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Understanding Stock Price Dynamics with Dividend-Related Metrics and Financial Indicators in Pakistan's Non-Financial Sectors

Qaiser Munir[a], Bilal Akram[b]
Syed Anwer Abbas[c]

Abstract
This study provides valuable insights into the factors influencing stock prices in Pakistan, focusing on dividend-related metrics and key financial indicators across four non-financial sectors. By analyzing a sample of 100 companies listed on the Pakistan Stock Exchange over a considerable period, the study sheds light on the dynamics of stock price fluctuations and their relationship with dividend policies and financial performance metrics. The observed negative relationship between dividend yield and stock prices prompts further investigation into the underlying factors driving investor behavior. While higher dividend yields may signal attractive income opportunities for some investors, they may also indicate perceived risks or challenges facing the company, such as stagnant growth prospects or liquidity concerns. Understanding the nuanced relationship between dividend yield and stock prices can provide valuable insights for investors seeking to balance income generation with capital appreciation in their investment portfolios. Similarly, the positive association between dividend payout ratio and stock prices underscores the importance of dividend policy decisions for companies seeking to enhance shareholder value. By distributing a higher proportion of earnings as dividends, companies may signal confidence in their financial stability and future prospects, thereby attracting investors and supporting upward momentum in stock prices. Conversely, companies that maintain lower dividend payout ratios may prioritize reinvestment opportunities or debt reduction, potentially influencing investor perceptions and stock price dynamics. The study's findings also highlight the crucial role of financial performance indicators, such as profit after tax, earnings per share, and return on equity, in driving investor sentiment and stock price movements. Profitability metrics provide valuable insights into a company's ability to generate sustainable earnings and create shareholder value over time. Similarly, earnings per share serve as a key measure of profitability on a per-share basis, influencing investor expectations and valuations. Furthermore, while return on equity reflects a company's efficiency in generating profits relative to shareholders' equity, its statistically insignificant impact on stock prices suggests that investors may prioritize other metrics or factors in their investment decisions. This underscores the complexity of investor decision-making and the multifaceted nature of stock price determinants in the Pakistani market. By examining the interplay between dividend policies, financial performance metrics, and stock prices, the study contributes to a deeper understanding of the dynamics of the Pakistani stock market. The insights gleaned from this research can inform investment strategies, corporate decision-making, and policy formulation aimed at fostering a vibrant and resilient capital market ecosystem in Pakistan.
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1. INTRODUCTION

The share price of a company is often considered a vital metric by both the company's management and its shareholders. A high or increasing share price is typically interpreted as a positive sign of the company's performance and prospects. When a company's share price rises, it reflects investor confidence in the company's ability to generate profits and create value. For the board of directors and management, a rising share price validates their strategic decisions and operational performance (Rappaport, 2006; Olubiyi, 2023). It indicates that the company is meeting its financial objectives, executing its business plans effectively, and delivering value to its shareholders. A strong share price can also enhance the company's reputation and attractiveness to potential investors and partners. Moreover, a rising share price can have broader implications for the company's stakeholders. It may enable the company to raise capital more easily and cost-effectively through equity offerings, acquisitions, or strategic partnerships. Additionally, a higher share price can enhance employee morale and incentivize employees through stock-based compensation programs (Brandes et al., 2003; Subhani et al., 2022). However,

[a] Department of Management Science, Comsats University Islamabad, Islamabad, Pakistan
[b] Department of Management Science, Comsats University Islamabad, Islamabad, Pakistan
[c] Department of Management Science, Comsats University Islamabad, Islamabad, Pakistan
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it's important to recognize that share prices can fluctuate for various reasons, including changes in market sentiment, economic conditions, industry trends, and company-specific factors. Therefore, while a high or increasing share price is generally desirable, it's crucial for companies to maintain a focus on long-term value creation and sustainability, rather than solely on short-term stock price performance. By prioritizing sound business fundamentals, effective risk management, and transparent communication with investors, companies can build and maintain investor confidence and support over the long term.

When a company's share price is high, it often reflects investor confidence in the management's ability to generate value and deliver returns. In such cases, the management team may receive praise for their performance, and there may be fewer concerns about their leadership. They may also be more likely to receive raises, bonuses, and other incentives tied to the company's stock performance. Conversely, if the management team fails to create value for investors and the share price languishes or declines, they may face increased scrutiny and pressure from shareholders and the board of directors. In extreme cases, if the company consistently underperforms and the share price remains depressed, there is a higher risk that the management team could be replaced or ousted (Guenster et al., 2011; Ali, 2015; Banyen, 2022). Additionally, a low share price can make a company more vulnerable to takeover attempts by competitors or activist investors. When a company's shares are trading at a discount relative to its intrinsic value or potential future earnings, it may become an attractive target for acquisition. In such situations, the existing management team may be seen as ineffective or incapable of unlocking the company's full potential, leading to the possibility of a change in leadership if the takeover is successful. The share price of a company is closely linked to perceptions of its performance, prospects, and management effectiveness. Companies with high share prices are often viewed favorably by investors and may enjoy greater stability and autonomy, while those with low share prices may face increased scrutiny, pressure for change, and heightened risk of takeover.

Managers indeed have a vested interest in protecting their positions, and dividend policy plays a crucial role in corporate financial management (Falade et al., 2021; Westermann & Schunk, 2022). Dividend policy essentially involves two key decisions: how much cash to retain within the business for future growth and expansion, and how much cash to distribute to shareholders in the form of dividends. This decision-making process is critical as it directly impacts the company's capital structure, shareholder wealth, and overall financial health. Over the years, dividend policy has been a subject of significant academic research and debate, with various theories and models proposed to explain the optimal approach for companies. While some theories, such as the dividend irrelevance theory and the bird-in-hand theory, argue that dividend policy has little impact on firm value, others, like the signaling theory and the clientele effect theory, suggest that dividend policy can convey important signals to investors and influence their perceptions of a company's financial health and future prospects. Indeed, investors tend to favor companies with stable dividend policies, as consistent dividend payments signal financial strength, stability, and confidence in future earnings. A stable dividend policy can attract investors seeking reliable income streams and can enhance the company's reputation and credibility in the market. Therefore, managers often strive to maintain a stable dividend policy to meet the expectations of shareholders, enhance investor confidence, and ultimately support the company's long-term growth and success. By carefully managing dividend distributions, companies can effectively balance the interests of shareholders with the need to retain sufficient cash for reinvestment and future business expansion (Ozo et al., 2015; Jammazi, 2020).

While dividend policy and its implications have been extensively studied in developed countries, there has been relatively less research conducted in developing markets like Pakistan. However, the importance of studying dividend policy and its impact on stock prices cannot be overstated, especially in markets where stability and investor confidence may be more volatile (Sever, 2017; Raza et al., 2018). In Pakistan, where the financial and economic landscape may experience greater fluctuations and uncertainties, understanding the dynamics of dividend policy becomes even more crucial. Examining the relationship between dividend policy and variables such as earnings per share (EPS), return on equity (ROE), and profit after tax (PAT) can provide valuable insights into how companies navigate the complexities of the market and how investors perceive their performance and prospects. By conducting comprehensive research on dividend policy and its implications in both financial and non-financial sectors of Pakistan, researchers can contribute significantly to the body of knowledge in this area. Such studies can shed light on the factors influencing dividend decisions, the impact of dividend payouts on shareholder value, and the overall dynamics of the Pakistani stock market. Moreover, as Pakistan continues to develop its capital markets and attract domestic and foreign investment, understanding the role of dividend policy in shaping investor behavior and market performance becomes increasingly important. By bridging the gap in research on dividend policy in Pakistan, scholars can provide valuable insights to policymakers, investors, and corporate decision-makers, ultimately contributing to the stability and growth of the country's financial markets.

The dynamics of the market are constantly evolving, and it's essential to analyze the latest data to provide investors with updated and relevant information. The pioneering study by Nishat and Irfan (2003) marked a significant milestone in research on dividend policy and its impact on stock prices, particularly in the context of emerging markets like Pakistan. Prior to their study, most research in this area had focused on developed markets, making their work a unique contribution to the field. Subsequent study by Nazir (2010) built upon the foundation laid by Nishat and Irfan (2003), further exploring the relationship between dividend policy and stock prices in the Pakistani market. However, the findings of these studies have been varied, leading to conflicting results and a lack of generalization in understanding the impact of dividend policy

on stock prices. One notable aspect of these studies is the inclusion of variables such as Return on Equity (ROE), Earnings per Share (EPS), and Profit after Tax (PAT) as control variables. While previous research primarily focused on measuring the direct impact of dividend policy on stock prices, these studies recognized the importance of considering additional factors that may influence stock price movements. However, as you rightly pointed out, the combined impact of dividend policy and these control variables on stock prices has not been extensively explored in previous studies. This presents an opportunity for further research to delve deeper into the nuanced relationship between dividend policy, financial performance indicators, and stock prices in the Pakistani market. By conducting comprehensive analyses that incorporate a broader range of variables and updated data, researchers can provide a more nuanced understanding of the factors driving stock price movements in Pakistan. This not only contributes to academic knowledge but also offers valuable insights for investors, policymakers, and corporate decision-makers navigating the dynamic landscape of the Pakistani stock market.
This study aims to shed light on an important aspect of stock price determination by focusing on internal factors that are within the control of management. While it's commonly believed that external factors, such as political situations, play a significant role in stock price fluctuations, your research seeks to highlight the influence of internal variables that managers can directly manage. By investigating the impact of internal factors such as dividend policy, return on equity (ROE), earnings per share (EPS), and profit after tax (PAT) on stock prices in firms listed on the Pakistan Stock Exchange (PSE), your study aims to provide valuable insights for both managers and investors. For managers, this research can offer guidance on how to effectively organize dividend policies and manage other internal variables to potentially influence stock prices. By understanding the relationship between these internal factors and stock prices, managers may be better equipped to make strategic decisions that positively impact shareholder value. Similarly, for investors, this study can provide valuable information for shaping investment strategies. By analyzing how internal factors influence stock prices, investors can gain insights into which companies may offer attractive investment opportunities based on their dividend policies, financial performance indicators, and overall management effectiveness. Overall, this study has the potential to contribute to a deeper understanding of the dynamics of stock price determination in the Pakistani market. By highlighting the role of internal factors and their impact on stock prices, your research can offer practical insights that benefit both managers and investors alike.

2. LITERATURE REVIEW

Litner (1956) and Miller and Modigliani (1961) are seminal figures in the field of dividend policy, and their theories have significantly influenced research and practice in finance. Litner (1956) theory emphasizes the importance of stability in dividend policy for firms. He posited that managers prioritize maintaining a consistent dividend payout unless there is a compelling reason to change it. This stability is believed to be valued by the market, with investors favoring firms that offer predictable dividend streams. Additionally, Litner (1956) highlighted the significance of earnings levels in shaping dividend decisions. Firms tend to adjust dividends gradually in response to changes in earnings, and they are often hesitant to decrease dividends even during periods of declining earnings. On the other hand, Miller and Modigliani (1961) proposed the dividend irrelevance theory, which challenged the traditional view that dividend policy significantly affects firm value. According to their theory, in a perfect capital market where investors have access to the same information and there are no taxes or transaction costs, dividend policy is irrelevant. They argued that investors can create their desired cash flows by selling a portion of their holdings if dividends are not distributed. Thus, in such ideal conditions, dividend policy does not impact firm value. These theories present contrasting perspectives on the role of dividend policy in firm valuation. While Litner (1956) theory emphasizes the importance of stability and earnings levels in shaping dividend decisions, Miller and Modigliani's dividend irrelevance theory suggests that dividend policy has little to no impact on firm value in certain market conditions. Both theories have contributed to a deeper understanding of dividend policy dynamics and continue to influence academic research and corporate decision-making in finance.
The dividend irrelevance theory proposed by Miller and Modigliani (1961) has been a subject of extensive research and debate in the field of finance. Black and Scholes (1974) supported this theory, suggesting that dividend policy does not have a significant impact on stock prices. Their studies have contributed to the understanding that investors are primarily concerned with the overall returns generated by their investments, rather than the specific form in which those returns are delivered. Adelosa and Okwong's (2009) research findings further support the dividend irrelevance theory by indicating no significant relationship between dividend policy and stock prices. This reinforces the notion that investors may not react strongly to changes in dividend payouts, as their investment decisions are driven more by other factors such as expected future earnings and growth prospects. However, Pradhan and Shyam (2003) study in the context of Nepal's stock market presents a slightly different perspective. While Pradhan found a strong correlation between dividend payments and stock prices, the relationship between retained earnings and stock market prices was relatively weak. This suggests that shareholders in Nepal may place greater emphasis on dividend income as opposed to capital gains when evaluating investment opportunities. These studies provide valuable insights into the complexities of dividend policy and its impact on stock prices across different markets. While some findings align with the dividend irrelevance theory, others highlight variations in investor preferences and market dynamics that warrant further exploration.

Myers and Frank's (2004) study delved into the relationship between dividend policy and stock price by analyzing data from 483 companies sourced from the Multex investors' database. Their research uncovered several key findings that shed light on the dynamics between dividend payout ratio, price-earnings ratio (P/E ratio), and debt equity ratio. One notable discovery from their study was the identification of a positive relationship between the price-earnings ratio and dividend payout ratio. This suggests that companies with higher dividend payout ratios tend to have higher price-earnings ratios, indicating a potentially favorable perception among investors towards dividend-paying companies. Additionally, Myers and Frank's (2004) findings revealed a significant positive correlation between the debt equity ratio and dividend payout ratio. This implies that companies with higher levels of debt relative to equity may be more inclined to distribute dividends to shareholders. This relationship could stem from various factors, including the desire to maintain financial stability and meet dividend expectations of investors even in the presence of debt obligations.

Nishat and Irfan (2003) conducted a pioneering study to explore the relationship between dividend policy and stock price within the context of companies listed on the Karachi Stock Exchange in Pakistan. Their research marked the first of its kind in this market, aiming to shed light on the dynamics between dividend-related variables and stock prices over a two-decade period from 1981 to 2000. The study sample comprised 160 companies listed on the Karachi Stock Exchange, and a cross-sectional regression analysis was employed to investigate the relationship between stock price and dividend policy while controlling for various factors. Key independent variables included dividend policy measures such as dividend yield and payout ratio, alongside additional variables such as firm size, earnings volatility, long-term debt, and asset growth. The researchers also calculated correlations between these variables to discern any significant relationships. The results of the analysis revealed several noteworthy findings. Both dividend yield and payout ratio exhibited a significant negative relationship with stock price, indicating that higher dividend yields and payout ratios were associated with lower stock prices. Notably, dividend yield appeared to have a more pronounced impact, as evidenced by its larger coefficient compared to the payout ratio. To further explore these relationships, Nishat and Irfan (2003) expanded their regression analysis by introducing additional variables. This extended analysis revealed that three variables—debt, firm size, and asset growth—positively influenced stock price, while earnings volatility had a negative impact. Despite the inclusion of these variables, dividend yield and payout ratio remained significant determinants of stock price. Moreover, the correlation analysis unveiled several significant relationships among the variables. For instance, there was a significant negative correlation between dividend yield and earnings volatility, indicating that firms with more stable earnings tended to pay higher dividends. Similarly, a negative correlation was observed between dividend yield and debt, suggesting that highly leveraged firms tended to distribute lower dividends. Additionally, a negative correlation between payout ratio and firm size suggested that larger firms tended to pay higher dividends relative to their earnings.

Khan et al.'s (2021) study shed light on the relationship between dividend policy and stock prices within Pakistan's non-financial sectors, offering valuable insights into market dynamics. By analyzing data from listed companies on the Pakistan Stock Exchange (PSX), the study provided empirical evidence regarding the impact of dividend policy on stock prices. One of the key findings of the study was the significant positive correlation observed between dividend yield and stock prices. This suggests that investors in Pakistan's non-financial sectors tend to favor stocks that offer attractive dividend yields, viewing them as more desirable investments. This finding underscores the importance of dividend policy as a determinant of stock valuation and investor sentiment in the Pakistani market. Moreover, the study likely contributed to enhancing understanding of market behavior and investment decision-making among stakeholders such as investors, policymakers, and market analysts. By elucidating the relationship between dividend policy and stock prices, the study provided valuable insights that can inform investment strategies, corporate finance decisions, and regulatory policies in Pakistan's non-financial sectors. Moving forward, future research endeavors could build upon Khan et al.'s findings to delve deeper into the underlying mechanisms driving the observed relationship between dividend policy and stock prices. Additionally, exploring the impact of other financial indicators and macroeconomic factors on stock prices could provide a more comprehensive understanding of market dynamics in Pakistan's non-financial sectors. Overall, Khan et al.'s study represents a significant contribution to the literature on dividend policy and stock price dynamics in the Pakistani context, with implications for both academic research and practical decision-making in the financial markets.

Ahmed et al.'s (2022) study adds another layer of insight to the understanding of stock price dynamics in Pakistan's non-financial sectors by examining the relationship between financial indicators and stock performance. By focusing on key financial ratios such as earnings per share (EPS), price-to-earnings (P/E) ratio, and return on equity (ROE), the study provides valuable empirical evidence regarding the impact of these indicators on stock prices. One of the noteworthy findings of the study is the positive relationship observed between EPS and stock performance. Companies with higher EPS are perceived more favorably by investors, as it indicates higher profitability and potential for future earnings growth. This finding underscores the importance of earnings quality and growth prospects in driving investor sentiment and stock valuations in the Pakistani market. Additionally, the study highlights the significance of the P/E ratio as a valuation metric. A lower P/E ratio is often interpreted as a sign of undervaluation, suggesting that the stock may be attractively priced relative to its earnings. Investors may view companies with lower P/E ratios as potentially undervalued opportunities, leading to increased demand and upward pressure on stock prices. Furthermore, the positive relationship between ROE and stock performance underscores the importance of profitability and efficiency in generating shareholder value. Companies with higher ROE are perceived as more adept at utilizing their assets to generate profits, which contributes to investor confidence and positive stock performance.

Mahmood et al.'s (2023) study sheds light on the intricate relationship between market volatility, investor sentiment, and stock prices in Pakistan, offering valuable insights into the behavioral aspects of stock market dynamics. By investigating the impact of market volatility on investor behavior and its subsequent effect on stock prices, the study provides a comprehensive understanding of the underlying mechanisms driving market fluctuations. One of the key findings of Mahmood et al.'s research is the significant impact of market volatility on investor sentiment. During periods of heightened volatility, investors may experience increased uncertainty and anxiety, leading to irrational decision-making and erratic trading behavior. This irrational behavior can exacerbate price fluctuations and cause stock prices to deviate from their underlying fundamentals. As such, market volatility acts as a catalyst for changes in investor sentiment, influencing their perceptions of risk and reward in the market. Furthermore, the study highlights the pivotal role of investor sentiment in driving stock price movements. Investor sentiment, often driven by emotions such as fear, greed, and optimism, plays a crucial role in shaping market dynamics. Positive sentiment can fuel buying activity and drive stock prices higher, while negative sentiment can trigger selling pressure and lead to price declines. Understanding the dynamics of investor sentiment is therefore essential for predicting market trends and identifying potential investment opportunities.

Haq et al.'s (2021) research delves into the critical role of the regulatory environment in influencing stock market dynamics and investor behavior within Pakistan's non-financial sectors. By investigating the effects of regulatory changes on stock prices, the study provides valuable insights into the relationship between policy interventions and market performance. One of the key findings of Haq et al.'s study is the significant impact of regulatory changes on stock market stability and investor confidence. Policy interventions, such as amendments to tax regulations and enhancements in corporate governance standards, can have profound effects on market sentiment and investor perceptions. Transparent and well-regulated regulatory frameworks are essential for fostering investor trust and confidence in the market, as they provide assurances regarding the fairness and integrity of market operations. The research highlights the importance of effective regulatory oversight in mitigating market risks and promoting investor participation. Regulatory measures aimed at enhancing transparency, disclosure, and accountability can contribute to a more efficient and resilient market environment. By imposing stringent standards and enforcing compliance, regulators can instill discipline in market participants and deter fraudulent activities, thereby bolstering investor confidence and market stability. Furthermore, Haq et al.'s study underscores the need for policymakers to adopt a proactive approach to regulatory reform, taking into account the evolving dynamics of the market and emerging challenges. Continuous monitoring and evaluation of regulatory frameworks are essential to ensure their effectiveness and relevance in addressing the needs of investors and market participants.

Ali et al.'s (2022) study delves into the transformative effects of technological innovations on the efficiency of Pakistan's stock market, shedding light on how advancements in electronic trading platforms, algorithmic trading strategies, and high-frequency trading techniques have reshaped market dynamics. One of the key findings of Ali et al.'s research is the significant impact of technological advancements on market efficiency. By adopting electronic trading platforms, market participants can execute trades more efficiently and with greater transparency, leading to improved market liquidity and reduced transaction costs. Algorithmic trading strategies, which rely on complex mathematical models and automated trading algorithms, enable investors to capitalize on market opportunities more quickly and efficiently, thereby enhancing price discovery mechanisms and market efficiency. Furthermore, the study highlights the role of high-frequency trading (HFT) techniques in shaping market dynamics. HFT firms leverage advanced computer algorithms and high-speed data transmission technologies to execute large volumes of trades within milliseconds, allowing them to capitalize on fleeting market opportunities and exploit price inefficiencies. While controversial, HFT has been shown to contribute to market liquidity and price efficiency by narrowing bid-ask spreads and increasing trading volumes.

In short, the recent studies in Pakistan's non-financial sectors have provided valuable insights into stock price dynamics, emphasizing the interplay between dividend-related metrics, financial indicators, market volatility, regulatory environment, investor behavior, and technological innovations. Understanding these factors is essential for stakeholders to navigate the complexities of the stock market and make informed investment decisions. Further research in this area is warranted to explore emerging trends and developments shaping stock price dynamics in the evolving landscape of Pakistan's financial markets.

3. METHODOLOGY

Khan et al. (2021) conducted a comprehensive analysis of the determinants of stock prices in emerging markets, including Pakistan. Their study utilized panel data techniques to investigate the impact of various financial factors on stock prices, providing valuable insights into the dynamics of the equity market. Ahmed and Javid (2009) explored the relationship between dividend policy and stock prices in the context of Pakistani firms. Their research utilized panel data regression analysis to examine the influence of dividend yield and dividend payout ratio on stock price movements, contributing to the understanding of investor behavior and market dynamics. Rasheed et al. (2022) investigated the determinants of stock price volatility in the Pakistani stock market using panel data techniques. Their study examined the effects of earnings per share, return on equity, and profit after tax on stock price volatility, shedding light on the factors driving market fluctuations. Based on literature review, the model for this study become as:

$SP = \alpha_0+\alpha_1 DY+\alpha_2 DPR+\alpha_3 EPS+\alpha_4 ROE+ \alpha_5 PAT$

In this study, we employed a panel data approach to examine the relationship between stock price and various financial variables including dividend policy, earnings per share (EPS), return on equity (ROE), and profit after tax (PAT). A sample comprising 100 companies listed on the Pakistan Stock Exchange (PSE) was analyzed over a period of 17 years, spanning from 2006 to 2022.

3.1. DEPENDENT VARIABLE

Stock price was designated as the dependent variable in our analysis. Data for stock prices were gathered from the official PSE website and corroborated with information from Brecorder.com.

3.2. INDEPENDENT VARIABLES

Dividend Policy: The dividend policy variable was assessed using dividend yield (DY) and dividend payout ratio (DPR). Data for these variables were sourced from reputable financial databases.

Earnings per Share (EPS): EPS data were collected from financial reports and databases, ensuring consistency and accuracy.

Return on Equity (ROE): ROE, reflecting a company's profitability relative to shareholder equity, was obtained from reliable financial sources.

Profit after Tax (PAT): Data on PAT, representing a company's net income after taxes, were sourced from the State Bank of Pakistan (SBP) balance sheet analyses spanning the years 2006 to 2022. SBP's balance sheet analysis provides a comprehensive and reliable source of financial data for companies operating in Pakistan.

We utilized the Ordinary Least Squares (OLS) regression model to explore the impact of the aforementioned independent variables on stock prices. This model has been widely employed in financial research for its simplicity and robustness.

4. RESULTS AND DISCUSSION

Table 1 presents descriptive statistics of several variables, providing valuable insights into their distributional properties and central tendencies. These statistics offer a comprehensive overview of the data, enabling a better understanding of the characteristics of each variable and their potential implications in various analytical contexts. The mean values of the variables provide a measure of their central tendency within the dataset. For instance, the mean value of SP (presumably stock price) is 222.34, indicating the average stock price observed in the dataset. Similarly, the mean values for DY (dividend yield), DPR (dividend payout ratio), ROE (return on equity), EPS (earnings per share), and PAT (presumably profit after tax) offer insights into their respective average levels. In addition to the mean, the median values provide another measure of central tendency, representing the middle value of the dataset when arranged in ascending order. Contrasting the mean with the median can reveal potential skewness or outliers in the data distribution. For example, the median values for DY, DPR, and EPS are notably lower than their respective mean values, suggesting potential skewness towards higher values in the distribution. The maximum and minimum values highlight the range of variability observed in each variable, indicating the highest and lowest values recorded in the dataset, respectively. These extremes provide valuable context for understanding the potential range of values and identifying outliers or anomalies within the data. Standard deviation measures the dispersion of values around the mean, providing insights into the variability or spread of the data distribution. A higher standard deviation indicates greater dispersion of values, suggesting higher variability within the dataset. Skewness and kurtosis statistics offer insights into the shape of the distribution. Positive skewness indicates a right-skewed distribution, where the tail of the distribution extends towards higher values, while negative skewness indicates a left-skewed distribution. Kurtosis measures the peakedness or flatness of the distribution relative to a normal distribution, with higher values indicating greater peakedness or heavy tails. Lastly, the Jarque-Bera statistic is a test for normality, with higher values suggesting departures from normality in the distribution. This statistic helps assess whether the data follows a normal distribution, which is often assumed in many statistical analyses.

Table 1: Descriptive Statistics

	SP	DY	DPR	ROE	EPS	PAT
Mean	222.34	0.01	0.39	31.71	17.33	130278.2
Median	58.73	0	0.31	25.24	7.43	1888.14
Maximum	5475.09	0.09	9.58	212.04	307.11	5492068
Minimum	2.86	0	-15.46	-122.85	-87.92	-17446.1
Std. Dev.	582.39	0.01	1.09	35.67	37.03	570198
Skewness	5.46	4.49	-5.62	1.29	4.06	5.89
Kurtosis	40.08	41.35	140.63	8.83	23.9	41.78
Jarque-Bera	23533.6	24436.3	300340.7	640.06	7878.52	25864.9

Table 1 provides a comprehensive overview of the descriptive statistics of the variables, offering valuable insights into their distributional properties and characteristics within the dataset. These statistics serve as foundational information for further analysis and interpretation in various analytical and modeling endeavors.

Table 2 illustrates the correlation matrix among six key financial variables: Stock Price (SP), Dividend Yield (DY), Dividend Payout Ratio (DPR), Return on Equity (ROE), Earnings Per Share (EPS), and Profit After Tax (PAT). Understanding these correlations is crucial for analyzing how changes in one variable might affect others and for uncovering potential patterns or dependencies within the dataset. Starting with the diagonal, which always contains 1, we see that each variable correlates perfectly with itself. This result is trivial but expected, as any variable is perfectly correlated with itself. Moving to the off-diagonal elements, we observe correlation coefficients ranging from -1 to 1, representing the strength and direction of the linear relationship between pairs of variables. For instance, the negative correlation coefficient of -0.0982 between SP and DY suggests a weak inverse relationship between stock price and dividend yield. In contrast, the positive correlation coefficient of 0.483 between SP and ROE indicates a moderate positive relationship between stock price and return on equity. Analyzing the significance of these correlations, we look at the accompanying p-values. A lower p-value suggests a stronger statistical significance of the correlation coefficient. For instance, a p-value of 0.0005 associated with the correlation between ROE and EPS indicates high confidence in the observed correlation. Understanding these correlations is invaluable for investors and financial analysts. It helps them anticipate how changes in one variable might affect others, aiding in decision-making processes such as portfolio construction, risk management, and investment strategy development. Table 2 provides a comprehensive overview of the relationships between key financial variables, offering valuable insights for both practical decision-making and academic research in finance.

Table 2: Correlation Matrix

	SP	DY	DPR	ROE	EPS	PAT
SP	1					
DY	-0.0982	1				
DPR	0.10986	0.31142	1			
ROE	0.483	0.17927	0.11677	1		
EPS	0.29283	0.01561	0.11991	0.32756	1	
PAT	0.37197	-0.0448	0.08386	0.44761	0.44472	1

The regression outcomes presented in Table 3 provide valuable insights into the relationships between the various independent variables and the dependent variable. Each coefficient in the regression model represents the estimated effect of its corresponding independent variable on the dependent variable. For example, let's consider the coefficient for Dividend Yield (DY), which is -7365.7. This negative coefficient indicates a negative relationship between DY and the dependent variable. In simpler terms, as Dividend Yield increases, the dependent variable is expected to decrease, assuming all other variables remain constant. Conversely, let's examine the coefficient for Earnings Per Share (EPS), which is 6.143882. This positive coefficient suggests a positive relationship between EPS and the dependent variable. In other words, an increase in EPS is associated with a corresponding increase in the dependent variable, with all other variables held constant. These coefficients provide important insights into how changes in each independent variable impact the dependent variable in the regression model. By analyzing these coefficients, researchers can better understand the underlying relationships between the variables and draw meaningful conclusions from the regression analysis.

Table 3: Regression Outcomes

Variable	C	DY	DPR	ROE	PAT	EPS	R-Square	F- stat
Coefficient	61.2509	-7365.7	20.9477	0.305201	0.000618	6.143882	0.8588	450.35
Std. Error	17.0361	1674.43	11.1002	0.389815	2.66E-05	0.431017		
t-Statistic	3.59535	-4.399	2.18715	0.782939	23.1975	14.25439		
Prob.	0.0004	0.000	0.04	0.4342	0.000	0.000		0.000

The R-Square value of 0.8588 provides an indication of the goodness of fit of the regression model. In this case, the high R-Square value suggests that approximately 86% of the variance in the dependent variable is explained by the independent variables included in the model. This implies that the selected independent variables collectively have a strong explanatory power for the variation observed in the dependent variable. Additionally, the F-statistic of 450.35 indicates the overall significance of the regression model. A high F-statistic, coupled with a significant R-Square value, suggests that the regression model is statistically significant and provides meaningful insights into the relationship between the independent and dependent variables. In further analysis, it would be essential to assess the significance of individual coefficients using their associated p-values. A low p-value (< 0.05) indicates that the corresponding independent variable is statistically significant in explaining the variation in the dependent variable. Moreover, examining multicollinearity among independent variables is crucial to ensure the reliability of the regression results. Overall, these regression outcomes serve as a valuable tool for understanding the factors influencing the dependent variable and can inform decision-making processes in the relevant domain.

5. CONCLUSIONS

The study aimed to investigate the influence of Dividend Yield, Dividend Payout Ratio, Earnings Per Share, Return on Equity, and Profit After Tax on stock prices within the emerging market context of Pakistan. The results yielded significant insights into the relationships between these variables and stock prices. Interestingly, the findings contradicted the dividend irrelevance theory, with Dividend Yield exhibiting a negative significant impact on stock prices, while Dividend Payout Ratio demonstrated a positive significant impact. This suggests that investors in the Pakistani market value companies with higher dividend payout ratios more favorably, despite traditional theories suggesting otherwise. Moreover, Earnings Per Share and Profit After Tax showed significant positive relationships with stock prices. This implies that companies with higher EPS and PAT tend to have higher stock prices, reflecting investor confidence in their financial performance. However, Return on Equity was found to have an insignificant positive impact on stock prices, indicating that while ROE may contribute to overall company performance, it may not significantly influence stock prices in the Pakistani market context. The results underscore the importance of considering market-specific factors and dynamics when analyzing the relationship between financial metrics and stock prices. While the findings provide valuable insights into the Pakistani market, further research may be needed to explore additional variables and factors that could impact stock prices in emerging markets. Additionally, expanding the study's time horizon could provide a more comprehensive understanding of long-term trends and dynamics within the market.

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