Correlation Analysis of Dividend Policies and Stock Prices of Philippine Financial Firms

Nessy Jovanah G. Bagnol
University of St. La Salle

Daniel E. Bedayo
University of St. La Salle

Felicity G. Juson
University of St. La Salle

Keshia Kaye R. Montes
University of St. La Salle

John Kemuel A. Semillano
University of St. La Salle

Erika S. Nicolas
University of St. La Salle

This study examines the correlation between dividend policies and stock prices of selected financial sector companies in the Philippines. The primary beneficiaries are current and potential stock investors in the Philippine stock market, providing insights for better investment decisions. A descriptive correlational research design was employed, relying solely on secondary data from reliable sources such as PSE Edge, Bloomberg, First Metro Securities, and COL Financial, rather than survey questionnaires or other instruments. Using purposive sampling, the study analyzed publicly listed financial sector companies in the Philippines. To ensure accuracy, credibility, and consistency, pre-existing data from various authors and organizations were used. Statistical tools were applied to examine relationships between dividend yield, dividend coverage ratio, and retention ratio with stock prices, revealing no significant correlation. Additionally, variations in company profile characteristics did not significantly impact dividend policies. However, findings indicate a statistically significant relationship between dividend payout ratio and stock price, as well as differences in payout ratio when grouped by earnings level. All data were handled responsibly throughout the research process.

Keywords: dividend policies, stock price, Philippine stock market, Philippine financial firms, investment decision, publicly-listed Philippine companies

INTRODUCTION

Background of Study

Every investor, whether a financial manager or an ordinary person, primarily aims to maximize wealth. That is why public interest in Stock Investments has been growing, including here in the Philippines. There is no doubt with the attention it gets as historical data showed that investing in stocks over the long term provides superior returns. Added to this is that stocks offer potentially higher yields compared with fixed-income instruments such as time deposits and bonds, according to an article released by the Philippine Stock Exchange, entitled "Investing in PSE" (2020).

With that, the Philippine stock market has been extensively studied by individuals and even organizations as the stock market is indeed complex, construed as an ecosystem organized by an invisible hand (McAsey, 2022). Recent studies have focused on the stock's security, volatility, and the information the market holds from the investors.

However, the correlation of dividend policies and stock prices in the Philippine stock market has still become a concern in the stock market that needs to be addressed.

When stock prices in the market rise or fall sharply, it alters how confident people feel about their finances and how much they might have to spend. It can also affect how companies allocate their funds and identify the amount of capital they can raise to expand operations (Nguyen, 2021). Many different forces can affect stock prices, like investor sentiment, company news and performance, economic factors such as inflation and GDP growth, and financing activities of the company of which dividend policies with its different ratios are to consider (Vipond, 2023). Dividend policies and ratios are extremely important for a company in its quest to maximize the wealth of its shareholders. Dividend policy ratios reflect how a company distributes profits to its shareholders and can have various effects on the company itself. In recent, dividend policy has attracted the attention of financial analysts. It has also been a subject of intense theoretical and empirical research. However, the link between dividend policy and stock prices remains one of the controversial aspects of dividend policy (Lik hacheva, 2021).

Most people, especially those planning to start investing in stocks, think and are even confident that the dividend policy ratios have a significant effect on stock price. Yet, other people argue that though dividend policies are part of stock investment, they are a minor part of broader factors that affect stock prices like market and economic indicators. While others are basing on the dividend policy ratios to predict and assess stock price, some suggest to look for external influences.

The researchers acknowledge that there is a need for further research to prove whether there is a correlation between dividend policy ratios and stock price. This study addresses this gap, providing valuable insights and contributing to the existing body of knowledge. Specifically, the study aims to test whether the dividend policy ratios have a significant relationship with stock price and if there is a significant difference with the companies' dividend policy ratios when group according to its profile characteristic. With that, the profile characteristics of selected companies in the financial sector in terms of earnings, market capitalization, number of years existing, and stock price will be examined. The dividend policy ratios of the selected companies such as dividend yield, dividend payout ratio, dividend coverage ratio, and retention ratio will also be analyzed.

Statement of the Problem

The study examines the correlation between dividend policies and stock prices in the Philippine stock market. Specifically, the study seeks to answer the following:

1. What is the profile characteristics of PSE-listed companies in terms of:
    a. earnings;
    b. market capitalization;
    c. number of years existing;
    d. Annual closing price of stocks.
2. What is the dividend policy ratios of the companies in terms of:
    a. dividend yield;

    b. dividend payout ratio;
    c. dividend coverage ratio;
    d. retention ratio.
3. Is there a significant difference in the companies' dividend policy ratios when grouped according to:
    a. earnings;
    b. market capitalization;
    c. number of years existing;
    d. Annual closing price of stocks.
4. Is there a significant relationship between dividend policy ratios and stock price?

Hypothesis

1. There is no significant relationship between the dividend policy ratios and the stock prices in the Philippine stock market.
2. There is no significant difference between the dividend policy ratios of the companies despite the differences in profile characteristics.

Theoretical Framework

This study examines the correlation of dividend policies and stock prices in the Philippine stock market. The dividend policy ratios focused on are dividend yield, dividend payout ratio, dividend coverage ratio, and retention ratio. Four theories that support the idea that there is a correlation between these dividend policy ratios and stock prices are yield-signaling theory, signaling effect theory, theory of financial health perception, and theory of growth prospects all of which are used as reference and are explained below.

The Yield-Signaling Theory suggests that a high dividend yield can signal undervaluation in the market, attracting increased demand for the stock and consequently driving up its price until the dividend yield reaches equilibrium. This theory encapsulates the idea that dividend yield serves as a valuable signal to investors about the relative value of a stock, reflecting the balance between its dividend payments and its market price. The Yield-Signaling Theory incorporates market efficiency, investor behavior, and fundamental analysis, comprehensively explaining how dividend yield influences stock prices.

The signaling effect theory is often considered a fundamental driver of how dividend payout ratios influence stock prices. The signaling effect theory suggests that companies with a consistent or increasing dividend payout ratio signal their financial health and confidence in future earnings to investors. This signal attracts investors who prioritize stability and income, leading to increased demand for the stock and potentially higher prices. This is supported by evidences in finance literature, capturing informational aspects of dividend payouts.

The theory of Financial Health Perception suggests that a high Dividend Coverage Ratio signals to investors that a company is financially stable and capable of comfortably covering its dividend payments with its earnings. Investors favor financially healthy companies, viewing them as less risky and more likely to sustain or even increase dividends over time. This theory aligns with the fundamental principle of investor confidence and risk assessment, which are crucial drivers of stock prices. When investors perceive a company as financially healthy, they are more inclined to invest in its stock, leading to increased demand and potentially higher stock prices. To add, the Financial Health Perception theory captures the essence of why investors pay attention to the Dividend Coverage Ratio as it provides valuable insights into a company's ability to generate earnings and sustain dividend payments, which are key considerations for income-seeking investors. Thus, the theory of Financial Health Perception explains how the Dividend Coverage Ratio affects stock prices.

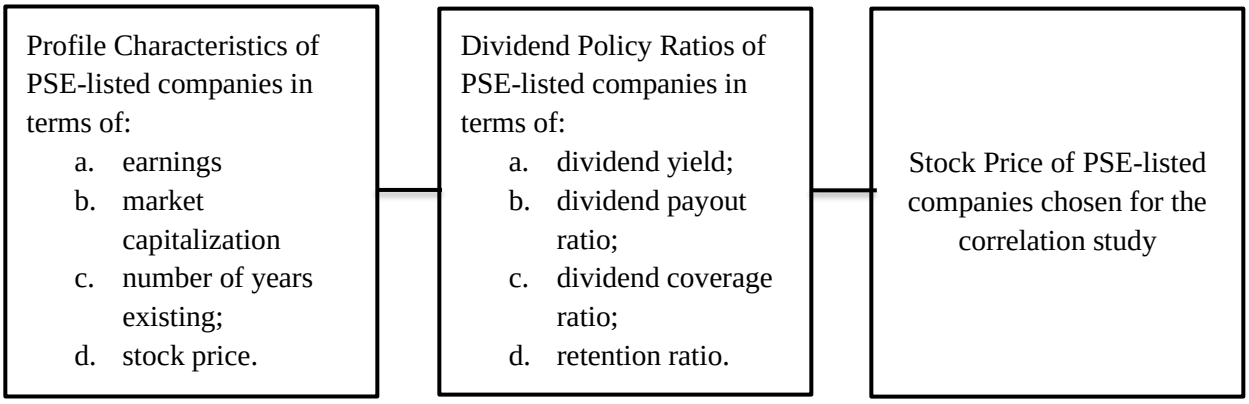
The theory of Growth Prospects suggests that a high Retention Ratio means that the company is reinvesting a significant portion of its earnings back into the business for growth. This reinvestment can fund expansion initiatives, research and development efforts, or other strategic investments to enhance the company's future prospects. Investors typically view companies with strong growth prospects favorably, as they anticipate future increases in earnings and potential capital appreciation. Therefore, a high Retention

Ratio is often associated with positive investor sentiment and can lead to increased demand for the stock, potentially driving up its price. This theory encapsulates why investors pay attention to the Retention Ratio as it provides insights into the company's strategy for utilizing retained earnings to fuel growth and create value for shareholders. Additionally, this theory aligns with investors' preferences for companies with promising growth potential.

Conceptual Framework

The framework of this research is initiated by the conceptual framework shown in the study's schematic diagram. The analysis starts by considering the variables needed to be analyzed to answer the study's objective. Data about these variables will be collected to have the important information. Then the information collected will be analyzed through data analysis using statistical tools and systematic review. Having done the analysis, the researchers are confident to have a research study that can explain the correlation of Dividend Policies and Stock Prices in the Philippine Stock Market.

FIGURE 1
SCHEMATIC DIAGRAM SHOWING THE CONCEPTUAL FRAMEWORK OF THE STUDY



Scope and Limitations of the Study

This study primarily focused on the correlation of dividend policies and stock prices of selected companies in the financial sector. The study is confined to the Philippine stock market alone and used 18 out of 30 companies listed under the financial sector that met the study's criteria as subjects. The research design for this study is descriptive correlational research design utilizing secondary data. The study used data from reliable sites such as PSE Edge, Bloomberg, First Metro Securities, and COL Financial. Data examined in this study are within 5 years from 2019 to 2023, processed in a statistical software, Jamovi, for statistical analysis. Moreover, the term dividend policy used in the study indicates the dividend policy ratios correlated to stock price.

Significance of the Study

This study on the correlation of dividend policies and stock prices of selected companies in the financial sector aims to be of help to the following:

- **Stock Investors**. The present and potential stock investors in the Philippine stock market are the primary beneficiaries of the study to know the correlation of dividend policies and stock prices. Hence, this study will serve as a basis for the stock investors to make better decisions with their investments given the added knowledge from this study.
- **Academe**. The information presented may be used as a source of reference material for those who will undertake the same topic in their studies.
- **Students**. The study may contribute to the students, specifically those who are eager to learn about stocks either for a study or for personal preference and choice.

- **Future Researchers**. The information of this research will help future researchers to conduct the same field of study. This study would enable them to be aware of the correlation between dividend policies and stock prices.

Definition of Terms

The definition of terms contains salient terms used in this research. Each term is defined through both its conceptual meaning and operational meaning.

Dividend Policies

Conceptually, a dividend policy outlines how a company will distribute its dividends to its shareholders (Jasperson, 2023). Operationally, dividend policies indicate the dividend policy ratios that are correlated to the stock price.

Stock Price

Conceptually, it is the amount it would cost to buy one share in a company. Stock price indicates its current value to buyers and sellers (Pinsent, 2021). Operationally, the stock price is correlated to the dividend policies of the companies.

Dividend Policy Ratios

Conceptually and operationally, these are financial metrics used to evaluate company's dividend distribution practices (Khartit, 2023).

Dividend Yield

Conceptually, it is a ratio that shows you how much income you earn in dividend payouts per year for every dollar invested in a stock, a mutual fund or an exchange-traded fund (Tretina, 2024). Operationally, this is used to examine its effect and correlation to the stock price of the company examined in this correlation study.

Dividend Payout Ratio

Conceptually, this ratio pertains to the total amount of dividends that a company pays to shareholders relative to its net income (James, 2024). Operationally, this examined for its effect and correlation to the company's stock price.

Dividend Coverage Ratio

Conceptually, this measures the number of times a company can pay shareholders its announced dividend using its net income (Kenton, 2021). Operationally, this is examined for its correlation to the company's stock price.

Retention Ratio

Conceptually, this ratio indicates the proportion of earnings kept back in the business as retained earnings (Schmidt, 2022). Operationally, this is used to examine its effect and correlation to the stock price of the company in this study.

Stock Market

Conceptually, it is where shares of companies and other financial instruments are bought and sold. A set of exchanges and other venues where shares of publicly held companies are bought and sold (Gratton, 2024). Operationally, this is the market where the stock prices and dividend policies will be examined for correlation.

Market Capitalization

Conceptually, it is the total value of a company's outstanding shares of stock, providing an estimate of the size and value of a company in the stock market (Santiago, 2023). Operationally, this is a quantifiable measure of a company's characteristic and value based on its stock price and shares in circulation.

REVIEW OF RELATED LITERATURE

The literature review narrates the concepts behind the study and the related works/findings relevant to the topic, which then aids in developing a conceptual framework and background. This literature review focuses on six relevant topics, Economic events affecting stock prices, Stock price and its fluctuations, Dividend policy ratios; Dividend yield, Dividend payout ratio, Dividend coverage ratio, and Retention ratio.

Economic Events Affecting Stock Price

Financial markets are one of the most fascinating inventions of our time. They have had a significant impact on many areas like business, education, jobs, technology and thus on the economy (Shah et al. 2019). Stock markets have experienced numerous economic events, and in an era of globalization where international trade increases significantly, individual countries are more affected by international economic events (Parab et al. 2020). Ramelli (2020) found strong causal evidence for the role of international trade and global value chains in corporate value: initially, as China was effectively shut down, investors shunned U.S. stocks with China exposure and internationally oriented companies; as the virus situation in China improved relative to Europe and the U.S., investors viewed those companies more favorably.

In addition, Ozili's (2023) study compiled a collection of literature discussing the factors that contribute to recessions, including the Asian debt crisis of 1997 caused by the collapse of the Thai baht in July 1997, which created panic that caused a region-wide financial crisis and economic recession in Asia. The 2008 global financial crisis, which translated to a recession, was caused by loose monetary policy, which created a bubble, followed by subprime mortgages, weak regulatory structures, and high leverage in the banking sector. Lastly, the 2010 recession in Greece was caused by the after-effects of the global financial crisis, structural weaknesses in the Greek economy, and a lack of monetary policy flexibility as a member of the Eurozone. Ozili (2024) also found that stock prices plunged on the invasion date during the Russia-Ukraine war.

Furthermore, a company event may also be considered an economic event and can affect stock prices. A study by Manne (2019) found that when a merger takes place, the acquiring firm's shares are expected to decline in price, while the shares of the acquired company are expected to climb in price when the merger is announced. Studies have also examined the behavior of stock prices around corporate events and found that companies coping with positive events do not experience any significant change in their market (Capelle-Blancard et al. 2019).

Moreover, there is abundant evidence that associates the announcements of dividend changes with abnormal share price performance. Dividend policy is one of the most important corporate financial decisions and comprises information that could influence the stock return through different channels, resulting in possible excess returns. The dividend information could affect the stock returns through the cash- flow channel, ultimately affecting the company's future profitability. Dividends could also provide information regarding future company investments. Suppose a company decides to distribute higher dividends. In that case, it means that investments could be done at a higher cost using external resources, or it means that the company does not have investment opportunities. Thus, the stock price could decline after the dividend announcement (Yaseen et al. 2019).

Stocks and Stock Price Fluctuations

A stock, also known as equity, is a security that represents the ownership of a fraction of the issuing corporation. This entitles the owner to a proportion of the corporation's assets and profits equal to how much stock the owners own (Kazel, 2023). Stocks are bought and sold predominantly on stock exchanges and are the foundation of many individual investors' portfolios. A stock represents a share in the ownership

of a company, including a claim on the company's earnings and assets. As such, stockholders are partial owners of the company. When the value of the business rises or falls, so does the value of the stock, resulting in the stock price fluctuation (Desjardins, 2019).

Stock prices are determined in the marketplace, where seller supply meets buyer demand. Stock prices change daily by market forces. Stock prices change even more than the weather (Egan, 2024). A price is attached to each share of stock in a publicly traded company, for each price paid, an investor owns a piece of that company. In large part, supply and demand dictate the per-share price of a stock. If demand for a number of shares outpaces the supply, then the stock price normally rises. And if the supply is greater than demand, the stock price typically falls (Harper, 2019).

By this we mean that share prices change because of supply and demand. If more people want to buy a stock (demand) than sell it (supply), the price increases.

Conversely, if more people wanted to sell a stock than buy it, there would be greater supply than demand, and the price would fall. This proves that supply and demand is a key factor in determining stock price and is a major factor in price fluctuations. "The price of a stock is determined by how many people want the stock and how much of it there is," explained William Haight, "If more people want to buy a stock, then the price will go up. But if more people want to sell, the price will decrease.

Supply and demand are not the only driver of fluctuations in stock prices. In fact, several factors can work together to prompt up-and-down price swings. A number of things going on at a company can lead to an increase or decrease in its stock price.

For instance, if a company reports solid financial results for the third quarter, investors may gain confidence in the company and decide to scoop up more shares. According to Haight, this heightened demand can spark a rise in the stock price. Conversely, if a company delivers bad news about its third-quarter financial performance, investors may lose confidence and unload some or all their company shares.

Stock prices change moment by moment in response to any kind of development, including official company news, speculation, or economic data released by the government. Previously, it took a while for new information to be reflected in share prices. However, now with electronic stock trading, transactions can be made quickly with a few clicks of a button. "When investors learn new information about a company, it can make them want to buy or sell its stocks," Haight said. "If more people buy the stock, then the price goes up. If more people sell the stock, then the price goes down."

"Information about a company can change how people feel about owning the company's stock," he added. "If the company has reported bad earnings, people may want to sell their shares. But if the company is doing something new that is exciting, would-be sellers might change course and want to buy more of its shares." It is hard to figure out the stock price fluctuation. Investors and analysts watch price changes in a company's stock closely, which is the visible barometer of the company's financial health.

Dividend Policy

Dividend policy refers to the guidelines and decisions a company's management follows in determining how much of its earnings to distribute to shareholders in the form of dividends (Damodaran, 2022). This policy outlines whether dividends will be paid, how often they will be paid, and the amount to be paid out. It's a crucial aspect of corporate finance and reflects the company's attitude towards distributing profits to its shareholders versus retaining earnings for reinvestment in the business.

Factors influencing dividend policy include the company's profitability, cash flow position, growth opportunities, shareholder expectations, tax considerations, and general economic conditions (Allen et al., 2020). There are various types of dividend policies, such as stable dividend policies, where dividends are paid regularly and predictably, and residual dividend policies, where dividends are paid from what's left after funding all profitable investment opportunities (Brigham & Ehrhardt, 2021).

Dividend policy exerts a substantial influence on stock market dynamics and stock prices. According to financial research, when companies announce dividends, their stock prices often have an immediate positive impact, signaling financial health and stability to investors (Smith, 2018). Conversely, dividend cuts or omissions can lead to stock price declines, reflecting investor concerns about the company's future prospects (Jones, Smith, & Johnson, 2020). Moreover, stable dividend policies contribute to investor

confidence and market stability, as they provide a reliable income stream and signal management's confidence in the company's performance (Brown & Walter, 2019). Additionally, companies' dividend-paying stocks may become more attractive during periods of low-interest rates, driving up demand and prices (Lee & Lee, 2021).

Dividend Yield

Dividend yield is a financial ratio representing the annual dividends a company pays relative to its stock price. It is expressed as a percentage and calculated by dividing the annual dividend per share by the current stock price. This ratio helps investors gauge the return on investment from dividends alone, excluding capital gains for a company, dividend yield indicates financial health and stability. A consistent or growing dividend yield suggests the company generates sufficient profit and has a stable cash flow, enabling regular profit distribution to shareholders. Companies with stable or increasing dividend yields are often considered reliable and financially sound (Sure Dividend, 2024; NerdWallet, 2024).

Dividend yield can significantly influence a company's attractiveness to investors. A high dividend yield might attract income-focused investors looking for steady income streams. Conversely, a high yield can signal financial distress or a declining stock price. Companies with low or no dividend yields might reinvest profits into growth opportunities, potentially leading to higher capital gains in the long term (NerdWallet, 2024; Stock Analysis, 2024). Research by Suresh and Pooja (2022) shows a positive relationship between dividend payout policy and firm performance, suggesting that a robust dividend policy can enhance financial performance.

The importance of dividend yield varies depending on an investor's strategy. A high dividend yield provides a steady income stream for income investors, making it a crucial selection criterion. For growth investors, stable dividend yields can indicate a well-managed company. Additionally, dividend yields can buffer against market volatility, offering returns even during stock price fluctuations (Sure Dividend, 2024; MoneySense, 2024). According to Barros and Neto (2020), dividend policy remains vital to investment decisions and corporate finance, highlighting its ongoing relevance in financial literature.

Dividend yield and stock price are inversely related. An increase in stock price typically reduces the dividend yield, assuming a constant dividend payout, and vice versa. Investors often use dividend yield to assess stock valuation; a high yield may indicate an undervalued stock, while a low yield could suggest overvaluation. However, high yields resulting from declining stock prices can also signal potential issues within the company (NerdWallet, 2024; MoneySense, 2024). Nguyen et al. (2021) found that while dividend payments may negatively impact accounting-based performance, they improve market expectations of firms.

Dividend Payout Ratio

A company's dividend payout ratio is also influenced by its ownership structure. Businesses with concentrated ownership, where a small number of shareholders wield substantial authority, often give out smaller dividends. This is due to the fact that big shareholders can directly influence management and that they would rather reinvest profits than share them by Shleifer and Vishny (2022) on the contrary this point, companies with a distributed ownership structure tend to provide larger dividend payments as a way to cut agency expenses.

The significance factors influencing both kinds of businesses' assumptions about dividend payouts is that the inventory turnover ratio determines the effectiveness of a company's inventory management. Businesses with greater inventory turnover percentages frequently make cash faster, which could result in increased dividend payments. The effective inventory control reduces holding expenses and brings up funds for dividend payment by Gill (2020). The asset turnover ratio shows the accuracy with which a company uses its assets to create sales. Improved asset utilization, which is shown by a greater asset turnover rate, can result in higher profitability thus higher dividends. The companies with elevated asset turnover ratios tend to have a steadier cash flow, facilitating regular dividend disbursements by Khan (2021).

Among the fundamental liquidity indicators is the current ratio, which contrasts current assets and liabilities. High current ratio companies are thought to be better equipped to pay out dividends since they

can meet their short-term obligations (Myers and Bacon 2023) assert that liquidity guarantees that there is enough cash left over after operating expenses are covered, which benefits a company's capacity to pay dividends.

The signaling effect theory is often considered a fundamental driver of how dividend payout ratios influence stock prices. The signaling effect theory suggests that companies with a consistent or increasing dividend payout ratio signal their financial health and confidence in future earnings to investors. This signal attracts investors who prioritize stability and income, leading to increased demand for the stock and potentially higher prices. The percentage of profits a company distributes as dividends to its shareholders is the dividend payout ratio. This theory is widely accepted and supported by empirical evidence in finance literature. It captures the psychological and informational aspects of dividend payouts.

The signaling effect idea following agency theory is that a company's management, who act as its agents, and its shareholders, who act as its principals, have competing interests. Dividend policy may be impacted by this conflict being minimized by excellent company governance procedures by Jensen and Meckling (2020) assert that well-managed companies are more likely to pay larger dividends to limit manager's access to free cash flow, which they may otherwise use inefficiently.

It indicates that a company's dividend policies can be greatly impacted by its composition of its board. Higher percentages of independent directors on a board are usually associated with larger dividend payments according to La Porta (2022), independent directors are thought to be more proficient at overseeing management, which helps to align the interests of the shareholders and ensures that surplus revenues are paid out as dividends rather than being held back for possibly inefficient initiatives.

Dividend Coverage Ratio

The Dividend Coverage Ratio (DCR) is a critical financial metric that quantifies a company's capacity to pay dividends to its shareholders. It is calculated by dividing the company's net income by the dividends paid to shareholders. A DCR greater than 1 indicates that the company's earnings sufficiently cover its dividend payments.

Generally, a DCR above 2 is considered favorable, suggesting robust financial health and the ability to maintain dividend payouts. Conversely, a deteriorating DCR or a ratio consistently below 1.5 may raise shareholder concerns. Such trend can indicate declining profitability and potential difficulties in sustaining current dividend levels, signaling potential financial instability in the future (Corporate Finance Institute, 2023).

The dividend cover ratio shows that a company could pay dividends to its ordinary shareholders/ investors utilizing its net income over a predetermined financial period. For the most part, a higher dividend coverage ratio is more advantageous. In spite of the fact that dividend payments are typically optional, companies ordinarily look to keep up a reasonable level of dividend payout following the market anticipation. A higher or lower dividend cover might be fit relying upon the level of strength in earnings of the companies (Barclay, 2019). A healthy coverage ratio ensures that dividends are sustainable and not jeopardizing the company's financial position.

Abbas et al., (2023) examined the effect of corporate governance; specifically board size, board composition, and dividend-paying behavior on financial performance. The study utilized panel data from five major sectors in Pakistan (cement, textile, board & paper, power, and oil & gas) covering the period from 2019 to 2023.

Board size and composition were used as corporate governance measures, while the dividend coverage ratio was employed to assess dividend-paying behavior. Financial performance, the dependent variable, was measured using return on assets (ROA) and return on equity (ROE). The study revealed that the dividend coverage ratio significantly affects financial performance. This evidence suggests that paying dividends from profits makes a positive signal to investors, encouraging investment in the company.

Kemboi et al., (2023) investigated the relationship between dividend coverage ratio and the financial performance of companies listed on the Nairobi Securities Exchange (NSE). The study covered three years from 2018 to 2020. Data collected were analyzed using Stata to generate measures of central tendency, including the mean and standard deviations. Linear regression analysis determined the relationship between

dividend coverage ratio and financial performance. The findings revealed a positive and significant relationship between dividend coverage ratio and the financial performance of the listed firms at the NSE. The study concluded that dividend coverage ratio significantly impacts the financial performance of listed firms at the NSE.

Nwankwo et al., (2021) examined the impact of dividend policy on the value per share of consumer goods manufacturing firms in Nigeria. One of the independent variables, the dividend coverage ratio, was utilized to measure the influence of dividend policy on share value. The study employed an ex-post facto research approach, collecting data from the annual reports of three sampled companies: Nigerian Brewery Plc, Cadbury Nigeria Plc, and Guinness Nigeria Plc. Data analysis was conducted using the Statistical Package for the Social Sciences (SPSS) version 20.0. The researchers applied a simple regression model to estimate the effect of the independent variables on the dependent variable. The results indicated that the dividend coverage ratio significantly affects Nigeria's market price per share of consumer goods companies.

The theory of Financial Health Perception suggests that a high Dividend Coverage Ratio signals to investors that a company is financially stable and capable of comfortably covering its dividend payments with its earnings. Investors favor financially healthy companies, viewing them as less risky and more likely to sustain or even increase dividends over time. This theory aligns with the fundamental principle of investor confidence and risk assessment, which are crucial drivers of stock prices.

When investors perceive a company as financially healthy, they are more inclined to invest in its stock, leading to increased demand and potentially higher stock prices.

Additionally, the Financial Health Perception theory captures the essence of why investors pay attention to the Dividend Coverage Ratio as it provides valuable insights into a company's ability to generate earnings and sustain dividend payments, which are key considerations for income-seeking investors. Therefore, the theory offers a comprehensive explanation of how the Dividend Coverage Ratio can affect stock prices.

Retention Ratio

The retention ratio, or the plowback ratio, measures the proportion of net income retained in a company rather than distributed as dividends. Retained Earnings divided by Net Income calculates it. This ratio indicates how much profit is reinvested to fuel growth and future operations (Corporate Finance Institute, 2023).

In a company, the retention ratio reflects strategic decisions regarding profit allocation. A higher retention ratio suggests significant reinvestment into expansion projects, research and development, or debt reduction, which could drive future growth. Conversely, a lower retention ratio indicates a preference for distributing profits as dividends, possibly indicating a mature business with stable cash flows and fewer growth opportunities. The retention ratio impacts a company's financial health and strategic direction. High retention ratios are typically associated with growth-oriented firms prioritizing reinvestment to enhance their competitive position, leading to higher future earnings and increased shareholder value. However, excessively high retention ratios might signal potential risks if retained earnings are not effectively utilized, leading to inefficient capital allocation. Conversely, low retention ratios may attract income-focused investors but could limit the company's growth potential if not balanced appropriately

The retention ratio provides insights into a company's growth strategies and financial stability. It helps investors understand how well a company manages its earnings to fund future projects. For stakeholders, a balanced retention ratio indicates that the company is both rewarding shareholders and reinvesting in its long- term sustainability. Proper retention ratio analysis and other financial metrics can guide investment decisions and corporate policies.

The retention ratio significantly influences a company's stock price. Companies with a high retention ratio that successfully reinvest earnings to generate higher future profits often appreciate their stock prices due to investor anticipation of higher future earnings and growth. Conversely, if a high retention ratio does not translate into growth, it may lead to investor dissatisfaction and a potential drop in stock prices. For mature companies, a lower retention ratio with consistent dividend payouts can attract income-focused

investors, leading to stable or gradually increasing stock prices based on the reliability of income (See et al., 2020; Badali et al., 2022).

The theory of Growth Prospects suggests that a high Retention Ratio means that the company is reinvesting a significant portion of its earnings into the business for growth. This reinvestment can fund expansion initiatives, research and development efforts, or other strategic investments to enhance the company's future prospects. Investors typically view companies with strong growth prospects favorably, as they anticipate future increases in earnings and potential capital appreciation. Therefore, a high Retention Ratio is often associated with positive investor sentiment and can lead to increased demand for the stock, potentially driving up its price. This theory encapsulates why investors pay attention to the Retention Ratio as it provides insights into the company's strategy for utilizing retained earnings to fuel growth and create value for shareholders. Additionally, the theory of Growth Prospects aligns with the investors' preferences for companies with promising growth potential leading to positive outcomes.

Relationship of Dividend Policies and Stock Price

Dividend policies influence stock prices through various mechanisms, primarily related to investor perceptions and market reactions. One of the most important aspects is the signaling effect. Companies often use dividends to communicate their financial health to the market. When a firm increases its dividend payout, it signals strong future earnings, leading investors to view the company as stable. This positive sentiment drives up the stock price (Agarwal & Choudhury, 2020). Conversely, a dividend cut signals financial distress, prompting investors to sell shares, which can lead to a decline in the stock price (Mishra & Dey, 2021; Zhang & Wang, 2022).

Stock prices are influenced by a wide range of factors, with dividend policy being just one of many elements investors consider when evaluating a company's stock. Although dividends can signal financial health, other factors like market sentiment, economic conditions, and investor behavior also play significant roles in stock valuation. For instance, during periods of economic uncertainty or high-interest rates, investors may prioritize companies with strong growth potential over those paying consistent dividends, highlighting the importance of broader market conditions in driving stock prices (Vives, 2021; Kallberg et al., 2020).

Investor preferences also impact stock prices, as some favor steady dividend payments while others focus on capital gains or growth. These preferences are shaped by risk tolerance and investment goals, meaning that investors may react differently to dividend announcements based on their strategies (Dube et al., 2021). For instance, income-seeking investors tend to prioritize companies with reliable dividend payouts, while growth-oriented investors may place more value on reinvestment opportunities, which can lead them to react less strongly to changes in dividends (Shah & Ali, 2020).

Additionally, a company's financial health, including its earnings stability, cash flow, and debt levels, is crucial to stock price movements. Investors may view dividend cuts as a strategic decision if the company is reallocating resources for high-return investments, which could positively impact long-term stock performance (Singh & Pandey, 2023). Therefore, the relationship between dividends and stock prices is multifaceted, influenced by investor preferences and broader company fundamentals.

Furthermore, dividend policy can serve as a signal of management efficiency, as suggested by agency theory. However, this is just one aspect of stock valuation, as corporate governance practices like transparency and management's track record are also important (Gupta et al., 2023). Behavioral finance adds another layer of complexity, suggesting that investor psychology, driven by emotions and biases, can lead to stock price movements that do not always align with company fundamentals (Hong & Kumar, 2020). In sum, while dividend policy is important, it is just one factor that shapes stock prices, and a comprehensive analysis should be done.

Studying the relationship between dividend policies and stock prices is crucial. It helps investors make informed decisions by revealing how dividend changes signal a company's financial health, guiding investment strategies based on market reactions (Sharma & Gupta, 2020). Understanding this relationship informs corporate financial strategies for companies, balancing dividend payouts with growth opportunities (Kumar & Pandey, 2021). In times of economic uncertainty, insights into how dividend adjustments impact

stock valuation can assist in maintaining investor confidence (Panda & Sharma, 2022). Additionally, this research facilitates comparisons across global markets, informs regulatory policies, and adapts to changing preferences, ultimately enhancing performance and stability in financial markets (Hossain et al., 2023).

Synthesis

Financial markets are significantly affected by global and domestic economic events, with stock prices reacting to various factors. Economic crises, such as recessions and geopolitical tensions, can cause sharp declines in stock prices (Ramelli, 2020). Events like mergers or dividend announcements, also influence stock prices as acquiring firms see a drop in their stock prices, while the firms being acquired often experience an increase (Manne, 2019). Changes in dividend policy can also serve as indicators of a company's financial health, impacting stock prices (Yaseen, 2019).

Stock prices vary due to the dynamics of supply and demand, where a rise in share demand can lead to price increases, while an oversupply can decrease price (Harper, 2019). Corporate performance and external economic indicators are crucial as well. Positive financial results can enhance demand for shares, whereas negative news may trigger selling pressure (Haight, 2024). Furthermore, dividend policies are closely linked to stock price movements. An increase in dividends suggest financial stability, which raises stock prices, while a reduction can have the opposite effect, other elements such as overall economic conditions, investor preferences, and company fundamentals also play a role in stock valuation (Agarwal, 2020).

Stock prices are shaped by a multitude of factors, with dividend policy being just one aspect for investors to consider. While dividends can reflect financial health, market sentiment, economic conditions, and investor behavior also significantly influence stock valuation. In periods of economic uncertainty or high interest rates, investors may prioritize companies with strong growth potential over those that provide steady dividends, highlighting how broader market conditions affect stock prices (Vives, 2021).

The dividend yield indicates the return on investment from dividends, calculated by dividing the annual dividend by the stock price. A higher yield shows financial health and attracts income focused investors, but excessively high yields might indicate financial trouble (Choudhury, 2023). On the other hand, companies with lower yields may be reinvesting profits to support future growth, which appeals to growth investors.

The ownership structure affects the dividend payout ratio, which shows the percentage of profits paid out as dividends. Companies with concentrated ownership often retain earnings for reinvestment, while those with more dispersed ownership might distribute larger dividends to lower agency costs (Shleifer, 2022). High payout ratios can reflect management's confidence in future performance, drawing in investors by reducing the risk of inefficient use of retained earnings (Jensen, 2020).

The dividend coverage ratio (DCR), which is calculated by dividing net income by dividends, indicates a company's ability to maintain its dividend payments. A higher DCR points to financial stability and the ability to sustain or increase dividends, which can boost investor confidence (Corporate Finance Institute, 2023). Research supports that a high DCR positively impacts financial performance and stock valuation.

Finally, the retention ratio, representing the portion of earnings not distributed as dividends, shows how much profit is reinvested in the business. A high retention ratio is common among growth-oriented firms, indicating a focus on reinvesting for future opportunities, which may lead to increased earnings and stock value. However, if this reinvestment fails to produce adequate growth, it could negatively affect investor perception. On the other hand, those companies with higher retention ratios are often viewed as having better growth potential, which can lead to an increase in stock prices.

METHODS

This chapter presents the methodology deemed appropriate for the topic of this study by the current researchers. Furthermore, this chapter describes the components which relate to the study's research methodology such as the research design, subjects, dataset, data gathering procedure, statistical treatment, and ethical considerations.

Research Design

This study used a descriptive correlational design. According to Bhandari, a descriptive correlational design investigates relationships between variables without the researcher controlling or manipulating any of them. This is best for correlation studies that reflect the relationship's strength and direction between two or more variables.

In a correlational study, researchers examine whether one variable is associated with another, without manipulating either variable. Descriptive Correlational design is favored for its ability to explore relationships between variables without manipulation, making it fit for studying correlation of dividend policy and stock prices.

Through statistical analysis, it quantifies the strength of associations, providing valuable insights. Descriptive Correlational design is ideal for studying the relationship between dividend policy ratios and stock prices. It allows the analysis of these naturally occurring variables without manipulation, employing quantitative methods like Spearman correlation coefficient to quantify association. This exploratory approach facilitates the discovery of patterns and the generation of hypotheses. With its flexibility in data collection and real-world relevance, correlational research provides valuable insights into the dynamics of financial markets, making this the best research design for this study.

Subjects

The study subjects comprised 18 selected companies operating within the country's financial sector, as listed on the Philippine Stock Exchange (PSE) website. These companies declared dividends from 2019-2023 and have publicly available dividend policies data and stock prices in the predetermined data source. A purposive sampling method was used to select the subjects to meet the study's needs. Initially, 30 companies were identified, but not all met the criteria. Some companies did not have a complete five-year dataset, others lacked published data, and some did not declare dividends during the specified period. As a result, only 18 companies were included in the final analysis. As such, the data for analysis was exclusively sourced from secondary references without needing surveys or interviews. Data of the subjects from PSE's website and reliable sources were utilized.

Dataset

The study exclusively relied on published secondary data, omitting the creation of survey questionnaires and other research instruments. Instead, the researchers utilized reliable sites such as PSE Edge, Bloomberg, First Metro Securities, and COL Financial, added by structured working papers to systematically extract, organize, and interpret relevant secondary data from the sources. These working papers included worksheets focused on gathering companies' data regarding its dividend policies and stock prices. Considering the nature of the study, the researchers ascertained the reliability and credibility of the selected data sources. This involved critically evaluating the validity of the obtained secondary data to ensure that it is relevant, accurate, and suitable for the study's objectives in examining the correlation of the policies and prices.

Data-Gathering Procedure

The initial step in the data gathering involved obtaining a comprehensive list of publicly listed companies from the official website of the Philippines Stock Exchange, Inc. (PSE) under the financial sector. Followed by selecting companies which have declared dividends from 2019-2023 and whose dividend policies data and stock prices were publicly available in the predetermined data source. The study then utilized reliable sites such as PSE Edge, Bloomberg, First Metro Securities, and COL Financial for the data. If there is a difference in data result, the PSE Edge data is followed.

To achieve the objectives of the study, the researchers collected data on the stock prices and dividend policy ratios of the companies, as these are the variables examined for correlation in the study. The personal profile of the companies was also gathered to know if it affects the companies' dividend policies. These data were directly sourced from the records of the companies, which are available on the PSE's website.

Following the data collection process, the researchers systematically organized the gathered information and created a set of structured working papers for efficient data management. Additionally, the data underwent a cleaning and validation process with thorough review to identify and rectify possible errors, inconsistencies, and missing information as part of the data transformation process. Subsequently, appropriate statistical or analytical techniques were employed to analyze the compiled secondary data. Finally, the results were presented and interpreted allowing the researchers to draw objective conclusions, which serve as basis for the recommendations presented herein.

To add, secondary data were acquired and stored in a soft copy to which only the researchers and the adviser had access to safeguard companies' information.

Statistical Treatment

To address this study's objectives, various statistical tools and treatments are necessary, and each of these is detailed as follows, together with the chronological order of the problem to which they were applied. For the software, Jamovi was utilized to statistically process the data for analysis in this study.

To analyze the profile characteristics of PSE-listed companies, the group started by importing dataset containing company information followed by calculating descriptive statistics such as mean, standard deviation, minimum, and maximum for variables including earnings, market capitalization, number of years existing, and stock price.

To analyze the dividend policy ratios of PSE-listed companies, descriptive statistics such as mean, median, minimum, and maximum were done through Jamovi.

To analyze significant differences in companies' dividend policy ratios when grouped according to their profile characteristics, the companies were divided into two groups, above median, median, and below, based on a specific variable. The following descriptive statistics were calculated for each of these two groups: Number of observations, Mean, Median, Standard Deviation (SD), and Standard Error (SE). To add, Mann-Whitney U test was used to compare the two groups, above median and median and below for each financial metric. For each variable, a U statistic and corresponding p-value were computed. The p-value indicates whether the difference between the groups is statistically significant ($p < 0.05$ suggests a significant difference) or not.

To analyze the correlation of dividend policy ratios and stock price, Spearman's Correlation was used. The test is significant for the study with its ability to measure the strength of relationship between the dividend policies and price of stocks, allowing researchers to assess the nature of the relationships between the study's variables.

Ethical Considerations

The study primarily relied on secondary sources of data, thereby raising ethical considerations that were addressed accordingly by the researchers. While the collection of secondary data utilized in this study involved the analysis of pre-existing information gathered or published by other authors and organizations, the researchers ensured that ethical principles and considerations were upheld for this study's responsible and ethical conduct. To ensure the conduct of this study, all data and information gathered were handled securely and responsibly by the researchers throughout the process.

In the course of conducting this study, the researchers strictly observed proper attribution to the sources of data and adhered to the use of data in compliance with applicable copyrights and intellectual property laws. This includes accurate and transparent citations to primary sources and proper documentation thereof to give credit to the original data creators. Moreover, access to all data collected for this study was solely restricted to authorized researchers and securely disposed of upon the conclusion of the study to ensure integrity and confidentiality and prevent the unauthorized use of data.

Before the commencement of the data-gathering procedure, an ethical review was conducted to secure ethics review clearance and to ensure compliance with the accepted ethical standards of a study and the protection of the researchers. Since the data was publicly available and the researchers neither performed invasive procedures nor gathered sensitive information that might require explicit permission, consent was reasonably presumed. Through the foregoing ethical considerations, the utmost confidentiality and

anonymity of all the data gathered for and in this study were strictly observed and, as such, were intended for this research study and academic purposes only.

RESULTS AND DISCUSSION

This section presents a comprehensive analysis and interpretation of data gathered from reliable secondary sources about the publicly listed companies in the Philippines, operating within the country's financial sector, as listed on the PSE's website, including the qualitative data gathered. The study is divided into specific parts, the profile characteristics of PSE-listed companies, the dividend policy ratios of the companies, whether there is a significant difference in the companies' dividend policy ratios when grouped according to their profile characteristics, and whether there is a significant relationship between the companies' dividend policy ratios and stock price.

Profile Characteristics of PSE-Listed Companies

From 2019 to 2023, earnings data shows a significant improvement, with 2023 emerging as the standout year, achieving the highest earnings of 73,411 billion pesos. This indicates recovery, likely fueled by favorable market conditions, strategic adjustments by businesses, and the resumption of economic activities following the pandemic. The only decline in earnings was in 2020, a year severely affected by the COVID-19 pandemic. This led to a global economic downturn and widespread disruptions across various sectors, resulting in decreased business activity and earnings.

Regarding earnings variability, the Standard Deviation (SD) varied considerably over the years. In 2023, the SD peaked at 19,469.70 billion pesos, suggesting greater variability in earnings, likely reflecting a broader range of business performances. Some companies thrived while others encountered difficulties. Conversely, 2020 recorded the lowest SD at 7,759.98 billion pesos, indicating that earnings were more stable but at a lower level, possibly due to diminished business activity, cost-cutting measures, and fewer growth opportunities for the companies during the COVID-19 pandemic.

The financial sector, in particular, faced significant challenges in 2020, with factors like reduced consumer spending, low interest rates, and an increase in loan defaults impacting banks' profitability. However, beginning in 2021, the sector started to recover as global economies reopened, consumer spending picked up, and demand for digital banking and investment products surged. The recovery increased the profitability of financial institutions, especially in wealth management and investment banking.

By 2023, earnings had rebounded strongly, exceeding pre-pandemic levels, as companies effectively adapted to the post-pandemic economic landscape. Strategic changes, such as a greater reliance on technology, improved operational efficiency, and diversified revenue streams, enabled businesses to achieve stronger financial outcomes.

In summary, the earnings data from 2019 to 2023 shows a downfall in 2020 due to the pandemic, followed by a steady and significant recovery in the following years. The peak in 2023 not only reflects a return to pre-pandemic earnings but also demonstrates that companies were able to surpass their previous performance, highlighting resilience, adaptability, and potential for continued growth in the future.

TABLE 1
EARNING OF PSE-LISTED COMPANIES. (IN MILLIONS)

	2019	2020	2021	2022	2023
Mean	8,127.98	6,135.24	9,184.04	10,116.09	12,718.67
SD	11,300.94	7,759.98	12,026.08	15,289.57	19,469.70
Minimum	30.13	39.47	60.55	-2.1	77.27
Maximum	44,194.00	28,246.00	42,791.00	57,054.00	73,411.00

Market Capitalization of PSE-Listed Companies

The market capitalization data in Table 2 reveals a steady increase from 2019 to 2023. The average market capitalization fluctuated from about 79.59 billion in 2020 to 103.23 billion in 2023, showing a consistent upward trend over the five years. However, there was considerable variation within each year, as indicated by the high standard deviations. This implies that market capitalizations differed significantly and the dataset comprised large corporations and smaller, yet notable, market participants.

The year 2020 is notable for its remarkable volatility, marked by a standard deviation of $128.97 billion, roughly 1.6 times the average for that year. This increased volatility can be traced back to the financial disruptions brought on by the pandemic which caused widespread uncertainty, economic shutdowns, and heightened credit risks. Despite the challenges, the companies in the financial sector adapted by adopting strategic risk management practices, and diversifying their portfolios. These initiatives and government fiscal support and stimulus measures contributed to market stabilization. By 2021 and beyond, firms started to regain stability and recover their market capitalization, which in turn helped elevate the overall mean over the years.

By 2023, the market capitalization had seen a notable increase. The economy had mostly stabilized, bolstered by revised interest rates and robust recovery initiatives from businesses in different sectors, especially finance. The financial sector, in particular, demonstrated resilience in managing the post-pandemic landscape, playing a key role in the overall growth of market capitalization. This recovery and positive trend highlight how companies can adapt, innovate, and succeed in an evolving economic environment.

The data shows a clear upward trend in market capitalization from 2019 to 2023. However, the volatility experienced in 2020, primarily due to the pandemic, illustrates the challenges companies faced during that time. The high standard deviations reflect significant fluctuations in market conditions and company performance. By 2023, though, the market had mostly stabilized. This recovery highlights the financial sector's adaptability and the overall resilience of the global economy as companies navigated the uncertainties of the pandemic and emerged stronger in the subsequent years.

TABLE 2
MARKET CAPITALIZATION OF PSE-LISTED COMPANIES. (IN MILLIONS)

	2019	2020	2021	2022	2023
Mean	98,788.35	79,585.01	90,713.93	93,984.78	103,228.83
SD	174,455.90	128,969.12	145,896.58	158,383.73	187,600.45
Minimum	401.27	35	1,133.93	641.36	612.65
Maximum	692,238.18	468,232.66	529,332.14	556,407.52	687,504.02

Annual Closing Price of Stocks of PSE-Listed Companies

Table 3 below presents the descriptive statistics for the Annual Closing Price of Stocks for various companies over five different periods from 2019 to 2023. The statistics include the mean, standard deviation, minimum, and maximum values. The means exhibit only slight variation in the average annual closing prices throughout these five periods. However, the standard deviations are notably large, indicating volatility in stock prices. In fact, 2020 recorded the highest standard deviation and stock prices fluctuated widely, indicating a high level of risk for investors, as there is potential for substantial returns and significant losses due to the uncertainty.

From 2019 to 2023, the stock price fluctuations of companies in the financial sector were influenced by economic changes and global events. In 2019, financial stocks saw steady growth, due to favorable global economic conditions and low interest rates, which boosted investor confidence (Choudhury, 2020). However, 2020 brought significant volatility due to the pandemic resulting sharp declines in the stock prices of banks and insurance companies (Smith, 2021). In 2021 and 2022, the sector began to stabilize as rising interest rates and increased profitability helped support stock prices. Nonetheless, inflation, supply chain disruptions, and geopolitical tensions continued to cause fluctuations (Williams & Baker, 2022). By 2023, although the financial sector's volatility had lessened, inflation and interest rate hikes still impacted.

Descriptive statistics of annual closing prices from 2019 to 2023 show notable volatility, as indicated by high standard deviations. The year 2020 is particularly notable, with the highest standard deviation, reflecting extreme fluctuations likely caused by the pandemic. Despite some periods of stability, especially in 2021 and 2022, volatility remained a persistent characteristic throughout the years, driven by external factors such as inflation and supply chain challenges. By 2023, concerns about inflation and global economic changes continued to influence the financial sector's performance.

TABLE 3
ANNUAL CLOSING PRICE OF STOCKS OF PSE-LISTED COMPANIES

	2019	**2020**	**2021**	**2022**	**2023**
Mean	228.8661	255.8161	261.1211	242.6556	259.1589
SD	730.7745	885.5088	847.4865	789.3823	872.4546
Minimum	1.3	2.5	3.1	2.46	2.07
Maximum	3150	3800	3650	3400	3750

Dividend Policies of PSE-Listed Companies

Table 4 provides descriptive statistics on companies' dividend policies from 2019 to 2023, highlighting key metrics such as Dividend Yield, Dividend Payout Ratio, Dividend Coverage Ratio, and Retention Ratio. The Dividend Yield shows a stable median across the years, suggesting that companies have maintained consistent dividend strategies. Regarding the Dividend Payout Ratio, the majority of companies distribute 30-40% of their earnings as dividends, which is a typical practice. The Dividend Coverage Ratio shows some fluctuations but generally trends upward in the later years, reflecting improved dividend coverage and financial recovery from earlier economic difficulties. In terms of the Retention Ratio, most companies tend to retain a significant portion of their earnings for reinvestment and growth. However, negative values in some periods indicate that certain firms pay out dividends exceeding their earnings.

From 2019 to 2023, companies displayed notable variations in their dividend policies. The Dividend Yield experienced a decline from 2019 to 2021, largely due to the economic disruptions brought on by the pandemic, as many companies opted to reduce or suspend dividend payouts to maintain liquidity. After 2021, yields began to recover gradually as firms regained profitability (Santos, 2023). The Dividend Payout Ratio mirrored the pandemic's effects, with most companies initially cutting back on payouts to preserve

earnings for financial stability. In 2020, many firms paid out less than usual, but by 2023, they returned to pre-pandemic payout levels (Lopez, 2022).

The Dividend Coverage Ratio experienced significant fluctuations, particularly during the pandemic when companies found it challenging to fulfill their dividend commitments due to reduced earnings. However, after 2021, the ratio showed improvement, suggesting that companies were increasingly capable of covering dividend payments with operational earnings (Gomes, 2023). Additionally, the Retention Ratio stayed elevated throughout the pandemic, as numerous companies opted to retain their earnings. As the economy began to recover, these ratios declined, indicating a shift back to more balanced dividend strategies (Miranda, 2022).

TABLE 4
DIVIDEND POLICY RATIOS OF PSE-LISTED COMPANIES

	Mean	Median	Minimum	Maximum
2019 - Dividend Yield	0.0333	0.0300	0.0100	0.0900
2020 - Dividend Yield	0.0328	0.0300	0.0100	0.0700
2021 - Dividend Yield	0.0311	0.0300	0.0100	0.0600
2022 - Dividend Yield	0.0350	0.0400	0.0000	0.0700
2023 - Dividend Yield	0.0400	0.0400	0.0100	0.0700
2019 - Dividend Payout Ratio	0.3139	0.2250	0.0300	1.2800
2020 - Dividend Payout Ratio	0.3961	0.3250	0.0300	1.2800
2021 - Dividend Payout Ratio	0.3456	0.3050	0.0200	1.2800
2022 - Dividend Payout Ratio	0.3594	0.2000	0.0000	1.6600
2023 - Dividend Payout Ratio	0.3267	0.2500	0.0200	0.9700
2019 - Dividend Coverage Ratio	6.1472	4.8400	0.7800	33.7400
2020 - Dividend Coverage Ratio	10.1883	4.2050	0.8700	95.0000
2021 - Dividend Coverage Ratio	12.0917	3.9550	1.2000	83.0000
2022 - Dividend Coverage Ratio	6.7417	5.2600	-0.8700	37.4000
2023 - Dividend Coverage Ratio	7.5067	4.1600	1.0300	45.7000
2019 - Retention Ratio	0.7344	0.7900	0.2800	0.9700
2020 - Retention Ratio	0.6206	0.7200	-0.2800	0.9700
2021 - Retention Ratio	0.6661	0.7450	-0.2800	0.9800
2022 - Retention Ratio	0.6806	0.8100	-0.6600	1.0000
2023 - Retention Ratio	0.6956	0.7750	0.0300	0.9800

Trend Analysis of PSE-Listed Companies

From 2020 to 2023, the companies showed varied performance across key financial metrics. The annual closing stock prices with an 11.78% increase in 2020 had a modest growth of 2.07% in 2021. However, a

sharp decline of -7.07% in 2022 highlighted the impact of global economic challenges, before a recovery of 6.80% by years 2023.

Dividend yields, which had decreased in 2020 and 2021, surged in 2022 and 2023, reaching 12.54% and 14.29%, respectively, indicating a return to profitability. Dividend payout ratio, which rose to 26.19% in 2020, fluctuated over the years, peaking again in 2022 but dropping to -9.10% in 2023 as companies aimed in retaining funds for growth.

Dividend coverage ratios experienced a significant decline, especially in 2022, indicating that many companies faced challenges in generating enough earnings to support their dividend payouts, although a recovery began in 2023 (11.35%). The retention ratio, which had sharply fallen by 15.50% in 2020, rebounded to positive figures in 2021, stabilizing around 2% in 2022 and 2023, reflecting a cautious reinvestment approach.

During the initial years of the pandemic, companies implemented conservative financial strategies. However, the subsequent years showed signs of recovery. By 2023, the increase in dividend yields and stock prices points to enhanced profitability and better economic conditions. Still, the variations in dividend payouts and coverage ratios suggest that companies remain cautious, trying to balance distributions with long-term growth.

TABLE 5
RATE OF CHANGE IN KEY FINANCIAL VARIABLES OF PSE-LISTED COMPANIES

	2020	2021	2022	2023
Annual Closing Price of Stocks	11.78%	2.07%	-7.07%	6.80%
Dividend Yield	-1.50%	-5.18%	12.54%	14.29%
Dividend Payout Ratio	26.19%	-12.75%	3.99%	-9.10%
Dividend Coverage Ratio	65.74%	18.68%	-44.25%	11.35%
Retention Ratio	-15.50%	7.33%	2.18%	2.20%

Difference in Company's Dividend Policy Ratios According to Earnings

Mann-Whitney U test was done to examine whether there is a significant difference between the dividend policies of companies with above median and those with median and below earnings. The companies' median value for earnings in this analysis is 4,665,810,600.00. The result and data for the analysis is shown in Table 6 below.

Results from the Mann-Whitney U test show that statistically speaking, there is no significant difference in the Dividend Yield, Dividend Coverage Ratio, and Retention Ratio between companies with above median earnings and median and below earnings. This imply that company earnings do not influence these dividend policies. However, results for the Dividend Payout Ratio shows a statistically significant difference having a p-value of 0.038. Specifically, it showed that companies with median and below earnings have a higher payout ratio. The result suggests that companies that are median and below earners distribute a larger portion of earnings as dividends. Overall, the results indicate that there is indeed a significant difference in dividend payout strategies between companies with above median earnings and median and below earnings, while the other dividend policies are relatively similar across the two groups despite the difference in earnings.

TABLE 6
SIGNIFICANT DIFFERENCE IN COMPANIES' DIVIDEND POLICY RATIOS WHEN GROUPED ACCORDING TO EARNINGS

		Statistic	p
Dividend Yield Average	Mann-Whitney U	39.50	0.964
Dividend Payout Average Ratio	Mann-Whitney U	16.50	0.038
Dividend Coverage Average Ratio	Mann-Whitney U	25.50	0.200
Retention Average Ratio	Mann-Whitney U	22.50	0.122

Differences in Company's Dividend Policies According to Market Capitalization

Mann-Whitney U test was done to examine if there is a significant difference between the dividend policies of companies above median and median and below market capitalization. The median value for market capitalization in this analysis is 30,809,421,108.70. The result and data for the analysis is shown in Table 7 below.

Results from the Mann-Whitney U test show that statistically speaking, there is no significant difference in the Dividend Yield, Dividend Payout Ratio, Dividend Coverage Ratio, and Retention Ratio between companies with above median and median and below market capitalization. This signifies that market capitalization does not significantly influence the dividend policies of the companies. Indicating that companies with above median market capitalization do not show higher or lower dividend yields compared to companies with a median and below market capitalization. This also suggests no significant difference in the ability to cover or pay dividends and retain earnings for reinvestment between companies with above median and median and below market capitalization. Regardless of the market capitalization size, the dividend policies of the companies are not significantly different. Thus, investors should not rely on market capitalization to predict companies' dividend or financial practices.

TABLE 7
SIGNIFICANT DIFFERENCE IN DIVIDEND POLICIES WHEN GROUPED ACCORDING TO MARKET CAPITALIZATION

		Statistic	p
Dividend Yield Average	Mann-Whitney U	32.50	0.499
Dividend Payout Average Ratio	Mann-Whitney U	30.00	0.377
Dividend Coverage Average Ratio	Mann-Whitney U	25.50	0.200
Retention Average Ratio	Mann-Whitney U	35.00	0.658

Difference in Company's Dividend Policies According to Years Existing

Mann-Whitney U test was done to examine if there is a significant difference between the dividend policies of companies with above median and median and below years of existence. The median value for the companies' number of years existing in this analysis is 30.50 years. The result and data for the analysis is shown in Table 8 below.

Results from the Mann-Whitney U test show that statistically speaking, there is no significant difference between the Dividend Yield, Dividend Payout Ratio, Dividend Coverage Ratio, and Retention Ratio of companies with above median and median and below number of years existing. This suggests that a company's existing years does not significantly affect its dividend policies and financial practices. Despite

having variations with companies' years of existence, their dividend yields and ability to pay or cover dividends and retain earnings for reinvestment are similar. Signifying that a company's years of existence are not a key determinant in shaping its dividend strategies or financial health. Investors should therefore focus on other factors, such as profitability, cash flow, or market conditions, rather than the age of a company when assessing dividend policies and performance.

TABLE 8
SIGNIFICANT DIFFERENCE IN DIVIDEND POLICIES WHEN GROUPED ACCORDING TO YEARS EXISTING

		Statistic	p
Dividend Yield Average	Mann-Whitney U	29.00	0.321
Dividend Payout Average Ratio	Mann-Whitney U	28.50	0.309
Dividend Coverage Average Ratio	Mann-Whitney U	39.50	0.965
Retention Average Ratio	Mann-Whitney U	35.00	0.658

Difference in Company's Dividend Policies According to Annual Stock Price

Mann-Whitney U test was done to examine if there is a significant difference between the dividend policies of companies with above median and median and below annual closing price of stocks. The median value for the companies' stock price in this analysis is 41.01. The result and data for the analysis is shown in Table 9 below.

The p-values from the Mann-Whitney U test for Dividend Yield, Dividend Payout Ratio, Dividend Coverage Ratio, and Retention Ratio indicate no statistically significant differences between companies with above median and median and below annual closing price of stocks. The non-significant p-values imply that regardless of whether a company's annual closing price of stocks is higher, lower, or at median, the dividend policies do not differ statistically and that price should not be a basis for the policies.

TABLE 9
SIGNIFICANT DIFFERENCE IN DIVIDEND POLICIES WHEN GROUPED ACCORDING TO ANNUAL STOCK PRICE

		Statistic	p
Dividend Yield Average	Mann-Whitney U	39.50	0.964
Dividend Payout Average Ratio	Mann-Whitney U	37.50	0.825
Dividend Coverage Average Ratio	Mann-Whitney U	27.00	0.251
Retention Average Ratio	Mann-Whitney U	39.00	0.930

The tests for Dividend Yield, Dividend Coverage Ratio, and Retention Ratio did not show statistically significant differences when grouped according to company earnings, market capitalization, years of existence, and annual stock closing price. This suggest that these dividend policy ratios do not significantly influence the companies' financial practices. Therefore, the researchers accept the null hypothesis stating that there is no significant difference between the companies' Dividend Yield, Dividend Coverage Ratio, and Retention Ratio despite the differences in profile characteristics.

On the other hand, there is a statistically significant difference on the companies' dividend payout ratio when grouped according to earnings. With a p-value of 0.038, it is statistically evident that a significant

difference in dividend payout ratio is present between companies with above median and median and below earnings.

Specifically, the results show that companies with median and below earnings tend to have higher dividend payout ratios compared to those with above-median earnings. This suggests that companies operating at lower earning levels are more likely to distribute a larger portion of earnings as dividends to shareholders. Several factors may influence this, including a company's desire to maintain shareholder confidence, ensuring that dividends are consistently paid, regardless of their profit.

A study by Weigand (2019) stated that companies with lower earnings focus on paying dividends to attract and keep investors. These companies aim to provide a steady income for shareholders, especially during periods of reduced profitability, which helps to sustain investor's trust and confidence. Conversely, companies with above-median earnings typically reinvest a larger share of profits into growth and expansion instead of distributing them as dividends. This is consistent with the findings of Roun (2020), suggesting that high-earning companies retain earnings to support long-term investments and seize growth opportunities, a strategic emphasis on long-term capital appreciation.

These contrasting strategies suggest that investors must consider a company's earnings when making their investment. For those seeking regular and stable dividends, companies with median and below earnings may offer more attractive opportunities, while those prioritizing long-term growth may find above median earning companies to be more aligned with their objectives. The study provides valuable insights into the nuanced relationship between company earnings and dividend payout policies.

Relationship of Company's Dividend Policy Ratios and Stock Price

A Spearman correlation analysis was used to test the correlation between the companies' Dividend Policy Ratios and Stock prices. The test evaluates whether there is a significant relationship between the variables and assesses the nature of the relationship.

Results from the Spearman correlation analysis, based on the p-values presented in Table 10 below, show that there is no significant relationship between the Annual Closing Price of Stocks and the Dividend Yield, Dividend Coverage Ratio, and Retention Ratio of the companies. This suggests that although these dividend policy ratios can provide investors with valuable insights into a company's financial health and structure, no statistically significant relationship exists between these metrics and companies' stock prices.

A study by Patel (2020) found no significant statistical relationship between the Annual Closing Price of Stocks and the Dividend Yield, Dividend Coverage Ratio, and Retention Ratio. Although these financial metrics offer important insights into a company's performance and economic health, stock prices are affected by a more intricate mix of factors, such as investor sentiment, market conditions, and anticipated earnings. A study by William (2021) stated that a comprehensive approach combining various financial indicators might be more effective in forecasting stock price movements.

The findings challenge the common belief among investors, implying that they may need to reconsider their weight on these traditional financial metrics, when making stock price predictions or investment decisions. This emphasizes the need for a more holistic approach to stock analysis. Therefore, the researchers accept the null hypothesis, stating no significant relationship exists between a company's annual closing stock price and its Dividend Yield, Dividend Coverage Ratio, and Retention Ratio.

On the other hand, the results show a statistically significant relationship between the companies' Dividend Payout Ratio and the Annual Closing Price of Stocks, with a p-value of 0.025. The Spearman's rho indicates a positive correlation between these two variables, as the Dividend Payout Ratio rises, the Stock Price also tends to rise. Although the strength of relationship is a bit weak, with a value of 0.24, the statistically significant p-value implies that this correlation is unlikely due to random chance.

TABLE 10
RELATIONSHIP OF DIVIDEND POLICY RATIOS AND STOCK PRICE

		Annual Closing Price of Stocks
Dividend Yield	Spearman's rho	-0.12
	df	88
	p-value	0.256
Dividend Payout Ratio	Spearman's rho	0.24
	df	88
	p-value	0.025
Dividend Coverage Ratio	Spearman's rho	0.04
	df	88
	p-value	0.695
Retention Ratio	Spearman's rho	-0.06
	df	88
	p-value	0.552

Research by Chen (2022) supports the notion that dividend payouts act as a signaling mechanism, with favorable changes in dividends leading to increased stock prices. Additionally, findings by Johnson (2023) reveal that in the current market, dividend payout ratios remain vital in shaping investor decisions, with elevated payout ratios often resulting in greater demand for stocks, thus pushing their prices higher. These insights emphasize the significance of dividend payout ratios in influencing stock price.

The dividend payout ratio has been considered as a key factor influencing stock price. A higher dividend payout ratio often indicates that the company is capable of generating steady profits. Research indicates that companies with higher dividend payouts are viewed as less risky, which boosts investor confidence and, leading to higher stock prices. Firms with a stable dividend payout ratio often see positive movements in their stock prices, reflecting investors' trust in their ability to grow dividends over time.

The positive relationship between dividend payout ratios and stock prices can be understood through signaling theory. When a company raises its dividend payout, it signals to the market that it is confident in future earnings and cash flow stability. This perception of stability attracts investors, increasing demand for the company's stock and driving up its price. Additionally, a high dividend payout ratio indicates a company's commitment to returning value to shareholders, positively impacting its stock price.

The implications of this relationship are crucial for investors, as understanding the relationship between dividend payout ratios and stock prices can be an effective strategy for choosing investments that offer both income and the potential for capital growth. This insight enables investors to make informed investment decisions, highlighting that companies with higher stock prices are those that can provide higher dividend payouts too.

In this case, dividend payout ratios and stock prices emphasize dividends' role as a crucial factor in financial markets. Both the study's statistical analysis and existing research show that higher dividend payout ratios indicate financial stability and growth potential, which help build investor confidence and push stock prices higher. Therefore, through the analysis results, the researchers state that there is a statistically significant relationship between the companies' Dividend Payout Ratio and Stock Price.

CONCLUSION

This section presents the summary of findings, the conclusion based on the findings, and the set of recommendations addressed to concerned stakeholders.

The study utilized 18 companies as subjects, consisting of 14 banks and 4 other financial institutions. On average, these companies have been in operation for 42 years, with a range spanning from a minimum

of 6 years to a maximum of 154 years. From 2019 to 2023, the companies' earnings, net income, market capitalization, and stock prices showed a clear recovery trend, especially following the decline in 2020 due to the pandemic. Despite the setbacks, the following years showed a strong recovery, with companies reaching their peak in 2023. This growth highlights that these companies adapted and strategically responded to the economic landscape after the pandemic.

Upon examining whether there is a significant difference between the dividend policy ratios of the companies when grouped according to their profile characteristics, the results from the Mann-Whitney U test indicate that factors such as earnings, market capitalization, years in operation, and stock closing price do not have a significant impact on most dividend policies, including Dividend Yield, Dividend Coverage Ratio, and Retention Ratio. Overall, the findings imply that even though there are differences in the levels of their profile characteristic, whether the values are above, at, or below the median, this does not result in a statistically significant difference in the dividend policy ratios. Therefore, the researchers accept the null hypothesis stating that there is no significant difference between the companies' Dividend Yield, Dividend Coverage Ratio, and Retention Ratio despite the differences in profile characteristics.

On the other hand, the study revealed a significant difference in dividend payout ratios between companies with above-median earnings and those with median or below earnings, with a p-value of 0.038. Companies with lower earnings often have higher dividend payout ratios, allocating a greater share of their profits to shareholders. This approach may serve to boost shareholder confidence and draw in investors. Research by Weigand (2019) and Roun (2020) supports this, suggesting that companies with lower earnings tend to prioritize consistent dividend payments, whereas those companies with higher earnings are more inclined to reinvest their profits for growth and expansion.

After examining the relationship between stock prices and dividend policies, the spearman correlation analysis found no significant relationship between companies' stock prices and dividend yield, dividend coverage ratio, and retention ratio. This indicates that these dividend policies do not statistically affect stock prices. The study contrasts the assumption that these metrics can predict stock prices independently and highlights the need for a more holistic approach to stock analysis. Therefore, the researchers accept the null hypothesis, stating no significant relationship exists between a company's annual closing stock price and its dividend yield, dividend coverage ratio, and retention ratio.

Conversely, the analysis showed a significant positive relationship between dividend payout ratio and stock price, with a p-value of 0.025. Research supports this conclusion, stating that higher dividend payouts often signal financial stability and boost investor confidence, which can lead to increased stock prices. A higher dividend payout ratio reflects a company's ability to generate consistent profits, which lowers perceived risk and raises demand for its stock, increasing stock price. Thus, a statistically significant relationship exists between the companies' dividend payout ratio and stock price.

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APPENDIX

Frequencies of Company

Company Name	Counts	% of Total	Cumulative %
Asia United Bank Corporation	1	5.56%	5.56%
BDO Unibank, Inc.	1	5.56%	11.11%
Bank of the Philippine Islands	1	5.56%	16.67%
COL Financial Group, Inc.	1	5.56%	22.22%
China Banking Corporation	1	5.56%	27.78%
East West Banking Corporation	1	5.56%	33.33%
Manulife Financial Corporation	1	5.56%	38.89%
Metropolitan Bank & Trust Company	1	5.56%	44.44%
Philippine Bank of Communications	1	5.56%	50.00%
Philippine Business Bank	1	5.56%	55.56%
Philippine National Bank	1	5.56%	61.11%
Philippine Savings Bank	1	5.56%	66.67%
Philippine Trust Company	1	5.56%	72.22%
Rizal Commercial Banking Corporation	1	5.56%	77.78%
Security Bank Corporation	1	5.56%	83.33%
Sun Life Financial Inc.	1	5.56%	88.89%
The Philippine Stock Exchange, Inc.	1	5.56%	94.44%
Union Bank of the Philippines	1	5.56%	100.00%

Frequencies of Subsector

Subsector	Counts	% of Total	Cumulative %
Banks	14	77.78%	77.78%
Other Financial Institutions	4	22.22%	100.00%

Descriptives

	Mean	SD	Minimum	Maximum
Number of Years Existing	42.7778	39.6997	6.0000	154.0000

Group Descriptives - Earnings

Descriptives

	Mean		SD	Minimum	Maximum
	Group	**N**	**Mean**	**Median**	**SD**	**SE**
Dividend Yield Average	Above median	9	0.03	0.04	0.02	0.01
	Median and below	9	0.03	0.04	0.02	0.01
Dividend Payout Average Ratio	Above median	9	0.21	0.22	0.10	0.03
	Median and below	9	0.49	0.49	0.33	0.11
Dividend Coverage Average Ratio	Above median	9	9.81	5.47	10.49	3.50
	Median and below	9	7.26	4.02	10.92	3.64
Retention Average Ratio	Above median	9	0.79	0.78	0.10	0.03
	Median and below	9	0.57	0.68	0.29	0.10

Group Descriptives – Market Capitalization

	Group	**N**	**Mean**	**Median**	**SD**	**SE**
Dividend Yield Average	Above median	9	0.03	0.03	0.02	0.01
	Median and below	9	0.04	0.04	0.01	0.00
Dividend Payout Average Ratio	Above median	9	0.33	0.22	0.35	0.12
	Median and below	9	0.37	0.27	0.18	0.06
Dividend Coverage Average Ratio	Above median	9	12.93	5.55	13.69	4.56
	Median and below	9	4.14	4.54	1.42	0.47

Descriptives

		Mean	SD	Minimum	Maximum
Retention Average Ratio	Above median	9	0.69	0.78	0.30	0.10
	Median and below	9	0.67	0.77	0.18	0.06

Group Descriptives – Number of Years Existing

	Group	N	Mean	Median	SD	SE
Dividend Yield Average	Above median	9	0.03	0.03	0.02	0.01
	Median and below	9	0.04	0.04	0.01	0.00
Dividend Payout Average Ratio	Above median	9	0.44	0.35	0.35	0.12
	Median and below	9	0.26	0.22	0.15	0.05
Dividend Coverage Average Ratio	Above median	9	10.85	4.02	13.82	4.61
	Median and below	9	6.22	5.05	5.46	1.82
Retention Average Ratio	Above median	9	0.62	0.66	0.31	0.10
	Median and below	9	0.74	0.78	0.15	0.05

Descriptives

	Mean	SD	Minimum	Maximum

Group Descriptives – Annual Closing Price of Stocks

	Group	N	Mean	Median	SD	SE
Dividend Yield Average	Above median	9	0.03	0.04	0.01	0.00
	Median and below	9	0.03	0.04	0.02	0.01
Dividend Payout Average Ratio	Above median	9	0.37	0.23	0.35	0.12
	Median and below	9	0.33	0.27	0.20	0.07
Dividend Coverage Average Ratio	Above median	9	11.29	5.05	13.51	4.50
	Median and below	9	5.78	4.54	5.77	1.92
Retention Average Ratio	Above median	9	0.69	0.78	0.29	0.10
	Median and below	9	0.67	0.73	0.20	0.07