



Impact of Accounting Information on Share Price of Listed Deposit Money Banks in Nigeria

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ABSTRACT

This study examined the impact of accounting information on the share price of Deposit Money Banks (DMB) in Nigeria. Accounting information was measured using earnings per share, assets per share, and dividend per share through secondary data collected from the annual reports of the sampled banks obtained from the banks' websites and the Nigeria Exchange Group from 2013- 2022. The data for the study was analyzed using multiple regression analysis, and the findings of the study indicate that all the proxies of accounting information (EPS, APS, and DPS) have a positive significant effect on the share price of the sampled DMB. Based on the findings, the study recommends that listed DMB ensure disclosure of qualitative accounting information at all times in financial statements to avoid sending wrong signals to current and potential investors in Nigeria.

Keywords: Accounting information, Share Price, Deposit Money Banks, Nigeria

1.0 Introduction

The relationship between accounting information and share prices of listed deposit money banks in Nigeria is a complex one, with various studies offering insights into this dynamic. Some research suggests a positive correlation between accounting metrics like earnings per share, dividend per share, and stock prices, indicating that investors consider these figures when making investment decisions. A share price of a single share of a company's stock and stock prices as the basis for the valuation of whether a business enterprise is breaking even or not have a positive correlation (Damodaran, 2024). However, other factors such as macroeconomic conditions, industry trends, and investor sentiment can also significantly influence share prices. These prices are relevant measurements of the returns accruing to the stakeholders; therefore, the value attached to them serves as a significant boost to both existing and prospective investors in the capital market Gordon (1963). The factors that are necessitated in determining the share price in the capital market are accounting or non-accounting information (Amahalu et al., 2018; Stephen & Okoro, 2014).

Accounting information is an essential tool used by investors on the basis that an organization's stock price should be a reflection of the company's future profit (Ergun, 2012). Generally, investors are not in a situation where they can directly assess the performance of companies in which they intend to invest. They usually depend on the financial situation of the company, its operational results, any changes in control in the company, and cash flow (Beladi et al., 2021).

Accounting information, encompassing ratios like earnings per share and dividend per share, provides crucial insights for investment decisions, as opined by Bo, 2009, cited in Osundina et al. (2016). Financial statements, the primary channel for communicating this information, serve diverse stakeholders (Zadorozhnyi et al., 2021). However, their manipulation (earnings management) can mislead users (Eriabie & Egbide, 2016). The Nigerian banking sector, a key component of the financial system, aims to provide financial services and generate returns. Given the significance of share prices for investors, this study investigates the impact of accounting information (earnings per share, dividend per share, and asset per share) on the share prices of listed Deposit Money Banks in Nigeria.

2.0 Literature Review

Accounting information, to be truly effective, must be relevant, complete, and reliable, enabling sound decision-making (Lutfi et al., 2022). Despite its importance, recent studies suggest that investors are placing less emphasis on this information, shifting their focus towards non-financial data and short-term gains. Nevertheless, the fundamental purpose of financial statements remains unchanged: to furnish useful information to both internal and external stakeholders, thereby facilitating well-informed investment choices (Cascino et al., 2021).

Different types of accounting information, such as Earnings Per Share (EPS), Book Value Per Share, and Dividend Per Share (DPS), play significant roles in evaluating a company's financial health and stock prices (Elsheikh et al., 2021). EPS is a critical performance indicator influencing stock prices and investor perceptions.

The impact of accounting information on the share price of listed Deposit Money Banks (DMBs) in Nigeria has been a subject of considerable academic interest. Recent studies have consistently shown that accounting information, such as earnings per share (EPS), book value per share (BVS), and dividends per share (DPS), significantly influences the share prices of these banks¹. Olowolaju and Ogunsan (2016) found that EPS and DPS have a positive and significant effect on the share prices of listed DMBs in Nigeria. This suggests that investors rely heavily on accounting information to make informed investment decisions.

Moreover, Agbo and Odo (2024) revealed that the value relevance of accounting information, particularly EPS and bank capital efficiency, plays a crucial role in determining the market value of equity for DMBs. The study employed panel data regression analysis and found that these accounting variables are value-relevant, indicating that they significantly impact share prices. This underscores the importance of banks' reliable and transparent financial reporting to maintain investor confidence and attract potential investors.

However, the relationship between accounting information and share prices is not without its complexities. A study by Daramola (2024) highlighted that while accounting variables generally have a positive impact on share prices, the effect can be moderated by factors such as firm size and age (Firmansyah & Kartiko, 2024). This indicates that the influence of accounting information on share prices is not uniform across all banks and can vary based on specific characteristics of the banks.

The empirical evidence suggests that accounting information plays a vital role in determining the share prices of listed DMBs in Nigeria. Banks should, therefore, strive to provide accurate and comprehensive financial information to enhance investor confidence and improve their market valuation. Despite these findings, the review identifies a gap in recent research on the Nigerian banking sector, particularly post-COVID-19, underscoring the need for updated studies to provide current empirical evidence on the effect of accounting information on share prices in this sector. Hence, there is a need to examine the influence of accounting information on the share prices of listed Deposit Money Banks in Nigeria.

3.0 Methodology

The study adopted the correlation research design to enable the relationship between the dependent and independent variables of the study to be investigated. The population of the study constituted all fourteen (14) licensed deposit money banks that operate in Nigeria as of 31st December 2022. A sample of thirteen (13) deposit money banks (DMB) listed on the Nigerian Stock Exchange was selected based on data availability for this study. The sample of thirteen banks is believed to adequately represent the population of fourteen listed deposit money banks in Nigeria because it is over ninety percent of the banks' population. The sampled banks include First Bank, Zenith Bank, Access Bank, Eco Bank, Fidelity Bank, First City Monument Bank, Guarantee Trust Bank, Stanbic Bank, Union Bank, Unity Bank, Wema Bank, Uba Bank, Sterling Bank, and Jaiz Bank

The study also used data from secondary sources because the estimation of the models adopted for the study requires the use of financial statement information and share prices, as opined by Returns et al. (2024). Following Filip and Raffournier (2010) and Hashemijoo et al. (2012), The study adopts a multiple regression model (panel approach) to investigate the effect of accounting information on the share price of sampled money deposit banks in Nigeria. The model is expressed as follows:

$$Y_{it} = \beta_0 + \beta X + e_{it} \quad (1)$$

Y = the dependent variable,

β_0 = an intercept

e_{it} = error term

β = is the co-efficient of the independent variable

Share price is the dependent variable, while earnings per share, asset per share, and dividend per share are the independent variables. Substituting both dependent and independent variables in the above model gives the resulting equation:

$$P_{it} = \beta_0 + \beta_1 EPS_{it-1} + \beta_2 APS_{it-1} + \beta_3 DPS_{it-1} + e_{it-1} \quad (2)$$

P = Share price at time

EPS_{it} = Earnings per share at time

APS_{it} = asset per share at time

DPS_{it} = dividend per share at time

e_{it} = Error term

i = Individual firm

t = Time dimension

β_0 = constant or intercept

β_{1-3} = Explanatory variables

4.0 Results and Discussion

The study examined the impact of accounting information on the share price of listed Deposit Money Banks (DMB) in Nigeria. The results of the data analysis are summarized and presented below.

4.1 Descriptive Statistics

The table below presents descriptive statistics such as the mean, standard deviation, minimum, and maximum. The details of the descriptive statistics are as shown below:

Table 1. Descriptive Statistics

Var	Obs	Mean	Std. Dev	Min	Mat
SP	130	3.35	60.15	0.50	275
EPS	130	2.53	1.77	0.47	8.14
APS	130	29.13	35.33	0.18	105.83
DPS	130	2.18	1.37	0.47	8.14

Table 1 shows that the average share price of the banks during the study period was 3.35, with a large standard deviation from the mean price of 60.15, which indicates significant variation in the banks' share prices. The maximum and minimum share prices of the sample banks during the same time were 275 and 0.50, respectively. The mean EPS was 2.53, with a standard deviation of 1.77. Additionally, during the same period, the maximum earnings per share (EPS) was 8.14, while the minimum was 0.47. The assets per share (APS) of the sample banks was 29.13, with a standard deviation of 35.33. The maximum and minimum values of APS of the sample banks were 105.83 and 35.33, respectively. The mean dividend per share (DPS) of the banks was 2.18 and a standard deviation of 1.37. The maximum and minimum DPS were 8.14 and 0.49, respectively.

Before conducting regression analysis, diagnostics tests were performed to ensure that the assumptions of regression analysis were not violated. The tests carried out were heteroskedasticity, multicollinearity, correlation, and normality tests.

Test of Heteroscedasticity: This test was conducted to determine the consistency of the model's error term. The heteroskedasticity test yielded a chi-squared value of 11.80 with a P-value of 0.006, which indicates the presence of heteroscedasticity. A robust regression analysis was performed to make the data homoscedastic. Furthermore, a multicollinearity test was performed using the variance inflation factors (VIF). Multicollinearity occurs when the independent variables are so similar that the effect of a particular independent variable on the dependent variable cannot be determined. A VIF value of 10 and above is considered a detrimental regression analysis. Table 4.2 presents the VIF of the independent variables as follows:

Table 2. Test of Multicollinearity Using VIF

Variable	VIF
EPS	3.15
DPS	3.01
APS	1.20
Mean VIF	2.46

Table 2 indicates that the mean VIF for the variables was 2.46, which is below 10, which is considered harmful for regression analysis. This means that the multicollinearity problem is absent among the independent variables in this study.

A correlation analysis was conducted to ascertain the nature of the relationships between the study variables. The table below indicates the result of the correlation analysis:

Table 3. Correlation Matrix

	SP	EPS	APS	DPS
SP	1.000			
EPS	0.168	1.000		
APS	0.653	0.295	1.000	
DPS	0.191	0.698	0.211	1.000

Table 3 shows that the highest correlation among the variables was 0.698, which was between DPS and EPS. It further confirms the fact that multicollinearity issues were absent among the independent variable since correlation is considered high and harmful to regression when it is 0.8. and above.

The study also conducted a normality test to find out if the data was normally distributed around the mean. Based on the test of normality, it was discovered that the data set was not normally distributed. The normality of the data was corrected by taking the logarithm of the dataset for all the variables.

Table 4. Test of normality (Shapiro Wilk W)

Var	Obs	W	V	Z	Prop
SP	130	0.644	36.59	8.09	0.000
EPS	130	0.863	14.10	5.95	0.000
APS	130	0.745	26.21	7.34	0.000
DPS	130	0.873	13.01	5.77	0.000

4.2 Regression Results

The results were analyzed using robust multiple regression analysis to correct the problem of heteroscedasticity. The result is presented in **Error! Reference source not found.**

Table 5 Robust Multiple Regression Results

Var	Coef	t	P
EPS	1.602	23.64	0.000
APS	1.015	32.73	0.000
DPS	0.254	2.44	0.016
R-squ			0.874
P-value			0.000

The result of the multiple regression in **Error! Reference source not found.** indicates that the model was fit with a p-value of 0.000. The table further indicates an R^2 of 0.874, which shows that within the study period, the independent variables (EPS, APS, and DPS) jointly accounted for 87.4% of the variation in the share price of the firms investigated. The table further indicates that all the explanatory variables have a positive and significant effect on the share price of the sample firms. It connotes that a unit increase in any of the independent variables like EPS, APS, and DPS would significantly increase SP by 1.602, 1.015, AND 0.254 units, respectively. The hypotheses of the study were tested based on the analysis of the result presented in **Error! Reference source not found.**

The first hypothesis states that earnings per (EPS) share has no significant effect on the share price of DMB listed on the Nigeria Stock Exchange (NGX). Based on the empirical evidence presented in Table 5, the null hypothesis was rejected, leading to the conclusion that EPS has a significant effect on the share price of listed DMB in Nigeria.

The second hypothesis states that Assets per share (APS) has no significant effect on the share price of DMB listed on the NGX. The result in **Error! Reference source not found.** indicates that APS has a t-value of 28.33, which is outside the region of non-rejection of the null hypothesis of + 1.96. The null hypothesis was rejected, leading to the conclusion that APS has a significant effect on the spare price of DMB in Nigeria.

The third hypothesis states that the Dividend Per Share (DPS) has no significant effect on the share price of listed DMB in Nigeria. Based on the evidence presented in **Error! Reference source not found.**, the null hypothesis was rejected, implying that DPS has a significant effect on the share price listed DMB in Nigeria.

4.3 Discussion of Results

Earnings per Share (EPS) and Share Price of listed DMB in Nigeria

The findings reveal that EPS has a significant positive effect on the share price of listed DMB in Nigeria. It connotes that an increase in EPS will significantly increase the share price of the banks. The finding is consistent with Umoren et al. (2018), Shehzad and Ismail (2014), and Shamki and Abdul Rahman (2012), who found similar results between EPS and the share price of firms. One of the reasons for this finding is that a high EPS is a signal that the bank is doing well and many investors would like to invest; the increased demand for the firm's shares leads to a high share price of firms. This increase is supported by the signaling theory, which suggests that profit is a signal or source of attraction for investors, which drives high share prices.

Assets Per Share (APS) and Share Price of listed DMB in Nigeria

The result of the regression analysis shows that assets per share have a positive and significant effect on the share price of DMB in Nigeria. The result of this study is consistent with the findings of Uwuigbe et al. (2017), who also discovered in their research on the value relevance of accounting information that assets per share have a positive and significant effect on the share price of corporate organizations in Nigeria. The possible reason for this result could be that the firm had fixed share prices in such a way that the assets of the firm could cover the number of shares to avoid problems with the payment of what is due to the owners of the firm. Also, assets per share are accounting information that signals the market for effective performance. Suppose the assets of the firm effectively cover the shares of the company. In that case, it is possible that what would be derived from the assets may also cover the assets per share, and if assets per share are covered, then investors may invest more, causing an appreciation in share prices.

Dividend per Share and Share Price of listed DMB in Nigeria

Dividend per share had a positive and significant effect on the share price of DMB in Nigeria. This finding agrees with Ergun (2012), Palea (2014), and Omokhodu and Ibadin (2015), who find a significant positive relationship between accounting information and the share price of firms. The positive and significant effect of DPS on share price is not surprising because the payment of dividends is a signal to investors that the company has future profit potential, and the signal spurs demand for stocks and leads to increased share prices in line with signaling theory.

5.0 Conclusion and Recommendations

The study investigated the impact of accounting information (EPS, APS, and DPS) on the share prices of listed deposit money banks in Nigeria. Descriptive statistics revealed significant variations in share prices and the accounting variables across the sampled banks. Diagnostic tests, including tests for heteroscedasticity, multicollinearity, and normality, were conducted and appropriate adjustments made (robust regression and logarithmic transformation) to ensure the validity of the regression analysis. The robust multiple regression results demonstrated a statistically significant positive relationship between all three independent variables (EPS, APS, and DPS) and share price. The model explained a substantial 87.4% of the variation in share prices, indicating a strong influence of these accounting variables.

The findings provide strong evidence to reject all three null hypotheses; specifically, the study concludes that 1) Earnings per share (EPS) has a significant positive effect on the share price of listed deposit money banks in Nigeria. 2) Assets per share (APS) also exert a significant positive influence on share prices. 3) Similarly, dividend per share (DPS) demonstrates a significant positive relationship with share prices. These results align with the efficient market hypothesis, suggesting that accounting information is indeed a key factor considered by investors in their valuation of bank shares in the Nigerian stock market.

Based on these findings, several recommendations are put forth. Firstly, deposit money banks in Nigeria should prioritize the quality and transparency of their financial reporting, ensuring accurate and timely dissemination of accounting information. It will enhance investor confidence and facilitate more informed investment decisions. Secondly, regulators should continue to strengthen the regulatory framework and enforce compliance with accounting standards to improve the credibility and comparability of financial information across banks. Finally, future research could explore the influence of other non-financial factors, such as corporate governance practices and macroeconomic conditions, on bank share prices in Nigeria. Further investigation into the specific mechanisms through which accounting information impacts share prices would also be valuable.

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