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## Effect of Earnings Measurement on Stock Price of Consumer Goods Firms in Nigeria

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**ABSTRACT:** *The study evaluated the effect of earnings measurements on the share price of consumer goods firms in Nigeria. The objectives of the study were to ascertain the effect of earnings per share, dividend per share, return on asset on share price of consumer goods firms in Nigeria. The study adopted an ex-post-facto research design, covering the period between 2012 and 2021. Secondary data were extracted from the annual reports and accounts of the sampled consumer goods firms in Nigeria. A multiple regression technique was used for the data analysis. From the analysis of the study, it was revealed that earnings per share and dividend per share has a positive and significant effect on the share price of consumer goods firms in Nigeria. Return on assets has a positive and nonsignificant effect on the share price of consumer goods firms in Nigeria. This implies that that earnings per share and dividend per share are the major determinants of share price. It was recommended therefore that consumer goods firms in Nigeria should strive to increase their earnings per share by ensuring that high profits are maintained so that the demands for their share price will continue to increase, which in turn cause a significant rise in their share price. They should strive to increase their dividend per share by ensuring that high revenue and profits are maintained. They should also balance the trade-off between dividend payout and retained earnings so that the demands for their share price will continue to increase, which in turn cause a significant rise in their quotation price. They should strive to make consistent profit to ensure that the return on asset of these companies continued to increase significantly.*

**KEYWORDS:** earnings measurement, stock price, consumer goods, firms, Nigeria

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### INTRODUCTION

In Nigeria's capital market, stocks are the primary source of long-term funding for industrial enterprises. These stocks are issued and traded in units with a set price per unit. However, the prices of these stocks might vary owing to changes in the industry's internal (endogenous) and external (exogenous) characteristics (Inyiama & Ozouli, 2014). Various factors, such as

government regulations, competitive tactics, responses to financial performance indicators, and market dynamics of supply and demand, may create these changes.

Investors are naturally interested in organizations with potential profits. The manner in which stock prices alter over time may influence whether and to what degree individuals are prepared to invest in and participate in transactions with a certain firm. This is due to the fact that the stock price at any one time reflects public opinions of the firm's worth. According to Umar and Musa (2013), citing Remi (2005), analyzing the efficacy and efficiency of management actions may be accomplished by studying their influence on the firm's stock price. They stressed that earnings per share (EPS), which is also a substantial component of firm performance, is one indicator of management efficiency.

Financial policies, monetary policies, industrial policies, international trade policies, and other macroeconomic factors, as well as financial information, investors' expectations, and market supervision, according to Wang, Fu, and Luo (2019), may all influence stock prices. Among these factors, financial information stands out as critical in assisting investors in deciding whether or not to invest in a firm's stock. Dividend per share, earnings per share, retained earnings, price-earnings ratio, and dividend cover are key financial performance metrics (Gompers, Ishii, & Metrick, 2016). Earnings give critical information to share holders regarding the firm's previous performance and are widely employed in projecting future performance and valuing equity, according to Mlonzi, Kruger, and Nthoesane (2011). Earnings reporting mainly serves to offer present and prospective investors with predictive information about future earnings, assisting them in making educated investment choices.

According to Hemadivya and Devi (2017), citing Chandra (1981), knowing the factors that influence the market price of shares and the amount to which they influence helps investors make better investment choices. Corporate enterprises, institutional management, government, and investors may all benefit from understanding basic factors and their influence on equity share prices. According to Chang, Chen, Su, and Chang (2018), the most fundamental factor influencing stock prices is a firm's future profitability, and financial indices are thought to have the most significant informational content among all accounting information because they involve important discussions about the relationship between financial indicators and stock prices. The research sought to investigate the impact of earnings measurement on the stock return of Nigerian consumer goods manufacturers.

### **Statement of the Problem**

The stock market is critical to generating economic success and maintaining development in countries across the globe. It acts as a platform for capital formation and fosters contact between people who save and those who need capital. Stock markets allow resources to flow towards the most profitable investment possibilities by pooling money, sharing risks, and transferring wealth. The fact that the stock market offers a liquid and efficient mechanism for exchanging diverse financial products is one of its primary benefits. This liquidity enables risk diversification by both those raising capital and investors, taking into account their respective maturity preferences (long-term for capital raisers and short-term for investors). As a result, it

fosters investment and lowers the cost of capital, so contributing to a country's long-term economic progress.

Nonetheless, despite the stock market's potential advantages for industrial and economic growth, there is still disagreement regarding how earnings metrics impact stock returns. Scholars have debated the factors driving stock returns in Nigeria, notably in the consumer goods sector, where no clear driver of stock price fluctuations has been established. The purpose of this research is to investigate the influence of earnings metrics such as earnings per share, dividend per share, and return on assets on the share price of consumer goods companies in Nigeria. The study aims to give insights into the link between earnings measurements and stock prices in the Nigerian consumer goods industry by analyzing these factors. The research hopes to contribute to a better understanding of stock market dynamics in this specific sector in Nigeria by putting light on this issue.

### **Objectives of the Study**

The main objective of the study is to evaluate effect of earnings measurements on the share price of consumer goods firms in Nigeria. The specific objectives of the study are to:

- i. Evaluate effect of earnings per share on the share price of consumer goods firms in Nigeria.
- ii. Ascertain effect of dividend per share on the share price of consumer goods firms in Nigeria.
- iii. Determine effect of return on asset on the share price of consumer goods firms in Nigeria.

## **REVIEW OF RELATED LITERATURE**

### **Share Price**

The stock price is the price of a share on the stock exchange at a certain moment that is established by market players depending on the degree of demand and supply (Farida, Purwantini, & Nurpitasari, 2021). The share price is volatile because it is heavily influenced by the expectations of buyers and sellers. Erratic prices provide both obstacles and opportunities for investment, particularly in this epidemic period. Precise examination of stock prices will create opportunities for significant profits for investors.

A firm's principal purpose or objective should be to maximize the value or price of its stock. Only the influence of firm stock prices may be used to assess the success or failure of management choices (Remi, 2005). Firm stock prices, according to Remi (2005), have a direct impact on managerial efficiency, which is one of the indicators of firm performance. According to Inyiama and Ozouli (2015), the value of ordinary shares may also represent the performance and management effectiveness of people who run the businesses at all times. For this research, the share price refers to the stock's closing price on December 31 of each financial year.

### **Earnings per Share**

The standard dictionary defines earnings per share as a company's profit divided by the number of common outstanding shares. Earnings per share (EPS) is computed by dividing a company's earnings by the number of shares of common stock outstanding (Fernando, Kindness, & Fazel, 2022). The resultant number is used to determine a company's profitability. It is common for a company to announce earnings per share (EPS) that have been adjusted for unusual items and probable share dilution. Earnings per share are defined by Sumangala (2012) as the revenue earned by a company after meeting the cost of production, then interest, depreciation, and tax belong to equity shareholders, and these revenue/earnings per share are computed by dividing earnings after interest, depreciation, and tax by the total number of outstanding shares.

Agu, Nweze, and Enekwe (2015) Net earnings per share, often known as net income per share, is a market potential ratio that calculates the amount of net income generated per outstanding share of stock. In other words, this is the amount of money that each share of stock would get if all profits were dispersed at the end of the year to all outstanding shares. Higher earnings per share ratios are usually preferable to lower ratios since they indicate that the company is more lucrative and has more profits to deliver to its shareholders.

### **Dividend per Share**

Dividend per share (DPS) is the total of a company's declared dividends issued for each ordinary share outstanding (Chen, Boyle, & Rathburn, 2021). According to the researchers, the figure is computed by dividing a company's total dividends paid out, including interim dividends, during a period of time, generally a year, by the number of outstanding ordinary shares issued. Dividends are commonly defined as the distribution of earnings (past or present) in real assets among the firm's shareholders in proportion to their ownership, and it is the benefit of shareholders in exchange for their risk and investment, which is determined by various factors in an organization (Nissim and Ziv, 2001). Dividend per share (DPS) is calculated by dividing the total dividends paid out over the course of a year (including interim dividends but excluding special dividends) by the number of outstanding ordinary shares issued.

### **Return on Asset**

The term return on assets (ROA) refers to a financial ratio that illustrates how profitable a company is in contrast to its total assets (Hargrave, 2022). ROA may be used by corporate management, analysts, and investors to assess how successfully a company uses its assets to generate a profit. The metric is often stated as a percentage using a company's net income and average assets. According to Hargrave (2022), a bigger ROA implies that a company is more successful and productive at managing its balance sheet to generate profits, but a lower ROA signifies that there is potential for expansion.

ROA is calculated by dividing a company's net income by its total assets. As a formula, it's expressed as:

$$\text{Return on Asset} = \frac{\text{Net Income}}{\text{Total Asset}}$$

### **Consumer goods Industry Performance Overview**

The consumer goods sector in Nigeria is a subsector of the manufacturing sector. The COVID-19 well as a limitation on inter-state migration impeded performance in Q2-2020 (MAN, 2020). Furthermore outbreak presented an additional layer of fear for most consumer goods enterprises, as lockdown in key revenue-generating and industrial locations (Lagos, Abuja, and the Ogun areas) as, the disruption in global supply chains, naira adjustment, and illiquidity in the foreign currency market during Q2-2020 generated extra difficulties for firms with major import needs. The chance of the pandemic adversely harming the consumer goods sector remains high, although critical goods producers may be modestly impacted.

Revenue in the flour milling business grew by 8.7% in FY2020 owing to increasing volumes. PAT jumped by 195.6% while finance expenditures declined by 7.6%. Although low consumer spending would result in volume rationing, there is a prospect for revenue growth owing to the inelasticity of wheat-based goods (MAN, 2020).

Sugar Refining Industry: Over a five-year period, sales growth fell to 9.8% (CAGR), below 2015-2017's 26.5%. The slowdown in growth was driven by a 21.2% decline in volumes, from 742,622MT to 584,360MT between 2015 and 2017.

Given cocoa's significance as a raw ingredient for the beverage sector, players experienced considerable cost pressure in 2018-19. Cocoa prices jumped 9.1% from \$2,200 per tonne in Q3:2019 to December 2019. PBT and PAT margins have been outstanding over time.

When compared to other consumer goods sub-sectors, the HPC sub-sector (PZ and Unilever) did poorly. This followed a 35.8% reduction in sales from  $\hat{1}73.4bn$  to  $\hat{1}27.8bn$  in 2019 as demand stagnated and smaller enterprises boosted competitiveness. High factory overhead and manufacturing expenses, dependency on imported raw materials (c.65% of raw materials), and the player's refusal to pass costs on to ultimate customers all harmed performance.

### **Theoretical Framework**

The study is based on Efficient Market Hypotheses. Professor Eugen Fama's (1970) Efficient Market Hypothesis (EMH) in financial economics states that an asset's prices accurately reflect all relevant information. A direct implication is that it is impossible to consistently "beat the market" on a risk-adjusted basis, as market prices should only react to new information or changes in discount rates (which can be anticipated or unplanned).

According to the Efficient Market Hypothesis, the largest direct influence on a stock's price is a change in the business's fundamentals. According to them, if sales and profits continue to expand, the share price will rise as investors fight to buy into the company's rising riches. If, on the other hand, profit is flat or declining and no change is in sight, investors begin to exit the stock, and the price decreases. However, according to the theory, changes in the underlying company have a direct influence on the share price. Smart investors recognize little changes before they become price movers and act appropriately. Another factor addressed by the theory is what is known as sector changes; the theory claims that changes in the stock's sector may

have either positive or negative affects on its price. Some organizations or industries are cyclical, which might be predicted to impact stock prices (Maysami and Koh, 2000).

### **Empirical Review**

For the period 2012 to 2017, Ghimire and Mishra (2018) examined the relationship between stock price and explanatory factors such as DPS, EPS, P-E ratio, BV, and Market to BV. This study investigates the factor affecting stock price using basic and multivariate regression analysis as well as descriptive statistics. The findings, based on a sample size of 11 financial and nonfinancial firms in Nepal, reveal that the variables Market to BV and P-E ratio are important determinants of stock price that have a direct influence on the stock price. Similarly, DPS and BV have a big positive influence on stock price, although EPS has negligible influence on stock price.

Udoka, Nya, and Bassey (2018) evaluated the influence of macroeconomic factors on stock price changes in Nigeria. To achieve this goal, data on macroeconomic variables such as GDP, exchange rate, inflation, interest rate, and absolute stock price were gathered for analysis. In examining the macroeconomic reasons of stock price movement in Nigeria, the Autoregressive Distributive Lag (ARDL) model was used. The augmented Dickey-Fuller (ADF) unit root test was also used to establish if the variables were stationary or not. Only the interest rate was stable at levels, according to the ADF unit root test, whereas the other variables were stationary when differenced once. In Nigeria, there was no long-run relationship between macroeconomic factors and stock price changes.

Wahyono, Nugroho, and Imron (2019) investigated the factors influencing the stock prices of oil and gas subsector enterprises. These factors include the price of oil, the debt-to-equity ratio (DER), and the exchange rate. Comparative causal research was used as the study design. In this study, sampling is done using the purposive sampling strategy. Panel data regression analysis was used as the analysis method. Using the f-statistic test, the study concludes that the variables of Oil Price, DER, and Change Rate all have a significant influence on Stock Price. While the t-statistic test results show that the variable Oil Price has a large positive influence, DER and Exchange Rate have a significant negative influence on the stock price of oil and gas listed on the Indonesia Stock Exchange from 2011 to 2016.

Gautam and Bista (2019) examined the factors that influence the share price of Nepalese non-life insurance companies. This study is based on secondary data from 15 non-life insurance businesses with 105 observations from fiscal year 2011 to 2018. The results of the regression analysis show that firm size is positively related to share market price and price-earnings ratio. It indicates that as firm size increases, so does the market price of shares and the price-earnings ratio. The study also shows that dividends per share and return on assets are negatively related to a share's market price and the price-earnings ratio. Similarly, earnings per share have a negative relationship with a share's market price and the price-earnings ratio.

The relationship between financial ratios and stock prices was investigated by Jernsittiparsert, Ambarita, Mihardjo, and Ghani (2019). To achieve this goal, firms from Malaysia, Indonesia, Thailand, and Singapore were selected from 2012 to 2016, with a sample of ten businesses from each state. The hypotheses were evaluated using a multiple regression technique. The current ratio, quick ratio, asset growth, return on assets, return on equity, return on capital employed, and price-to-earnings ratio have all been shown to be significant predictors of stock price.

Anichebe (2019) examined the macroeconomic factors influencing Nigerian stock prices using time series data from 1981 to 2017. The study's data came from the Central Bank of Nigeria's Statistical Bulletin. The Ordinary Least Squares (OLS) technique was used in the data analysis. The estimates revealed that macroeconomic variables have a long run relationship with stock price in Nigeria; specifically, the Treasury bill rate has a negative impact on stock price in the long run, whereas the exchange rate, GDP, and inflation have a positive impact on stock price in the long run.

The influence of company dividend distribution rules on stock price volatility was examined by Mehmood, Ullah, and Sabeeh (2019). The primary goal of this study is to examine the influence of dividend payout ratio on stock price volatility on Pakistan Stock Exchange. A sample of 15 PSX firms is analyzed, and the study covers historical data from 2011 to 2015. The dependent variable in this study is stock price volatility, whereas the primary independent variable is dividend payout ratio. The study discovered a positive relationship between stock price volatility and dividend payout ratio.

Sutrisno (2020) investigated the influence of trade volume, firm size, inflation, and currency rate on stock price volatility of Jakarta Islamic Index (JII) companies from 2014 to 2018. The study sample consists of sixteen enterprises chosen using a purposeful selection technique. Using year-by-year data, the study used panel regression. According to the study, trading volume has a significant positive influence on stock price volatility, but firm size has a significant negative influence on stock price volatility. In the meanwhile, inflation and currency rates have little influence on stock price volatility.

Lawal, Oseni, Asaleye, Lawal-Adedoyin, and Elleke (2020) investigated the determinants of the share price of agro-related firms listed on the Nigerian stock market. The study used regression analysis, a unit root test, and a vector correction model to determine the degree of correlation between share prices and return on assets (ROA), earnings per share (EPS), and dividend per share (DPS). According to the study, earnings per share had the greatest influence on share price, with other factors trailing behind.

Farida, Purwantini, and Nurpitasari (2021) conducted an empirical analysis of the factors influencing Indonesian commercial bank stock prices. The regression analysis and paired test technique were used to analyze the data. The sample for this study is made up of 37 commercial banks that were listed on the Indonesia Stock Exchange (IDX) between 2019 and 2020. The total number of data observations using purposive sampling is 444. The findings show that

inflation, economic growth, and money supply have no influence on stock prices. Meanwhile, the rupiah exchange rate and interest rates have a positive influence on stock prices. Hewamana, Siriwardhane, and Rathnayake (2022) did a literature study of stock price volatility factors. The systematic literature review that follows will look at English-language papers published between 1930 and 2021. A critical literature study was conducted by comparing the findings of previous research based on the market's growth stage. Behavioural (non-fundamental) factors and macroeconomic factors such as GDP, inflation, interest rate, money supply, and exchange rate are examples of determinants. Earnings and Dividend Payments have been examined in addition to company-specific facts. Findings: It was discovered that there is no agreement between studies on macro-level and micro-level stock volatility factors.

### Gap in Empirical Review

From the forgoing empirical review, it could be seen that a lot of research studies have been conducted as it concerns share price fluctuations, both in Nigeria and internationally. In Nigeria as an emerging economy, none of these studies reviewed tried to evaluate earnings measurements that determine share price movement in the consumer goods sector of the economy. The consumer goods sector based on its importance to the economic growth and development of Nigeria should not be left behind. Hence, this study evaluates the earnings measurements that determine fluctuations in the share price of consumer goods firms in this sector.

## METHODOLOGY

### Research Design

The research design for this study was ex-post facto, relying on historical data to establish the effect of one variable on another. The study was conducted in Nigeria, specifically within the consumer goods sector. Secondary data from the annual reports and accounts of 19 selected consumer goods firms listed on the Nigeria Stock Exchange constituted the sources of data. The sample size consisted of four consumer goods firms, namely Guinness Nigeria Plc, Nigerian Breweries Plc, Flour Mills Nigeria Plc, and Unilever Nigeria Plc, selected based on their consistent vibrant stock turnover and availability of data for up to eleven years. The study covered the period from 2012 to 2021.

### Model Specification

In line with Inyiama and Ezeugwu (2016), the model was specified as follows

$$SP_{t,i} = \beta_0 + \beta_1 EPS_t + \beta_2 DPSt + \beta_3 ROA_t + \varepsilon_t \quad - \quad [\text{Equation (1)}]$$

Where,

SP	-	Share Price
EPS	-	Earnings per Share
DPS	-	Dividend per Share
ROA	-	Return on Asset
$\varepsilon$	-	Stochastic disturbance (Error) Term
$\beta_0$	-	Coefficient (constant) to be estimated
$\beta_1 - \beta_3$	-	Parameters of the independent variables to be estimated



t - Current period

**DATA ANALYSIS****Table 4.1.1: Descriptive Statistic Panel Data**

	SP	EPS	DPS	ROA
Mean	82.31625	3.125000	2.302775	0.056765
Median	57.50000	3.405000	1.680000	0.045504
Maximum	275.0000	12.16000	10.00000	0.185400
Minimum	13.90000	-5.740000	0.000000	-0.122666
Std. Dev.	68.14857	3.120548	2.232529	0.066690
Skewness	1.251782	0.214524	1.688562	-0.582837
Kurtosis	3.786822	2.723616	5.769794	2.955700
Jarque-Bera	11.47820	5.258224	31.79454	3.786928
Probability	0.003218	0.072142	0.000000	0.150549
Sum	3292.650	125.0000	92.11100	2.270590
Sum Sq. Dev.	181124.9	379.7750	194.3833	0.173455
Observations	40	40	40	40

*Source: Computed by Researcher Using Eviews 10.0 Statistical Software, 2022*

Table 4.1.1 above reveals the variable description of the 60 observations of the panel data series extracted from the annual report and accounts of sampled consumer goods firms in Nigeria. The normality of the distribution of the data series is shown by the coefficients of Skewness, Kurtosis, and Jarque-Bera Probability. From Table 4.1.1, the probability of the Jarque-Bera Statistics for Share Price (0.003218) and Dividend Per Share (0.000000) are significant. This implies that Share Price and Dividend Per Share are not normally distributed. However, Earnings Per Share (0.072142) and Return on Asset (0.150549) have nonsignificant p-values. The nonsignificance of p-values depicts a normal distribution for the data series. The results were further confirmed by the skewness coefficients which are greater than one for Share Price and Dividend Per Share. The Skewness coefficient for Earnings Per Share (0.214524) and Return on Asset (0.582837) suggests a normal distribution. The kurtosis coefficient provides a second level of confirmation that Earnings Per Share (2.723616) and Return on Asset (2.955700) are normally distributed with Kurtosis coefficients that is less than 3. However, Share Price (3.786822) and Dividend Per Share (5.769794) are not normally distributed.

**Regression Results (OLS)**

After the application of the ordinary least square (OLS) estimation method on the model earlier suggested in the previous chapter, the following results shown in the table below was obtained.

**Table 4.1.2 Fixed Effect OLS Estimation Result (Dependent Variable: DPR)**

Dependent Variable: SP

Method: Panel Least Squares

Date: 03/23/22 Time: 15:58

Sample: 2012 - 2021

Periods included: 10

Cross-sections included: 5

Total panel (balanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EPS	6.936797	3.402548	2.038707	0.0498
DPS	13.63958	3.713429	3.673041	0.0009
ROA	75.84793	123.1457	0.615920	0.5423
C	158.8170	241.2737	0.658244	0.5151

## Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.891652	Mean dependent var	82.31625
Adjusted R-squared	0.867951	S.D. dependent var	68.14857
S.E. of regression	24.76420	Akaike info criterion	9.433531
Sum squared resid	19624.49	Schwarz criterion	9.771307
Log likelihood	-180.6706	Hannan-Quinn criter.	9.555660
F-statistic	37.62072	Durbin-Watson stat	1.722800
Prob(F-statistic)	0.000000		

*Source: E-views 10 software, 2022*

**Earnings Per Share:** Earnings Per Share has a coefficient of 6.936797 which shows that a unit increase in Earnings Per Share increases the Share Price of consumer goods firms in Nigeria by 6.94. The value of the t-statistics ( $2.038707 > 2$ ) and the probability of t-Statistic ( $0.0498 < 0.05$ ) show that Earnings Per Share has a significant effect on Share Price of consumer goods firms in Nigeria.

**Dividend Per Share:** Dividend Per Share has a coefficient of 13.63958 which shows that a unit increase in Dividend Per Share increases the Share Price of consumer goods firms in Nigeria by 13.6. The value of the t-statistics ( $3.673041 > 2$ ) and the probability of t-Statistic ( $0.0009 < 0.05$ ) show that Dividend Per Share has a significant effect on Share Price of consumer goods firms in Nigeria.

**Return on Asset:** Return on Asset has a coefficient of 75.84793 which shows that a unit increase in Return on Asset increases the Share Price of consumer goods firms in Nigeria by 6.94. The value of the t-statistics ( $0.615920 < 2$ ) and the probability of t-Statistic ( $0.5423 > 0.05$ ) show that Return on Asset has a nonsignificant effect on Share Price of consumer goods firms in Nigeria.

**Statistical Criteria (First Order Tests)**

The value of the Adjusted  $R^2$  is 0.87, which shows that 87% of the changes in the Share Price are explained by the independent variables (Earnings Per Share, Dividend Per Share, & Return on Asset), while the remaining 13% could be explained by other factors capable of influencing Share Price which are not captured in the study. These other factors are contained in the error term. The f-test is used to check for the overall significance of the model. If the value of the probability of the f-stat (p-value: 0.000000) is less than 0.05 at a 5% critical value, the model is said to be significant and statistically fit. The Durbin Watson Statistic (1.72) shows the presence of negative autocorrelation in the time series data.

### **Test of Hypotheses**

The four hypotheses formulated in chapter one of this study were tested using four steps. The test of hypotheses was conducted as follows:

#### ***Hypothesis One***

##### ***Step 1: Restatement of the Hypothesis in Null and Alternate Form***

H<sub>0</sub>: Earnings per share does not significantly affect share price of consumer goods firms in Nigeria.

H<sub>1</sub>: Earnings per share have a significant effect on share price of consumer goods firms in Nigeria.

##### ***Step 2: Statement of Decision Criteria***

According to Gujarati and Porter (2009), the decision rule involves accepting the alternate hypothesis (H<sub>1</sub>) if the sign of the coefficient for Earnings Per Share (EPS) is either positive or negative, the modulus of the t-Statistic > 2.0 and the P-value of the t-Statistic < 0.05. Otherwise, accept H<sub>0</sub> and reject H<sub>1</sub>.

##### ***Step 3: Presentation of Test Results***

Table 4.1.2 fixed effect OLS regression estimation results were used to test the above-stated hypothesis.

##### ***Step 4: Decision***

The regression coefficient (6.936797) in Table 4.2.2 shows that increase in Earnings Per Share results in an increase in the Share Price of consumer goods firms in Nigeria. However, the values for t-statistic (2.038707) and probability of the t-statistic (0.0498) depict that Earnings Per Share has a statistically significant effect on the Share Price in the industry. This implies that Earnings Per Share can be used to predict the Share Price in the industry.

#### ***Hypothesis Two***

##### ***Step 1: Restatement of the Hypothesis in Null and Alternate Form***

H<sub>0</sub>: Dividend per share does not significantly affect share price of consumer goods firms in Nigeria.

H<sub>1</sub>: Dividend per share have a significant effect on share price of consumer goods firms in Nigeria.

##### ***Step 2: Statement of Decision Criteria***

According to Gujarati and Porter (2009), the decision rule involves accepting the alternate hypothesis (H<sub>1</sub>) if the sign of the coefficient for Real Estate Loans (REL) is either positive or

negative, the modulus of the t-Statistic  $> 2.0$  and the P-value of the t-Statistic  $< 0.05$ . Otherwise, accept  $H_0$  and reject  $H_1$ .

**Step 3: Presentation of Test Results**

Table 4.1.2 fixed effect OLS regression estimation results were used to test the above-stated hypothesis.

**Step 4: Decision**

The regression coefficient (13.63958) in Table 4.2.2 shows that increase in Dividend Per Share results in an increase in the Share Price of consumer goods firms in Nigeria. However, the values for t-statistic (3.673041) and probability of the t-statistic (0.0009) depict that Dividend Per Share has a statistically significant effect on the Share Price in the industry. This implies that Dividend Per Share can be used to predict the Share Price in the industry.

**Hypothesis Three**

**Step 1: Restatement of the Hypothesis in Null and Alternate Form**

$H_0$ : Return on asset does not significantly affect share price of consumer goods firms in Nigeria.

$H_1$ : Return on asset does not significantly affect share price of consumer goods firms in Nigeria.

**Step 2: Statement of Decision Criteria**

According to Gujarati and Porter (2009), the decision rule involves accepting the alternate hypothesis ( $H_1$ ) if the sign of the coefficient for Return on Asset (ROA) is either positive or negative, the modulus of the t-Statistic  $> 2.0$  and the P-value of the t-Statistic  $< 0.05$ . Otherwise, accept  $H_0$  and reject  $H_1$ .

**Step 3: Presentation of Test Results**

Table 4.1.2 fixed effect OLS regression estimation results were used to test the above-stated hypothesis.

**Step 4: Decision**

The regression coefficient (75.84793) in Table 4.2.2 shows that increase in Return on Asset results in an increase in the Share Price of consumer goods firms in Nigeria. However, the values for t-statistic (0.615920) and probability of the t-statistic (0.5423) depict that Return on Asset has a statistically significant effect on the Share Price in the industry. This implies that Return on Asset cannot be used to predict the Share Price in the industry.

## **DISCUSSION OF RESULTS**

### **Effect of Earnings Per Share on Share Price**

The hypothesis testing reveals a statistically significant and positive relationship between earnings per share and the share price of consumer goods firms in Nigeria. This finding supports the researcher's expectations, as investors typically consider the earnings per share of the companies they are interested in before making investment decisions. Consequently, an increase in earnings per share leads to an increase in share price due to the higher demand for shares. This result aligns with previous studies conducted by Inyiama, Okwo, and Inyiama (2015) and Lawal, Oseni, Asaleye, Lawal-Adedoyin, and Elleke (2020), which also found a significant positive association between earnings per share and share price.

### **Effect of Dividend Per Share on Share Price**

The test of hypothesis three reveals that board meetings have a negative and significant effect on the dividend payout ratio of consumer goods firms in Nigeria. This implies that the frequency of board meetings reduces the dividend payout ratio of consumer goods firms in Nigeria. The finding is not out of order because the cost of holding a board meeting is huge. Some authors argue that active monitoring through corporate governance can be costlier than dividend payments. Hence, as the board holds regular meetings, they use some part of the money that would have gone to shareholders as dividends to finance these meetings thereby reducing the dividend payout. The findings of the study are in line with the findings of Septiani, Ariyani, and Ispriyahadi (2020) and Lawal, Oseni, Asaley, Lawal-Adedoyin, and Elleke (2020). The researchers found that dividend per share have a positive relationship with share price.

### **Effect of Return on Asset on Share Price**

The analysis in hypothesis test four shows that the return on asset has a favourable influence on the share price of consumer goods firms in Nigeria; however, this effect is not statistically significant. This indicates that when these consumer goods companies generate greater returns on their assets, their share prices tend to increase, but the return is not significant enough to influence investors' decisions to invest in the sector. In other words, the return on asset measure does not entirely affect investors' choices to invest in these firms.

## **SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS**

### **Summary of Findings**

The findings are summarized as follows:

- i. Earnings per share has a positive (coefficient, 6.936797) and significant (p-value, 0.0498) effect on the share price of consumer goods firms in Nigeria.
- ii. Dividend per share has a positive (coefficient, 13.63958) and significant (p-value, 0.0009) effect on the share price of consumer goods firms in Nigeria.
- iii. Return on assets has a positive (coefficient, 75.84793) and nonsignificant (p-value, 0.5423) effect on the share price of consumer goods firms in Nigeria.

### **Conclusion**

The study examined the effect of effect of financial performance indicators on stock return of consumer goods firms in Nigeria. From the data collected and scientifically analyzed, earnings per share and dividend per share has a positive and significant effect on the share price of consumer goods firms in Nigeria. Furthermore, return on asset have a positive and nonsignificant effect on the share price of consumer goods firms in Nigeria. The value of the Adjusted  $R^2$  is 0.87, which shows that 87% of the changes in the Share Price are explained by the independent variables (Earnings Per Share, Dividend Per Share, & Return on Asset), while the remaining 13% could be explained by other factors capable of influencing Share Price which are not captured in the study. These other factors are contained in the error term. The study, therefore, concludes that earnings per share and dividend per share are the major determinants of share price.

### **Recommendations**

Following the findings from the result of the study, the following recommendations are made:

- i. Consumer goods firms in Nigeria should strive to increase their earnings per share by ensuring that high profits are maintained so that the demands for their share price will continue to increase, which in turn cause a significant rise in their share price.
- ii. They should strive to increase their dividend per share by ensuring that high revenue and profits are maintained. They should also balance the trade-off between dividend payout and retained earnings so that the demands for their share price will continue to increase, which in turn cause a significant rise in their quotation price.
- iii. They should strive to make consistent profit to ensure that the return on asset of these companies continued to increase significantly because of the effect it has on share price.

### **Contribution to Knowledge**

This study makes valuable contributions to our understanding of financial performance and stock returns in consumer goods firms in Nigeria. The findings highlight the significant and positive impact of earnings per share and dividend per share on share prices, aligning with previous research. The study also explores the relationship between return on assets and share prices, finding a positive but nonsignificant association. The high adjusted R<sup>2</sup> value indicates that a large portion of share price changes can be explained by the variables studied. The study provides practical recommendations for consumer goods firms, emphasizing the importance of maintaining high earnings per share and dividend per share, balancing dividend payout and retained earnings, and ensuring consistent profitability. Overall, this research enhances knowledge in the field and offers insights for practitioners, researchers, and investors seeking to improve financial performance and shareholder value in the consumer goods sector.

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