A Multivariate Analysis of Dividend Stocks, Inflation and Stock Returns in Nigeria

[1]Dr. Uche Toby Agburuga and [2]Judith Chidinma Iheakanwa
Department of Accounting
Faculty of Management Sciences
Federal University Otuoke
PMB 126 Yenagoa
Bayelsa State, Nigeria
Email: agburugaut@fuotuoke.edu.ng

Abstract

The purpose of this study was to ascertain the dependence of dividend stocks on the inflation rate and stock returns in the Nigeria Stock Exchange. Guided by two research questions and two null hypotheses, the study analysed sample data from 21 companies quoted on the Nigerian stock market secondary sources including the Nigeria Bureau of Statistics and the Nigeria Stock Exchange. The study employed multivariate analysis and utilized ordinary least squares multiple regression model. The cross-sectional diagnostics test results confirm the robustness of the model, showing no significant cross-section dependence. Additionally, panel unit root tests for the series DS, INF, and SR indicate that all series are stationary, ensuring the reliability of statistical inferences. The findings revealed that the inflation rate (INF) has a negative and insignificant effect on dividend stocks (DS) of the selected companies, suggesting a weak influence of inflation on dividend stocks. This aligns with previous studies indicating that inflation does not have a strong impact on dividend stocks. Conversely, stock returns (SR) showed a positive but insignificant effect on dividend stocks, indicating a minimal impact of stock returns on dividend payouts during the study period. The results suggest that investors should focus on company-specific factors and broader market conditions rather than relying heavily on inflation rates and stock returns when evaluating dividend stocks in Nigeria. The study emphasizes the importance of considering a company's financial health and profitability in investment decisions and highlights the need for diversified investment strategies.

Key Words: Financial markets, Stock Market analysis, Dividend Policy, Equity Returns, Corporate Finance, Investment Performance

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Introduction

At the beginning of the nineteenth century, dividends became a crucial and more reliable source of information for investors. Due to the scarcity and unreliability of financial data at that time, investors often assessed corporations based on their dividend payments rather than reported earnings. Faced with inaccurate information about a firm's performance, investors used dividends to gauge management's outlook on the company's future performance (Al Malkawi, 2015). Consequently, an increase in dividend payments typically led to rising stock prices. Corporations, aware of this phenomenon, realized that managers could use dividends to signal strong earnings prospects and or support the company's struggling share price, as investors viewed dividend announcements as a proxy for earnings growth (Ikame, 2019).

Unlike many other investments that pay a predetermined rate of interest, dividends can and often do rise with inflation (Rahman, 2016), thereby serving as an inflation hedge for investors. Companies that pay dividends each quarter often adjust them based on various factors. While historical data suggests that dividend-paying stocks may thrive in the current and future inflationary environment, Rahman (2016) notes that the best-performing dividend stocks today may not necessarily be found in the same industries or sectors as those in the past. Many of these stocks belong to companies capable of raising their prices to offset rising business costs. "Companies that pay a sustainable and growing dividend also have the potential to grow their cash flows to keep up with inflation" (Adam, 2022).

Dividend stocks are prevalent in the market as the cash investment is repaid through dividends by the stock or mutual fund houses. Dividend stocks offer consistent cash flow, which is potentially less risky than growth stocks because investors receive money at regular intervals. They

generally outperform growth stocks. However, investors miss out on the compounding of excess returns, as the money is withdrawn in the form of dividends. In the case of dividends, the excess return earned on the stock is declared and shared with investors. In contrast, the growth model reinvests the excess return, and profits are realized only when the investment is redeemed or sold (Ashish, 2023).

Inflation, the general increase in prices of goods and services, reduces currency purchasing power. High inflation erodes consumer purchasing power unless incomes rise, while monetary policies to curb it may hinder growth and employment. Companies take time to pass on higher input costs, and consumers feel the strain of rising prices. Over time, both adapt to new pricing, but consumers avoid holding cash as its value declines. High inflation raises input costs, squeezing corporate profits, reducing hire, and lowering living standards, particularly for those on fixed incomes. For investors, inflation's varied impact on the economy and stock prices creates complexity.

Over the years, the relationship between inflation and stock prices has been a topic of great interest in both developed and emerging markets like Nigeria. Examining historical returns data during periods of high and low inflation can provide clarity for investors. Investors need to be well-informed before making investment decisions. Financial analysts and economists have been interested in the real relationship between inflation, dividends, and stock prices, as well as whether income can withstand the effects of inflation (Wang & Liu, 2013). Past studies have attempted to explain stock price movements using various factors. Kurihara (2016) noted that inflation is one of the factors investors consider hedging against their investments. Aurangzeb, Ahmed, and Mubarak (2012) discovered that unexpected inflation and stock prices have a negative relationship. This means that the amount of goods and services money can buy is slowly reduced by the increase in the general price index, causing input prices and production costs to rise and reducing corporate earnings. As a result, the decrease in the real value of money leads to a decline in stock prices. High inflation results in extreme stock market fluctuations, which can endanger the economy by causing inefficiencies and potentially leading to its collapse due to resource misallocation. Consequently, there are many channels through which inflation can negatively affect stock returns and the general economy. This necessitates further and continuous research into the subject to gain greater clarity on the behavior of these variables.

The primary objective of this study is to measure the dependence of dividend stocks on the inflation rate and stock returns in Nigeria. Specifically, it seeks to determine the impact of the inflation rate and stock returns on dividend stocks in Nigeria. Two research questions are posed: (1) What is the effect of the inflation rate on dividend stocks in Nigeria? and (2) To what extent do returns affect dividend stocks in Nigeria? Appropriate null hypotheses were formulated to tentatively answer these questions, speculating no relationship between the inflation rate and dividend stocks, and between stock returns and dividend stocks.

This study is significant as it highlights the effect of inflation on dividend stocks and remains controversial due to issues in the international financial market. This study indicates a gap in understanding how inflation impacts this type of stock in different economic contexts. The study points out that a significant portion of investment in the capital market is foreign portfolio investment, which exposes stock prices to international monetary shocks. This suggests a gap in research on how international financial dynamics influence domestic stock markets. The study aims to examine the effect of inflation and stock returns on dividend prices specifically in Nigeria. This suggests a gap in region-specific research, particularly in emerging markets like Nigeria, where economic conditions and market dynamics may differ from more developed markets. These gaps provide a foundation for further research to explore the nuanced relationships between inflation, stock prices, and market dynamics in various economic contexts.

Literature Review

Despite the existence of several studies on the relationship between inflation and stock prices, the issue remains frustrating, inconclusive, and confusing (Shanmugan & Misra, 2008). The origin of the debate goes back to Fisher (1930), who posited that inflation should not affect stock prices and returns, a notion known as the Fisherian Hypothesis. This hypothesis states that changes in price (inflation) inevitably lead to changes in money supply (increase in interest rate) and that in the long run, both rates are the same.

Based on the theory above, it is expected that stock prices should impound and integrate the effect of inflation. Therefore, inflation should have no real effect on stock prices. However, it is doubtful that this argument can be valid in Nigeria and elsewhere due to the nature of the capital market and the investment climate. The assumptions of these theories, such as the efficient market hypothesis, Fisher hypothesis, and the random walk model, are based on the operation of capital markets in developed financial systems. These theories assume a perfect capital market with many buyers and sellers and perfect information, where the activities of a few participants will not sway or manipulate prices. Compared with the Nigerian capital market, which is alleged by Onoh (2012) to have many

incidents of insider dealings by stockbrokers and market operators, may not exhibit the perfect market characteristic. For instance, the crash in the Nigerian capital market in 2008 was traced to the high volume of margin loans provided by the banking sector. The Nigerian capital market is not fully deregulated and large enough to price in or impound the effect of macroeconomic variables such as inflation on stock prices. According to Onoh (2012), stock prices may be intentionally lowered by stockbrokers and dealing members of the Nigerian stock exchange for selfish interests. These though appear to be largely allegations and innuendos that need empirical validation.

Udoka, Mboto, and Anyingang (2013) stated that companies with a steady flow of earnings experience a decline in stock price when inflation rate exceeds what is expected. As a result, stockholders of such a company will suffer negative investment returns. Bhar (2010) suggested that inflation tends to hit the stock price stability creating a negative relationship between inflation and stock prices. Due to inflation, the value of stock prices in the market may fluctuate widely. This provides uncertainty to investors about future savings and investments (Ahmad, Farooq, Naseem & Rehman, 2011).

Basse and Reddemann (2011) explore the relationship between dividend stocks, corporate earnings, real growth stocks, and inflation using co-integration techniques. Their study confirms that inflation positively impacts dividends. Similarly, Ahmadi (2016) investigates the relationship between inflation and the stock index at the Tehran Stock Exchange over the past decade. Using Pearson correlation, regression equations, and path analysis, Ahmadi examines data from 2005 to 2014, finding positive and significant correlations between inflation and both the stock index and industry index, with inflation increases leading to index rises.

Arhenful et al. (2022) investigated the link between inflation and stock prices in Ghana to guide decision-making for businesses and individuals. Using monthly data from July 2007 to December 2019 and a quantitative approach, unit root tests showed non-stationary data became stationary after first differencing. Multiple Regression Analysis with Eviews 7.0 revealed a positive relationship between inflation and stock prices ($\beta = 0.762$, $p < 0.05$). The study recommends central bank measures to maintain low inflation to protect investment returns and boost stock market confidence.

Iwegbu and Adeoye (2020) explored how inflationary expectations affect stock market returns in Nigeria during and after the financial crisis (2007–2018). Using quarterly data and the Autoregressive Distributed Lag technique, confirmed by ADF and Bounds co-integration tests, the study found inflationary expectations significantly influence stock returns. It rejects the Fisher hypothesis, concluding that stocks do not hedge against inflation in Nigeria post-crisis due to agents' expectations.

Shakhaowat and Farhad (2020) analyzed how dividend policy affects stock prices in Bangladesh, studying 10 companies in the Food & Allied, Ceramics, and Cement industries listed on the Dhaka Stock Exchange (2008–2017). Using Fixed and Random Effect Models on panel data, adjusted for variables like Earnings per Share and Dividend Payout Ratio, the Random Effect Model proved more significant. No multicollinearity was found, and results indicated a weak form market where investors prefer stock dividends over cash.

The Fisher Hypothesis suggests stocks should protect against inflation by adjusting returns, implying that stocks act as a hedge against inflation. But by studies Jepkemei (2017) and Iwegbu and Adeoye (2020) indicate this does not hold in their respective contexts (Kenya and Nigeria), as inflation impacts stock returns and liquidity negatively. Jepkemei (2017) examined the impact of inflation on the liquidity of the Nairobi Securities Exchange to test the Fisherian hypothesis. Using turnover rates, the study found that investors do not account for inflation's effect on stock prices, impacting price discovery. Iwegbu and Adeoye (2020) tested the Fisher Hypothesis in Nigeria (2007–2018) and rejected it, finding that inflationary expectations negatively affect stock market returns, indicating stocks do not hedge against inflation in the post-financial crisis era due to economic agents' expectations.

The signaling theory of dividends, originating from Lintner (1956), suggests that changes in a company's dividend payments influence its stock price. Bhattacharya (1979) proposed that dividends signal expected future cash flows, with increased dividends indicating management's optimism about higher future cash flows, despite tax disadvantages, to convey positive signals to shareholders and investors. Feldstein (1980) explained the negative relationship between stock returns and inflation, noting that inflation increases effective corporate income tax rates due to historic-cost depreciation and taxes on artificial capital gains from inflation. These factors raise corporate tax liabilities, reducing real after-tax earnings, which rational investors account for by lowering stock valuations, thus causing stock price movements.

However, the effect of inflation on dividend stocks remains controversial due to issues in the international financial market. A significant portion of capital market investment is foreign portfolio investment, making stock prices susceptible to international monetary dynamics. This

provides additional justification for this study to examine the effect of inflation on dividend stock prices in Nigeria.

Methodology

This research employs an ex-post facto design. The study's population consists of 161 companies quoted on the Nigerian stock market, managed by the Nigeria Exchange Group (NGX). Purposive sampling was chosen as the most appropriate technique for this study, as it allowed the researcher to select observations that best facilitated the testing of the hypotheses. The sample size includes 21 listed dividend stock companies on the Nigeria Stock Exchange, covering a period of 5 years from 2018 to 2022 obtained from the NGX and the Nigerian Bureau of Statistics. Details of the sample are provided in the Appendix as Table 1.

Measurement of Variables
Dependent Variables

Dividend Stock**:** This is measured by stock payout ratio: A stock's payout ratio is the amount of money the company pays per share in dividends divided by its earnings per share. It tells the percentage of earnings that a stock pays to shareholders.

$$\text{Stock payout ratio} = \frac{\textit{Dividend yield}}{\textit{Earnings per share}}$$

Independent Variable:

Inflation Rate**:** Inflation rate is measured using the Consumer Price Index (CPI), which measures the percentage change in the price of a basket of goods and services consumed by households

$$\text{Inflation rate} = \frac{\textit{Final CPI index value}}{\textit{Initial CPI value}} \times 100$$

Stock Returns: This include dividends payments, as well as the price change in the stock. Total return of a stock includes capital gains and losses plus dividend income. Nominal return on the other hand measures only the rate of change in prices calculated as initial price divided by closing price.

$$\text{Stock Return} = \frac{\textit{Closing price}}{\textit{Opening price}} - 1 \text{ Or } \frac{\textit{Closing price} + \textit{Divident per share}}{\textit{Opening price}} - 1$$

Model Specification

The multiple regression model for this study is specified as follows.

DS= f (INF, SR) ……………………………………………… (1)

The above equation transformed into an econometric model becomes:

$DS_t = \beta_0 + \beta_1 INF_t + \beta_2 SR_t + \mu_t$ ……………………………………… (2)

Where;
DS_t = Dividend Stock in current period
INF_t = Inflation Rate in current period
SR_t = Stock Returns in current period
μ = Error term.
βo = Intercept of the regression.
β1, β2 and β3= Beta coefficients of the independent variables

Method of Data Analysis

The study adopted multivariate analysis where a multiple regression model was utilized. First, diagnostic tests for normality, homoscedasticity and multicollinearity were run to ascertain the suitability of the model. Finally, Ordinary Least Square Regression Analysis was carried out with the help of Eviews version 10 to test the hypotheses of the study.

Table 2: Data Presentation

	DS	INF	SR
Mean	0.776607	14.51000	0.011254
Median	0.254777	13.25000	0.000000
Maximum	10.00712	18.85000	0.406364
Minimum	-0.001333	11.40000	-0.196970
Std. Dev.	1.629098	2.908687	0.100512
Skewness	4.177144	0.414472	1.203321
Kurtosis	22.39396	1.484094	5.887802
Jarque-Bera	1765.099	11.81609	55.93652
Probability	0.000000	0.002718	0.000000
Sum	73.77765	1378.450	1.069137
Sum Sq. Dev.	249.4723	795.2830	0.949659
Observations	95	95	95

Source: Eviews Version 10

The summary of the statistical properties of the variables used in this study as shown above in table 2 presented the average value of dividend stock (DS) as 77.6% approximately (0.7766), this implies that sampled selected companies have an average of 77.6% distribution of companies' earnings to shareholders with a maximum and minimum value of -0.001333 and 10.00712 respectively. The standard deviation from the sample mean is 1.629098. The standard deviation is 11.089. Inflation rate (INF) on average is 14.51000 which is the average value of inflation

rate between 2018-2022. The maximum and minimum value is 18.8500 and 11.400 while the deviation from the sample mean is by 2.90866. Also stock return (SR) has an average value of 0.1% and approximately (0.0113) with its maximum and minimum value being 0.4063 and -0.1969 respectively. The standard deviation is 0.1005.

Skewness coefficient shows that dividend stock (DS) has value of 4.17714 which indicates a positive skewness and has a long right tail. Also coefficients for inflation rate (INF) has its value as 0.414472 shows a normal skewness and stock return (SR) with value 1.20332, indicates a negative skewness and have a long left tail. Kurtosis coefficient for dividend stock (DS) has its value as 22.3 which is a positive kurtosis and it's leptokurtic in nature. Same goes for stock returns (SR), with kurtosis value of 5. 8878. Inflation rate (INF) with a kurtosis value of (1.484094) is said to be a negative kurtosis and by this, it is platykurtic.

Correlation Analysis

Correlation Analysis helps to determine the relationship between the dependent and the independent variables in a model. Table 3 below shows the correlation analysis of for dividend stock respectively.

Table 3: Correlation Analysis for Dividend Stock Model

Covariance Analysis: Ordinary

Sample: 2018 2022

Included observations: 95

Covariance Correlation	DS	INF	SR
DS	2.626025		
	1.000000		
INF	-0.120372	8.371400	
	-0.025673	1.000000	
SR	0.013106	0.002335	0.009996
	0.080893	0.008071	1.000000

Source: E-views Version 10

The result from Table 4.2 shows that inflation rate (INF) has a correlation coefficient of -0.025673 with dividend stock (DS). This reveals a negative relationship between dividend stock and inflation rate. The analysis also shows that stock returns (SR) has a correlation coefficient of 0.080893 with dividend stock (DS). The result implies that there is a positive relationship between stock return and dividend stock.

Unit Root Test

Also, all the unit root tests indicate that the series DS, INF, and SR are stationary, meaning they do not have a unit root and are suitable for further analysis. Stationarity is a crucial concept in time series analysis and econometrics. A Stationary series has statistical properties, such as mean, variance, and autocorrelation, that do not change over time. This makes it easier to predict future values based on past data, as the underlying process remains consistent. Stationarity allows for more accurate statistical inference. When a series is stationary, the standard errors of the estimated parameters are more reliable, leading to more valid hypothesis tests and confidence intervals. In economics and finance, stationarity often implies that shocks to a system are temporary and that the series will revert to its mean over time. This is important for understanding the long-term behavior of economic variables and for making policy decisions.

Table 4: Summary of Panel Unit Root Test

Series	**Test**	**Statistic**	**p-value**	**Conclusion**
DS	Levin, Lin & Chu t*	-1676.89	0.0000	Stationary
	Im, Pesaran and Shin W-stat	-247.011	0.0000	Stationary
	ADF - Fisher Chi-square	86.2722	0.0000	Stationary
	PP - Fisher Chi-square	93.9016	0.0000	Stationary
INF	Levin, Lin & Chu t*	-12.1326	0.0000	Stationary
	ADF - Fisher Chi-square	144.780	0.0000	Stationary
	PP - Fisher Chi-square	144.780	0.0000	Stationary
SR	Levin, Lin & Chu t*	-8.03704	0.0000	Stationary
	Im, Pesaran and Shin W-stat	-3.76304	0.0001	Stationary
	ADF - Fisher Chi-square	66.6778	0.0027	Stationary
	PP - Fisher Chi-square	82.5611	0.0000	Stationary

Source: Summary of Test Result of DS, INF and SR data series. Details are in Appendix

Test of Hypotheses

The study employed panel data regression analysis to explore the effect of inflation rate and stock return on dividend stock and growth stock of dividend and growth stock companies in Nigeria. Table 4. shows the baseline estimation result in which dividend stock is regressed on

inflation rate and stock return of dividend and growth stock companies under study.

Table 5: Panel Least Square Regression Analysis for Dividend Stock Model

Dependent Variable: DS
Method: Panel Least Squares
Sample: 2018 2022
Periods included: 5

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.976664	0.451832	2.161563	0.0339
INF	-0.014711	0.030535	-0.481768	0.6314
SR	1.190573	1.029992	1.155905	0.2514
	Effects Specification			
Cross-section fixed (dummy variables)				
R-squared	0.780062	Mean dependent var		0.776607
Adjusted R-squared	0.720620	S.D. dependent var		1.629098
S.E. of regression	0.861083	Akaike info criterion		2.731043
Sum squared resid	54.86839	Schwarz criterion		3.295584
Log likelihood	-108.7245	Hannan-Quinn criter.		2.959160
F-statistic	13.12294	Durbin-Watson stat		1.974499
Prob(F-statistic)	0.000000			

Source: E-Views Version 10

Table 5 presents the results of the Panel Least Square Regression Analysis for the Dividend Stock Model, covering the period from 2018 to 2022. The dependent variable is Dividend Stock (DS).

Key findings from the table above are analysed in terms of the coefficients, model fit and statistical significance are presented below:

1. **Coefficients**:

The constant term (C) has a coefficient of 0.976664, which is statistically significant at the 5% level (p-value = 0.0339).

The coefficient for inflation rate (INF) is -0.014711, which is not statistically significant (p-value = 0.6314).

The coefficient for stock return (SR) is 1.190573, which is also not statistically significant (p-value = 0.2514).

2. **Model Fit:**

The R-squared value is 0.780062, indicating that approximately 78% of the variation in dividend stock is explained by the independent variables (inflation rate and stock return).

The Adjusted R-squared value is 0.720620, suggesting that about 72% of the variation in dividend stock is explained by the model, after adjusting for the number of predictors.

3. **Statistical Significance:**

The F-statistic is 13.12294 with a p-value of 0.000000, indicating that the model is statistically significant at the 5% level.

The Durbin-Watson statistic is 1.974499, which suggests that there is no significant serial correlation in the residuals.

In summary, the model explains a substantial portion of the variation in dividend stock, but the individual effects of inflation rate and stock return are not statistically significant. The overall model is significant, and there is no evidence of serial correlation in the residuals as shown in the Durbin-Watson stat of 1.974499 which is not greater than 3. This connotes that there is no serial correlation and the Prob(F-stat) of 0.00000 suggests that overall, the model is significant at 5% level.

Decision Rule: Given the result above we Accept Ho if the p-value is greater than 0.05% otherwise reject Ho and accept H_1

Ho_1: Inflation Rate Has No Significant Effect on Dividend Stocks In Nigeria

From the regression analysis in Table 5, the coefficient for inflation rate (INF) is -0.014711, which is not statistically significant (p-value = 0.6314). The negative effect implies that a 1% increase in inflation rate (INF) will tend to decrease the level of dividend stock (DS) by 0.014711. By this, inflation rate (INF) has a negative and insignificant effect on dividend stock (DS) of the selected companies. We therefore accept the null hypotheses (Ho) that Inflation rate has is no significant effect on dividend stocks in Nigeria.

Ho_2: Stock Returns Has No Significant Effect on Dividend Stocks in Nigeria

The result of the regression analysis above indicates that the coefficient for stock return (SR) is 1.190573, a positive though not statistically significant result given the p-value of 0.2514. This positive effect implies that a 1% increase in stock return (SR) will tend to increase the level of dividend

stock (DS) by 1.190573 (119%). By this, stock return (SR) has a positive but insignificant effect on dividend stock (DS) of the selected companies. We therefore accept the null hypotheses that Stock Returns Has No Significant Effect on Dividend Stocks in Nigeria**.**

Diagnostics test

The cross-sectional diagnostics test was done to test the robustness of the model and to test if the result is fit for generalization.

Table 6: Cross-Section Dependency Test for Dividend Stock

Residual Cross-Section Dependence Test
Null hypothesis: No cross-section dependence (correlation) in weighted

Total panel observations: 95

Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	246.0548	171	0.1401
Pesaran scaled LM	4.058499		0.0720
Bias-corrected scaled LM	1.683499		0.0923
Pesaran CD	-0.622755		0.5334

Source: E-views Version 10

The cross-sectional diagnostics test was conducted to assess the robustness of the model and determine if the results are suitable for generalization. The null hypothesis for this test is that there is no cross-section dependence (correlation) in weighted data. The **Breusch-Pagan LM Test** statistic of 246.0548 with 171 degrees of freedom and a p-value of 0.1401 indicates that the since the p-value is greater than 0.05, we fail to reject the null hypothesis, indicating no significant cross-section dependence. **Pesaran Scaled LM Test, Bias-corrected Scaled LM Test** and **Pesaran CD Test all support** that there is no significant cross-section dependence in the data, meaning the residuals are cross-sectionally independent. This implies that the model is robust and the results are fit for generalization.

Discussion of Findings

This study aims to measure the dependence of dividend stocks on the inflation rate and stock returns in Nigeria. The results indicate that the inflation rate (INF) has a negative and insignificant effect on dividend stocks (DS) of the selected companies in Nigeria. This finding is partly in line with Sucuahi et al. (2016), who also found an insignificant relationship, although they noted that the inflation rate can positively affect stock price growth among diversified companies. The insignificant effect in the studies suggests that the inflation rate has a weak influence on dividend stocks, whether positive or negative. Stock prices are determined by a company's net earnings, just as dividends depend on the company's profits.

On the other hand, stock return (SR) has a positive but insignificant effect on dividend stocks (DS) of the selected companies. This indicates a weak association between the two variables. A stock market return represents a positive or negative change in the value of an investment or asset over time. A positive return means a profit has been made on the investment, while a negative return indicates a loss. Our analysis shows that stock returns have had a minimal impact on dividend stocks of Nigerian companies. Profits made on stock returns by investors should result in higher stock payouts by the stock and dividend companies. However, despite this phenomenon, there has not been any significant impact on dividend stocks for the period of study.

Summary of Findings

Overall, the study suggests that investors should focus on company-specific factors and broader market conditions rather than relying heavily on inflation rates and stock returns when evaluating dividend stocks in Nigeria. More specifically, main findings and their implications for investors are discussed. First the study indicates that the inflation rate has a negative and insignificant effect on dividend stocks of the selected companies in Nigeria. This suggests that inflation does not have a strong impact on dividend stocks, whether positive or negative. The **Weak Influence of Inflation on Dividend Stocks** suggests that Investors should consider other factors beyond inflation when evaluating dividend stocks.

The study also finds that stock returns have a positive but insignificant effect on dividend stocks. This implies a weak association between stock returns and dividend stocks. Investors should be aware that stock returns may not significantly influence dividend stocks and should look at other indicators when making investment decisions. The study highlights that stock prices are determined by a company's net earnings, and dividends depend on the company's profits. Investors should prioritize evaluating a company's financial health and profitability when considering dividend stocks.

Despite the expectation that profits made on stock returns should result in higher stock payouts, the study shows no significant impact on dividend stocks during the period of study. Investors should be cautious about relying solely on market phenomena and should diversify their investment strategies.

Conclusion and Recommendations

Investors that follow the recommendations hereafter investors can make more informed decisions and potentially achieve better returns on their investments in dividend stocks in Nigeria. Given the weak and insignificant impact of inflation on dividend stocks, investors should diversify their investment strategies. Relying solely on inflation trends may not yield significant benefits. Instead, investors should consider a broader range of economic indicators and company-specific factors when making investment decisions.

Since stock prices and dividends are primarily determined by a company's net earnings and profitability, investors should prioritize evaluating the financial health and performance of individual companies. This includes analyzing financial statements, earnings reports, and other relevant metrics to make informed investment choices.

Although stock returns have shown a positive but insignificant effect on dividend stocks, it is still important for investors to monitor overall market conditions. Understanding market trends and dynamics can help investors make better decisions and potentially identify opportunities for growth.

The study suggests that short-term market phenomena, such as inflation and stock returns, have limited impact on dividend stocks. Investors should consider adopting a long-term investment approach, focusing on the sustained growth and stability of their investments over time. Given the exposure of the Nigerian capital market to international monetary shocks, investors should stay informed about global financial trends and their potential impact on domestic markets. This includes keeping an eye on international economic developments, monetary policies, and geopolitical events that could influence investment outcomes.

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APPENDIX

Table 1: Selected Companies in Nigeria

S/N	Companies	S/N	Companies
1	Intbrew	12	Zenithbank
2	Ardove	13	Okomuoil
3	Transcorp	14	Fcmb
4	Accesscorp	15	Fidelity Bank
5	Mtn Nigeria	16	Buacement
6	Stanbic	17	Flourmill
7	Guinness	18	Buafoods
8	Nestle	19	Nascon
9	Gtco	20	Uba
10	Wapco	21	Dangote Cement
11	Unilever Nigeria		

Source: Nigeria Exchange Group.

Unit Root Test

Panel unit root test: Summary
Series: DS
Date: 10/04/23 Time: 23:17
Sample: 2018 2022
Exogenous variables: Individual effects
Automatic selection of maximum lags
Automatic lag length selection based on SIC: 0
Newey-West automatic bandwidth selection and Bartlett kernel
Balanced observations for each test

Method	Statistic	Prob.**	Cross-sections	Obs
Null: Unit root (assumes common unit root process)				
Levin, Lin & Chu t*	-1676.89	0.0000	19	76
Null: Unit root (assumes individual unit root process)				
Im, Pesaran and Shin W-stat	-247.011	0.0000	19	76
ADF - Fisher Chi-square	86.2722	0.0000	19	76
PP - Fisher Chi-square	93.9016	0.0000	19	76

Panel unit root test: Summary
Series: INF
Date: 10/04/23 Time: 23:19
Sample: 2018 2022
Exogenous variables: None
Automatic selection of maximum lags
Automatic lag length selection based on SIC: 0
Newey-West automatic bandwidth selection and Bartlett kernel
Balanced observations for each test

Method	Statistic	Prob.**	Cross-sections	Obs
Null: Unit root (assumes common unit root process)				
Levin, Lin & Chu t*	-12.1326	0.0000	21	84
Null: Unit root (assumes individual unit root process)				
ADF - Fisher Chi-square	144.780	0.0000	21	84
PP - Fisher Chi-square	144.780	0.0000	21	84

Panel unit root test: Summary
Series: SR
Date: 10/04/23 Time: 23:21
Sample: 2018 2022
Exogenous variables: Individual effects
Automatic selection of maximum lags
Automatic lag length selection based on SIC: 0
Newey-West automatic bandwidth selection and Bartlett kernel
Balanced observations for each test

Method	Statistic	Prob.**	Cross-sections	Obs
Null: Unit root (assumes common unit root process)				
Levin, Lin & Chu t*	-8.03704	0.0000	19	76
Null: Unit root (assumes individual unit root process)				
Im, Pesaran and Shin W-stat	-3.76304	0.0001	19	76
ADF - Fisher Chi-square	66.6778	0.0027	19	76
PP - Fisher Chi-square	82.5611	0.0000	19	76

Series: DS (Dividend Stock)

1. *Levin, Lin & Chu t Test**: The test statistic is -1676.89 with a p-value of 0.0000. This indicates that the null hypothesis of a unit root is rejected, meaning the series is stationary.
2. **Im, Pesaran and Shin W-stat Test**: The test statistic is -247.011 with a p-value of 0.0000. This also suggests that the series is stationary.
3. **ADF - Fisher Chi-square Test**: The test statistic is 86.2722 with a p-value of 0.0000, indicating stationarity.
4. **PP - Fisher Chi-square Test**: The test statistic is 93.9016 with a p-value of 0.0000, confirming that the series is stationary.

Series: INF (Inflation)

1. *Levin, Lin & Chu t Test**: The test statistic is -12.1326 with a p-value of 0.0000. This indicates that the null hypothesis of a unit root is rejected, meaning the series is stationary.
2. **ADF - Fisher Chi-square Test**: The test statistic is 144.780 with a p-value of 0.0000, suggesting stationarity.
3. **PP - Fisher Chi-square Test**: The test statistic is 144.780 with a p-value of 0.0000, confirming that the series is stationary.

Series: SR (Stock Returns)

1. *Levin, Lin & Chu t Test**: The test statistic is -8.03704 with a p-value of 0.0000. This indicates that the null hypothesis of a unit root is rejected, meaning the series is stationary.
2. **Im, Pesaran and Shin W-stat Test**: The test statistic is -3.76304 with a p-value of 0.0001, suggesting stationarity.
3. **ADF - Fisher Chi-square Test**: The test statistic is 66.6778 with a p-value of 0.0027, indicating stationarity.
4. **PP - Fisher Chi-square Test**: The test statistic is 82.5611 with a p-value of 0.0000, confirming that the series is stationary.