Impact of Dividend Policy on Stock Price Volatility: Evidence from Pakistan Textile & Sugar Sector

Nargis Batool Subhan
Department of management studies, GIFT University, Pakistan
Nargusbatool23@gmail.com

ABSTRACT

The purpose of this study is to analyze the link between dividend policy and stock price volatility in non-financial firms listed on the Pakistan stock exchange. This study used a quantitative approach. The sample was drawn from two industries: textile and sugar. Data is collected from 30 firms that are retrieved from organizational balance sheet analysis for the 2010-2019 fiscal years. This study used a random effect model to test the relationship between dividend policy and stock price volatility of non-financial firms listed on the Pakistan stock exchange. Based on the Dividend Policy Theories, this study shows the various results between variables. The dividend payout ratio negatively influences stock price volatility while other variables show a positive and significant relationship between dividend policy and stock price volatility. Empirical results signify that dividend policy is a strong interpreter of stock price volatility of non-financial firms of the Pakistan stock exchange. These findings are important for managers, future research, and investors. Investors should focus on dividend strategy when making investment decisions whereas managers should follow the same practice when formulating appropriate dividend policies for their firms. This is the first study that elaborates on the influence a of firm's dividend policy on the organizational stock value of sugar and textile companies in Pakistan.

Keywords: Dividend strategy, share price fluctuations, dividend yield, dividend payout ratio, emerging markets.

INTRODUCTION

Dividend policy is a major topic discussed between economists and financial researchers. According to the literature, a company's dividend policy has a direct impact on the value of the company and the wealth of its shareholders. Dividend distribution provides investors with a positive signal about the company's future returns. In reality, dividend payment decisions are unique and linked to other administrative decisions. Given the importance of this corporate policy, the link between dividend decisions and stock prices has been of interest to researchers over the last 50 years, especially in the context of developing markets. In a prominent study of listed companies in the United States, (Basee, T.,2019) proposed the basic theory of associating

dividend policy with equity volatility. He suggests that dividends tend to deduct the company's stock from the fair price, taking advantage of the realization effect of arbitrage. Baskin further emphasizes that dividends are not only a flow of information to the market, but also a sign of market confidence in the company's performance. (Hussainey, K., Mgbame, C. O., & Chijoke-Mgbame, A. M. ,2011)

Based on these two arguments, dividend policy can have a significant impact on a company's stock price volatility. In the context of emerging markets, stock markets behave differently than their corresponding markets in developed countries. Emerging market capital markets are considered smaller, less efficient, riskier and more volatile than developed economies (Papastamou, 2016). Fast globalization has made the economy closer in the last two decades, but it is explained that emerging economies are not fully integrated into the global capital markets (Bekaert and Harvey, 2017). Nevertheless, given the significant contribution to wealth creation and the potential for liquidity to drive economic growth, the importance of the stock market to actual economic growth should not be undermined (Rousseau and Wachtel, 2000). The reason for studying the corporation's dividend policy has always been a source of concern for the researcher.

Many authors have concentrated on this topic prior to this inquiry, but mostly in developed countries, so there is a large body of literature on the influence of dividend policy (whether yield or payout ratio) on firm stock price volatility. Dividend disbursement decisions are not exclusively based on monetary consequences and operating cash circulation. Managers' dividend payment actions may be influenced by fund hedging in periods of economic distress, greater profit volatility, constricted cash outflows, or high capital investment requirements. As a result, the dividend dilemma has been the subject of ongoing research. A study of developing economies, on the other hand, might shed as much information on the issue, and introduce to the large organization of knowledge on dividend strategy (Glen, Karmokolias, Miller, & Shah, 1995). Surplus is an unfinished puzzle game. Because, according to various researchers, the dividend has a diametrically opposed point of view. Dividend policy, leverage, and family ownership all have a material impact on value creation. The company's dividend policy refers to the instructions given to the company's managers that determine how much surplus is paid to shareholders and the payment frequency, such as yearly, semi-annually, or three-monthly. As a consequence, dividend strategy plays a significant role in the organization's long-term strategy (Hussainey et al., 2011). Furthermore, the dividend policy of any organization shows the firm's health in the economy, and a financially secure dividend policy sends the message of earning on investment and captures the shareholder's intention to make an investment in the company.

However, it is debatable in the case of retention, where long-term profits collide with short-term profits (bhat, 2008). Managers decide through dividend policy whether to pay the dividend to the company's investors or to reserve the cardinal problems to solve the financial issues and to be retained for future profitable investments. Dividends are typically paid in cash by companies. However, cash distributions can only be paid while the company has cash on, hand. Otherwise Firms can announce dividends in the form of scrip, bond, stock, or property at times. Variations in tax systems (Ho, 2003 regulatory legislation (Polleit, 2006), and several others, however, might produce a change in dividend policy and, as a result, influence stock return volatility. Dividend strategy analysis is Contradistinctive from sector to sector as Pakistan has different dividend policies for textile and sugar sectors describe that when and how much dividend will be given to the shareholder of the organization on a specific period of time. But the question arises that if the company changes the dividend strategy, it will have an effect on the stock value? If the dividend policy significantly affects the stock price, then when and how much should a company pay a dividend to the shareholders of the organization firms offer a more and somewhere low ratio of dividends even if they have the same dividend policy regulations.

But some researchers say it's a puzzle because even after the investigation, researchers have not been able to determine whether dividend policy (weather payout and yield) has an impact on firm's stock exchange price volatility. Even before these many studies have been done on dividend policy, but they have been researched in developed countries. That is why researchers have not been able to see the impact of dividend policy in emerging countries and still failed to reach the destination to achieve the successful answer. Consequence of the research which concisely highpoints the investors who can change to assistances from the present studies e.g. Executives, Stockholders, Creditors, recognized owners, Government and other Consistency Powers that be like Security and Exchange Commission of Pakistan in inventing strategies accurately. The foremost purpose of this study is to clarify the affiliation between dividend strategy and stock unpredictability. In this exploration we will look at the preceding theories to find out whether the policy has a positive, a negative effect or whether the policy change does not affect the stock volatility. In this search we have include all the variables that are control variables leverage, profitability, earning volatility, firm size because to look at the influence of our research policy on stock volatility then we will count all the remaining variables. It is hoped that this research policy, which includes both dividends (yield and payout), will examine the impact on stock price instability and also this research may be useful to Pakistan from both a legal and political standpoint.

According to Shingade and Rastogi (2019), very few measures have been taken by policymakers in Asia to avoid shareholder activism in terms of increasing and defining legislation to prevent the mistreatment of small

investors. This study can also assist the state and legislative bodies in implementing broad-based policy reforms (e.g., financial liberalization) in order to boost Pakistan's economic development by inculcating efficiency in financial firms, developing an economy financial, exchange, and credit risk management well as improving transparency and oversight of these financial institutions. Moreover, financial development may result in a rise in dividend payments because, as financial restrictions are relaxed, companies may begin moving from the liabilities marketplace to the stock markets to fulfill their fundamental requirements.

Since Miller and Modigliani published this theory in 1961—hereinafter referred to as MM—different theoretical perspectives on the subject have been used in numerous investigations on it. According to the MM theorem, in a perfect world. A company's stock dividend should not be affected by changes in the capital market. Another idea mentioned is the Bird in Hand theory, which was produced by Gordon (1963) and Lintner (1962) and contradicts the MM theorem because of their research findings (1961). According to Gordon (1963) and Lintner (1962), dividends do affect a company's stock price. advising investors to favor dividends over capital gains in order to offset market flaws including information symmetry and low a degree of certainty Although all of these theories have been widely applied to corporate finance and have gained a variety of supporters over time, there is still disagreement among investors about whether dividends affect stock price. For instance, 2 Baskin (1989) discovered that the dividend yield was undervalued and that dividends in and of themselves might affect stock market risk. Researcher deepen this investigation into the conflicting theories of how dividends impact a company's stock valuation by examining whether there is a negative link between stock price volatility and dividend policy on the Pakistan stock market for the years 2010 to 2019.

LITERATURE REVIEW

DIVIDEND POLICY THEORIES

Dividend policy, according to Kandpal and Kavidayal (2014), is a business technique that is used by a company to determine the volume and timing of dividend payments. It is an important part of company finance that has a direct effect on the firm's price as well as the equity of its shareholders. There are two types of dividend policies: residual and absolute. The phrase "residual dividend strategy" refers to dividends paid on earnings after building profitable investments using the net present assessment method. The guided dividend strategy assists administrators in determining dividend disbursements based on a specific amount of incomes and investment (Ozuomba et al., 2016) Furthermore, according to Anvarkhatibi, Safashur, and Jamal (2012), a dividend policy that is appropriate to the company's stakeholders should be developed (Khan, 2019).

According to Miller and Modigliani (1961) there is really no acquisition expense but that there is either no tax or equivalent tax proportions on both capital gains and dividends. A perfect stock market is often believed to exist, in which the market value cannot be affected by a solitary purchaser or seller. Statistics about the industry is freely accessible to everyone. There is no agency issue because the stocks are fairly priced and administrators function as that of the highest award for stockholders. According to another theory, Jensen and Meckling (1976) highlighted the question of management staff (agent) becoming the owner (principle). Since executive compensation is often linked to firm size, leadership can overspend on incentive pay or overinvest to expand their firms beyond the optimal size (HusamAldin, 2007). Creating debt can lower the agency's cost of liquidity by decreasing potential income stream for managers' discretionary spending. Failure to meet borrowings will serve as a motivator for companies to become more effective (Jensen, 1986).and Michael Spence's (1973) "signaling theory" of dividends views payments as an indication of a company's prosperity to investors. But only high-quality companies can do so.

Allen et al. (2000) found that after significant dividends were announced, the number of communications augmented through the ex-dividend time for both individual and institutional investors. Ince and Owners (2012) found that if the dividend tax more percentage was developed than the capital gains percentage, dividend payout could partly offset the value-enhancing impact of leverage. If both proportions are the equivalent, dividends are paid. Gill, Biger, and Tibrewalai investigated the impact of profitability, growth, taxation, cash flow, risk, and leverage on dividend payout rate in American service and industrial enterprises. They discovered that dividend strategy is impacted by growth, profitability, and leverage in provider organizations Dividend policy in industrial companies is determined by taxation, profitability, and risk. Khan, Burton, and Power investigated the perspectives of different stakeholders in Pakistan on dividend policy. The study involves an unstructured interview with 23 officials from Pakistani organizations. In many ways, the results indicate that dividend distribution policies in Pakistan are comparable to those in affluent countries such as the United States (Hossin & Ahmed, 2020).

STOCK PRICE VOLATILITY

Stock price volatility is used to define the risk of common stock. Volatility is the deviation or deviation of revenue from the average asset (Kotze, 2005). The unpredictability of common stock is a risk indicator that regulates the percentage of variation in the cost of securities over a specified time period. Instability relates to the price fluctuations of a safe. As a result, if a stock is classified as unpredictable, its price will fluctuate significantly over period, making it additional problematic to predict what its actual value

would be. Less risk is desired by individuals. In several other terms, the lower a stock's volatility, the more valuable it is. The connection between organizational dividend strategy and stock price volatility was already investigated by several researchers at various times (Allen and Rachim, 1996; Baskin, 1989). There are also a host of dividend explanations that aim to illuminate the impact of business dividend strategies on share values (Hieu Nguyen et al., 2020).

DIVIDEND POLICY AND SHARE PRICE VOLATILITY

Numerous studies have been conducted to better understand the impact and relationship between dividend strategies and stock price volatility. Dividend strategies have a positive and significant impact on stock price volatility, according to a study by Habib et al (2012). Dividend strategies have two variables: dividend rate and dividend yield. Similarly, Imran (2011) found that dividend strategies affect stock price uncertainty for a variety of reasons, including their importance to a company's capital structure and its ability to inform investors of stability and development. (Khan, 2019).

According to Bong-Soo (1996) and Kanas (2003), dividends and stock values are highly correlated. Hodrick (1992) discovered that increases in dividend yields could be used to estimate adjustments in planned portfolio returns through Monte Carlo simulation. According to Acker (1999), volatility is anticipated to increase on occasions that a dividend cut is declared. (Camilleri et al., 2019). Robertson and Wright (2006) illustrated that, in the situation of US financial markets, dividend yields have a strong prediction performance and can be used to estimate performance. ApGwilymet al. (2005) looked at eleven foreign markets to investigate the association between dividends and associated actual earnings growth. Greater payout ratios, the authors discovered, contribute to higher real profit growth rather than larger growth dividend yield. Conroy et al. (2000) investigated the trading implications of dividend and earnings declarations in Japan and discovered that earnings surprises and earnings projections expressed by managers had a significant impact on stock price reactions (Camilleri et al., 2019).

Furthermore, their results revealed a strong positive association between control variables. Earnings volatility, earnings per share volatility, return on assets and stock price volatility are a few examples. The remaining factors, however, market value and l leverage, have a negative association with stock price fluctuations. (Hieu Nguyen et al., 2020). Baskin (1989) performed one of the beginning studies on the US industry, and indication of a negative association between dividend yield and stock price instability was discovered by analyzing the influence of dividend strategy on price volatility of 2344 US companies from 1967 to 1986.Baskin discovered an inverse link. His research revealed that dividend strategy had an effect on stock price

unpredictability, proving that the MM Theory was not valid at the time. Furthermore, multiple researchers have found those dividend yield and dividend payouts are substantially connected to stock price volatility, with a negative sign of association. This study presents the following hypotheses in the context of the Pakistan stock market.

Hypothesis 1: There is a negative relationship between dividend payout and share price volatility.

Hypothesis 2: There is a positive relationship between dividend yield and share price volatility.

CONTROL VARIABLES AND SPV

Leverage paints an image of an enterprise's capital organization. It is possible to detect the possibility of an uncollectible loan. Prayoga and Almilia (2013; Prayoga and Almilia, 2013). According to the capital structure, according to Syahrial (2010), is a balancing act between the two. Capital loans, which are perpetual short-term debt, are used. Long-term debt Tzeng say that (2011), noting that a corporation with a high degree of debt is a risky business has a greater impact on the valuation of a company than the amount of leverage higher depending on the company's funding standard in his study in South Africa, Kuban (2008) discovered business that increased leverage has a negative impact on firm worth (Munawar, 2019).

In their research, Leroy and Porter (1981) and Shiller (1981) found that stock markets were too vulnerable to profits and dividends Allen and Rachim (1996) exposed a statistically important optimistic association between share price volatility and profit fluctuations. Sadiq et al. (2013), on the other hand, examined share price fluctuations of non-financial companies registered on the Karachi Stock Exchange from 2001 to 2011. According to the findings of the report, there is no association between share price fluctuations and earnings volatility of corporations in Pakistan. According to Zainudin et al. (2018), earnings fluctuation explains a significant portion of the stock price uncertainty of manufacturing product enterprises during the downturn time frame (Hieu Nguyen et al., 2020). In the framework of Pakistan stock market, this paper presents the hypothesis as follows:

Hypothesis 3: There is a positive relationship between leverage and share price instability.

Hypothesis 4: There is a positive affiliation between the earnings instability of the organization and the share value unpredictability.

Hypothesis 5: There is an optimistic affiliation between firm size and share price volatility.

Hypothesis 6: There is a positive association between profitability and share price volatility.

CONCEPTUAL FRAMEWORK

The effect of dividend strategy includes both (dividend payout and dividend yield) on firm's stock price value. The dependent variable in this study is stock price volatility and Independent variables are dividend procedure include both (dividend payout and divide d yield) while the control variables are firm dimension, profitability, earning instability. In this study objectives to be achieved is to determine the effect of dividend policy and leverage, firm size, profitability, earning. For this purpose, data is taken from the listed companies of PSX (Pakistan stock exchange) from the period of 2010 to 2019.

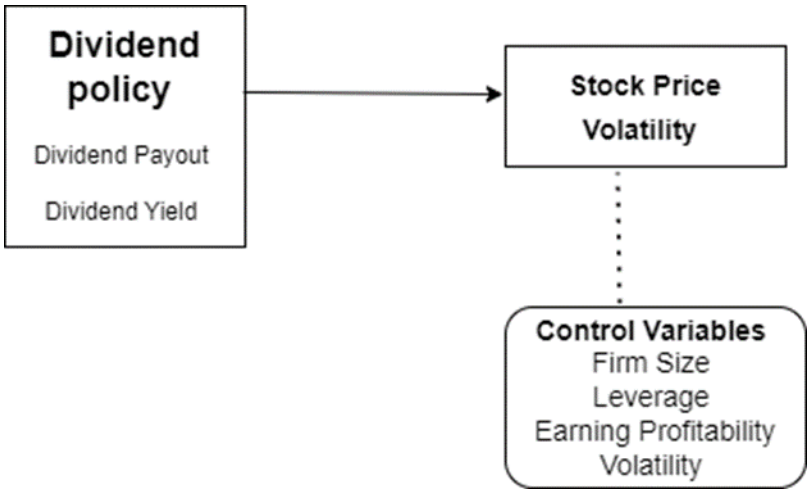

Figure 1: Conceptual Framework

METHODOLOGY

Data and Sample Selection

The current study's population involves of non-financial enterprises that are registered on the Pakistan Stock Exchange. According to the State Bank of Pakistan financial statement review report 2010 to 2019, there are 30 non-financial enterprises registered on the Pakistan Stock Exchange. The lack of inclusion of financial institutions such as banks, insurance companies, and leasing companies is due to their differing accounting principles (Khan, Kaleem and Nazir, 2012). Based on the above requirements, this analysis uses annual panel data from an illustration of 30 enterprises that were registered on the Pakistan stock exchange from 2010 to 2019. Textile is one of the two industries included in the survey. Annexure-I contains the

information on selected companies. The Textile industry accounts for the majority of the businesses because it is investment concentrated and generates cash. Second, it is in the recurring sectors, consequently, they must keep the extra cash in place to cycle out the inflationary downturns. This research is more interesting for researching the conflict of interest between major investors (family) and sectional stockholders since it keeps extra cash in reserves. The official site of the Pakistan Stock Exchange, income statements from business websites, and balance sheets and audit reports from the State Bank of Pakistan are among the information sources.

VARIABLES EXPLANATION AND MEASUREMENT

Table 1 Varibale Measurement

Variables Name	Measurements of variables	Sources
Stock price value	Dividend P.S/ Price P.S	Al-Ammar, 1996 Hashemijoo, Ardekani, &Younesi, 2012
Dividend payout	Dividend P.S/ E.P.S	Frankfurter & Lane, 1992
Dividend yield	Dividend per share divided by earnings per share	Sulong &Nor, 2010)
Leverage	LEV= Total debts / Total assets Profitability	Allen and Rachim (1996)
Firm size	SIZE = Log of "Total Assets	Rashid and Rahman 2008
Profitability	EBIT/Total assets	Almazari , 2011
Earning volatility	EVOL= SDEV(EBIT/Total Assets)	Alzomania and AlKhadhiri, 2013

Estimation Models

This study adopts the theoretical framework of Baskin (1989), which is consistent with more recent empirical studies in emerging countries. Baskin (1989) shows that dividend policy is an effective indicator of SPV, even when many financial and industrial factors are managed. The regression equation model is:

$$SPV = \beta 0 + \beta 1\ DPR + \beta 2 DER + \beta 3\ LEV + \beta 4\ SIZE + \beta 5\ ROA + \beta 6\ EVOL + € \ldots\ldots (1)$$

To achieve the goals of this study, the average of all variables from 2010 to 2019 is calculated first. According to equation (1), the SPV is regressed on the independent and dependent variables. The next step is to add a control variable to equation (1). Repeat regression analysis to examine the effect of

control variables on the strength of the correlation between SPV and dividend policy. Test the impact of dividend policy on stock price fluctuations on the Pakistan Stock Exchange.

EMPIRICAL RESULTS

Descriptive Statistics

The outcomes then analysis section provides descriptive statistics, matrix correlation, and deterioration of stock price volatility. In less than one situation, the regression for the stock price is premeditated. The criteria are what influences dividend payout, dividend yield, leverage, firm size, profitability, and earning instability create on the stock price instability of the organizations which are listed on PSE (Pakistan Stock Exchange). The below mention tables demonstrate the results of the dependent variable i.e. SPV (Stock price volatility) which is measured through independent variables and controlled variables. The independent variable is DYR (dividend yield ratio), and DPR (dividend Pay-out ratio). The control variables are LEV (leverage), ROA (Profitably), FZ (firm size), and EV (earning volatility). And explore the relationship between them.

Table 2 Descriptive Statistics and Correlation S

Variables	PVOL	DPR	DYR	LEV	SIZE	ROA	E-VOL
Mean	0.03	0.19	1.49	1.40	19.87	0.02	0.03
Std. Dev.	0.01	0.25	0.15	0.65	3.08	0.03	0.03
PVOL	1						
DPR	-0.13	1					
DYR	0.27	-0.09	1				
LEV	-0.20	0.0469	-0.11	1			
SIZE	0.081	0.0342	0.21	-0.11	1		
ROA	-0.03	0.0501	-0.05	0.21	-0.02	1	
EVOL	0.13	0.0342	0.13	-0.17	0.14	-0.06	1

Table 2 summarizes the descriptive statistics for all variables. The volatility ranges from the minimum to the maximum stock price ranges from 0.068 to 0.000, with an average of 0.034 and a standard deviation of 0.0142. The second variable below consists of dividend payments and a minimum of 0.20 to a maximum of 2.222. However, the average payment rate is 0.193 and the standard deviation is 0.252. The dividend yield is the third variable that predicts stock price fluctuations. The data performed in this study show that the minimum value for this variable is 1.125 and the maximum value is 1.996. Table 1 also shows that the average dividend yield is 1.491 and the standard deviation is 0.158. The mean of the variables is 19.877 (the highest of all calculated variables) and the standard deviation is 3.084. Leverage is the fifth typical variable that affects stock price volatility. Leverage values

range from a minimum of 1.914 to a maximum of 2.56, with an average of 1.4045 and a calculated standard deviation of 0.653. The next control variable is the return on assets. The table shows that the profitability values range from 0.0826 to 0.209, with a mean of 0.024 and a standard deviation of 0.03618.

Similarly, Table 2 shows that the significant adverse association between stock price volatility and dividend payments is -0.138 (a significant 1-tail test at 0.01), which is between the dividend yield ratio and stock price volatility. It is theorized that the significant relationship is 0.273 (1 tail test). 0.00) is significant, which means that companies that pay more dividends have a larger stock price difference. In other words, companies with high dividend rates may be at high risk in terms of stock price volatility. To further explain, Table 2 shows the results of correlations between explanatory variables that affect SPV (stock price instability). Table 2 shows that the resulting values of stock price volatility have a negatively significant correlation with leverage (0.204) and a non-significant positive correlation between stock price volatility and company size (0.080). is showing. There is also an unimportant and undesired link between the stock price volatility valuation and the profitability valuation (0.030). There is still a significant positive relationship between price volatility and revenue volatility (0.125). The second variable in the regression equation is the payment of dividends. Dividend payments have a slight positive correlation with leverage (0.046), company size (0.034), profitability (0.050), and revenue volatility (0.034), and dividend payments are dividend yields (0.094). Dividends are not important. The dividend yield is the third variable and has a significant negative correlation with leverage (0.116). Dividend yields have a positive correlation with both corporate size (0.216) and revenue volatility (0.130), which is important.

Table 3 Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Period random	1.01	6	0.98

We apply the Hausman test to decide between a fixed effect model and a random effect model (the null assumption of a random effect model) (Anton et al., 2016). The findings in the table show that the output has a value of chi-square (1.009) with a probability of (0.98) which is more than 0.05. Therefore, Ho is accepted because the P value is insignificant and the Random effect panel models give a superior match to the data.

Table 4 Random effect model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Dividend payout	-0.0063**	0.0031	-2.0068	0.045
Dividend yield	0.0211**	0.0052	4.0557	0.0001
Leverage	-0.0035	0.00124	-2.83100	0.0050
Profitability	0.004697*	0.021727	0.216185	0.8290
Firm size	6.51E-05*	0.0002	0.2453	0.806
Earning volatility	0.030*	0.025	1.2013	0.2306
C	0.007052*	0.008815	0.800070	0.4243

The model of random effect model (robust) represents that dividend disbursement has an adverse but important association with stock price volatility and also shows that an increase of one unit in a firm's dividend payout and the leverage will decrease the share price volatility with (-0.0063, --0.00352) consecutively and vice versa. This signifies that an intensification of one unit in the firm's dividend yield ratio will enhance the organization's price volatility (0.0211) consecutively, and vice versa. It proposes that we accept the null hypothesis that the firm's dividend payout, dividend yield, and leverage have a noteworthy effect on organization stock price volatility. However, the firm size, profitability, and earning volatility have a positive and insignificant correlation with the enterprise's stock price volatility. This indicates that an increase of one unit in firm size, profitability, and earning volatility Increases the stock price volatility (6.51, 0.0046, 0.030) consecutively. It implies that we accept the null hypothesis that the firm and size profitability and, earning volatility has a positive effect on stock price volatility.

Table 5 Summary of Hypothesis

Sr. No.	Hypothesis	Status
H1	There is a negative association between dividend pay-out percentage and share price volatility.	Accepted
H2	There is a present positive connection between dividend yield and share price instability.	Accepted
H3	There be situated a positive affiliation between leverage and share price volatility.	Rejected
H4	There is a positive link between firm size and share price volatility.	Accepted
H5	There is a positive association between firms and stock price volatility.	Accepted
H6	There is a positive relationship between firm earning volatility and share price volatility.	Accepted

CONCLUSION

This paper examines the impact of dividend policies on the SPVs of industrial product companies listed on the Pakistan Stock Exchange. The survey includes 30 manufactured goods companies for 10 years (2010-2019). The relationship between SPVs and other variables such as revenue volatility, company size, liabilities, and asset growth was also investigated.

The investigation was accepted successfully to evaluate the influence of dividend policy on the stock price unpredictability of Pakistani businesses registered on the PSX. Nevertheless, there are several obvious factors that made it difficult to broaden the range of this investigation. Due to the restricted accessibility of data from Pakistani firms, the researcher encountered time constraints. As a result, this research can be enhanced in the future by including more enterprises or years. In addition to the combination of firms and years, the analysis may be improved by including some additional independent factors or control variables, such as the size of the business or other influential alternatives. In the future, the analyst can do a comparative examination with Pakistan of additional nations that are allowed to grow or emerge to evaluate variations in dividend strategy developments. This demonstrates that there is still space for development in this study in the future. Along with this, it may be developed industry-specific to provide a better image for company officials in terms of reducing volatility and achieving a higher return. The policymakers will then be able to make an informed decision on whether the dividend policy should be conservative or progressive. To summarize, Pakistani firms may select a development plan based on their needs in order to fuel the profit-generating mechanism, which will ultimately enhance dividends and bring stability to the enterprise decreasing systemic risk and unpredictability. This article's study is limited to a few factors such as Stock Price Unpredictability (SPV), Dividend Payout (DPR), Dividend yield (DYR), Leverage (LEV) Earnings volatility (EV), Profitability (ROA), and Firm size (FZ). As a result, the study may be carried out by including more factors in the research. Additional time periods might be explored for future studies.

As a consequence, policy suggestions are produced based on the model's research results mixed with the present state of dividend distribution of enterprises listed on the Pakistan stock exchange. On the shareholder side, it is also worthwhile to use statistics about the enterprise's dividends to assess the corporations decides to invest in enterprises with dependable, concise, in addition, reliable dividend policies, and priorities financing in businesses with strong growth potential but limited share price market in order to achieve investment goals. Companies must aim to ensure a safe dividend level and a small three-monthly dividend strategy paired with a year-end payment incentive should be explored and employed for companies registered on the share exchange.

Furthermore, a comparative examination of several South Asian nations is required to determine its influence on diverse economies. There may also be other reasons impacting dividend policy decisions. Nonetheless, some of the elements are difficult to quantify and incorporate into this framework. Among the major aspects that may impact dividend policy decisions are the company's future growth prospects and involvement in projects with a positive net present value. Data on all of these transactions may be kept confidential until a firm commitment for investment has been reached, though preparation work may have begun well before the announcement. When defining a firm's dividend policy, elements such as signaling impact, customer effect, tax preference, and others are all taken into account. However, assessing the magnitude of the aforementioned impacts quantitatively is challenging, making it impossible to include them in the regression model.

Moreover, these findings may imply that companies can utilize dividend policy as a tactic to lessen stock price volatility. Additionally, stock market authorities must take into account the crucial function of the stability of the market and institutional ownership. The scope of this study is restricted to non-financial businesses in Pakistan, but it is possible to extend it to include businesses that deal with money. This study has many limitations; future studies may be conducted in another country that has more generalizability. We can't implement the results of Pakistan's sectors in other countries because Pakistan is still a developing country. Due to time constraints, this study used only 30 companies. further may use more companies to generate more accurate results.

REFERENCES

Hussainey, K., Mgbame, C. O., & Chijoke-Mgbame, A. M. (2011). Dividend policy and share price volatility: UK evidence. The Journal of risk finance.

Miller, M. H., & Modigliani, F. (1961). Dividend policy, growth, and the valuation of shares. the Journal of Business, 34(4), 411-433.

Foerster, S. R., & Sapp, S. G. (2006). The changing role of dividends: a firm-level study from the nineteenth to the twenty-first century. Canadian Journal of Economics/Revue canadienne d'économique, 39(4), 1316-1344.

Hussainey, K., Mgbame, C. O., & Chijoke-Mgbame, A. M. (2011). Dividend policy and share price volatility: UK evidence. The Journal of risk finance.

Miller, M. H., & Modigliani, F. (1961). Dividend policy, growth, and the valuation of shares. the Journal of Business, 34(4), 411-433.

Robertson, D., & Wright, S. (2006). Dividends, total cash flow to shareholders, and predictive return regressions. Review of Economics and Statistics, 88(1), 91-99.

Tanushev, C. (2016). Theoretical models of dividend policy. Economic Alternatives, 3(1), 299-316.

ap Gwilym, O., Seaton, J., Suddason, K., & Thomas, S. (2006). International evidence on the payout ratio, earnings, dividends, and returns. Financial Analysts Journal, 62(1), 36-53.

Ashraf, B. N., & Zheng, C. (2015). Shareholder protection, creditor rights and bank dividend policies. China Finance Review International.

Baskin, J. (1989). Dividend policy and the volatility of common stocks. Journal of portfolio Management, 15(3), 19.

Hashemijoo, M., Mahdavi Ardekani, A., & Younesi, N. (2012). The impact of dividend policy on share price volatility in the Malaysian stock market. Journal of business studies quarterly, 4(1).

Ilaboya, O. J., & Aggreh, M. (2013). Dividend policy and share price volatility. Journal of Asian Development.

Marseguerra, G., & Marseguerra, G. (1998). Dividend policy and stock price volatility. Corporate Financial Decisions and Market Value: Studies on Dividend Policy, Price Volatility, and Ownership Structure, 41-65.

Camilleri, S. J., Grima, L., & Grima, S. (2019). The effect of dividend policy on share price volatility: an analysis of Mediterranean banks' stocks. Managerial Finance, 45(2), 348-364.

Robertson, D., & Wright, S. (2006). Dividends, total cash flow to shareholders, and predictive return regressions. Review of Economics and Statistics, 88(1), 91-99.

Hodrick, R. J. (1992). Dividend yields and expected stock returns: Alternative procedures for inference and measurement. The Review of Financial Studies, 5(3), 357-386.

Allen, D. E., & Rachim, V. S. (1996). Dividend policy and stock price volatility: Australian evidence. Applied financial economics, 6(2), 175-188.

Nirmala, P. S., Sanju, P. S., & Ramachandran, M. (2014). Long-run causal nexus between share price and dividend. Journal of Asia Business Studies.

Nishat, M., & Irfan, C. M. (2004, June). Dividend policy and stock price volatility in Pakistan. In Pide-19th annual general meeting and conference (pp. 13-15).

Hamada, R. S. (1969). Portfolio analysis, market equilibrium and corporation finance. The Journal of Finance, 24(1), 13-31.

Irfan, C. M., Nishat, M., & Sharif, H. (2002). Key Fundamental Factors and Long-run Price Changes in an Emerging Market—A Case Study of Karachi Stock Exchange (KSE)[with Comments]. The Pakistan Development Review, 517-533.

Kaźmierska-Jóźwiak, B. (2015). Determinants of dividend policy: evidence from polish listed companies. Procedia economics and finance, 23, 473-477.