportion of non-executive board members to total number of board members.	Odeleye (2017), Saleh, Abdulkarim and Ibrahim (2020), Bappah et al (2022), Taufik et al (2022)

**Source: Researcher's compilation (2023).**

### 3. Model Specification

Following the Baron and Kenny (1986), the three hierarchical regression models of the study are;

#### Model 1

$$SP_{it} = \beta_0 + \beta_1 DY_{it} + \beta_2 DPS_{it} + \beta_3 DPO_{it} + \beta_4 FSIZ_{it} + \beta_5 LEV_{it} + \beta_6 FAGE_{it} + \epsilon_{it}$$



**Model 11**

$$SP_{it} = \beta_0 + \beta_1DY_{it} + \beta_2DPS_{it} + \beta_3DPO_{it} + \beta_4BOIN_{it} + \beta_5FSIZ_{it} + \beta_6LEV_{it} + \beta_7FAG_{it} + \epsilon_{it}$$

**Model 111**

$$SP_{it} = \beta_0 + \beta_1DY_{it} + \beta_2DPS_{it} + \beta_3DPO_{it} + \beta_4DY_{it}XBOIN_{it} + \beta_5DPS_{it}XBOIN_{it} + \beta_6DPO_{it}XBOIN_{it} + \beta_7FSIZ_{it} + \beta_8LEV_{it} + \beta_9FAG_{it} + \epsilon_{it}$$

Where:

SP = Stock Price

DY = Dividend Yield

DPS= Dividend per share

DPO= Dividend pay out

FSIZ= Firm size

LEV= Leverage

FAG = Firm age

$\beta_1 - \beta_{11}$  are the coefficients of the parameter estimates.

it: panel data

$\epsilon$ : the error term.

**4. Results and Discussion**

This section presents the regression results of the dependent variables (stock price) and the independent variables of the study dividend policy. This is followed by the analysis and interpretation of the association between the variables.

**Model 1: Impact of Dividend policy on the stock price of listed insurance companies in Nigeria**

**Table 4.3: Regression Results**

VARIABLES	Coefficients	Z-Statistics	P-Sig	VIF/Tolerance
Constant	1.2732	6.02	0.0000	
DY	0.0404	2.40	0.019	6.10/0.16
DPS	-0.0021	-0.11	0.914	1.03/0.96
DPO	-2.0216	-3.68	0.000	6.40/0.15
FSIZ	-0.0415	-3.10	0.000	2.28/0.35
FLEV	1.3531	7.26	0.000	2.00/0.49
FAGE	-0.0081	-3.88	0.000	1.24/0.80
R <sup>2</sup>				0.7156
F-stat.				30.61
P-sig				0.000

**Source: Stata Output 2023**

The R<sup>2</sup> (0.71) which is the multiple coefficients of determination gives the proportion of the total variation in the dependent variable explained by the independent variables jointly. Hence, it signifies that 71% of the total variation in stock price (SP) of listed insurance companies in Nigeria is caused by their dividend yield, dividend per share, dividend pay-out, firm size, age and leverage. This indicates that the model is fit and the variables are properly selected, combined and used.



This further implies that for any changes in the dividend policy of listed insurance companies in Nigeria, their stock prices (SP) will be directly affected.

The F-Statistics are really the same thing in that after normalization chi-squared is the limiting distribution of the F as the denominator degrees of freedom goes to infinity. So, the F-Statistic of 30.61 which is significant at 1% indicating that the model is fit for regression.

The table 4.3 revealed that dividend yield (DY) has a coefficient value of 0.0404 and P-Value of 0.019 which is significant at 1% level of significance. From the coefficient value of 0.0404 it can be deduced that DY and stock price of listed insurance companies are positively related which implies that when DY increase by 1%, will lead to an increase in the stock prices of listed insurance companies in Nigeria by 4% approximately. This provides evidence of rejecting null hypothesis one of the studies which states that DY has no significant impact on the stock prices of listed insurance companies in Nigeria. This finding is in line with the findings of Akani and James (2022) who also found positive significant. In contrast, the result has contradicted the findings of Otitolaiye and Siyanbolam (2021).

Dividend per share (DPS) has a coefficient of -0.0021 and a P-Value of 0.914 which is insignificant at all level of significance. The negative coefficient of value of -0.0021 signifies that long-term debt (DPS) and SP of listed insurance companies are inversely related which implies that for every 1% increase in DPS, SP of listed insurance companies will decrease to the turn of 0.2% approximately. This provides evidence of failing to reject the null hypothesis two of the study which states that DPS has no significant impact on the stock price of listed insurance companies in Nigeria. This result has corroborated with the results of Otitolaiye and Siyanbolam (2021) while is in support of the findings of Joseph and Symon (2017).

Dividend pay-out (DPO) shows a coefficient of -2.0216, and P-Value of 0.000 which is significant at 1% level of significance. The negative coefficient signifies that DPO and stock price of listed insurance companies are inversely related meaning that whenever the DPO of the firms increase by 1%, SP of the companies will decrease by 202%. This provides evidence of rejecting null hypothesis three of the study which states that DPO has no significant impact on the stock price of listed insurance companies in Nigeria. This finding supports the study of Almanaseer (2019). However, the finding has contradicted the study of Eryomin et al. (2021).

For the control variables, result from the table shows that Firm size has a coefficient value of -0.0415 and P-Value as 0.000 which is significant at 1% level of significance. The negative value (-0.0415) signifies that FSZE and SP are negatively related which implies that for every 1% increase in FSZE of insurance companies will lead to a decrease in the performance by 4% approximately.

In the same vein, result from the table shows that Firm leverage has a coefficient value of 1.3531 and P-Value as 0.000 which is significant at 1%. The positive value of the coefficient (1.3531) signifies that FLEV and SP are positively related which implies that for every 1% increase in FLEV of insurance companies will lead to an increase in the SP by 135% approximately.

Finally, result from the table shows that Firm age has a coefficient value of -0.0081 and P-Value as 0.000 which is significant at 1% level of significance. The negative value signifies that FAGE and SP are negatively related which implies that for every 1% increase in FAGE of insurance companies will lead to a decrease in the SP by 0.8% approximately.



**MODEL 11: Impact of Board independence on the stock price of listed insurance companies in Nigeria**

**Table 4.4: Regression Results (MODEL II)**

VARIABLES	Coefficients	Z-Statistics	P-Sig	Cumulative results
Constant	0.9732	5.73	0.000	
BOIN	0.4851	2.71	0.000	
FSIZE	-0.2775	-2.49	0.015	
FLEV	1.6114	9.08	0.000	
FAGE	0.0089	-4.07	0.000	
R <sup>2</sup>				0.6618
F-Stat.				39.64
P-sig				0.0000

Source: STATA 14.0 Output based on the data generated (2014-2023).

This subsection examined the effect of the moderating variable (Board independence) on the stock price of listed insurance companies in Nigeria. Hence, table 4.5 above shows that Board independence (BOIN) has a coefficient value of 0.4851, Z-value of 2.71 and a p-value of 0.000. This result suggests that the relationship between Board independence and stock price of listed insurance companies in Nigeria is positive and significant which implies that as the number of non-executive directors on the board increase, the stock price of listed insurance companies will also increase in the same direction to the tune of 48%. This finding provides evidence that board independence can conveniently moderate the relationship between dividend policy and stock price of listed insurance companies in Nigeria. The study therefore rejects the null hypothesis two of the study which states that board independence has no significant effect on the stock prices of listed insurance companies in Nigeria.

**MODEL 111: The moderating effect of board independence on the relationship between Dividend policy and stock price of listed insurance companies in Nigeria**

**Table 4.5: Regression Results (MODEL III) Moderated Result**

VARIABLES	Coefficients	Z-Statistics	P-Sig	Cumulative results
Constant	1.0404	-0.10	0.924	
DY	0.0404	2.40	0.019	
DPS	-0.0021	-0.11	0.914	
DPO	-2.0216	-3.68	0.000	
DY*BOIN	0.0813	0.25	0.800	
DPS*BOIN	-0.0645	-0.68	0.498	
DPO*BOIN	-14.389	-2.22	0.029	
Adj. R <sup>2</sup>				0.7378
F-Stat.				38.06
F-Sig				0.0000

Source: STATA 14.0 Output based on the data generated (2014-2023)

In testing the hypothesis of the moderating effect, Hierarchical regression technique was used to show the moderating effect of board independence on the relationship between dividend policy and stock price of listed insurance companies in Nigeria. This technique has been proposed by



Baron and Kenny (1986) as one of the appropriate methods of testing whether the prediction of the dependent outcome from independent variables is influenced by an interaction. According to Fairchild and Mackinnon (2009), a moderator is expected to strengthen, weaken or change the direction of the relationship between the dependent and independent variables.

Based on the result obtained from the model 111 of the study, it shows that the moderating variable (Board independence) cannot moderate the relationship between the dependent and the independent variables of the study because the interacted results revealed statistical insignificant as shown on the table 4.5 above.

### **Comparison of the Un-moderated and Moderated results of the study**

Under the Un-moderated results, dividend yield is positive and significant variable to the stock price of the listed insurance companies in Nigeria. But when moderated with board independence, the variable has changed to insignificant to the stock price of the listed insurance companies in Nigeria (See table 4.5). Therefore, this finding according to Fairchild and Mackinnon (2009) implies that board independence can moderate the relationship between the variables of the study. However, the remaining two variables (DPS and DPO) have not changed from the un-moderated results which suggest that they don't moderate the relationship between dividend policy and stock prices.

### **5. Conclusion**

Conclusively, the study has provided both empirical and statistical evidence on the utility of three variables (dividend yield, dividend per share and dividend pay-out) in explaining and predicting stock price of listed insurance companies in Nigeria. Thus, it can be concluded that, dividend yield can impact positively on the stock price of listed insurance companies in Nigeria. While dividend per share and dividend pay-out have negative impact on the stock price of listed insurance companies in Nigeria. It has also been concluded that board independence cannot moderate the relationship between dividend policy and stock prices of listed insurance companies in Nigeria.

### **6. Recommendations**

In line with the findings and conclusion of the study, the following recommendations are made;

- i. Dividend yield (DY) has been empirically examined and revealed positive and significant relationship with stock price of listed insurance companies in Nigeria. Therefore, management of the insurance companies should consider DY in improving their stock price, meaning as DY increase, stock price will increase rapidly.
- ii. Dividend per share (DPS) has been empirically examined and revealed negative and insignificant relationship with stock price of listed insurance companies in Nigeria. Therefore, management of the insurance companies should not consider DPS in improving their stock price, meaning as DPS increase, stock price will decrease.
- iii. The result of the dividend pay-out (DPO) is negative and significantly related to stock prices, So, the listed insurance companies should not take the DPO as a factor that increase their stock price (SP).
- iv. Board independence should not be considered in strengthening the relationship between the dividend policy and stock prices because the result is not statistically significant.



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