

Value Relevance of Accounting Information and Share Price in Financial Service Industry

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Abstract

This paper examined the value reliance of accounting information in financial service companies in Nigeria. Three research questions were raised which are: what is the relationship between return on net worth and share price? to what extent does dividend per share influence share price? to what extent does cash flow from operations affect share price? To address these questions, we used data from 2012-2018 of 20 financial service companies listed in the Nigerian Stock exchange. Eviews 10 was used to analyse the data collected for this study. Least square regression method was adopted to make our statistical decisions. After conducting Hausman Test, the result indicated that random effect is more appropriate than the fixed effect model. There is positive and significant relationship between share price and firm size. We also found that there is negative and insignificant relationship between DPS, EPS, CFO, BVS and SP. The study concluded that there is relationship between share price and firm size. Also we conclude that there is no value relevance between information in financial statements and share price. The details of cash flow, dividend per share, earnings per share, book value of share and dividend per share disclosed in financial statements will not necessarily influence share price. We therefore recommend to companies to always fully disclose all the information related to their operations especially information relating to their sales revenue and assets. Also we recommend that companies should diligently follow the International Financial Reporting Standards in preparation and presentation of their financial statements.

Keywords: share price, dividend per share, earnings per share, book value of share, firm size

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1. Introduction

Financial Statements consist of different types of information such as financial information, non-financial or accounting information and non-accounting information (Balasundaram, 2014). Principally, management are responsible for the preparation and presentation of financial statements of their organisations and, thus, need to ensure that the statements represent the actual financial status or position of their firm (Uwuigbe, Uwuigbe, Jafaru, Igbinoba, & Oladipo, 2016). Financial accounting information is the product of corporate accounting and external reporting systems that measure and publicly disclose audited, quantitative data concerning the financial position and performance of publicly held firms. These financial statements, according to international financial reporting standards (IFRS) have four main qualitative characteristics that should be met in order for it to succeed in its purpose: relevance, reliability, understandability, and comparability. The International Accounting Standard Board (IASB) Framework (2011) shows that accounting information is only relevant when users are able to evaluate past, present or future events in taking economic decisions.

These users could be owners, managers, or employees. Accounting provides a vital service to broad and diverse users. Investors use financial accounting information for investment decisions; government agencies need it particularly for tax purposes while regulatory agencies use it to determine whether existing statutory pronouncements are complied with, among others. Accounting plays a significant role within the concept of generating and communicating wealth of companies. Financial statements still remain the most important source of externally feasible information on companies. Nevertheless, in the wake of the recent accounting scandals and economic meltdown where billions of naira of investment and retirement wealth have disappeared, the very integrity and survivability of the value relevance of financial accounting information has been called to question.

Accounting information, if properly prepared, is expected to lead the investors to come up with the right investment decisions that at the end will give them higher return on investment and minimise risks on investment. Value relevance studies assess how well particular accounting numbers reflect information that is used by investors in valuing a firm's equity value but they are not designed to assess the usefulness of accounting numbers.

Studies on value relevance of accounting information were motivated by the fact that listed companies use financial statements as one of the major media of communication with their equity shareholders and public at large (Vishnani & Shah, 2008). For instance, in Nigeria, Companies and Allied Matters Act (CAMA), (1990) and the subsequent amendments require the Directors of all companies listed on the Nigerian Stock Exchange to prepare and publish annually the financial statements. Beyond this, the Nigerian Stock Exchange mandates all companies listed on first tier market to submit quarterly, semi-annual and annual statements of their accounts to the Stock Exchange. Companies on second tier market are to submit their statements of accounts annually to Stock Exchange

(Omokhudu & Ibadin, 2015). Accounting information is any data or information obtains from the accounting system of a firm whether contained in a financial statement, a special report, or verbal statement.

2. Statement of the Problem

Stock markets worldwide had turbulent time in 2008 which brought value relevance of accounting information under severe criticisms. There are some concerns that accounting theory and practice have not kept pace with rapid economic and high-technology changes which invariably affect the value relevance of accounting information. The claim is that financial statements are less relevant in assessing the fundamental market value of quoted companies which are by nature high-technology driven. According to Nassar, Uwuigbe, Uwuigbe and Abuwa (2014), while accounting can be an important factor in some decisions, accounting that masks or fails to capture meaningful information for the benefit of all investors is not sound and puts investors at risk. This will make those who have money to lend and invest to take it to where their need for accounting information is met. The value and the quality of accounting information are determined by how well it meets the needs of users. Therefore, the flow of reliable information is crucial to the growth of the Nigerian Stock Exchange, without it, savers would simply keep their hard-earned savings under their mattress. It may not be an overstatement to say that Nigerian Stock Exchange will not function well without relevant and reliable accounting information such as earnings, dividends, cash flow, book value per share etc. Deficiency in Nigerian Stock Exchange will affect the economy because capital market is the engine of economic growth. Hence, the study of whether the market prices of stock listed on the Nigerian Stock Exchange reflect accounting information is not only important to investors but also crucial to Nigerian economic growth.

Due to the lack of consensus in literature about the value relevance of accounting information on share price, and given the fact that specific accounting information can play an important role, one may ask about the true position in the Nigerian capital market. Since shares are traded daily in Nigeria, it becomes imperative to find out the variables that determine share price and the relative significance of each variable. That is why investigation of the value relevance on financial information with relevant to the stock prices is important matter for a developing countries like Nigeria. Studies have produced mixed results on the relationship between accounting information and share price. For instance, Vijitha & Nimalathasan (2014) and Ibadin and Oladipupo (2015). Halonen, Pavlovia and Pearson (2013) found that accounting information especially earnings has value relevance while Ayzer and Cema (2013) documented that accounting information of listed new economy firms in Nigeria has less value relevance. On the other hand, the study of Callao, Jarne and Lainez (2017) revealed that, earning is more value relevant than book value. Paananen (2018) avowed that due to the transition from industrialized economy to high-tech oriented economy, financial statements have lost their relevance. However, there are contradicting opinions or inferences on the direction of change in value relevance. Abiodun (2012) in a related study noted an increasing trend in the value relevance of accounting information. On the contrary, Vishnani & Shah (2008), Tsalavoutas, Andre and Evans (2012), Miah (2012), Andriantomo & Yudianti (2013), Sharma, Kumar and Singh (2012) in a related study avowed a decline in the value relevance of accounting information. This lacuna (gap) in the literature coupled with the series of major corporate failures and financial scandals in the US, Europe and Africa provides a basis for this study from an emerging economy like Nigeria that is currently experiencing recession and coupled with the continuous fall in prices of stock in the capital market. However, no study has documented the relationship between value relevance of accounting information and share price in Nigeria (to the best knowledge of the researcher), as the predominant focus of prior studies is on a single country or Nigeria and South Africa. Furthermore, prior studies focused exclusively on earnings and book value to explain share price behavior, but this present study considered book value per share, dividend per share, earnings per share, return on net worth and cash flow from operations to explain the behaviour of share price, thereby establishing a gap in knowledge, which necessitated this study. In order to fill the gap in knowledge, this study investigates the relationship between value relevance of accounting information (proxied by book value per share, dividend per share, earnings per share, return on net worth and cash flow from operations) and share price in Nigeria from 2012-2018.

3. Objectives of the study

The main objective of this study is to determine the relationship between value relevance of accounting information and share price with a focus on Nigeria. The specific objectives would be to:

- i. verify the relationship between return on equity and share price.
- ii. evaluate the relationship between dividend per share and share price.
- iii. examine the relationship between cash flow from operations and share price.

4. Research Questions

This research focused on providing answers to the following questions:

- i. What is the relationship between return on net worth and share price?
- ii. To what extent does dividend per share influence share price?

- iii. To what extent does cash flow from operations affect share price?

5. Research Hypotheses

Based on the research questions of the study, the following null hypotheses were formulated:

- i. There is no significant relationship between return on net worth and share price.
- ii. There is no significant relationship between dividend per share and share price.
- iii. There is no significant relationship between cash flow from operations and share price.

6. Scope of the Study

The focus of this work was to study the relationship between value relevance of accounting information in service firms and share price in Nigeria. The study covered a period of seven (7) years ranging from 2012-2018. The research variables used include book value per share, dividend per share, earnings per share, return on equity, leverage and cash flow from operations as proxies for accounting information (independent variable) while share price is used as the dependent variable. These variables are well defined in the table 1 of this study.

7. Literature Review

Many scholars have written about value relevance of accounting information globally. This research reviewed quiet numbers of these works and considered more variables which were put together in this work in addressing the research questions of this study and to update existing literature.

Accounting Information

Accounting information according to (Chapman, 2018), is measurable and quantifiable information of an entity. Accounting information is basic and fundamental for informed economic decision making by investors. Information flows out from the organization to external users, such as customers, suppliers, and other stakeholders who have an interest in the firm. Investors can be regarded as the biggest user of this information. Investors require information for their financial decisions. Financial statement is the major source of information for investors. If the information provided by financial statement is useful to the investors, the information can be used by them in making investment decisions (Nayeri, Ghayoumi & Bidari, 2012). Demand for this information by investors necessitate that the information must have such characteristics as relevant, faithful representation, verifiable, understandable, timely, and comparable (Corporate Finance Institute).

Investors

An investor is a person that allocates capital with the expectation of a future financial return (Wikipedia). This means every investors invest in companies that they believe will satisfy their expectations. Investors have different expectations from their investments. Due to these expectations investment decision making is a very challenging activity for investors, especially in the dynamic environment with multidimensional alternatives. Investment decisions cannot be made in a vacuum by depending on the personal resources and complex models. Investors must have to be vigilant and up to date to achieve the desired goals. Behavioral finance is the emerging field which can be helpful for investors to select better investment tools and to avoid repeating errors in future. Behavioral finance explains the effect of investor psychology on decision making of their investment (Farooq, Afzal, Sohail & Sajid, 2015). Investments decisions include equity and debt securities investments and this centres on the association between stock returns or share price and accounting related information such as earnings, cash flows, book value of equity and firm's size. Investors can be grouped into two that is retail investors and institutional investors. Retail investors include individuals and groups, institutional investors include venture capital, private equity and businesses (Wikipedia).

Value Relevance of Accounting Information

Value relevance has been defined in various studies as the "ability of the financial information to capture and summarize the firm's value and the statistical association between financial statement information and stock market values (Francis & Schipper, 1999 and Beisland, 2009) in Pavtar (2017). Value relevance has to do with the summarization of accounting information that affects stock values in such a way that the investors can come up with an informed decision about company's share.

Value relevance of accounting information addresses the degree to which accounting information summarises the information that is impounded in share prices. Value relevance" implies ability of the financial information contained in the financial statements to explain the stock market measures. A value relevant variable is that data or amount in the financial statement that guide investors in their pricing of shares, that is, the disclosure(s) that rightly guide potential investors in making informed investment decisions(s). Investment decision centres on the association between stock returns or share price and accounting related information such as earnings, cash flows, book value of equity and firm's size. "Some studies also indicate that asset and liabilities relate to share price

(Landsman, 1986; Amir, 1993; Francis and Schipper, 1999)” Naimah (2012). Value relevance is seen as proof of the quality and usefulness of accounting numbers and as such, it can be interpreted as the usefulness of accounting data for decision-making process of investors and its existence is usually by a positive correlation between market values and book values (Ernest & Oscar, 2014)). Valuation study is mainly aimed at relating accounting numbers to measure a firm’s value with a view to assessing the characteristics of accounting numbers and their relation to value of the firm (Barth, 2000).

Earnings Per Share (EPS)

Earnings per share is obtained by dividing available income to shareholders by the total units of ordinary shares. That is, EPS is the portion of a company's profit allocated to each unit of ordinary share. Investors’ decision to invest in a company is mostly motivated by the expected returns on their investment and opportunity for growth in share price which subsequently will lead to higher return per share. Earnings per share is one of the important factors that motivate investors in subscribing to shares of companies/organisations. Karunarathne and Rajapakse (2010) discovered that Earnings Per Share is the only value relevant variable for determining stock prices. Contrary to the foregoing, Chang, Chen, Su & Chang (2008) stated that EPS has less power in explaining the stock prices; however, for the firm with a low level of growth rate, EPS has a strong impact in stock prices. EPS is also included in this study to see the effect in the studied industry.

IFRS adoption

There are many debates regarding the adoption of IFRS. Some researchers (Rashid, Saputri, Abdullah, Baba & Abdul-Hamid, 2017; Mulenga, 2016; Uthman & Abdul-Baki (2014) stated that adoption of IFRS has increased the value relevance of accounting information and thereby recommend strict compliance with IFRS standard. Nevertheless other researchers (Khanagha, 2011; Kousenidis, Ladas & Negakis, 2007) have other view of the IFRS adoption. Kousenidis, Ladas & Negakis (2007) stated that there is no need for adoption of IFRS in Greece. Khanagha, 2011 recorded that adoption of IFRS did not improve value relevance of accounting information in UAE. The debate of the value relevance is continuous as the standards affects individual countries differently, Mulenga (2016) stated that the discrepancy and inconsistencies in the result of different researchers from different countries is attributable to differences in standards and requirements in different countries. Value relevance of financial information of Pre and post IFRS adoption in Nigerian DMBs differs significantly (Pavtar, 2017). Pavtar (2017) discovered that there is no significant impact of post IFRS earnings per share and book value per share on the share price of DMBs in Nigeria while post IFRS volume of shares issued significantly affect the share price of DMBs. Value relevance of earnings and book value information in the implementation phase of IFRS is higher than the early adoption phase of IFRS, but the value relevance of cash flow information in the implementation phase of IFRS is lower than the early adoption phase of IFRS in Indonesia (Prihatni, Subroto, Saraswati & Purnomosidi, 2016). Adoption of IFRS has decreased the value relevance of accounting information in the listed insurance firms (Muhammad, 2017). Earnings per share, dividend per share and book value of share indicated an increase after the adoption of IFRS and positive relationship with market per share (Muhammad, 2017).

Empirical Review

Olugbenga & Atanda (2014) examined the value relevance of accounting information of quoted companies in Nigeria using a trend analysis. They examined 66 quoted companies in Nigeria from 1992 to 2009 using pooled Ordinary Least Square (OLS) regression method. In their analysis, their result indicated that accounting information on quoted companies in Nigeria is value relevant and that the value relevance of accounting information does not follow a particular trend throughout the period studied. They allocate the fluctuations in the value relevance to factors such as political crisis and global economic crisis that started in 2005. They conclude that accounting information influences the value of securities in the Nigeria capital market and suggest that Accounting Standards should be complied with by Nigerian companies and that more standards that can curtail information overload should be introduced. They also noted that there is need for stable political environment in the country.

Khanagha (2011) studied the value relevance of accounting information in pre and post periods of International Financial Reporting Standards implementation in United Arab Emirate’s companies with the study period of 2001-2008 using he regression-variations and the portfolio-returns approaches. They found that accounting information is value relevant in UAE. Their study shows a decline in value relevance of accounting information after reformations in accounting standards. Khanagha (2011) stated that adoption of IFRS in UAE did not improve value relevancy of accounting information. Though the study is well carried out and appropriate method was used to analyse the data, but the periods covered for this study is considerably small and the decision of the study may not be conclusive.

Kousenidis, Ladas & Negakis (2007) investigated the value relevance of accounting information in the pre and post-periods of International Financial Reporting Standards implementation in Greek companies. Also the aim

of the study was to find the effect of IFRS adopting on firm's earnings and book value of equity. They studied 159 listed firms in the Athens Stock Exchange with 497 firm year observations for the period 2003-2006. Their study shows that the effects of the IFRS reduced the incremental information content of book values of equity for stock prices. Their findings shows that there is no need for adoption of IFRS in Greece, however, to accept such assertions another study may need to be conducted to cover more years than the years studied by these researchers to verify the veracity of the findings of their study.

Rashid, Saputri, Abdullah, Baba & Abdul-Hamid (2017) examined the effect of IFRS implementation to the value relevance of accounting information in Indonesia and Malaysia. Their study revealed that there is a movement of value relevance in Indonesia and Malaysia. The result of their study indicate that there is a significant difference in value relevance of accounting information after the IFRS implementation between Indonesia and Malaysia.

Naimah (2012) studied value relevance of accounting earnings and book value of equity in explaining stock price and investigated whether bias in accounting affect earnings response coefficient and book value of equity coefficients. Naimah concluded that accounting earnings and book value of equity are positively related with stock price and that accounting earnings and book value of equity are useful in explaining changes in stock price. The study also indicate that earnings response coefficient is smaller in the firms that have either conservative accounting or liberal accounting. Feyitimi (2014) conducted a study to measure the level of disclosure of accounting information in Nigeria and also considered other variables that can impact the quality of disclosure in Nigeria. The study revealed that size, board composition, profitability, and market discipline are significant variables, and other variables such as age, complexity of business and asset in-place are insignificant in explaining the level of disclosure. The work recommends strict compliance with prescribed accounting information disclosure requirements and adequate disclosure of relevant accounting information.

Uthman & Abdul-Baki (2014) investigated the effect of IFRS adoption on the value-relevance of accounting information in Nigeria. The statistical result of their study revealed a significant relationship between each of the independent variables and the dependent variable. They explained IFRS adoption as a bridge of the gap between accounting and finance measurement of information. Their findings indicate that adoption of IFRS has improved the value relevance of accounting information in Nigeria and recommend that there should be actions to ensure total compliance with IFRS by all Nigerian entities.

Vijitha & Nimalathasan (2014) conducted a research to provide empirical evidence concerning value relevance of accounting information such as Earning per Share (EPS), Return On Equity (ROE), Net Assets Value Per Share (NAVPS), and Price Earnings Ratio (P/R) to Share Prices (SP) of manufacturing companies in Colombo Stock Exchange (CSE). The study used the quantitative approaches in its investigation using 5 years period from 2008-2012 studied 20 companies in CSE in Sri Lanka. The study found and conclude that value relevance of accounting information has significant impact on share price and value relevance of accounting information is significantly correlated with share price.

Pavtar (2017) examined the influence of IFRS adoption on value relevance of accounting information of listed Deposit Money Banks (DMBs) in Nigeria from 2008-2015 using the ex-post facto research design. The statistical result of the study revealed that there is no significant impact of post IFRS earnings per share and book value per share on the share price of DMBs in Nigeria while post IFRS volume of shares issued significantly affect the share price of DMBs. The study also indicate that value relevance of financial information of Pre and post IFRS adoption in Nigerian DMBs differs significantly and recommend that management, statutory auditors and regulators should work together to ensure total compliance by Nigerian DMBs in order to achieve IFRS objectives.

Okafor, Ogbuehi & Anene (2017) investigated the effect of International Financial Reporting Standards (IFRS) adoption on value relevance of accounting information in Nigeria. Using multiple regression analysis method, the study sampled 12 consumer firms listed in Nigerian Stock Exchange through 2008-2015. The found that IFRS adoption has an incremental effect on the value relevance of earnings per share, book value, and cash flow from operations, with earnings per share showing the highest increment. The study recommend the need for investors to consider the values of earnings, book values of equity, and cash flow from operations in the annual reports of firms prepared in accordance with IFRS before making any investment decision.

Barth, Li and McClure (2018) studied the evolution of the value relevance of accounting information in the United State between 1962 and 2014. The study considered new economy and non-new economy, and discovered that value relevance is more pronounced for new economy than non-new economy. The study shows a positive relationship between accounting information and share price, that is, accounting information is useful in determining value of equity of firms. The study reflects that investors use accounting information in their decision making. The study also shows an evolution in accounting information and accounts amounts and share price, that is, positive relationship between account amounts and share price. This study is robust and well carried out but was not stated in the study which theory guides the research. This means the study did not state which direction it was coming from.

Methodology

The population of this study shall consist of the fifty two (52) financial service companies quoted on the Nigeria Stock Exchange as at March 20, 2020. We sampled 20 of these financial service companies. This study made use of secondary data precisely. The data was sourced from publications of the Nigerian stock exchange (NSE), fact books and the annual reports and accounts of the selected quoted service companies, particularly the comprehensive income statement and statement of financial positions of these companies as well as their respective notes to the accounts. Both the dependent and independent variables were computed from the data extracted from publications of the Nigerian Stock Exchange (NSE), the annual report and accounts of the sampled companies using Eviews 10.0.

Table 1: Research Variables

Variables	Definition of variables	Type of Variable	Measurement of Variables
SP	Share Price	Dependent	Share price at fiscal year end
BVS	Book Value per Share	Independent	Ratio of the shareholders' fund of each firm to the latest outstanding ordinary shares in issue.
DPS	Dividend per Share	Independent	total amount of <u>dividend</u> attributed to each individual <u>share outstanding</u>
EPS	Earnings Per Share	Independent	Portion of a company's profit allocated to each unit of ordinary share
RONW	Returns on Net worth	Independent	Proportion of net income before interests and tax to shareholders' equity
CFO	Cash Flow from Operation	Independent	Total earnings before extraordinary items, interest and depreciation.
ROE	Return of equity	Independent	Total earnings attributable to ordinary share orders divided by number of ordinary shares
FSZ	Firm Size	Control	Natural logarithm of total assets
LEV	Leverage	Control	Ratio of debt to equity

Source: Authors' Computation, 2020

Method of Data Analysis

This research work adopts the ordinary least square regression analysis using E-Views 10 statistical software. Panel data regression method was adopted for this study because of the number of firms and the period of time studied. Multiple regression models were adopted for simplicity and robustness

Regression Model

$$Y_{it} = \beta_1 + \beta_2 X_{it} + \varepsilon_{it}$$

Where:

Y_{it} = dependent variable (Share Price)

X_{it} = all the independent variables

β_1 = the constant term

β_2 = slope/coefficient of the independent variable

ε = error term

t = number of years

The choice of using random effect model or fixed effect model depends on the significance of the Hausman test result. In this study, a Hausman test was conducted to determine the appropriate method between the random effect model and the fixed effect model.

Models for each Research Questions

The following models were formulated in line with the research hypotheses in order to empirically determine the relationship between accounting information and share price:

Hypothesis 1: There is no significant relationship between return on net worth and share price.

$$SP = \beta_0 + \beta_1 EPS + \beta_2 RONW + \beta_3 FSZ + \beta_4 LEV + \mu \quad - \quad - \quad - \quad \text{Model } 1$$

Hypothesis 2: There is no significant relationship between dividend per share and share price.

$$SP = \beta_0 + \beta_1 DPS + \beta_2 BVS + \beta_3 FSZ + \beta_4 LEV + \mu_i \quad - \quad - \quad - \quad \text{Model } 2$$

Hypothesis 3: There is no significant relationship between cash flow from operations and share price.

$$SP = \beta_0 + \beta_1 CFO + \beta_2 FSZ + \beta_3 BVS + \beta_4 LEV + \mu \quad - \quad - \quad - \quad \text{Model } 3$$

Where:

μ = error term
 β_0 = constant
 $\beta_1, \beta_2, \beta_3$ = are slopes of the firm
 The variables are defined in table 1.

Decision Rule:

Accept H_0 , if the P-value of the test is greater than 0.05, otherwise reject H_0 .

Data Analysis

Table 2: Phillips Perron (PP) Fisher Chi-Square Test for Unit Root

Variables	Level		Decision	First Difference		Decision
	Stat	Prob.		Stat	Prob.	
SP	37.9419	0.0023	Stationary			
BVS	59.2636	0.0254	Stationary			
DPS	64.743	0.0079	Stationary			
EPS	81.7891	0.0001	Stationary			
RONW	50.5315	0.0325	Stationary			
CFO	60.8158	0.0712	Not Stationary	54.9277	0.0415	Stationary
ROE	63.3164	0.0109	Stationary			
FZE	119.539	0.0000	Stationary			
LEV	49.5147	0.0031	Stationary			

Source: Authors' Computation, 2020

The Phillips Perron Fisher Chi-Square test in table 2 was conducted to test for stationarity among the variables to avoid autocorrelation and heteroscedasticity. The null hypothesis is that there is autocorrelation among the variables that is the variables are serially correlated. Therefore, accept null hypothesis if the probability is greater than 0.05, otherwise reject null hypothesis. The data were carefully inputted and there was no outliers among the variables therefore there is absence of heteroscedasticity in the data. The results of the unit root test indicated that all the variables are stationary at level except cash flow from operation which became stationary at first difference.

Hausman Test

Null Hypothesis: Random-Effect Model is appropriate.
 Alternate hypothesis: Fixed-Effects Model is appropriate.

Hypothesis 1: There is no significant relationship between return on net worth and share price.

$$SP = \beta_0 + \beta_1EPS + \beta_2RONW + \beta_3FSZ + \beta_4LEV_i + \mu \quad \text{Model 1}$$

Table 3: hypothesis one Hausman Test

Correlated Random Effects - Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	2.230892	4	0.6934

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
EPS	-0.000148	-0.000313	0.000000	0.6503
RONW	-0.246212	-0.626696	0.212012	0.4086
FSZ	0.000005	0.000005	0.000000	0.9628

The probability result 0.6934 of the Hausman Test in table 3 is greater than 0.05, therefore we cannot reject null hypothesis. The random effect model is more appropriate to estimate the model for hypothesis one (1) of this work.

Table 4: Hypothesis One Regression Result

Dependent Variable: SP

Periods included: 7

Cross-sections included: 20

Total panel (balanced) observations: 140

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	57.32595	43.15306	1.328433	0.1863
EPS	-0.000313	0.001389	-0.224973	0.8223
RONW	-0.626696	2.845723	-0.220224	0.8260
FSZ	4.86E-06	3.53E-06	1.375822	0.1712
LEV	-0.641974	24.07323	-0.026668	0.9788
R-squared	0.015248			
F-statistic	0.522591			
Prob(F-statistic)	0.719277			
Durbin-Watson stat	1.860038			

Regression result in table 4 shows positive relationship between share price and firm size and negative relationship with earnings per share, return on net worth and leverage. The probability result indicate that we cannot reject null hypothesis since the probability result of the null hypothesis is 0.8260. Though the relationship is weak, the coefficient result indicate a positive relationship between return on net worth and share price. The R-squared result 0.0152 indicate low relationship between the variables.

Hypothesis 2: There is no significant relationship between dividend per share and share price.

$$SP = \beta_0 + \beta_1 DPS + \beta_2 BVS + \beta_3 FSZ + \beta_4 LEV + \mu_i \quad \text{Model 2}$$

Table 5: hypothesis Two Huasman Test (see appendix 5)

Correlated Random Effects - Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	6.592661	4	0.1590

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
DPS	-0.013847	-0.018088	0.000571	0.8591
BVS	9.101322	-1.671187	18.604135	0.0125
FSZ	0.000005	0.000005	0.000000	0.6066
LEV	7.603622	-1.000370	23.194602	0.0740

The probability result 0.1590 of the Hausman Test in table 5 is greater than 0.05, therefore we cannot reject null hypothesis. The random effect model is more appropriate to estimate the model for hypothesis two (2) of this work.

Table 6: Hypothesis Two Regression Result

Dependent Variable: SP

Periods included: 7

Cross-sections included: 20

Total panel (balanced) observations: 140

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	69.45161	80.18095	0.866186	0.3879
DPS	-0.018088	0.221674	-0.081597	0.9351
BVS	-1.671187	7.973591	-0.209590	0.8343
FSZ	4.89E-06	3.56E-06	1.373846	0.1718
LEV	-1.000370	23.93060	-0.041803	0.9667
R-squared	0.014726			
F-statistic	0.504439	Durbin-Watson stat		0.645426
Prob(F-statistic)	0.732524			

The regression result in table 6 indicate negative and low relationship between the dependent variable and three independent variables except firm size that has positive and significant relationship with share price. The R-squared result 0.0147 indicate generally low relationship among the variables. We can conclude that there is no relationship between dividend per share and share price due to the statistical result which show probability result of 0.9351.

Hypothesis 3: There is no significant relationship between cash flow from operations and share price.

$$SP = \beta_0 + \beta_1 CFO + \beta_2 FSZ + \beta_3 BVS + \beta_4 LEV + \mu \quad \text{Model 3}$$

Table 7: hypothesis Two Huasman Test

Correlated Random Effects - Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	6.695065	4	0.1529

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
DCFO	0.000081	0.000071	0.000000	0.5555
FSZ	0.000005	0.000005	0.000000	0.6984
BVS	8.638086	-2.081253	17.623139	0.0107
LEV	8.365314	-0.254917	22.446054	0.0688

The probability result 0.1529 of the Hausman Test in table 7 is greater than 0.05, therefore we cannot reject null hypothesis. The random effect model is more appropriate to estimate the model for hypothesis three (3) of this work.

Table 8: Hypothesis Two Regression Result (see appendix 8)

Table 8: Hypothesis Two Regression Result

Dependent Variable: SP

Periods included: 7

Cross-sections included: 20

Total panel (balanced) observations: 140

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	22.94407	87.54168	0.262093	0.7936
DCFO	7.13E-05	5.77E-05	1.236292	0.2185
FSZ	4.76E-06	3.49E-06	1.364546	0.1747
BVS	-2.081253	7.928124	-0.262515	0.7933
LEV	-0.254917	23.68591	-0.010762	0.9914
R-squared	0.254449			
F-statistic	0.881189	Durbin-Watson stat		1.669400
Prob(F-statistic)	0.477095			

The statistical result in table 8 shows positive and significant relationship between cash flow from operations, firm size and share price. However, the regression result indicate insignificant and negative relationship of the dependent variable with book value of share and leverage. The R-squared result 0.2544 indicate generally low relationship between the variables. The null hypothesis is accepted due to the probability result 0.2185, which is above the significance level selected for this study.

Discussion of Result

Regression result in table 4 shows positive relationship between share price and firm size and negative relationship with earnings per share, return on net worth and leverage. This means that when return on net worth increases, share price will also increase. The result also indicate that increase in earnings per share will not lead to increase in share price in the stock market Akadakpo and Mgbame (2018) found positive and non-significant relationship between earnings per share and share price. We can conclude that information on earnings per share and return on net worth will not significantly affect share price in the stock market. The probability values 0.8223, 0.8260, 0.1712 and 0.9788 are statistically high and therefore, we accept our null hypothesis. We conclude that there is no significant relationship between share price, EPS, RONW, FSZ and LEV. This is in agreement with the findings of Pavtar (2017).

The regression results in table 6 indicate negative and low relationship between the dependent variable and two of the independent variables except firm size that shows positive and significant relationship with share price. The R-squared result 0.0147 indicate generally low relationship among the variables that is all the variables are not significantly related. There is negative relationship between share price and dividend per share, the 0.3879 value indicate non-significant relationship between share price and dividend per share, our coefficient result (which is negative) is contrary to the findings of Akadakpo and Mgbame (2018) but we discovered insignificant relationship, while they discovered significant relationship. We therefore, concluded that there is no relationship between dividend per share and share price due to the statistical result which show probability result of 0.9351.

The statistical result in table 8 shows positive and significant relationship between cash flow from operation, firm size and share price, Akadakpo and Mgbame (2018) found negative but insignificant relationship between cash flow and share price. Omokhudu and Ibadin (2015) found different result, their findings indicated significant relationship between share price and earnings per share, cash flow and dividends per share. Omokhudu and Ibadin (2015) statistical findings on book value and share price are consistent with our findings. Their result also indicate insignificant relationship between book value and share price but different from our findings on relationship between share price and firm size, we found significant relationship between share price and firm size. However, the regression result indicated insignificant and negative relationship between share price with book value of share and leverage, this is consistent with the findings of Pavtar (2017). Akadakpo and Mgbame (2018) found that book value of assets has positive and significant effect on market value (share price). The R-squared result 0.2544 indicate generally low relationship between the variables. The null hypothesis is accepted due to the probability result 0.2185, which is above 0.05 significance level selected for this study.

Conclusion and Recommendation

From the findings of our study we concluded that there is relationship between share price and firm size. Also we

conclude that there is no significant relationship between information in financial statements and share price that is, the details of cash flows, dividend per share, earnings per share, book value of share and dividend per share will not necessarily influence share price.

We therefore recommend to companies to always fully disclose all the information related to their operations especially information relating to their sales revenue and assets. Also we recommend that companies should diligently follow the International Financial Reporting Standards in preparation and presentation of their financial statements. The general low correlation among the variables considered in this study indicate that there are other variables which influence share price other than the variables we considered in this study, companies are therefore advised to pay attention to other variables/factors that are likely to influence share price in the market such as social responsibility, adequate disclosure of financial and non-financial data.

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