



VALUE RELEVANCE OF ACCOUNTING INFORMATION AND SHARE PRICE OF LISTED NIGERIAN COMPANIES*Orvande D. A.¹, Zayol P. I.², Korna J. M.**Department of Accounting and Finance, College of Management Sciences, Joseph Sarwuaan Tarka University (Formerly University of Agriculture), Makurdi, Benue State-Nigeria¹**Corresponding author's email: orvandedan@gmail.com¹,*

Abstract

The study examined the effect of value relevance of accounting information on share price of listed Nigerian companies. The ex-post facto research design was adopted for the study. The 155 listed companies across 11 sectors on the Nigerian Exchange Group constituted the population of the study. 30 companies were selected as sample size of the study through a systematic and filter technique. The study data were gotten from the annual reports of the companies and investing.com-ng from 2013 to 2022. Data were analyzed using a panel regression technique. The study found that, earnings per share and book value per share have negative and insignificant effect on share price reaction of listed companies in Nigeria while dividend per share has a positive and significant effect on share price reaction of listed companies in Nigeria. The study recommends that, policymakers should encourage investors to consider the reported earnings per share as a metric for valuation of firm performance and return on shares invested and they should also enhance the transparency and disclosure requirements that can help ensure that investors have access to comprehensive information beyond reported earnings per share figures alone. This will promote more informed decision-making and contribute to share patronage. Furthermore, reported dividends per share serve as a reliable communication tool between management and investors. Management should maintain a consistent dividend announcement strategy or signaling changes in dividend payouts. Through these strategies, companies can mitigate information asymmetry and enhance investor trust, leading to more favorable share price reactions. Lastly, policymakers should encourage regulatory reforms aimed at enhancing more disclosure requirements by emphasizing the disclosure of forward-looking indicators about the actual book values of shares. This will provide investors with more comprehensive information for valuation and help shareholders better understand the nuances of book values of share in order to attract positive investors' reactions to share patronage.

Keywords: value relevance, share price, signaling theory, accounting information, listed Nigerian companies

1. Introduction

The onset of COVID-19 caused a sharp drop in company share values worldwide, which became a serious concern for managers and policymakers. It is theoretically easier to identify the factors that contributed to the decline and potential solutions in developed markets with a high degree of market perfection. However, in developing markets such as Nigeria, information asymmetry makes it more difficult for investors or policymakers to fully comprehend the factors that could have caused the sharp drop in the share price of Nigerian companies. Scholars have been investigating the value relevance phenomenon as a result of this issue, which raises questions regarding the value relevance of accounting information given by companies on the Nigerian Exchange Group.

Simply put, the value relevance of accounting figures describes the correlation between accounting data and changes in stock values over time. Value relevance, according to Bismark and



Kingsley (2018), is the connection between stock prices and financial data. The fact that listed firms utilise financial statements as one of the main means of communication with their equity shareholders and the general public motivates studies on the value relevance of accounting information (Marek et al., 2016). According to International Accounting Standards (IAS) No. 1, such accounting data must be created and presented in a way that includes comparable and transparent information to help users make pertinent and well-informed financial decisions (Ezejiofor, 2018). Such accounting information provided serve as a basis for current action by users in assessing the liquidity, long-term financial strength, profitability and efficiency of companies, making them value relevant for investment decision.

In Nigeria, for example, the directors of all businesses listed on the Nigerian Exchange Group are required by the businesses and Allied Matters Act (CAMA, 1990) and its later revisions to compile and publish the financial statements on a yearly basis. In addition, all businesses listed on the first-tier market are required by the Nigerian Exchange Group to provide the Stock Exchange with quarterly, semi-annual, and yearly financial statements. This is to give investors access to the companies' accounting data. Any data or information gleaned from a company's accounting system, whether or not it appears in a financial report, is considered accounting information. However, for the purpose of this study, accounting information refers to the value relevance of reported earnings per share, book values of shares, and dividend per share.

Several researchers have investigated the relationship between value relevance of accounting information and stock prices globally. While some of these studies such as Philip and John (2016), Etim et al. (2022), and Sukmadilaga et al. (2023), show that accounting information are less value relevant in predicting changes in share prices, those of Collins (2015), Busari and Bagudo (2018), and Barth, Li and McClure (2018) show that accounting information are value relevant in predicting share prices of companies. In Nigeria, studies of Bankole and Ukolobi (2020), and Apete et al. (2022) found that accounting information of firms in specific sectors are value relevant in predicting share price of the companies listed on Nigerian Exchange Group. As lofty as these researchers and the associated findings might seem to be, especially in Nigeria, they are sector specific and their findings cannot be generalized; they also left a gap as to being industry specific and not studying the entire market context.

This study is therefore conceived to empirically examine the effect of value relevance of accounting information on share price of listed Nigerian companies. This is to enable a general market analysis as against sector specific evidence which is argued not to be representative enough of the entire Nigerian market. The main objective of this study is to examine the effect of value relevance of accounting information on share price of listed Nigerian companies. The specific objectives of the study are to:

- i. Assess the effect of earnings per share on share price reaction of listed companies in Nigeria.
- ii. Determine the effect of dividend per share on share price reaction of listed companies in Nigeria.
- iii. Ascertain the effect of book value per share on share price reaction of listed companies in Nigeria.

This study is divided into five sections. The first section pertains to the introduction. In the second section, the study deals with the literature review, wherein the conceptual and theoretical frameworks are reviewed. The third section contains the method while the result and analysis are done in the fourth sections. Lastly, the conclusion and recommendations are availed in the fifth section.



2. Literature Review

Concept of Value Relevance

The use of financial statements by listed businesses as a primary means of communication with their shareholders and the general public serves as a basis for value relevance research (Apete et al. 2022). Typically, investors rely on the financial reports that these companies' management prepares. The information in financial reports must be accurate and pertinent in order for them to be effective (Barth et al. 2001). The capacity of the information shown in the financial statements to accurately depict a company's worth and predict its future profitability is known as value relevance (Barth et al. 2018). The statistical relationships between the data provided by financial statements and stock market values can be used to quantify value relevance (Etimet al. 2022).

According to Ikechukwu et al. (2022), a business venture, and more especially a firm, is an intentional, purposeful, and conscious entity that aims to fulfil the aspirations of the broader society. It is a distinct legal entity that operates independently. The wealth generated by the combined efforts of all stakeholders loan capital providers, employees, and the government is crucial to the survival, stability, and expansion of such an organisation within society. The outcomes of corporate activities are communicated to all of these stakeholders.

The traditional financial accounting system produces information on financial performance through the Income Statement and Statement of Financial Positions, with a focus on shareholder interest, in order to meet the information needs of these users (Musa). From the standpoint of a current or prospective equity investor, it is preferable for a company's accounting data and financial statement data in general to be useful in producing indicators of equity value, also known as the share price on the market (Jaffar, Nor, Mohamat & Mohd, 2023). The purpose of value relevance of accounting information is to determine how relevant accounting metrics, such as book values of shares, earnings per share, and dividends per share, are to forecasting investor response (Olugbenga & Atanda, 2014).

The value relevance of accounting information is also likely to be impacted by the trade-off between the relevance and dependability criteria. Ragab and Omran (2016), for instance, contend that while the historical cost basis of accounting is quite dependable, historical costs may not be very relevant. This has to do with the revenue-recognition principle being abandoned, which could make accounting data more relevant but undoubtedly lead to less dependability. In a similar vein, Rahman and Liu (2021) proposed that while income calculation based on asset fair values may make accounting data more relevant, it may also make it less reliable. The reliability principle is one of the main reasons why financial statements lack forward-looking information that influence market values but this study is based on relevance thus, upholding the argument raised by Rahman & Liu (2021).

The ability of financial data to capture and summarise the firm's worth and the statistical relationship between financial statement data and stock market values is known as value relevance, according to a number of studies (Beisland, 2009). Value relevance, according to Pavtar (2017), is the process of condensing accounting data that influences stock values so that investors can make an informed choice regarding the company's shares. The degree to which accounting information encapsulates the information reflected in share prices is known as value relevance of accounting information (Rao et al., 2023). The ability of the financial data in the financial statements to explain the stock market metrics is referred to as value relevance.

The information or sum in the financial statement that helps investors determine share prices that is, the disclosure(s) that appropriately assist prospective investors in making well-informed investment decisions is referred to as a value-relevant variable. The relationship between stock returns or share price and accounting-related data, including earnings, book value of shares, and dividends per share, is the main factor in investment decisions.



According to Sukmadilaga et al. (2023), earnings per share (EPS) is calculated by dividing the total number of units of common shares by the available revenue to shareholders. In other words, the amount of a company's profit allotted to each unit of common stock is known as EPS. The anticipated returns on investment and the potential for share price rise, which will ultimately result in a larger return per share, are the primary factors that influence investors' decisions to invest in a company. One of the key elements that encourages investors to purchase company stock is earnings per share.

From the standpoint of investors, the Market Value to Book Value ratio (MBV) contrasts a company's market value with its book value. When it comes to analysing capital structure choices, the market-to-book ratio is one of the key inspirations for the expensive external financing hypothesis (Jaffar, 2023). When assessing a company's value, its book value is a crucial consideration. Book values have a big influence on how much a company is worth (Ohlson, 2001).

The amount of money that a business distributes to its shareholders as dividends is known as the dividend payout (or dividend per share) (Adaramola&Oyerinde, 2014). The business may choose to retain some of the profits as retained earnings or return all of the proceeds to investors or shareholders. Thus, healthy dividend payments show that businesses are making money, not just making up stories (Holthausen& Watts, 2001). Despite market observers' conflicting opinions, Musa (2015) found that companies that pay big dividends typically have excellent future earnings but relatively poor previous earnings growth. Collins (2015) also found that a high dividend distribution, as opposed to a low one, is linked to future earnings growth.

When more individuals are attempting to purchase a stock than are trying to sell it, the market price will increase. The share price is the most current price of a single share in a publicly traded stock. The price at which a stock is easily bought or sold in the current market is known as the share price (Beaver, 2002). It is the market value of a stock share. Due to shifts and alterations in the economy and stock market, the market price per share may fluctuate daily. In addition to the overall state of the economy, investors' expectations and perceptions also have an impact on market price per share (Bankole &Ukolobi, 2020).

According to Ikechukwu et al. (2022), the law of supply and demand has a significant impact on stock prices. When there is excess demand for a stock, its price tends to climb; when there is surplus supply, it tends to fall. The market price of a stock will drop when more individuals are attempting to sell it than buy it. Company assets, such as positive or negative news about earnings reports, may be the driving force behind these actions. Non-financial variables including new laws, government regulations, and disputes among top executives and officers can influence supply and demand.

Signaling Theory

Michael Spence's 1973 Signalling theory, which was first applied to explain information asymmetry in labour markets, serves as the foundation for this study. According to the signalling hypothesis, accounting data is used to tell the market about the economic activity and performance of businesses, which in turn influences investors' decisions to support or reject such businesses. An innovative, useful, and scientifically testable viewpoint on making investment decisions when faced with inadequate knowledge is provided by the signalling theory (Pavtar, 2017). According to Okuns and Peter (2015), a signal is an obvious activity or structure that indicates high-quality accounting data. The argument that a signal should be positive to the signaler is usually used to support its transmission. The information disclosed by a company can be viewed as a signal to the capital markets, intended to alleviate the information asymmetry that frequently exists between management and stakeholders and to raise the firm's price of shares (Muhammad, 2017).



Using information about their company's performance, managers and/or directors can influence the market's response through signalling through accounting data such as earnings, dividends, and book value announcements. This approach is based on the agency perspective. According to signalling theory, successful businesses communicate with the market by disclosing financial information. According to research by Holthausen and Watts (2001), companies will try to accept the same level of disclosure as other businesses in the same industry because if a business does not maintain the same level of disclosure as others, stakeholders may believe that it is concealing unfavourable information. Potential information distinction that a business may utilise to communicate with the market through its financial statements has decreased as a result of the standardisation of financial statement forms. As a result, businesses are encouraged to communicate in ways other than being transparent in their book values, dividends, and earnings notes to the accounts. Moreover, it is through such voluntary disclosures that accounting information signals enhanced value relevance to investors (Etim et al. 2022).

The market favours the shares of firms that consistently declare their earnings and dividends because it believes that these companies are better performers and of greater quality than others (Rahman & Liu, 2021). As a result, Mbekomize and Popo (2020) contend that, according to signalling theory, businesses only need the market to think they are among the Top Tier companies linked to higher and consistent earnings and dividend announcements. As a result, investors with a profit motive as their investment targets may choose to do business with these companies.

Empirical Review

Using 931 firm-year data from companies listed on the Bursa Malaysia between 2016 and 2019, Jaffar et al. (2023) investigated the board's value relevance and whether or not it increases with the disclosure of Key Audit Matters (KAMs). Both regression and content analysis techniques were used in their investigation. The results showed that certain characteristics of the board had a detrimental impact on investors' responses to the share price. Additionally, KAM's disclosure increased the board's value relevance by acting as a supplementary mediator as well as an indirect mediator. They discovered that the values of the companies increased and that investors responded less adversely to KAM disclosure.

By comparing the published financial statements from before and after the adoption of Indian Accounting Standards (Ind AS), Rao et al. (2023) investigate the value relevance of financial information in India and ascertain its impact on share market price. The twelve-year study period (2011–2022) was split into two parts: the pre-Ind AS period (2011–2016) and the post-Ind AS period (2017–2022). They used the Ohlson pricing model on the panel data of the blue-chip companies listed in the Nifty 50 Index in order to assess the value relevance of financial information. Before the Ind AS was adopted, investment decisions were influenced by factors such as book value per share, profit after taxes, and net cash from investing operations, according to the results of the Least Squares regression. On the other hand, during the post-Ind AS period, the profit-after-tax had little explanatory power. However, since the introduction of Ind AS, the market price of equity has been greatly impacted by the net cash from investing operations and the book value per share.

Other studies were also reviewed. For example, studies done by Collins (2015), Philip and John (2016), Busari and Bagudo (2018), and Barth, Li and McClure (2018) Ukolobi (2020), and Apete, Udeh and Ezekwesili (2022) Etim, Umoren, Etukafia and Peters (2022), and Sukmadilaga, Santoso and Ghani (2023) all measure the predictability of accounting information to share price with lags for earnings per share, dividend per share, book value of share or calculating changes in share price. This is pointer to the methodological gap as they fail to adopt the signaling model of preceding accounting information predictability of changes in share price. This study sought to address this gap by studying



value relevance of accounting information and share price of listed companies on the floor of the Nigerian Exchange Group with recourse to a signaling model of the accounting information and changes in share price.

3. Methodology

This study adopts the ex-post facto research design. The population of this study comprises of the 155 listed companies on the Nigerian Exchange Group as at December 2022. A comprehensive list of the 155 companies is found on www.NGex.org.ng. The sample size of 30 listed companies is selected from the population based on systematic sampling and filter to cover a representation of companies in all the 11 sectors on the exchange group. 31 listed companies were chosen using a systematic process while the study finally arrived at a sample size of 30 after filtering out MTN amongst the 31 systematic-selected companies which did not have the required data over the study period of 2013 to 2022. Although a sample size of 10 percent is deemed appropriate given a universal rule of thumb, the study used at least 20% which is greater than 10% in order to capture data that will give a more robust regression result.

Historical data of earnings per share, dividend per share, book values of share, and share prices is collected from published annual report and accounts of the companies available on their website and Nigerian Exchange Group and the website of Investing.com Nigeria. The descriptive statistics is used to summarize the collected data in a clear and understandable way using numerical approach. The Panel regression technique is adopted to investigate the relationship between value relevance of accounting information and share price variables. The study further adopts the preliminary test for incidences of co linearity in the model which is also necessary. To do this, Skewness test, correlation matrix and Variance Inflation Factor test for multicollinearity is deployed.

For the sake of this study, the following variables are defined: Earnings per share: Earnings per share are calculated by dividing the net profit or loss of the period attributable to shareholders by the weighted average number of ordinary shares outstanding. Dividend Per Share. Dividend per share is the amount earned as dividend on each share owned by an investor in the company. Book Value of shares: This represents the ratio of book values of equity to total share of the company. Stock price reaction: This refers to the change in prices of each share of the companies that is traded on the Nigerian Exchange Group.

This study formulates the following model to be used by the researcher in the investigation. The study adapted the multiple regression model of Ikechukwu et al. (2022) who used cashflow as proxy for value relevance. Their model was stated as;

Share price = f(earnings per share and cashflow ratios)..... Model 1

The current study intends to adapt this model in order to include changes in share price as well as lag models of earnings per share, dividend per share, and book values of shares to reflect the signaling theory preposition. The adapted model is shown below:

Δ Share price = f(Earnings per share, lagged dividend per share, and lagged book values of share)..... Model 2

In econometric function:

$\Delta SHP_{it} = \alpha + \beta_1 EPS_{it} + \beta_2 DPS_{it} + \beta_3 BVS_{it} + U_{it} \dots \dots \dots$ Model 3

Where; α = Constant; EPS_{it} = Earnings per share (Reported earnings per share of the firm at that time); DPS_{it} = Dividend per share (Reported dividend per share of the firm at that time); BVS_{it} = Book values of share (The ratio of book values of equity to total share of the company at a time); ΔSHP_{it} = Changes in share price (Current year share price minus previous year share divide by previous year share price); it =



Cross-section(_{*i*}) at time (_{*t*}); *t* = year; *U* = Error term used in the model; $\beta_1 - \beta_3$ = Beta coefficient of the independent variables.

Decision Rule: Accept the null hypothesis if the calculated value is greater than the significant level of 0.05.

4. Results and Analysis

Descriptive Statistics

Under this sub-section, the study conducts a descriptive statistic of the data used for analysis in this study. This pertains to the minimum (Min), Maximum (Max), Mean and Standard deviation (Std.) for each variable.

Table 1

Descriptive Statistics of the Variables

	<u>Min</u>	<u>Max</u>	<u>Mean</u>	<u>Std.</u>	<u>Obs.</u>
EPS	-743	1276.2	362.128	987.2315	300
DVS	0.01	55	3.185507	8.022597	300
BVS	0.0001603	0.9952598	0.1420281	0.2283493	300
SHP	-1122.36	1319	5.0235	123.5079	300

Source: Stata output in Appendix II

From the Table above, the result shows that the number of observations for each variable is 300. This means that the study data was collected over a panel of 30 companies for 10 years (2013-2022). For the dependent variable (SHP), the Table reveal a minimum value of -1122.36 kobo and a maximum value of 1319 kobo. The result further revealed a mean value of 5.02 kobo for SHP with a standard deviation of 123.50 kobo. The higher deviation shown by the companies' SHP shows that there is high change in respect to the share price of the companies over time. This could due to changes in business policies and economic policies of Nigeria overtime.

For the independent variables, EPS revealed a minimum value of -743 and a maximum value of 1276.2 kobo. EPS further shows a mean value of 36.2 Kobo with a deviation of 987.23 kobo. DVS revealed a minimum value of 1 kobo and a maximum value of 55 Naira. DVS further shows a mean value of 3.18 Naira with a deviation of 8.02 Naira. BVS revealed a minimum value of 0.0001603 ratio and a maximum value of approximately 0.99 ratio. BVS further shows a mean value of 0.1420281 ratio with a deviation of 0.2283493 ratio. The minimum and maximum values shown by the data represents the highest and lowest value relevance values of accounting information recorded by the companies for EPS, DVS, and BVS; while the standard deviation shows the level of fluctuation in the data sect amongst the companies under-study.

Diagnostic Tests

A number of tests are carried out to ascertain if the data used in this study meet the requirements of the regression technique. They include; data normality test, multicollinearity tests, and heteroscedasticity test.

Data normality test

Table 2

Data Normality

<u>Variables</u>	<u>Pr. Skewedness</u>
EPS	0.0000
DVS	0.0000
BVS	0.0000
SHP	0.0000

Source: Author's computation, 2024.



To test for normality/stationarity of data, the Skewness statistics are used. According to Berenson and Levine, (1999), data is not normally distributed if the probability of skewness is <0.05 . The data set for all the variables reveal skewness statistic values that are all significant at <0.05 , which means that all the data are not within the accepted skewness range for normality. The result of skewness in respect to the study variables reveals that the set of data has outliers which may distort the outcome of the regression result if further checks are not put in place. To do this, the study carried out a physical verification of data and venting to filter out cases of extreme should they not align with the stipulated formula. This was done and no data was deleted as all the data met the required criteria. Thus, the reason for the non-stationarity is the fact that accounting data mostly are measured in ratios and varying financial performance indices with wide variation and disparity in the companies EPS, DVS, BVS, and SHP which could be the reason for the non-stationary data. Furthermore, while other companies had EPS and SHP in kobo, the higher performing companies had EPS, DVS and SHP in Naira which depicts a non-uniform unit root and leads to non-stationary of data. Regardless, further pre and post regression test are put in place to ensure validity of the regression outcome despite the non-stationary data used for the study analysis.

Multicollinearity test

Two tests are carried out to determine the presence or absence of multicollinearity in the data used in this study. They are correlation analysis and variance inflation factor (VIF).

Correlation analysis

Table 3

Correlation results

	EPS	DVS	BVS
EPS	1.0000		
DVS	0.0978	1.0000	
BVS	0.1198	0.0797	1.0000

Source: Author's computation, 2024.

The correlation matrix above shows the absence of a variable to influence the outcome of another among the explanatory variables. All the variables show a low correlation with the highest correlation estimated at 0.1198 between EPS and BVS. Correlation statistics that are above 0.75 are considered harmful for analysis (see Gujarati & Sangeeta, 2007) but this is not the case with the current study.

Variance Inflation Factor(VIF)

Table 4:

VIF Result

TEST	Mean	EPS	DPS	BVS
Variance Inflation Factor (VIF)	<10 (1.02)	<10 (1.02)	<10 (1.02)	<10 (1.01)

Source: Author's Computation, 2024.

Table 4 above shows a mean VIF value of 1.02 for the model which is within the benchmark value of <10 , while the individual VIF values of EPS, DPS, BVS are 1.02, 1.02, and 1.01 respectively. This further indicates the absence of multicollinearity in the models and this means no independent variable should be dropped from the model.



Heteroskedasticity test

Table 5

Heteroscedasticity results

	Breusch-Pagan- Cook Weisberg Test	Decision	Robustness	Decision
Model	Prob. 0.0000	Not appropriate	0.0499	Appropriate

Source: Author's computation, 2024.

From Table 5, it can be observed that the model's result has heteroscedasticity problem since its probability value is significant at 0.0000%. The presence of heteroscedasticity in the model clearly shows that the sampled companies are not homogeneous. This therefore means that a robust or panel regression approach is needed to capture the impact of each companies' heteroscedasticity on the results. The study then employed the Robustness test to give credence to the study choice for a Panel data analysis of the model. The Robustness test in Table 5 reveal a significance level of $0.0499 < 0.05$ for the model. The robustness result revealed verifies the study choice to adopt the panel regression method using both fixed and random effect models to ascertain the possible effect of a time variation or companies' specific variation in the data used for analysis.

Regression of the estimated model summaries

Table 6

Pre Regression Estimation Test

	<u>Statistic</u>	<u>P-value</u>
i.	Hausman Test	0.0693
ii.	Lagrangian Test	0.9990
	Decision	Pooled effect regression

Source: Author's Computation, 2024.

The result of the Hausman specification test from table 8 above shows a probability value of $0.0693 > 0.05$ which is insignificant thus informs the preference of the random-effect model from the Hausman test. To choose between the random effect and pooled model, the Lagrangian test conducted revealed a probability value of 0.9990 which informs the study's final decision to choose the pooled effect model.



Table 7
Regression Result

Statistic	Pooled
R-Square	0.0342
Adjusted R-Square	0.0244
F-Prob	0.0162
F-Stat	3.49
Coef (Prob)	
EPS	-0.0019224 (0.790)
DVS	2.865289 (0.001)
BVS	-6.160559 (0.844)
_Cons	-2.532785 (0.775)

Source: Author's Computation, 2024.

Table 7 presents the regression result between EPS, DVS, BVS and SHP. From the model summary table above, the following information is distilled. The R^2 value of approximately 0.0342 indicates that 3.42% of the variation in the change in share price of the listed companies is explained by variation in value relevance of reported EPS, DVS and BVS while the remaining 96.58% (i.e. $100-R^2$) could be accounted by other variables not included in this model like other corporate governance mechanisms and strategic management decision of the companies. The adjusted R-square of 0.0244 indicates that, if other variables are considered, the model result may change by 0.0098 ($0.0342-0.0244$). The regression results as presented in Table 7 to determine the relationship between EPS, DVS, BVS and SHP of the companies shows that, when all the independent variables are held stationary or without the variable intercept model (Constant); the SHP variable is estimated at -2.532785. This simply implies that, when all independent variables are held constant, there will be decrease in the *SHP* of listed companies up to the tune of 2.53 units occasioned by factors not incorporated in this study. Thus, a unit increase in EPS will lead to decrease in SHP by 0.0019224 units. A unit increase in DVS will lead to increase in SHP by 2.865289 units. Furthermore, a unit increase in BVS will lead to decrease in SHP by 6.160559 units. Lastly, the result shows that there is a significant variation of F.Stat (3.49) at a probability value of 0.0162 which means the model as a whole is statistically fit.

Test of Hypotheses

The hypotheses stated earlier in section one of the study are tested in this section.

H₀₁: Earnings per share has no significant effect on share price reaction of listed companies in Nigeria.

The result shown in Table 9 reveals a P-value of $0.790 > 0.05$ for EPS against SHP. The null hypothesis is accepted in this case; which means that, earnings per share has no significant effect on share price reaction of listed companies in Nigeria.

H₀₂: Dividend per share has no significant effect on share price reaction of listed companies in Nigeria.

The result shown in Table 9 reveals a P-value of $0.001 < 0.05$ for DVS against SHP. The alternative hypothesis is accepted in this case; which means that, dividend per share has a significant effect on share price reaction of listed companies in Nigeria.



H₀₃: Book value per share has no significant effect on share price reaction of listed companies in Nigeria.

The result shown in Table 9 reveals a P-value of $0.775 > 0.05$ for BVS against SHP. The null hypothesis is accepted in this case; which means that, book value per share has no significant effect on share price reaction of listed companies in Nigeria.

5. Conclusion and Recommendations

Conclusion

The major conclusions that have been reached in this study includes the following:

- i. While EPS is an important metric, its value-relevance to share price reaction of listed companies on the Nigerian Exchange Group is diminished due to issues related to earnings reliability, the prevalence of alternative signals, and the influence of external factors on market dynamics.
- ii. Dividends per share play a significant role in shaping investor expectations and perceptions of a company's value, making them inherently value-relevant to share price reactions on the Nigerian Exchange Group.
- iii. In the context of listed companies on the Nigerian Exchange Group, BVPS does not adequately capture the value-relevant information that influences share price reaction.

Recommendations

The recommendations are made as follows:

- i. Policymakers should encourage investors to consider the reported earnings per share as a metric for valuation of firm performance and return on shares invested and they should also enhance the transparency and disclosure requirements that can help ensure that investors have access to comprehensive information beyond reported earnings per share figures alone. This will promote more informed decision-making and contribute to share patronage.
- ii. Reported dividends per share serve as a reliable communication tool between management and investors. Management should maintain a consistent dividend announcement strategy or signaling changes in dividend payouts. Through these strategies, companies can mitigate information asymmetry and enhance investor trust, leading to more favorable share price reactions.
- iii. Policymakers should encourage regulatory reforms aimed at enhancing more disclosure requirements by emphasizing the disclosure of forward-looking indicators about the actual book values of shares. This will provide investors with more comprehensive information for valuation and help shareholders better understand the nuances of book values of share in order to attract positive investors' reactions to share patronage.



Reference

- Adaramola A., & Oyerinde, 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), 34-50.
- Apete, C., Udeh, F. & Ezekwesili, T. (2022). Value relevance of accounting information and share price of listed manufacturing companies in Nigeria. *Research Journal of Management Practice*, 2(2), 11-30.
- Bankole, K. & Ukolobi, I. (2020). Value relevance of accounting information and share price in financial service industry. *Research Journal of Finance and Accounting*, 20(8), 140-152.
- Barth, M. E., Cram, D. P., & Nelson, K. K. (2001). Accruals and the prediction flows of future cash. *American Accounting Association*, 76(1), 27–58.
- Barth, M. E., Li, K. & McClure, C. G. (2018). Evolution in value relevance of accounting information. Theses submitted to Graduate School of Business, Stanford University, California.
- Beaver, D. (2002). Perspectives on recent capital market research. *Accounting review*, 77, 453-474.
- Beisland, L. (2009). A review of the value relevance literature. *The Open Business Journal*, 2(1), 7–27.
- Bello, A. (2009). The fallacy of income and income measurement in accounting. *Journal of Accounting Research*, 2(1), 15-31.
- Bismark, B., & Kingsley, O. (2018). Value relevance of accounting information: An emerging country perspective. *Journal of Accounting and Organizational change*, 14 (4): 473 – 491.
- Busari, K., & Bagudo, M. (2018). Comparative value relevance of accounting information for consolidated and separate financial statements of listed financial service firms in Nigeria. SSRN 3277485. Retrieved from <https://doi.org/10.2139/ssrn.3277485>
- Carino, E. & Teano, J. (2022). Value relevance of capital structure: evidence from the property sector companies listed in the Philippine stock exchange. *Academy of Accounting and Financial Studies Journal*, 26(5), 1-20.
- Collins, C. (2015). The relationship between earnings per share and dividends per share of companies listed at the Nairobi Securities Exchange. A Research Project Submitted for the Award of the Degree of Master of Science (Finance), School of Business, University of Nairobi, 1-54.
- Etim, E., Umoffong, N., Peters, G., & Gabriel, R. (2022). Comparative analysis of value relevance of accounting information and share price in Nigerian companies. *Global Journal of Accounting and Economy Research*, 3(2), 143-164
- Defond, M. & Hung, M. (2003). An empirical analysis of analysts' cash flow forecasts. *Journal of Accounting and Economics* 35, 73-100.
- Etim, E., Umoren, A., Etukafia, N. & Peters, G. (2022). Value relevance of accounting information and share prices movement of quoted consumer and industrial goods in Nigeria. *International Journal of Economic Development Research and Investment*, 12(3), 1-27.
- Ezejiofor, R. A. (2018). Effect of IFRS on value relevance of accounting information: evidence from quoted manufacturing firms in Nigeria. *International Journal of Trend in Scientific Research and Development*, 2(5), 345-365.
- Holthausen, R. & Watts, R. (2001). The relevance of the value relevance literature for financial



- accounting standard setting. *Journal of Accounting & Economics*. 31(3), 3-75.
- Ikechukwu, J. Agbo, G. & Sunny, I. (2022). Relevance of accounting information and market price of Nigerian insurance companies. *International Journal of Research Publication and Reviews*, 3(11), 1780-1787.
- Jaffar, R., Nor, A., Mohamat, H. & Mohd, M. (2023). Value relevance of board attributes: The mediating role of key audit matter. *International Journal of Financial Studies*, 11: 41. <https://doi.org/10.3390/ijfs1101004>
- Marek, G., Rafał, B., Monika, K., & Aleksander P. (2016). Value relevance of companies' financial statements in Poland. *Quantitative Methods in Economics*, 17(4), 40-49.
- Mbekomize, C. & Popo, S. (2020). Value relevance of accounting information in the Botswana listed companies *International Business Research*; 13(5), 450-467.
- Mubarika, N. & Handayani, S. (2022). Value relevance of accounting information from PSAK 72. *Jurnal Akuntansi dan Keuangan*, 24(1), 1- 9.
- Muhammad, A.C (2017): IFRS adoption and Value Relevance of Accounting Information: A study of Listed Insurance Firms in Nigeria. a dissertation submitted to the School of Postgraduate Studies, Ahmadu Bello University, Zaria, for the Award of Master of Science Degree (M.Sc.) in Accounting and Finance.
- Musa, U. (2015). Value relevance of accounting information of listed industrial goods firms in Nigeria. Being a dissertation submitted to the School of Postgraduate Studies, Ahmadu Bello University, Zaria, for the Award of Master of Science Degree (M.Sc) in Accounting and Finance.
- Okuns, O. & Peter, O. (2015). The value relevance of accounting information: Evidence from Nigeria. *Accounting and Finance Research*, 4(3), 20-30.
- Olubukola, R., Uwalomwa, U., Jimoh, J., Ebeguki, E., & Olufemi, A. (2016). Value relevance of financial statements and share price: A study of listed banks in Nigeria. *Banks and Bank Systems*, 11(4), 135-143.
- Ohlson, J. (1995). Earnings book values and dividends in security valuation, *Contemporary Accounting Research*, 11, 661-687.
- Ohlson, J. (2000). *Residual Income Valuation: The Problems*: Discussion paper, New York University, March 2000.
- Ohlson, J. (2001). Earnings book values and dividends in equity valuation: An empirical perspective. *Contemporary Accounting Research*, 18(1), 107-120.
- Oloidi, G.A., & Bolade, S. K. (2015). An empirical determinant of equity share price of some quoted companies on the Nigerian stock exchange. *International Journal of research and Development Organization*. 1(8), 26-43.
- Olugbenga, A. & Atanda, O. (2014). Value relevance of financial accounting information of quoted companies in Nigeria: A trend analysis. *Research Journal of Finance and Accounting*, 5(8), 86-93.
- Pavtar, A. (2017). A comparative analysis of the effect of IFRS adoption on value relevance of accounting information in an emerging economy: A focus on listed deposit money banks in Nigeria. *International Journal of Banking and Finance Research*, 3(2), 766-799.
- Philip, S., & John, 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.



- Ragab, A., & Omran, M. (2016). Accounting information value relevance and investors' behavior in the Egyptian equity market. *Review of Accounting and Finance*, 5 (3): 279-297.
- Rahman, J., & Liu, R. (2021). Value relevance of accounting information and stock price reaction: Empirical evidence from China. *Accounting and Management Information Systems*, 20(1); 5-27.
- Rao, K., Farha, I., & Tadi, M. (2023). Value relevance of financial information: A comparative study of pre- and post implementation of Indian accounting standards. *Investment Management and Financial Innovations*, 20(1), 68-76.
- Spence, M. (1973). Job market signaling. *Quarterly Journal of Economics*, 87: 355-374
- Sukmadilaga, C., Santoso, J., & Ghani, E. (2023). Can accounting value relevance and pricing error influence stock price of high-technology service enterprises? *Economies*, 11(2), 48. <https://doi.org/10.3390/economies11020048>
- Svensson, E., & Larsson, A. (2009). Value relevance of accounting information: A Swedish perspective. *International Journal of Accounting, Finance and Management*, 11(2), 403-432.
- Uchechukwu, A. (2022). Value relevance of accounting information and stock price of Nigerian banks. *Journal of Accounting, Business and Social Sciences*, 6(2), 11-29.