Relevance Of Accounting Information on Investors Decision in Turbulence Times: Evidence From Manufacturing Firms In Nigeria

KOLAWOLE OLALEKAN ADEBOLA

BAMIDELE OLUMILUA UNIVERSITY OF EDUCATION, SCIENCE AND TECHNOLOGY, IKERE EKITI

DEPARTMENT OF MANAGEMENT SCIENCES

olalekankolawole54@gmail.com

DR. OLAOYE FESTUS

DEPARTMENT OF ACCOUNTING

FACULTY OF MANAGEMENT SCIENCES

EKITI STATE UNIVERSITY, ADO-EKITI

festus.olaoye@eksu.edu.ng

ABSTRACT

This study examined the relevance of accounting information on investors' decision in turbulence times: evidence from manufacturing firms in Nigeria. This research work was necessitated by the fact that manufacturing firms on the Nigerian Stock Exchange has undergone many turbulent times caused by the outbreak of Coronavirus disease 2019 (COVID-19) around the world, causing an unprecedented global public and economic crisis. The pandemic has created an unprecedented crisis with momentous challenges on investors in quoted manufacturing firms with volatile stock prices. This study therefore adopted an ex-post facto research design as it relied on secondary source of data extracted from the annual reports of five quoted manufacturing firms and daily stock prices for these companies were sourced from the Nigerian Stock Exchange for the period of five years (2017-2021). The population for this study was the five manufacturing firms listed on the Nigerian Stock Exchange. These are Nestle Nigeria plc.,Viju Industries Nigeria Limited, Dufil Prima Foods, Livestock Feeds Plc and Flour Mills of Nigeria Plc.Data from the annual report were basically drawn from the statement of comprehensive income and statement of financial position. The data collected for this study were analyzed using multiple regression analysis to test the research relationshipsat 0.05 level of significance.The results of cross section fixed effect model show that accounting information has a strong positive significant impact on stock price and earnings per share. It was therefore concluded that since poor accounting information has been found as one of the causes of stock price volatility, it is therefore the responsibility of management to ensure proper preparation and presentation of accounting information to enable potential investors make economic and investment decisions, as this will lead to less volatile stock price. This study recommends that proper regulation of accounting information should be put into place as accounting information has the ability to cause either an increase or decrease in the stock price of a company.

Introduction

Investors often experience shocksin today's turbulent situation especially inthe recent economicsof uncertainty generated by coronavirus pandemic.The outbreak of Covid-19 pandemic has become a turbulent situation with devastating effect on human and material resources and it is one of the greatest events that history will continue to remember. The pandemic spread across the globe without obstacles and the worst that affected the global economy and investors with great depression (Akanni& Gabriel, 2020). The case first emerged in Wuhan, China, in 2019 which result in a toll of death that extends to almost all countries of the world (WHO, 2020). The crisis caused by covid-19 have become one of the most important predictors of volatility impacting investor's performance as well as one of the leading causes of insolvency or bankruptcy (Adesina, 2021).

Due to the accelerating economic effect of the pandemic globally and Nigeria in particular, many investors had experienced economic downturn with factories closed down, disruption in business activities, supply chain broken and even insecurity of lives and properties (Hugh, 2020). In Nigeria, the growth experienced in the economic over the years has been drastically affected by the pandemic. The returns on investment is low, there has been withdrawal of investment money from the system, also, decreases in stock prices, the operators of the system are experiencing losses because of the lockdown of major cities, loss of income for daily income earners, reduced purchasing power of the people, increased unemployment and lower standard of living (Ozili, 2020). Sequel to the aftermath of the outbreak of coronavirus pandemic which hit Nigeria in 2020, economic activities are yet to pick up following the devastating effects of covid-19 on the investors. Some of the investors were yet to recover from losses they recorded during this turbulence situation in Nigeria.

The concern of many investors in Nigeria during this turbulence situation ishow to understand stock price and earning per share of companies in which investment will be made since the primary objective of investors trading on the stock market is to make a fortune of their business.Junjie, Gang and Chao (2017) reported that in stock market, many factors such as financial policy, monetary policy, industrial policy, foreign trade policy, accounting information, investors' expectation, market supervision and other internal factors can possibly cause a change in the stock price. But amongst all these, accounting information has been perceived to be the most important factor used by investors, as investment decisions can be made on the basis of a company's stock and an organization's stock price is a comprehensive reflection of the company's future profit (Serife&Uger, 2012).

The importance of accounting information cannot be overemphasized in this turbulence time. Accounting information refers to the means by which we measure and communicate economic events whether in the management of a business enterprise, making investments or in being observant in the receipt and disbursement of money (Bo, 2019).Accounting information as contain in the financial statement has the ability to explain stock markets measures (Paul and Juliana, 2017). It is widely believed that efficient stock market serves as a catalyst for economic growth and development of a country and in a bid to enhance private capital for the development of companies in Nigeria.Accounting information helps investors and other users in taking rational decisions by providing them with accurate and timely information. Some argued that accounting outputs are widely used by investors in the process of managing their security portfolios and serve as useful inputs to financial decision makers (Lawrence and Kercsmar, 2019). Hence, the above relevance prompted the investigation of this study on the relevance of accounting information on investors' decision in turbulence times: evidence from manufacturing firms in Nigeria.

Statement of the Problem

The devastating effect of the outbreak of covid-19 pandemicon manufacturing firms in Nigeria has caused a lot of setback on economic activities and they are yet to pick up or recover from losses they recorded during this turbulence situation in Nigeria. The Nigerian Government through the Central Bank of Nigeria and the Securities and Exchange Commission have been playing their roles in creating a stable market for investors, lack of both fundamental and technical knowledge about the Nigerian Stock Exchange market by users of Accounting Information, has drastically impaired the activities of the relevant capital market authorities (Jenrola and Daisi, 2019).

Similarly, Njiforti (2020) found that an aggregate of investments worth trillions of dollars was lost globally, the stock markets around the globe crashed and became highly volatile and this led to the reduction of investors' confidence as the fear of what could subsequently happen in the capital market heightened. In Nigeria

alone, the total market capitalization has lost N11.6 trillion, which represented a whooping decline (Emefiele, 2020). This could be attributed to the lack of appropriate investments by investors currently witnessed in Nigeria. Again, the observation of investors and finance managers of the effect of accounting variables on stock prices has necessitated this study. Accounting information variables such as price per share and earnings per share will help investors to make decision and determine the expected returns on their investment and variations if any from one accounting period to another (Wan, 2021).

Based on the foregoing therefore, it becomes imperative that this study investigate the relevance of accounting information on investors' decision in turbulence times: evidence from manufacturing firms in Nigeria.

Objectives of the Study

The broad objective of the study is to examine the relevance of accounting information on investors' decision in turbulence times: evidence from manufacturing firms in Nigeria. The specific objectives of the study are to;

1. Examine the extent ofrelevance of accounting information on investors' decision for price per share in turbulence time among the listed manufacturing firms in Nigeria;
2. Examine the extent of relevance of accounting information on investors' decision for earning per share in turbulence time among the listed manufacturing firms in Nigeria;

Research Questions

1. What is the extent of relevance of accounting information on investors' decision for price per share in turbulence time among the listed manufacturing firms in Nigeria?
2. What is the extent of relevance of accounting information on investors' decision for earning per share in turbulence time among the listed manufacturing firms in Nigeria?

Research Hypotheses

1. Accounting information has no significant relevance on investors' decision for price per share in turbulence time among the listed manufacturing firms in Nigeria.
2. Accounting information has no significant relevance on investors' decision for earning per share in turbulence time among the listed manufacturing firms in Nigeria.

Literature Review

Accounting Information and its Relevance

Gniewosz (2010) study examined the use of accounting informationby institutional investor in the investment process. This study revealed that the significance of accountinginformation changes throughout the year from serving as a primary source of information to serving in aconfirmatory role. In Asia, Chen (2013), examined whether investors in the Chinese stock market perceiveaccounting information to be value-relevant. This study provided evidence that accounting information is value relevantto investors in the Chinese market despite the young age of the market and the perception of inadequateaccounting and financial reporting in China.

Also, Hussain&Nasrin (2016) study found that accountinginformation is one of the most important principal factors influencing individual investors in Bangladesh. InEurope, Ionaşcu&Ionaşcu (2016) investigated the use of accounting information by Romanian financialanalysts, and found that analysts rely more on simple valuation models and that accounting variables areperceived as less important compared to macroeconomic factors. Also, Angelovska (2014) study aimed to identify the most and the least influencing factors on the Macedonian Stock Exchange small investor behavior. This study found that the most affecting factor is the neutral information. While factors such as reputation of the company, acceptable stock price, and accounting information are identified as the second most influencing category for the Macedonian stock investors.

In Africa, Obamuyi (2017) study tried to determine the main factors influencing investment decisions of investors in the Nigerian capital market and how these factors are related to the investors' socio-economic characteristics. The results indicate that accounting information (e.g., past performance of the company's stock, expected stock split, dividend policy, and expected corporate earnings) is the most influencing factor on investment decisions of investors in Nigeria. While the least influencing factors include religions, rumors, loyalty to the company's products/services, opinions of members of the family and expected losses in other investments. Also the study finds that the socio-economic characteristics of investors (age, sex, marital status and educational qualifications) statistically and significantly influenced the investment decisions of investors in Nigeria.

Nature of Investment Decisions

As postulated by Pandeg (2015) investment decisions or analysis has to do with an efficient allocation of capital. It involves decision to commit the firm's funds to the long-term assets. Such decisions are of considerable importance to the firm since they tend to determine its value size by influencing its growths, profitability and risk. Investment decision of a firm is one which is expected to produce benefits to the firm over a long period of time and it can pass both tangible and intangible assets. The investment decisions of a firm are generally known as the capital budgeting decision may be defined as the firm's decision to invest its current funds most efficiently in the long-term assets in anticipated of an expected flow of benefits over a series of years.

According to Canada and White (2017) investment decision is the series of decisions by individual economic units as to how much and where resources will be obtained and expected for future. Situation where capital expenditure decisions are made or taken, they are based primary with measurement of capital productivity which provides an objective means of measuring the economic worth of individual investment proposals in order to have a realistic basis for choosing among the firm's long run property. (Pandey 2015). The long-term asset is those which affect the firms operation beyond the year period.

The firm's investment decision would generally include expansion acquisition, modernization and replacements of the long-term assets. Sales of division or business divestment are also analyzed as an investment decision. Activities such as change in the methods of sales distribution or undertaking an advertisement campaign or a research and development programmes have long-term implications for the firms expenditures and benefits, and therefore, they may also be evaluated as investment decisions. It is important to note that investment in long-term assets invariably requires funds to be tied up in the current assets such as inventories and receivables.

Theoretical Framework

Many theories have been brought to bear on the concept of accounting information and investors' decision, based on various researchers' perspective such as theory of market value relevance, theory of market efficiency, mixed distribution hypothesis, sequential information arrival hypothesis, etc. However for the purpose of this research, this study is structured on the market value relevance theory and theory of market efficiency as both theories specifically review the importance of accounting information on stock prices.

Theory of Market Value Relevance

The concept of the value relevance of accounting information is defined as the ability of accounting numbers to summarize the information underlying the stock prices, thus the value relevance is indicated by a statistical association between financial information and stock prices or returns (Jianwei and Chunjiao, 2007). Francis and Schipper (1999) define market value relevance as a statistical association between financial information and prices or returns. Accounting based measures explain market prices in a good way, under the efficient market assumption that pricing reflects available information (McLean & Zhao, 2014). Olugbenga and Atanda (2014) assert that the concept of value relevance refers to the strength of relationship between accounting variables and market value of equity of a firm. The major attributes in these definitions is that an accounting amount is believed to be value relevant if it has a significant association with security market value. For financial information to be value relevant, it is a condition that accounting numbers should be related to current company value because if there is no association between accounting numbers and company value, accounting information cannot be termed value relevant as financial reports are unable to fulfill their primary objectives (Barth, Beaver and Landsman, 2001).

Theory of Market Efficiency

Fama (1965) propounded the efficient market hypothesis which suggested that at any point of time, prices will fully reflect all available information about individual stock and the stock market as a whole. This is because when new information arrives, the news spread very quickly and is incorporated into the prices of securities immediately. Thus, according to the efficient market hypothesis, no market player has the advantage in forecasting stock price movements since no one has access to information that is not available to the entire market. Under the efficient market hypothesis, investors engage themselves in a game of chance and not skill, at any time of them buying and selling securities. Therefore, it is, however, impossible to out-perform the market as prices normally incorporates and reflects all relevant information in the market. The efficient market hypothesis is not only concerned with the type and source of information, but also the quality and speed of which it is disseminated among inventors. This helps in questioning the type of information available and incorporated in stock prices (Kehinde, 2012). Amiri, Ravanpaknodezh and Jelodar (2015) posit that an efficient market is one in which stock price is adjusted to newly issued information and such information is used for pricing as an investor is assured that securities are valuable at the market price and the price reflects relevant financial information which affects stock prices.

Methodology

The research work focused on the relevance of accounting information on investors' decision in turbulence times: evidence from manufacturing firms in Nigeria. This study therefore adopted an ex-post facto research design as it relied on secondary source of data extracted from the annual reports of five quoted manufacturing firms and daily stock prices for these companies were sourced from the Nigerian Stock Exchange for the period of five years (2017-2021). The population for this study was the managers of these five manufacturing firms listed on the Nigerian Stock Exchange. These are Nestle Nigeria plc.,Viju Industries Nigeria Limited, Dufil Prima Foods, Livestock Feeds Plc and Flour Mills of Nigeria Plc. Data from the annual report were basically drawn from the statement of comprehensive income and statement of financial position.The data used proved to be more reliable since it complied with CAMD 1990 (Companies and Allied matter Decree 2000). The data collected for this study were analyzed using multiple regression analysis to test the research relationshipsat 0.05 level of significance.

Results and Discussion

Table 1: Regression Analysis for Relevanceof Accounting Information on investors' decision for price per share in turbulence time

Model	Price Per Share
Beta	0.8672
t-Statistics	15.0102
R^2	0.8043
Adjusted R Square	0.7643
F- statistics	31.9001
P- Value	0.0000
Durbin-Watson	5.5875

$P < 0.05$ (Sig.)

The result in Table 1 shows that the accounting information (= 0.8672; t = 15.0102; p = 0.0000) has positive and significant relevance on investors' decision for price per share. Additionally, implementation of accounting information independently contributes about 80.43% to investors decision with the adjusted R^2 of 0.7643. The estimated Durbin - Watson value of 5.5875 clears any doubts as to the existence of positive first order serial correlation in the estimated model. The model was constructed to test the null hypothesis that implementation of accounting information has significant relationship with investors' decision. The F-statistic of 31.9001 indicates that the overall regression plane is statistically significant. Therefore, null hypothesis is rejected. This result implies that accounting information has positive, high and significant relevance on investors' decision for price per share in turbulence time among the listed manufacturing firms in Nigeria.

Table 2: Regression Analysis for Relevance of Accounting Information on Investors' Decision for Earning Per Share in Turbulence Time

Model	Earnings Per Share
Beta	0.9050
t-Statistics	17.7120
R^2	0.8806
Adjusted R Square	0.7908
F- statistics	61.2234
P- Value	0.0000
Durbin-Watson	7.8069

$P < 0.05$ (Sig.)

The result in Table 2 shows that the accounting information ($\boxed{}$ = 0.9050; t = 17.7120; p = 0.0000) has positive and significant relevance on investors' decision for earning per share. Additionally, implementation of accounting information independently contributes about 88.06% to investors decision with the adjusted R^2 of 0.7908. The estimated Durbin - Watson value of 7.8069 clears any doubts as to the existence of positive first order serial correlation in the estimated model. The model was constructed to test the null hypothesis that implementation of accounting information has significant relationship with investors' decision. The F-statistic of 61.2234 indicates that the overall regression plane is statistically significant. Therefore, the null hypothesis two in this study is rejected. This result implies that accounting information has positive, high and significant relevance on investors' decision for earning per share in turbulence time among the listed manufacturing firms in Nigeria.

Conclusion

This study concluded that since poor accounting information has been found as one of the causes of stock price volatility, information on price per share and earning per share are important accounting information that help investors' decision during turbulent times in Nigeria among manufacturing firms.

Recommendations

The following recommendations are made.

1. Accounting information should be adequately reported by relevant capital market authorities to increase investors awareness through increased knowledge of financial analysis and reassurance to safeguard the investors
2. Accounting information should disclose adequate information on price and earning per share to investors in order to take decision that would benefit the interest of the company in turbulence times.
3. Proper regulation of accounting information should be put into place as accounting information has the ability to cause either an increase or decrease in the stock price of a company.

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