FINANCIAL PERFORMANCE AND MARKET PRICE PER SHARE VOLATILITY: NIGERIA CONSUMER GOODS MANUFACTURING FIRMS EXPERIENCE.

Segun Idowu Adeniyi PhD

Department of Accountancy, Faculty of Management Sciences, Nnamdi Azikiwe University,

Abstract

Accounting information is used by stakeholders, especially investors, to make investment decisions especially to evaluating the share price of listed companies. Many investors relied too much on the quality of financial information reported but series of corporate scandals have placed severe doubt on the quality of financial reports circulating in a corporate environment. Hence this study tends to ascertain the effect of earring per share, dividend per share and return on equity on market price per share of selected consumer goods manufacturing firms listed on Nigeria Exchange Group. Ex post facto research design is adopted for the study. The population of the study is made up of nineteen (19) consumer goods manufacturing firms listed Nigeria. Ordinary Least Square (OLS) multiple regressions were used to analysed data collected through R –View 10 statistic software. The study observed that earning per share has a significant and positive impact on share price movement while dividend per share has a positive but non-significant effect on share price movement of listed consumer goods manufacturing firms in Nigeria. The study recommends among others that managers should look into their dividend policy in order to attract more investors to their firms.

Keywords: earring per share; dividend per share; return on equity; market price per share

Introduction

Financial reporting by companies is effected through the preparation and publication of financial reports and accounts. These financial reports and accounts are required to exhibit certain degree of quality in terms of their information contents. The users of the financial reports use the reports frequently in passing judgments (Olumide, Tanko & Nyor, 2016; Mahmoud & Adebisi, 2017) on the viability of a company.

The relevance of financial accounting reporting can be adduced from the ability of the financial information to summarize and explain measures in the stock market (Vishnami & Krishah, 2008). It is worthy to note that accounting information will only be used by an investor when evaluating the share price of a listed company, only if it has relevance. According to Beisland (2009), one of the major objectives of financial reporting is to provide equity investors with information relevant for estimating company value.

Stock prices serve as the basis for the valuation of whether a business enterprise is breaking even or not. These prices are relevant measurement of the returns accruing

to the stakeholders, therefore the value attached to them serves as a major boost to both existing and prospective investors in the capital market (Glezakos, Mylonakis & Kafourous, 2012).

According to Ghofar & Saraswati (2008), investors in many cases are too dependent on the quality of financial information reported. However, events in previous years, especially the series of corporate scandals such as Enron, Worldcom, Parmalat and several Nigerian firms such as Cadbury Nigeria Plc in 2006, Afribank Nigeria Plc in 2009 and Intercontinental Bank Plc in 2009 have placed severe doubt on the quality of financial reports circulating in a corporate environment and their ability to meet the expectations and needs of the users (Jeroh, 2016).

Studies like Olugbenga and Atanda (2014), Ijeoma (2015) Jeroh (2016), have documented a relationship between financial reporting and stock prices in different parts of the world. However, the empirical findings of the studies differ from country to country and from one sector of the economy to another within the same country. While some are of the opinion that financial reporting quality is positively and significantly related to the share price movement, some others are of the opinion that financial reporting quality has no significant relationship with the share price volatility.

Furthermore, all the previous studies relate to different time frames in the past that may no longer be relevant with regard to the dynamic nature of accounting and the economy. The foregoing provides evidence of the existence of a knowledge gaps that need to be closed. Hence, this study to ascertain the effect of earring per share, dividend per share and return on equity on market price per share of selected consumer goods manufacturing firms listed on Nigeria Exchange Group.

This study will be guided by the following research hypotheses:

i. Earring per share does not significantly affects market price per share of selected consumer goods manufacturing firms listed on Nigeria Exchange Group.
ii. Dividend per share does not significantly affects market price per share of selected consumer goods manufacturing firms listed on Nigeria Exchange Group.
iii. Return on equity does not significantly affects market price per share of selected consumer goods manufacturing firms listed on Nigeria Exchange Group.

The paper is organised as follows' the next section reviews relevant literature with regards to context justification and provide a theoretical background for the study, respectively. Next describes the sample data and empirical methodology. The last section summaries the main results, offers conclusion and recommendations.

Review of related Literature

Conceptual Reviews

Relevance of Accoutants Information
Vijitha and Nimalathasan (2014) examined the relevance of accounting information such as earning per share, net assets value per share, return on equity and price earnings ratio to investors investment decision in listed manufacturing companies in Colombo Stock Exchange, Sri Lanka. The study found that there is significant relationship between earning per share, price earnings ratio and investors investment decision.

Shehzad and Ismail (2014) study value relevance of accounting information in banking sector of Pakistan. The study focused on private banks for the period of 2008 to 2012. The study revealed that investors appreciate earning per share in making investment decision and it affects market share volatility.

Empirical Reviews
Uwuigbe, Olowe, and Godswill (2012) carry out a study about determinants of share prices in the Nigeria Stock Exchange Market. The study modelled the effects of financial performance, dividend pay-out, and financial leverage on the share price of listed firms in Nigeria. The study concludes that dividend pay-outs, and financial leverage are strong determinants of the market value of share prices, which thus influenced equity share investment decision making in the listed companies in Nigeria.

Oshodin and Mgbame (2014) focused on the relevance of accounting information in the Nigeria banking and Petroleum sectors for the period 2007-2011. The study revealed that the earnings per share information is the most considered by investors when deciding the share price and that the financial information in the oil and gas is more relevant compare to the financial information disclosed by companies in the banking sector.

Mgbame and Ikhatua (2013) examine accounting information and stock volatility in the Nigerian Capital Market. The study observed that the release of information on book values, earnings per share and dividend per share is found to be related to stock volatility among sample population.

Olugbenga and Atanda (2014) examine the relationship between earnings, dividends, cash flow and equity share investment decisions in Nigeria. The study observed that earnings, dividends, cash flow from operations, are statistically significant in explaining variations in equity share investors' behaviours.

Wang, Fu, and Luo (2013) study accounting information and stock price reaction of listed companies in Shanghai stock exchange. The study observed that there is no

significant relationship between Inventory Turnover Ratio, Liquidity Ratio, Price to Earnings Ratio, and stock price; however, only Earning Per Share and Return on Equity have positive significant relationship with stock price.

Uniamikogbo, Ezennwa, and Bennee (2018) examine the effect of accounting information on stock price volatility in Nigeria. The study used cross sectional research design. The study covers selected twenty two listed firms in Nigeria for the period of 2013 to 2017. The study found that earnings per share and dividend per share have a negative and significant effect on stock prices while book value per share has a positive and significant effect on stock prices.

Olowolaju and Ogunsan (2016) examine Value relevance of accounting information in the determination of shares prices of quoted Nigerian Deposit Money Banks. The results showed that book value per share and dividend per share had a significant positive influence on market value of shares; while, EPS was positive but non-significant.

Eriabie and Egbide (2016) examine accounting information and share prices of listed food and beverage and conglomerate industry in Nigeria for the period of 2005 to 2014. The study found a positive but insignificant relation between earnings per share and market price per share for the conglomerate firms while there is positive significant relationship between earning per share and market price per share for food and beverage firms within the period under investigation in Nigeria.

Methodology

Ex post facto research design is adopted for the study. The population of the study is made up of nineteen (19) consumer goods manufacturing firms listed on the Nigerian Exchange Group (NGX) as at 31st December 2022. The study use purposive sampling technique to select the sample population. This sampling technique enable researcher to select firms that we can conveniently assess their data has been on the floor of Nigeria Exchange Group for the period of 2012 to 2022 and has their financial statements available either on their website or in the office of the Nigerian Exchange Group as at 31st December, 2022. Based on the above conditions, sixteen (16) listed consumer goods manufacturing firms was selected as sample population.

Model Specification

In order to achieve the objectives of this study and test of the hypotheses, This study adapts Vijitha and Nimalathasan, (2014), Olugbenga and Atanda,(2014) model stated as: $SP_{it} = \beta_0 + \beta_1 ATO_{it} + \beta_2 DER_{it} + \beta_3 DPS_{it} + \varepsilon_t$

They used variables such stock price as proxy for share price movement while Assets turnover ratio, Debt equity ratio and Dividend per share were used to proxy financial reporting quality. Our study modified the study as follows:

SPMit = β0 + β1EPSit + β2DPSit + β3ROEit ++Uit.

Where:

SPM = Share price movement

EPS = Earring per share

DPS = Dividend per share

ROE = Return on equity

β0= Intercept Coefficient

β1, β2, β3, = The slope of coefficient

t = Time dimension of the variant

i= (1, 2, . . 16) is the given Consumer goods manufacturing firms

Measurement of Variables

Independent variables (financial reporting quality)

Indicators	Measurement unit
Earnings Per Share	Net income - Dividend on preferred stock Average outstanding Shares
Dividend per share	
Return on equity	Net Income/Shareholders
Dependent variables (share price movement)	
Share price value	Take the last updated value of the company share and multiply it by outstanding shares.

Source: Researcher, 2023

Method of Data Analysis

Ordinary Least Square (OLS) multiple regressions was adopted to examine the effect of financial reporting quality on share price movement of selected consumer goods manufacturing firms listed on Nigeria Exchange Group. E - View 10 statistical software will be used for data analysis. According to Lavrakas (2008), panel data analysis refers to the statistical analysis of data sets consisting of multiple observations on each sampling unit.

Data analysis and Discussion

Data analysis

Descriptive analysis

The descriptive statistical analysis of the study was carried out using mean, standard deviation, minimum and maximum values. The results of the analysis are presented in below.

Table 1 Presentation of Descriptive Statistics of the Variables

	SPV	EPS	ROE	DPS
Mean	102.9881	3.590125	7.366125	62.94813
Median	17.03000	0.980000	11.03000	36.78500
Maximum	1556.500	57.63000	187.2800	3013.880
Minimum	0.460000	-5.740000	-989.3800	-935.6300

Std. Dev.	302.3823	9.805584	88.82210	260.9439
Skewness	3.895635	4.020573	-9.315776	8.878198
Kurtosis	17.23640	19.32351	102.6316	105.1285
Jarque-Bera	1755.861	2207.447	68490.59	71636.84
Probability	0.000000	0.000000	0.000000	0.000000
Sum	16478.09	574.4200	1178.580	10071.70
Sum Sq. Dev.	14538171	15287.77	1254409.	10826585
Observations	160	160	160	160

Source: Eviews 10 output (2023)

The mean of Share Price Value is 102.9881, with a standard deviation of 302.3823. The minimum SPV value is 0.460000, while the maximum value is 1556.500. The skewness is 3.895635, indicating that the distribution of SPV is positively skewed, and the kurtosis is 17.23640, indicating that the distribution has a high degree of peakedness. The Jarque-Bera statistic is 1755.861, with a probability of 0.000000, indicating that the distribution is not normal.

The mean EPS value is 3.590125, with a standard deviation of 9.805584. The minimum EPS value is -5.740000, while the maximum value is 57.63000. The skewness is 4.020573, indicating that the distribution of EPS is positively skewed, and the kurtosis is 19.32351, indicating that the distribution has a high degree of peakedness. The Jarque-Bera statistic is 2207.447, with a probability of 0.000000, indicating that the distribution is not normal.

The mean ROE value is 7.366125, with a standard deviation of 88.82210. The minimum ROE value is -989.3800, while the maximum value is 187.2800. The skewness is -9.315776, indicating that the distribution of ROE is negatively skewed, and the kurtosis is 102.6316, indicating that the distribution has a high degree of peakedness. The Jarque-Bera statistic is 68490.59, with a probability of 0.000000, indicating that the distribution is not normal.

The mean DPS value is 62.94813, with a standard deviation of 260.9439. The minimum DPS value is -935.6300, while the maximum value is 3013.880. The skewness is 8.878198, indicating that the distribution of DPS is positively skewed, and the kurtosis is 105.1285, indicating that the distribution has a very high degree of peakedness. The Jarque-Bera statistic is 71636.84, with a probability of 0.000000, indicating that the distribution is not normal.

Test of Hypotheses
The model estimated was used to examine the effect of financial reporting quality on share price movement of selected consumer goods manufacturing firms in Nigeria. The output of the fixed effect regression is shown in **Table 4.1.2** below.

Table 4.1.2 Panel Regression Analysis Using Fixed Effect Model
Dependent Variable: SPV
Method: Panel Least Squares
Sample: 2012 2022
Periods included: 10
Cross-sections included: 16
Total panel (balanced) observations: 160

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	49.52882	6.579126	7.528176	0.0000
EPS	17.67009	1.124777	15.70986	0.0000
ROE	0.021355	0.054023	0.395302	0.6932
DPS	0.007284	0.017178	0.424019	0.6722
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.972313	Mean dependent var		102.9881
Adjusted R-squared	0.968556	S.D. dependent var		302.3823
S.E. of regression	53.62000	Akaike info criterion		10.91819
Sum squared resid	402514.6	Schwarz criterion		11.30259
Log likelihood	-853.4552	Hannan-Quinn criter.		11.07428
F-statistic	258.7669	Durbin-Watson stat		1.876186
Prob(F-statistic)	0.000000			

Source: Eviews 10 output (2023)
The regression results show the relationship between the share price value (SPV) and the independent variables earnings per share (EPS), return on equity (ROE), and dividend per share (DPS) of the listed consumer goods manufacturing firms in the sample.

The coefficient of determination, R-squared, is 0.972, which indicates that the independent variables in the regression model explain 97.2% of the variation in the dependent variable, SPV. The F-statistic of 258.7669 is significant, indicating that the overall regression model is a good fit. The Durbin-Watson statistic of 1.876186 is close to 2, indicating that there is no significant autocorrelation present in the residuals.

Hypothesis One
Earnings per share) has no significant effect on share price value (SPV) of listed consumer goods manufacturing firms in Nigeria.
The coefficient of EPS is 17.67009, which means that for every one-unit increase in EPS, the expected change in SPV is an increase of 17.67009 units, while holding other independent variables constant. With a t-statistic of 15.70986 and a p-value of 0.0000 which is less than 0.05, we reject the null hypothesis and conclude that

Earnings per share (EPS) has a significant and positive effect on share price value (SPV) of listed consumer goods manufacturing firms in Nigeria.

Hypothesis Two
Return on equity has no significant effect on share price value (SPV) of listed consumer goods manufacturing firms in Nigeria.
The coefficient of ROE is 0.021355, which means that for every one-unit increase in ROE, the expected change in SPV is an increase of 0.021355 units, while holding other independent variables constant. However, with a t-statistic of 0.395302 and a p-value of 0.6932 that is greater than 0.05, we accept the null hypothesis and conclude that Return on equity has a positive but non-significant effect on share price value (SPV) of listed consumer goods manufacturing firms in Nigeria.

Hypothesis Three
Dividend per share (DPS) has no significant effect on share price value (SPV) of listed consumer goods manufacturing firms in Nigeria.
The coefficient of DPS is 0.007284, which means that for every one-unit increase in DPS, the expected change in SPV is an increase of 0.007284 units, while holding other independent variables constant. However, with a t-statistic of 0.424019 and a p-value of 0.6722 which is greater than 0.05, we accept the null hypothesis and conclude that Dividend per share (DPS) has a positive but non-significant effect on share price value (SPV) of listed consumer goods manufacturing firms in Nigeria.

Discussion of Findings
The findings suggest that earning per share has a significant and positive impact on share price movement of listed consumer goods manufacturing firms in Nigeria. This finding is in support of studies conducted by Olugbenga and Atanda (2014); Mgbame and Ikhatua (2013); Uniamikogbo, Ezennwa, and Bennee (2018); Dang, Tran, and Nguyen (2018) that observed positive significant relationship between earning per share and firm share value. This result is not surprising because EPS is a widely used indicator of a firm's profitability, and a high EPS generally reflects a company's ability to generate more profits from each share of its stock. As investors seek to invest in companies with high profitability, the higher EPS can attract more investment and drive up the share price.

The study also found that Return on Equity (ROE) has a positive but non-significant effect on share price movement of listed consumer goods manufacturing firms in Nigeria. The finding is in support of studies conducted by Eriabie and Egbide (2016); Dang, Tran, and Nguyen (2018); Olowolaju and Ogunsan (2016) that discovered that return on equity does not have significant effect on share price movement. This result implies that ROE, which measures a company's ability to generate a profit with the shareholder's investment, may not be as important as other factors in determining share price for consumer goods manufacturing firms in

Nigeria. It is possible that other factors, such as revenue growth or market share, may be more important in the eyes of investors.

Finally, the study found that Dividend per Share (DPS) has a positive but non-significant effect on share price movement of listed consumer goods manufacturing firms in Nigeria. The finding does not support some previous studies like Olugbenga and Atanda (2014); Mgbame and Ikhatua (2013); Vijitha and Nimalathasan (2014) who discovered positive relationship between Dividend per Share and share price movement. This result suggests that while investors may consider dividend payments in their investment decisions, other factors are more important in driving up the share price of consumer goods manufacturing firms in Nigeria.

Conclusion and Recommendations

The study concludes that earning per share has a significant and positive impact on share price movement because investors seek to invest in companies with high profitability; the higher earnings per share can attract more investment and drive up the share price. Return on equity which measures a company's ability to generate a profit with the shareholder's investment, may not be as important as other factors in determining share price for consumer goods manufacturing firms in Nigeria. However, while investors may consider dividend payments in their investment decisions, other factors are more important in driving up the share price of consumer goods manufacturing firms in Nigeria.

The study recommends that:
 i. Managers should improve on their ability to generate more profit with the shareholders investment. This will leads to increase in return on equity.
 ii. Managers should look into their dividend policy in order to attract more investors to their firms.

References

Beisland, L.A. (2009). A review of the value relevance literature. *The Open Business Journal*, 2 (3), 25 – 37.

Eriabie, S., & Egbide, B. (2016). Accounting Information and Share Prices in the Food and Beverage, and Conglomerate Sub-sector of the Nigerian Stock Exchange. *Journal of Accounting, Finance and Auditing Finance,2*(3), 292-306.

Glezakos, M., Mylonakis, J., & Kafouros, C. (2012). The impact of accounting information on stock prices: evidence from the Athens stock exchange. International Journal of Economics and Finance, 4(2), 56–68.

Ghofar, A. & Saraswati, E. (2008). *Problems in financial reporting: the analysis of quality of disclosure and the measurement system of the traditional accounting*. Retrieved on 17/04/2023 from http:// www. indonesiauniversity.edu.in/

Ijeoma, N. B. (2015). Value relevance of accounting information on share prices of listed firms. Social and Basic Sciences Research Review, 3(10), 328-344.

Jeroh, E. (2016). Effect of IFRS adoption on the determinants of share prices in quoted service firms in Nigeria. *Sahel Analyst: Journal of Management Science* 14(4): 1–12.

Mahmoud, I. & Adebisi, J. F. (2017). Performance characteristics and accrual metrics in Nigerian conglomerates companies. *Uniosun International Journal of Business Administration (UIJBA). 1* (1), 163-173.

Mgbame, C. O., & Ikhatua, O. J. (2013). Accounting information and stock volatility in the Nigerian capital markets: a GARCH analysis approach. International Review of Management and Business Research, 2.

Olowolaju, P. S., & Ogunsan, J. O. (2016). Value relevance of accounting information in the determination of shares prices of quoted Nigerian Deposit Money Banks. International Journal of Economics, Commerce and Management, 4(10), 128-147.

Olugbenga, A. A., &Atanda, O. A. (2014). The relationship between financial accounting information and market values of quoted firms in Nigeria. Global Journal of Contemporary Research in Accounting, Auditing and Business Ethics (GJCRA),1 (1), 22 -39.

Olumide, A, Tanko, M. & Nyor, T. (2016). Firm structural characteristics and financial reporting quality of listed deposit money banks in Nigeria. *Journal of international business research*, 9(1), 1913 – 9004

Oshodin, E., & Mgbame, C. O. (2014). The comparative study of value relevance of financial information in the Nigeria banking and petroleum sectors. Journal of Business Studies Quarterly,6(1), 42-54.

Shehzad, K., & Ismail, A. (2014). Value relevance of Accounting Information and its Impact on Stock Prices: Case Study of Listed Banks at Karachi Stock Exchange. Journal of Economic Info, 3(1), 40-48, 2014

Uniamikogbo, E., Ezennwa, E. O., & Bennee, E. (2018). Influence of accounting information on stock price volatility in Nigeria. Accounting and Taxation Review, 2(4), 113-124.

Uwuigbe,U., Olowe,O.,& Godswill,A. (2012). An Assessment of the Determinants of Share Price in Nigeria. ACTA Universities Danubius; 8 (6), 56-78.

Vishnani S., Shah B.K. (2008). Value relevance of published financial statements- With special Emphasis on Impact of cash flow reporting, *International Research Journal of Finance and Economics,* Vol. 17, pp 84-90.

Vijitha, P. & Imalathasan, B. (2014) "Value relevance of published financial statements with special emphasis on impact of cash flow reporting". *International Research Journal of Finance and Economics*, 17(1), 1450-2887.

Wang, J., Fu, G., & Luo, C. (2013). Accounting information and stock price reaction of listed companies—empirical evidence from 60 listed companies in Shanghai Stock Exchange. Journal of Business & Management, 2(2), 11-21.