

Assessing the Impact of Dividend Payout Ratio on Share Price Volatility

Dhanush Raja M^{1*} | Dr. Kabirdoss Devi²

¹II MBA, Department of Management Studies, School of Management Studies, Vels Institute of Science Technology and Advanced Studies (VISTAS) Pallavaram, Chennai.

²Associate Professor Department of Management Studies, Vels Institute of Science Technology and Advanced Studies (VISTAS) Pallavaram.

*Corresponding Author: kabirdossdevi.sms@vistas.ac.in

Citation: Raja, D. & Devi, K. (2026). Assessing the Impact of Dividend Payout Ratio on Share Price Volatility. International Journal of Education, Modern Management, Applied Science & Social Science, 08(02(I)), 21–26. [https://doi.org/10.62823/IJEMMASSS/8.2\(I\).8837](https://doi.org/10.62823/IJEMMASSS/8.2(I).8837)

ABSTRACT

Dividend policy is one of the most important financial decisions taken by companies because it directly affects shareholders, investor confidence, and market perception. This study focuses on analysing the relationship between Dividend Payout Ratio and Share Price Volatility among selected companies listed in the Indian stock market. The research attempts to understand whether dividend payments influence fluctuations in stock prices and investor behaviour. The study is based on secondary data collected from annual reports, NSE, Moneycontrol, Screener.in, and other financial sources for the financial year 2025. A total of 30 companies from different sectors were selected for analysis. Statistical tools such as Descriptive Statistics, Correlation Analysis, and Regression Analysis were used to evaluate the relationship between the variables. Share price volatility was measured using Mean, Variance, Standard Deviation, and Coefficient of Variation. The findings of the study reveal that the relationship between dividend payout ratio and share price volatility is weak and positive. The correlation coefficient value indicates that dividend payout ratio alone does not strongly influence fluctuations in stock prices. Regression analysis also shows only a slight positive impact of dividend payout ratio on share price volatility. The study concludes that stock price movements are influenced not only by dividend policy but also by market conditions, investor sentiment, economic environment, industrial performance, and company-specific factors.

Keywords: Dividend Payout Ratio, Share Price Volatility, Correlation Analysis, Regression Analysis, Stock Market, Coefficient of Variation.

Introduction

In today's competitive financial environment, dividend policy plays an important role in influencing investment decisions and shareholder satisfaction. Investors generally prefer companies that provide stable and regular dividends because it creates confidence regarding the company's profitability and future performance. Dividend payout ratio represents the proportion of earnings distributed to shareholders as dividends. A high dividend payout ratio is often viewed as a sign of financial stability, whereas a low payout ratio may indicate that the company is retaining profits for future growth and expansion.

At the same time, share price volatility is an important indicator of market risk and uncertainty. It refers to the fluctuations in stock prices over a period of time. High volatility reflects greater uncertainty in

the market, while low volatility indicates comparatively stable stock prices. Investors and analysts closely monitor volatility because it affects investment returns and risk assessment.

The relationship between dividend payout ratio and share price volatility has attracted significant attention among researchers and financial analysts. Some investors believe that companies paying regular dividends experience lower volatility because investors perceive them as financially strong and reliable. On the other hand, certain growth-oriented companies with lower dividend payouts may experience higher volatility due to uncertainty regarding future returns.

This study attempts to examine whether dividend payout ratio significantly influences share price volatility among selected Indian companies. The analysis helps investors, management, and researchers understand the practical relationship between dividend policy and stock market behaviour.

Problem Statement

In recent years, many companies have experienced fluctuations in stock prices despite maintaining consistent dividend policies. Investors often assume that companies with higher dividend payouts provide lower risk and more stable returns. However, stock price volatility is influenced by several other factors such as market trends, economic conditions, profitability, inflation, industry performance, and investor sentiment.

Therefore, the study aims to analyse whether dividend payout ratio has a significant impact on share price volatility among selected companies listed in the Indian stock market.

Objectives of the Study

- To analyse the dividend payout ratio of selected companies.
- To measure the share price volatility of selected companies.
- To examine the relationship between dividend payout ratio and share price volatility.
- To analyse the impact of dividend payout ratio on share price volatility using regression analysis.

Literature Review

Finance Fawaz Khalid Al-Shawawreh (2014) examined the relationship between dividend policy and share price volatility in the Jordanian stock market. The study analyzed 53 listed companies during 2001–2013 using regression analysis. The findings revealed a significant negative relationship between dividend payout ratio and share price volatility, indicating that firms with higher dividend payouts experienced lower stock price fluctuations.

Khaled Hussainey, Oscar Chijoke and Marian Chijoke-Mgbame (2011) investigated dividend policy and share price volatility in the UK market. Using regression techniques, the study found that dividend payout ratio negatively affected share price volatility, suggesting that stable dividend payments reduce uncertainty among investors and stabilize market prices.

Lydia Pelcher (2019) studied the influence of dividend policy on share price volatility among firms listed on the Johannesburg Stock Exchange. The research concluded that dividend policy significantly influences stock price movements, and consistent dividend payments help improve investor confidence and reduce volatility.

Sufi Rachmani and Bambang Hadi Santoso (2018) analyzed the effect of dividend yield and dividend payout ratio on stock price volatility among retail companies listed on the Indonesian Stock Exchange. The study reported that dividend payout ratio significantly influenced stock price volatility, highlighting the importance of dividend decisions in determining market price behavior.

Research Methodology

The present study is based on quantitative research methodology using secondary data. The required data were collected from annual reports, NSE, Moneycontrol, Screener.in, and other financial sources for the financial year 2025. The study includes 30 selected companies belonging to different sectors of the Indian economy.

Dividend Payout Ratio is considered as the independent variable, while Share Price Volatility is treated as the dependent variable. Statistical tools such as Mean, Variance, Standard Deviation, and Coefficient of Variation were used to measure stock price volatility.

Correlation Analysis was used to determine the strength and direction of the relationship between dividend payout ratio and share price volatility. Regression Analysis was applied to measure the impact of dividend payout ratio on stock price volatility. Microsoft Excel was used for data analysis and interpretation.

Data Collection Method

The study is based on secondary data collected from annual reports, NSE, BSE, Moneycontrol, Screener, and other financial websites. Data relating to dividend payout ratio and share price volatility of selected companies were collected for analysis.

Data Analysis Tools Used

- **Correlation Analysis**

Used to measure the relationship between dividend payout ratio and share price volatility.

- **Regression Analysis**

Used to analyze the impact of dividend payout ratio on share price volatility.

Data Analysis and Interpretation

Correlation Analysis Between Dividend Payout Ratio and Share Price Volatility

Particulars	Values
Number of Companies (n)	30
ΣX	11.7289
ΣY	227.15
ΣX^2	6.8707
ΣY^2	2298.8642
ΣXY	90.1167

Substitute Values in the Formula

$$r = \frac{30(90.1167) - (11.7289)(227.15)}{\sqrt{[30(6.8707) - (11.7289)^2][30(2298.8642) - (227.15)^2]}}$$

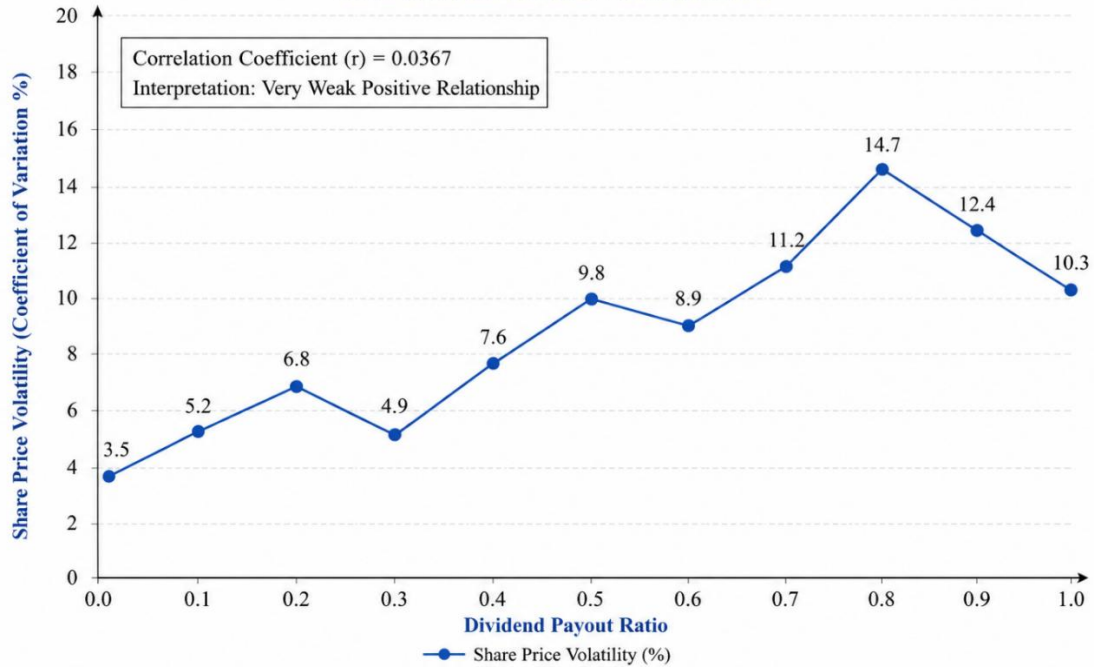
$$r = \frac{40.083}{1091.16}$$

$$r = 0.036$$

Result

Correlation Coefficient (r)	Interpretation
0.0367	Very Weak Positive Relationship

CORRELATION ANALYSIS BETWEEN DIVIDEND PAYOUT RATIO AND SHARE PRICE VOLATILITY



Interpretation

The correlation coefficient value of 0.0367 indicates a very weak positive relationship between dividend payout ratio and share price volatility among the selected companies. This means that changes in dividend payout ratio have only a limited effect on stock price fluctuations. Therefore, dividend payout ratio alone is not a major determinant of share price volatility.

Regression Analysis

Regression analysis is used to measure the impact of Dividend Payout Ratio on Share Price Volatility.

Regression Analysis between Dividend Payout Ratio and Share Price Volatility

Particulars	Values
Intercept (a)	7.34
Regression Coefficient (b)	0.58
Regression Equation	Y = 7.34 + 0.58X

Formula for Slope (b)

$$b = \frac{n \sum XY - (\sum X)(\sum Y)}{n \sum X^2 - (\sum X)^2}$$

Substitute Value

$$b = \frac{30(90.1167) - (11.7289)(227.15)}{30(6.8707) - (11.7289)^2}$$

$$b = \frac{40.083}{68.555}$$

$$b = 0.58$$

Formula for Intercept (a)

$$a = \frac{\sum Y - b \sum X}{n}$$

Substitute Values

$$a = \frac{227.15 - (0.58)(11.7289)}{30}$$

$$a = \frac{220.3473}{30}$$

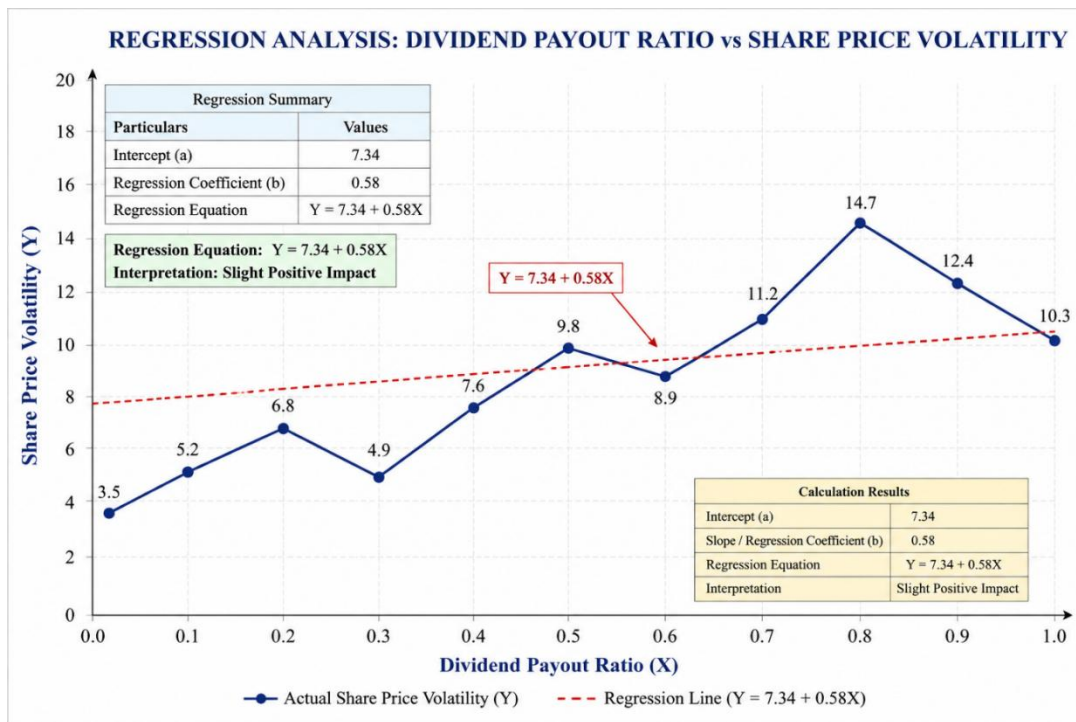
$$a = 7.34$$

Final Regression Equation

$$Y = 7.34 + 0.58X$$

Result

Regression Equation	Interpretation
$Y = 7.34 + 0.58X$	Slight Positive Impact



Interpretation

The regression analysis indicates that dividend payout ratio has a slight positive impact on share price volatility. The regression coefficient value of 0.58 suggests that a one-unit increase in dividend payout ratio may slightly increase stock price volatility. However, the relationship between the variables is weak, indicating that other factors such as market conditions, profitability, investor behaviour, and economic environment also influence stock price fluctuations.

Findings of the Study

- Companies with stable dividend payouts tend to show comparatively stable stock price behaviour.
- The relationship between dividend payout ratio and share price volatility is very weak and positive.

- Dividend payout ratio alone does not strongly influence stock price volatility.
- Market conditions, investor sentiment, and company performance significantly affect share price fluctuations.
- Regression analysis reveals only a slight positive impact of dividend payout ratio on stock price volatility.

Suggestions

- Companies should maintain a balanced dividend policy to improve investor confidence and shareholder satisfaction.
- Investors should analyse other financial indicators along with dividend payout ratio while making investment decisions.
- Companies should focus on profitability, growth opportunities, and financial stability to reduce stock price volatility.
- Transparent communication regarding dividend policy may improve investor trust and market perception.

Conclusion

The study concludes that dividend payout ratio has only a limited impact on share price volatility among the selected companies. Although companies paying regular dividends may experience relatively stable stock prices, the overall relationship between dividend payout ratio and stock price volatility is weak.

The findings indicate that stock price volatility is influenced by several other factors such as market conditions, economic environment, industrial growth, profitability, investor behaviour, and overall market sentiment. Therefore, dividend policy alone cannot significantly determine stock price stability.

Reference

1. **Al-Shawawreh, F. F. K. (2014).** The Impact of Dividend Policy on Share Price Volatility: Empirical Evidence from Jordanian Stock Market. *European Journal of Business and Management*, 6(38), 133–143.
2. **Artikanaya, I. K. R., & Gayatri. (2020).** The Effect of Asset Growth, Leverage, and Dividend Payout Ratio on Stock Price Volatility. *E-Jurnal Akuntansi*, 30(5), 1273–1286.
3. **Bhatta, S., & Duwal, B. R. (2021).** Dividend Policy and Stock Price Volatility: A Systematic Review. *International Research Journal of Management Science*, 6(1), 23–35.
4. **Hussainey, K., Chijoke-Mgbame, A. M., & Chijoke-Mgbame, C. O. (2011).** Dividend Policy and Share Price Volatility: UK Evidence. *Journal of Risk Finance*, 12(1), 57–68.
5. **Jannati, A. S., & Hasibuan, H. T. (2025).** The Effect of Earnings Per Share, Dividend Payout Ratio, Inflation, and Interest Rates on Stock Price Volatility. *International Journal of Economics and Finance Studies*, 17(2), 45–58.
6. **Pelcher, L. (2019).** The Impact of Dividend Policy on Share Price Volatility in the Johannesburg Stock Exchange. *Journal of Economic and Financial Sciences*, 12(1), 1–11.
7. **Rachmani, S., & Santoso, B. H. (2018).** The Effect of Dividend Yield and Dividend Payout Ratio on Stock Price Volatility. *Jurnal Ilmu dan Riset Manajemen*, 7(9), 1–16.
8. **Zulkifli. (2024).** The Moderating Role of Debt-to-Equity Ratio on the Relationship between Dividend Payout Ratio and Stock Price Volatility. *International Journal of Business, Law, and Education*, 5(1), 112–120.

