Effect of Earning Variables on Stock Returns of Foods and Beverage Manufacturing Firms in Nigeria (A Case Study of UAC Plc 2012--2021)

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Abstract
The study examined the effect of earning variables on stock returns of foods and beverage manufacturing firms in Nigeria with reference to UAC plc (2012-2021). The study specifically examined the effect of profit for the year on dividend yield of food and beverage companies in Nigeria, the effect of return on assets on dividend yield of food and beverage companies in Nigeria and also the effect of return on equity on dividend yield of food and beverage companies in Nigeria. Three research questions and hypotheses were formulated in line with the stated objectives. The study made use of expose facto research design, data for the study were sourced through annual reports and accounts of UAC Plc. data collected were analysed using multiple regression, result of the analysis shows that Profit for the year has positive and significant effect on dividend yield food and beverage companies in Nigeria. It was also observed that return on asset have significant effect on dividend yield food and beverage companies in Nigeria. The study further revealed that return on equity have significant effect on dividend yield food and beverage companies in Nigeria. Based on the findings, the study recommended among others that an optional stock return payout should be determined with the firm's investment opportunities and any preference that investors have for dividend as opposed to capital gain. If considerable attention is not given to this issue, the shareholders might become frustrated and consequently lead to mass disposal of their stocks. Such a situation often leads to a downward trend in the price of stocks. The study concluded that the theory of valuation of income streams has a central and honoured place in the finance doctrine.

INTRODUCTION

1.1 Background of the Study

Investment is a commitment of amount of funds by respective investors for the purpose of gaining future profit. However, before investing, an investor needs to pay attention to whether the invested capital is able to provide the desired return by determining the performance of the company concerned. The fundamental and technical information obtained in financial statements is used as a basis for investors to predict returns, risks and uncertainties, amount, time and other factors related to investment activities in the capital market (Endri, 2018; Ryan, 2018).

Food and beverage sector companies experienced growth that exceeds the growth of Gross Domestic Product (GDP) during the 2013-2017 period such that in 2016, GDP growth from the food and beverage sector increased from the previous year and reached 8.07% while National GDP actually dropped to 4.94% the previous year. An interesting phenomenon from the growth data of the food and beverage sector shows a significant decline from 2013. However, in 2016 and 2017, the stock returns in the food and beverage sector appear to show a good increase. The financial fundamental performance of these company's current ratio presents the phenomenon that the food and beverage sector companies, during 2013-2017, experienced gradual slow increase. The current ratio level in 2015 gradually increased, inversely proportional to the decline in stock returns in 2015. The phenomenon of DER movement in the food and beverage sector also showed that in 2013-2017, stock returns experienced a decline, where fluctuations up and down could have a positive impact on investor returns. It can be seen that although from 2013-2015 stock returns declined, during2016-2017, stock returns increased profits from the previous year. An interesting phenomenon is also shown by the movement of ROA of companies in the food and beverage sector which indicates that in 2013-2017 that ROA performance experienced fluctuations and was followed by changes in stock returns. Information about the level of fluctuations is very important for investors. This reflects how the condition of assets owned by a company, EPS, is used to show the amount of income or profit obtained from each share. The phenomenon of EPS movement in the food and beverage sector in the EPS factor from 2013 to 2017 tended to decrease. In 2015, EPS decreased, but in 2016-2017, EPS increased. PER can be considered as an indicator of market optimism for companies. The phenomenon of PER movement in the food and beverage sector also experienced fluctuations. In summary, although in 2015 there was a decline, in 2016-2017, the movement of PER increased and this is the same as the fluctuations experienced by stock returns. Many previous studies have been conducted to observe how investments generate corporate stock returns which can be explained based on the influence of fundamental factors. Some researchers show interesting results due to the diversity of their findings. According to Shkeel (2018), Marwadi et al. (2016), and Meri (2013), CR has the opposite effect on stock returns (SR), whereas according to Suantari et al., (2016), CR has a positive effect. According to Rio (2016)), and Hafnidan&Anggraini (2018) CR has no impact on SR. James (2015), Aldiena& Hakim (2019) and Suantari et al., (2016) found that DER has a positive effect on SR, but according to Saragih (2018), Tan (2015), and Puspitadewi&Rahyuda (2016) DER has a negative effect. Widyawati&Endri (2018), Said et al., (2018), Tumonggor et al., (2017), and Akbar &Harianingrum (2015) determined that DER has no effect on SR while Anwaar (2016), and Shkeel (2018) found ROA has a positive effect and Harahap (2018), ROA a negative effect which is consistnet with Endri (2019), Gunaratne&Anuradha (2016), and Nalurita (2015).
who explain that ROA does not affect SR. According to Syahputri&Herlambang (2015), Febrioni et al. (2016), and Gilang&Kesuma (2015) EPS has a positive influence on SR, whereas according to Anwaar (2016), and Putra &Kindangen (2016), EPS has a negative effect on SR, but according to Hafnidan&Anggraini (2018), EPS does not affect SR. Said et al., (2018), and Puspitadewi&Rahyuda (2016) found PER has a positive effect on SR, whereas according to Akbar &Harianingrum (2015) found PER has a negative effect, but according to Wijesundera et al., (2015), Shkeel (2018), and Nalurita (2015) PER does not affect SR.

1.2 Statement of the Problem

Financial Managers or Board of Directors in any quoted firm is always very careful in allocating earnings between dividend and retained earnings as such decisions affect the value of the firm.The role of stock exchange and the part that security prices play in channeling the

flow of capital into various industries and firms is generally considered most important. The theory of valuation of income streams has a central and honoured place in the economic doctrine. But, special problem arise, in the valuation of investors of the income streams of corporations. These special problems are clearly indicated by the fact that recent literature, there has been considerable controversy and confusion over the fundamental factors which underline the movement in the market prices of common stock. This debate yet unresolved has since polarized into two main fractions; the dividend relevance and the dividend irrelevance groups. The dividend relevance group maintained that corporate dividend payouts are extremely important in evaluating the worth of a share. On the other hand, the dividend irrelevance groups are of the view that what matters in share valuation are the company's earnings performance and not the company's dividend payouts.

Hence, it is against this backdrop that this research work intends to find out the effect of earning variables on stock returns of foods and beverage manufacturing firms in Nigeria with reference to UAC plc (2012-2021).

1.3 Objective of the Study

The main objective of the study is to examine out the effect of earning variables on stock returns of foods and beverage manufacturing firms in Nigeria with reference to UAC plc (2012-2021).

The specific Objectives are:

i) To evaluate the effect of profit for the year on dividend yield of food and beverage companies in Nigeria
ii) To appraise the effect of return on assets on dividend yield of food and beverage companies in Nigeria
iii) To ascertain the effect of return on equity on dividend yield of food and beverage companies in Nigeria

1.4 Research Questions

Based on the objective specified above, the pertinent questions we may ask are:

i) Does profit for the year have any dividend yield of food and beverage companies in Nigeria?
ii) Doesreturn on assets have any dividend yield of food and beverage companies in Nigeria?
iii) Does return on equity have any dividend yield of food and beverage companies in Nigeria?

1.5 Research Hypotheses

In order to achieve the set objective the following hypotheses were formulated:

i) **H01**: Profit for the year does not have significant effect on dividend yield of food and beverage companies in Nigeria
ii) **H02:**Return on assets does not have significant effect ondividend yield of food and beverage companies in Nigeria.
iii) **H03:** Return on equity does not have significant effect ondividend yield of food and beverage companies in Nigeria.

2.0 THE REVIEW OF RELATED LITERATURE

This chapter deals on the review of literature related to the impact dividend payment has on share prices of various quoted firms equities in Nigeria within the period of 2012-2021. The review though not exhaustive, traced the meaning of dividend payment and .dividend policy analyzing it critically on both side i.e. both the theoretical review and empirical analysis.

More so, this chapter deals with the concept of Nigeria Stock Exchange (NSE) it's history, functions and other activities the exchange performs, stock price valuation, efficient market hypothesis et cetera.

2.1 Conceptual Framework

2.1.1 Types of Cash Dividend

Four broad several different forms in which cash dividend comes are identified by Ross et al (2014) which include:

(A) **Regular Cash Dividend:** Is cash payments made directly to shareholders and they are made in the regular course of business. It is the most common type of dividend.

(B) **Extra Dividend:** By calling part of the payment 'extra' management is indicating that it may or may not be repeated in the future. Extra dividend is simply extra cash paid to regular dividends.

(C) **Special Dividend:** Is an unusual dividend paid to stockholders out of earnings or onetime event and won't be repeated.

(D) **Liquidating Dividend:** Means that some or all of the business has been liquidated, that is sold-off.

2.1.2 Factors Influencing Dividend Policy

Weston and Brigham (2016); van Home (2017); and Mba (2017) listed factors that determine dividend policy as:

1. **Legal Rules:** The legal rules provide that dividends must be paid from earnings, either from the current year's earnings or from past year's earnings as reflected in the balance sheet account "retained earnings". Legal aspects are significant. They provide the framework within dividend policies can be formulated. With which boundaries, however, financial and economic factors have a major influence on policy.

2. **Liquidity Position:** A growing firm, even if very profitable one typically has a pressing need for funds (like using the retained earnings from preceding year in plant and equipment, inventories and other assets). In such a situation the firm may elect not to pay cash dividends because of its liquidity position.

3. **Need to Repay Debt:** When a firm has sold debt to finance expansion or to substitute for other forms of financing, it is faced with two alternatives: it can refund the debt at maturity by replacing it with another form of security, or it can make provision for paying off the debt. If the decision is to retire the debt, this will generally require the retention of earnings.

4. **Restriction in Debt Contracts:** Debt contracts, particularly when long-term debt is involved, frequently restrict a firm's ability to pay cash dividends. Such restrictions, which are designed to protect the position of the lender, usually state (i) that future dividend can be paid only out of earnings generated after the signing of the long loan agreement (that is, future dividend cannot be paid out of past earnings generated after the signing of the loan agreement) among others.

5. **Rate of Asset Expansion:** The more rapid the rate at which the asset is growing, the greater will be its needs for financing asset expansion. The greater the future needs for funds, the more likely the firm is to retain earnings rather than pay them out.

6. **Profit Rate:** The rate of return on assets determines the relative attractiveness of paying earnings in the form of dividends to stockholders who will use them elsewhere, compared with the productivity of their use in the present enterprise.

7. **Stability of Earnings:** If earnings are relatively stable, a firm is better able to predict what its future earnings will be. A stable firm is therefore more likely to pay out a higher percentage of its earnings than is a firm with fluctuating earnings. The unstable firm is not certain that in subsequent years the hope for earnings will be realized, so it is more likely to

retain a high proportion of earnings in order to maintain dividends if earnings should fall off in the future.

8. Access to the Capital Markets: A large well established firm with a record of profitability and some stability of earnings will have easy access to capital markets and other forms of external financing. The small, new or venturesome firm, however, is riskier for potential investors. Its ability to raise equity or debt funds from capital market is restricted, and it must retain more earnings to finance its operations. A well established firm is thus likely to have a higher dividend payout rate than is a view or small firm.

9. Control: Another important variable is the effect of alternative source of financing on the control situation in the firm. Some corporations, as a matter of policy, will expand only to the extent of their internal earnings. This policy is defended on the ground that raising funds by selling additional common stock dilutes the control of the dominant group in the company. At the same time, selling debt increases the risk of fluctuating earnings to be present owners of the company. Reliance on internal financing in order to maintain control reduces the dividend payout.

2.1.3 Dividend Payment and Stock Repurchase

Instead of paying cash dividend some financial analyst (like; Ross et al 2016) are of the opinion that a firm can rid itself of excess cash by repurchasing shares of its own stock, as it is an important way of distributing earnings to the shareholders. It should also be noted that the repurchase of stock is a potentially useful adjunct to dividend policy when tax avoidance is important.

In the issue of repurchase as investment, they said that many company buy back stock because they believe that a repurchase is their best investment. That is, occurs more frequently when managers believe that the stock price is temporally depressed. Hence, it is likely thought that (i) Investment opportunity in non financial asset are few, and (ii) the firms own stock price should rise with the passage of time. And the fact that some companies repurchase their stock when they believe it is undervalued does not imply that the management of the company must be correct.

On the other hand, stock dividends and stock splits is another type of dividend paid out in shares of stock, though not a true dividend because it is not paid in cash and effect of a stock dividend is to increase the number of shares that each owner holds. Since there are no more shares outstanding, each is simply worthless.

2.1.4 Optimal Dividend Policy

The study to prove the irrelevance of dividend policy was done by Modigliani and Miller (2016). The paper M&M enumerated that in a world with no taxes or transaction costs and where everyone was fully informed about the distribution of the firms uncertain future cash flows. Once corporate and personal income taxes where introduced, then the theory suggested that perhaps it would be optimal to pay no dividends at all because of tax disadvantage of ordinary income over capital gains. Miller and Scholes (2018) modified this point of view and demonstrated how dividend income could, to a large extent, be sheltered from taxation. Theories, which seek toexplain benefits as well as cost of dividend payout, in an effect to evolve a theory of optimal dividend policy, abound in the finance literature. According to Copeland and Weston (2018), these theories could be grouped into three: theory based on taxes and investment opportunities, theory based on the informativeness of dividend payout (information signaling) and agency cost and sourcing cost of funds (see Ross 2017; Bhattacharya, 2019; Copeland and Weston, 2018; Veronesi, 2010; Grullon and Michealy, 2012; and Pastor Veronesi, 2013). Rozeff in 2017 reports strong cross-sectional regularities in dividend payout. Accordingly, there might be optional dividend policies that result from the trade-off between cost and benefit of paying dividends. The list of possible cost includes (i) tax disadvantage of receiving income in the form of dividends rather than capital gains, (ii)

the cost of raising external capital if dividends are paid out, and (iii) the foregone use of funds for productive investment.

The possible benefits of dividend payout are (i) higher perceived corporate value because of the signaling contents of dividends, (ii) Lower agency cost of external equity, and (iii) the ability of dividend payments to help complete the markets (Copeland and Weston, 2014).

2.1.5Information Content Of Dividend

It is contended that dividend are relevant because they have information value. A company can make statements about its expected earnings growth to inform shareholders in order to create a favourable impression on them. However, these statements would be paid better attention if they follow with a dividend action - a disbursement of cash payment for dividend conveys to shareholders that the company is profitable and financially strong. When a firm changes it's dividend policy in a significant manner, investors assume that it is in response to an expected change in the firms profitability which will last long. An increase in payout ratio signals to shareholders a permanent or long-term increase in firms expected earnings. It is, therefore, argue that the announcement of changes in dividend policy influences share prices, and that managers use the dividend changes to convey information about the future earnings of their companies. They may also influence the perceptions of the investors about the risk of the company which follows a stable dividend policy. This sort of argument is also known as the dividend-signaling hypothesis (Pandey, 2016). Solomon contends that dividend may offer tangible evidence of the firms ability to generate cash, as a result, the dividend policy of the firm may affect the share price.

The dividend signaling hypothesis implies that the most valuable dividend policy is the one that provides information that cannot be effectively communicated through other means. MM accept the informational content of dividends. They contend that the price of the share is determined by expected future earnings and the firm's investment policy and not by the dividends. They argue that the informational value of dividends indicates that they are merely a reflection of the firm's investment policy and the expected earnings and do not have any impact on the value in their own accord.

The above discussion on market imperfections indicates that shareholder may not be indifferent as to how the earnings of the firms are divided between dividends and retained earnings. The tax differential effects and the presence of floatation costs favours the capital gain resulting from the retention of earnings, while the existence of transaction costs, agency costs, information asymmetry and desire for current income and diversification favour the payment of dividends. The dividend policy may also become relevant because of the information content of dividend.

Handjinicolaou and Kaley (2014) and Woolrigde (2013) have argued that one cannot infer that dividend increases convey position information about the firm by examining share price alone, since unexpected dividend increases could cause wealth transfer from bondholders to shareholders by reducing the asset base of the firm (expropriation argument). Therefore, the observed increase in share price is consistent with both wealth redistribution and positive information.

2.1.6 Concept of Stock Price

The concept of stock prices originated from Random Walk theory in the work of Porterba and Summer (2010). There is evidence suggesting that stock prices do follow a random walk. It was indicated that there are reasons that the random walk behavior of stock prices should hold (Shiller, 2010). Findings by Shiller (2010) support that stock prices are very much uncertain and this may not be true because firms' fundamentals may to a great extent influence stock prices. This argument is supported by early rejection of a random walk theory by Porterba and Summer (2010) who argue that there is little theoretical basis for strong attachment to the null hypothesis that stock prices follow a random walk. Stock prices could

be determined by micro and macro-economic factors (Christopher, Rufus &Jimoh, 2015). These factors include book value of the firm, dividend per share, EPS, price-earnings ratio and dividend cover (Gompers, Ishii & Metrick, 2013).

2.1.7 Nigerian Capital Market

The Nigerian capital market, which is a member of the Nigerian financial system, is a market that provides an avenue for the mobilization of long term funds. This market serves the needs of industries, the commercial sector, government and local authorities, which are big borrowers of funds. The Nigerian capital market consists of two markets (primary and secondary markets) and some operational institutions. The main institutions in the Capital Market are the Securities and Exchange Commission (SEC), which is at the apex and represents the regulatory authority for the market, the Nigerian Stock Exchange (NSE), the issuing houses and the stock-broking firms. The secondary market in Nigeria is the NSE.

In general, the Nigerian capital market helps to stimulate industrialization and development in the Nigerian economy. It also improves the gearing of domestic corporate sector and helps to reduce dependence on borrowing. Access to finance for new and smaller companies and also the encouragement of institutional development are based on the framework provided by the Nigerian capital market. According to Claessens (2015), the existence of the NSE entails a number of benefits for the Nigerian economy. These benefits are in line with the general role of stock market in the development process. First, the stock market has been a source of capital for the corporate sector.

2.1.8 Corporate Performance

The subject of corporate performance has received significant attention from scholars in the various areas of business and strategic management (Jat, 2016). It has also been the primary concern of business practitioners (managers and entrepreneurs in all types of organizations because corporate performance is essential as exemplified in high performance organizations which are success stories because of their perceived effectiveness and efficiency in managing their operations and their positive contributions to the well-being of their stakeholders. Whereas, low performance organizations are not, owing to their lack of such essential attributes (Jat, 2016).

Performance is however, a difficult concept, in terms of definition and measurement. It has been defined as the end result of activity, and the appropriate measure selected to assess corporate performance is considered to depend on the type of organization to be evaluated and the objectives to be achieved through that evaluation (Jat, 2016)

2.1.9 Earnings Per Share and Stock Price

The primary goal or objective of a firm should be to maximize the value or price of a firms stock. The success or failure of management decision can be evaluated only in the light of the impact of firm stock prices (Remi, 2015). According to Remi (2015) the firm stock prices has direct purview in the managerial efficiency which is one of the signals of firm performances. One of the components of this firm performance is earning per share (EPS). EPS is one of the measures of managerial efficiency as well as firm performance. The debate on whether EPS has any predictive power on stock prices is not very clear in financial literature. Some analysts believe that, EPS has predictive power on stock prices. This argument holds the view that, EPS has influence on stock prices. While the other argument is that, only positive information regarding EPS cause the demand for a stock which result to increase in stock prices. When viewed over long periods the share prices are directly related to EPS of the firm. Over short periods, especially for younger or small firms, the relationship between stock prices and EPS is quite unmatched (NSEC, 2016).

2.1.10 Effect of Firms Size on Share Price

Dogan (2013) found that firm size and liquidity was positively related to profitability as measured by ROA and leverage and firm age were negatively related to profitability measured by ROA. Rizki (2013) conducted a study on the effect of firm characteristics, financial performance and environmental performance on corporate social responsibility disclosure intensity of manufacturing firms listed in the Indonesia Stock Exchange. The object of this study is the manufacturing companies listed in the Indonesia Stock Exchange during the period 2007-2011. Purposive sampling was used to choose population in this case manufacturing firms. Based on the criteria of determination of samples obtained 16 companies.

Research variables which include firm size, the size of the board of commissioners, Return on Assets (ROA), Earning per Share (EPS), Debt to Equity Ratio (DER), environmental performance, and corporate social responsibility disclosure were estimated using standard formula. Data were analyzed using multiple linear regression analysis. The results showed that the characteristics of the firm (firm size, size of the board of commissioners), the financial performance of the firm (ROA, EPS, leverage) and environmental performance simultaneously influence the corporate social responsibility disclosure intensity. Only three variables (EPS, leverage and environmental performance) that partially affect corporate social responsibility disclosure intensity. Environmental performance is the most dominant variable in affecting the intensity of disclosure implementation of corporate social responsibility.

2.1.11 Effect of Leverage on Share Price

Inyiama and Obeta (2016), this study investigated the effect of company characteristic s on the financial leverage of the Agro-allied Firms in Nigeria. The research was an ex post facto research which made use of secondary data covering the period 2005 to 2015. Descriptive statistics and graphical representation was employed to check for the trends, linearity or otherwise of the data. Regression model was applied in determining the extent of the effect exerted on financial leverage by return on equity, firms listing age and firm's size or total asset of the sampled listed agro-allied firms in Nigeria.

2.1.12 Effect of Profit after Tax on Share Price

Ekwe and Inyiama (2014) evaluated the co-integration, magnitude and strength of the relationships between corporate retentions as proxied by retained earnings and some key financial performance indicators, in the Nigeria manufacturing industry using the Brewery subsector as a focal point. The ex- post facto research designed which made use of secondary data obtained from annual reports and accounts of the two market leaders in the sector: Nigeria Breweries Plc and Guinness Nigeria Plc, from year 2000 to 2013.

Umar and Musa (2013) studied the relationship between stock prices and firm earning per share (EPS) from 2005 to 2009 employing a simple linear regression model on a panel of 140 Nigerian firms from a total population of 216 firms' operated in Nigerian Stock Exchange (NSE). The study found that an insignificant relationship exists between stock prices and firm EPS in Nigeria. They emphasized that firm EPS has no predictive power on stock prices and suggested that firm EPS should not be relied upon for the prediction of the behaviour of stock prices in Nigeria.

2.2 Theoretical Framework

2.2.1 Signalling Theory

Signalling theory is a theory focused on the difficulties of prices in the market and the consequent influence on investor decisions (Benyamin &Endri, 2018). Whatever information occurs as the condition of the stock always has an effect on the investor's decision as the party that receives the signal. Signal theory indicates a tendency for information asymmetry. Information asymmetry is a condition where a party has more information than others, for

example, the company's board of directors has more information than capital market investors.

2.2.2 Arbitrage Pricing Theory (APT)

Arbitrage Pricing Theory is a multi-factor model of asset pricing which refers to the view that states that asset returns can be analyzed using the relationship that lies between the same asset and general risk factors. The theory discovered by Stephen Ross in 1976, was used to estimate the relationship between portfolio returns and many factors that reflect systematic risks that can be represented by macroeconomic variables (Bowens &Endri, 2018).

The Technical Theory

According to Foley (2011), the technical theory is also called Chartism. This model states that share prices can be determined by studying trends and the patterns of past share prices to predict the future price in order to recognize the signals of sell or buy. These patterns and trends can be utilized to make gain if one takes notice of it on time. The technician's holds that the use of chart is sufficient enough to predict stock prices movement than relying on the intrinsic value of the industry the company operates. This method is merely used for forecasting the prices of stock by carefully examining the charts of the previous market event taking into consideration the relevant accounting data such as: the prices of security, total volume of security sold and the prevailing interest rate of the security at that period of transaction

2.3 Empirical Review

Sharif, Purohit and Pillai (2015) investigated the determinants of stock price of 41 companies listed on the Bahrain Stock Exchange. The empirical findings reveal a positive and significant relationship between return on equity, book value per stock, ratio dividend paid and number of stock outstanding, ratio stock price and earning per stock and market capitalization, suggesting that these factors act as active determinants in shaping the market price of stocks. However a significant negative relationship was found between dividend yield and stock price. This suggests that dividend decisions are made in order to attract different clienteles. Consistencies in results have been noticed in both the estimation models. Therefore, a certain group who expects short term and regular return will show their impact as a positive relationship with market price while the group who is unaffected or considers dividends as irrelevant will show an inverse relationship with stock price. Leverage also showed an inverse but insignificant relationship with market price. This can be due to the fact that investors show a general aversion towards heavily indebted companies but at the same time do not consider the inclusion of debt in the capital structure of companies as a determinant of market price.

Selahattin and Aynur (2014) conducted a study on Equity Returns, Firm-Specific Characteristics and Sector Rotation: Evidence from Turkey. The study examines the firm specific characteristics that effect on equity returns depending on sector rotation scheme throughout four financial cycle stages for an important emerging market, Turkey. For this purpose, using panel data for twenty-five nonfinancial equities selected from ISE-100 companies and twenty-six firmspecific characteristics in 2005-2011 it is analysed empirically whether firm-specific factors that effect on equity returns differ among equity groups classified by sector rotation scheme throughout financial cycle stages.

Mirzaei, Moeinnaldin and Heirrany (2013) studied information value of fundamental accounting variables in asymmetric information environment. The study investigated the relationship between operating profit and operating cash flow with reaction of investors' under conditions of information asymmetry. The variables adopted included your operating profit changes and cash-flow changes as independent variable and changes in stock price as dependent variable. The study populations were the firms quoted Tehram Stock Exchange and sample consisted of 97 firms that were selected using system deletion method. Applied

research and descriptive/correlation research methods were used in terms of objective and performance. Multiple regressions were used for data analysis based on the panel data. The result show that the effect of operating profit and no effect of operating cash flows on investors' reaction.

Summary of Literature Reviewed

S/No	Author	Year	Topic	Objectives	Method	Findings
1	Sharif, Purohit and Pillai	(2015)	investigated the determinants of stock price of 41 companies listed on the Bahrain Stock Exchange	investigated the determinants of stock price.	Regression analysis	The empirical findings reveal a positive and significant relationship between return on equity, book value per stock, ratio dividend paid and number of stock outstanding, ratio stock price and earning per stock and market capitalization
2	Selahattin and Aynur	(2014)	Equity Returns, Firm-Specific Characteristics and Sector Rotation: Evidence from Turkey	The study examines the firm specific characteristics that effect on equity returns depending on sector rotation scheme throughout four financial cycle stages for an important emerging market, Turkey	Regression analysis	it is analysed empirically whether firm-specific factors that effect on equity returns differ among equity groups classified by sector rotation scheme throughout financial cycle stages.
3	Mirzaei, Moeinnaldin and Heirrany	(2013)	studied information value of fundamental accounting variables in asymmetric information environment..	The study investigated the relationship between operating profit and operating cash flow with reaction of investors' under conditions of information asymmetry.	Regression analysis	The result show that the effect of operating profit and no effect of operating cash flows on investors' reaction..
4	Siyanbola and	(2013)	The Impact of	To test and	Correlation	it is evident that

	Raji		Cost Control on Manufacturing Industries' Profitability	confirm positive impact of cost control on the industries' profitability.	model	cost control has a positive impact on business profitability and that element of cost, such as materials
5	Cletus and ThankGod	(2015)	The relationship between standard costing and cost control in Nigerian oil and gas industry	To examine the relationship between standard costing and cost control in Nigerian oil and gas industry	Chi-Square	This study revealed that a significant relationship exists between standard costing and cost control
6	Sadiq, Iyanuoluwa, Mohammed and Faruk	(2016)	The effect of standard costing on profitability of telecommunications companies	To examine the effect of standard costing on profitability of telecommunications companies	Chi-Square	The study shows that standard costing is widely used in Nigerian telecommunication companies and that standard costing enhances adequate planning, control and decision making processes in the company.
7	Lawal	(2017)	The application of cost control and cost reduction in organizational performance	Aims to critically examine and evaluate the application of cost control and cost reduction in organizational performance	Chi-Square	Based on the findings, it was evident that cost control has a positive impact on organizational performance.
8	Morgan	(2012)	The Standard Costing System At SKF	To examine the use and the relevance of the standard costing system used at the Swedish manufacturing company SKF	Regression analysis	The study shows that the standard costing system is widely used and that it is perceived as relevant.

2.4 Summary of Related Literature Review

The study was conducted to measure the effect of five financial ratios on stock returns in the Food and Beverage sector companies listed on IDX during the period 2012-2021 using a panel data regression model that provides results that not all fundamental financial factors affect the changes in stock returns. ROA and EPS variables have a direct effect on stock returns, while the DER variable has the opposite effect. The CR and PER factors do not significantly affect the stock returns of F-B sector companies listed on the Stock Exchange during the 2013-2017 period. Simultaneous testing shows that all independent variables consisting of; CR, DER, ROA, EPS, and PER, together influence SR. Empirical evidence of the research has implications for the interests of corporate management and investors. In order for company management to maximize shareholder wealth, which is the main objective, attention must be paid to the company's fundamental factors that are able to give a positive signal in raising share prices. For investors, financial fundamental factors can determine the decision to buy or sell shares.

3.0 RESEARCH DESIGN AND METHODOLOGY

This chapter will discuss the methodology adopted in the study. Specifically, it explains the research design, population of the study, sample and sampling techniques, sources of data collection, method of data analysis, model specifications, and also stating areas for further research.

3.1Research Design

The researcher's aim in this study is to ascertain the effect of earning variables on stock return of foods and beverage manufacturing firms in Nigeria: A study of UAC plc (2012-2021) Specifically, firms that made up our sample are those equities (common stocks) that are traded on the floor of Nigerian Stock Exchange (NSE). The target size of two (2) quoted firms will be drawn from various sub-sections/industries, based on the NSE classification.

The Annual Financial Statements of the respective firms for ten (10) years running would be our major focus. The necessary data for our analysis are to be obtained from various years of NSE FACTBOOKS, and NSE daily Official List (various years).

3.2Population of the Study

The population of this study constituted the two listed equities/ordinary shares of quoted firms whose stock are also been traded on the floor of the NSE at least for the past ten (10) years. And this classification portrays kinds of economic activities of all business organisations operating in the country.

3.3Sample and Sampling Technique

The researcher obtained his sample using data from (i) Nigerian Stock Exchange (NSE) Daily official list to generate the market per share data on the firms under study. And also obtainedanother sample by using data on NSE FACTBOOKS for various years to generate the Dividend Per Share (DPS) data on the firms under study respectively, since he is interested in knowing the impact of dividend payment on market share prices.

- Breweries
- Food Beverages and Tobacco

Specifically, Two (2) stocks –Nigerian Breweries PLC and Guinness Nigeria PLC were selected from the Breweries subsector; Four (4)stocks- 7up Bottling Company. PLC, Cadbury Nigeria PLC, Flour Mills Nigeria PLC, Nestle food.Nigeria PLC, Nigerian Bottling Company PLC, which were selected from Food, beverages and Tobacco subsector. The researcher's decision to choose from the above listed stocks was influenced by the following judgment: Such as; the relative strength of capitalization, length of quotation, and most significantly availability of requisite data since the study is highly analytical.

3.4 Sources of Data Collection

The sources that were used for collecting data for this research are the secondary source of data collection. They were obtained from various issues of: (i) Nigerian Stock Exchange (NSE) Annual Reports and Statement of Accounts, (ii) various issues of NSE FACTBOOKS, (iii) several volumes of NSE Monthly Stock Market Review, and, (iv) NSE daily official list. Other data obtained were from various issues of the Central Bank of Nigeria Statistical Bulletin, CBN Annual Reports and Statement of Accounts. More so, other data that was gathered include those from; Textbooks, Journals, from various University libraries (Nsukka, Enugu Campus, Abuja, Lagos, Ife, Ibadan et cetera). Source data were equally obtained from various issues of Securities and Exchange Commission (SEC) Statistical and Economic Bulletin, and, SEC Annual Reports and Accounts. The researcher introduced various instruments so as to contribute to the in-depth knowledge on share price movement as a result of dividend payment and other endogenous and exogenous variables to make this research outstanding.

3.5 Instruments for Data Analysis

The researcher stated various instruments used in this study which was used to analyze the data collected from various sources.

Statistical and Econometrics approaches (like: Simple Linear Regression (SLR) Techniques) was applied in the analysis and involving Time Series Data also. A large number of works on this analysis of stock prices have applied Regression equations and have been found useful see Harkavy (2017); Morgan and Taylor (2013); Baryosef and Kolodny (2016). But in most of the works, cross-section data were used as this possess some statistical limitations leading tobias results. For instance, Friend and Puckett (2014) observed that these limitations are associated with lack of homogeneity in the assumed underlying stock population between firms in the industry. This problem, they argued occurs because of omitted variables (risk, external finance etc. and the problem of regression weighting). They maintained that firms in an industry differ in size, product differentiation and leverage, that is, they differ in risk. Given that risk is negatively related to prices, and to dividend coefficient.

The research covers the period of ten (10) years from 2012 - 2021. The basis for choosing this period is that it ensures the availability of data.

3.6 Model Specification

The objective of this section is to develop models to employ to find the validity of the hypothesis: that dividend payment influences movement of stock prices of common stock of quoted firms on the Nigerian Stock Exchange (NSE). Thus, the impact of dividend payment on share prices.

Simple Linear Regression (SLR) Technique (applying time series), and Analysis of Variance (ANOVA) Technique were also used to generate the models in this study. Simple Linear Regression (SLR) technique was used to determine the relationship between the dependent variable (Y), and independent variable (X). While, Analysis of variance (ANOVA) Techniques was also used in testing whether significant variation exists between the dependent variable (X) and independent variable (Y) (Dibua, and Dibua 2015). Hence, the model specification for this study is Simple Linear Regression (SLR) Technique, and Analysis of Variance. (ANOVA) Techniques. Simple Linear Regression (SLR) Technique was used in testing the first and second hypotheses while Analysis of Variance (ANOVA) Technique was used in testing the third hypothesis.

A. In the first hypothesis it will determine the influence of dividend payment on movement of share prices of quoted firms on the Nigerian stock Exchange (NSE). The dependent variable (Y) is movement of share prices, and independent or predictor variable (X) is the dividend payment. This test was carried out among the 30 selected quoted firms in the Nigerian Stock Exchange. The simple linear regression is given as:

$$Y = a + b1\ X1 + e \quad (1)$$

Where:
Y = Dependent variable
a = Constant of the regression equation
b1 = Regression coefficient
X1 = Independent or predictor variable
e = Standard error.
However, the equation (1) is expressed in the test of hypothesis one as:

MPS = a+b, dps,+ e..... (2)
Where:
MPS = Market Price Per Share
a = Constant of the regression equation
b = regression coefficient
Sr = Stock Return (dependent or predictor variable)
e = Standard error

B. Also, in the second hypothesis, Simple Linear Regression was used to determine the relationship between changes in share prices (dependent variable – Y) and the size of the dividend payout ratio (independent variable – X). Simple Linear Regression (SLR) is expressed in the hypothesis two (2) as follows:

Cps= a b1 Srr + e ……(3)
Where:
cps = Changes in share prices
a = Constant of the regression equation b1 = Regression coefficient
Srr = Size of the Stock Returnratio = Standard error

C. The Analysis of Variance (ANOVA) techniques was used in the third hypothesis to determine whether is a significant variation in the trends of share prices among the various quoted firm in the Nigerian Stock Exchange. The dependent variable (Y) is the trend of share prices, while the independent variable (X) is the two (20) selected quoted firms in the Nigerian Stock Exchange.

The equation for Analysis of variance (ANOVA) is given as:

$SST = X^2 - \frac{(X)^2}{N}$ ..... (4)

$SSb = \frac{(X1)^2}{N} + \frac{(X2)^2}{N} + \frac{(X3)^2}{N} + \frac{(X1)^2}{N}$ …….. (5)

SSw = SST – SSb ……. (6)
Where:
SST = Total Variation
SSb = variation between groups
SSw = variation within groups

4.0 DATA PRESENTATION AND ANALYSIS

4.1 Data Presentation

Table 4.1: Logged Data of UAC Nig. PLc

Year	ROA	PFTY	ROE	DVY
2012	6.299157	6.259367	5.990504	-0.85387
2013	6.325535	6.379285	6.035226	-1.09691
2014	6.325535	6.421878	5.931287	-1.30103
2015	6.325535	6.563431	5.984558	-0.85387
2016	6.325535	6.546915	6.037147	5.911736

2017	6.325535	6.553301	6.017447	-1.22185
2018	6.626565	6.722908	6.232317	5.911736
2019	6.626565	6.864461	6.285588	-0.55284
2020	6.626565	6.847945	6.338177	5.911736
2021	6.626565	6.854331	6.318477	-0.92082

4.2 Data Analysis

Table4.2: Descriptive Result

	DVY	PFTY	ROA	ROE
Mean	1.540365	5.716447	6.086752	6.032760
Median	-0.094215	5.768857	6.297259	6.030468
Maximum	6.025710	6.864461	6.871928	7.376179
Minimum	-1.698970	4.291768	4.989356	4.419146
Std. Dev.	3.106131	0.814679	0.588374	0.801912
Skewness	0.633204	-0.312139	-0.652635	-0.386083
Kurtosis	1.560136	1.865030	2.232002	2.383337
Jarque-Bera	7.660412	3.495580	4.778231	2.034406
Probability	0.021705	0.174158	0.091711	0.361605
Sum	77.01824	285.8223	304.3376	301.6380
Sum Sq. Dev.	472.7545	32.52141	16.96299	31.51011
Observations	10	10	10	10

The summarized descriptive statistics of the explained and explanatory variables as presented in Table 4.2 below for the period 2011 to 2020, revealed the following observations. First, the dividend yield is reported to have a mean (median) value of 1.540365 (-0.094215) and standard deviation of 3.106131.

Equally, the mean of dividend yield is about 1.540365 or above 100% and the mean of profit for the year is 5.716447 or above 100%, the mean of return on asset is 6.086752 or below 100% and the mean of return on equityis 6.032760which is also below 100%. The result indicated that in the average of every ₦5.768857K of PFTY, ₦6.297259K of ROA and₦6.030468K of ROE was earned as dividend yield.

The maximum values of these series are 6.025710, 6.864461, 6.871928, 7.376179 and 7.388687 for dividend yield, profit for the year, return on asset and return on equity respectively. The minimum values are; -1.698970, 4.291768, 4.98935 and 4.419146 for dividend yield, profit for the year, return on asset and return on equity respectively.

The value of skewness and Kurtosis reveals the extent normality is achieved in the distribution.

Table 1 reveals that the observed distribution for Return on asset, Return on equity and profit for the year respectively have skewness co-efficient of 0.633204, -0.312139, -0.652635 and -0.386083 respectively, which are not in excess of unity.

The table further indicates that Kurtosis coefficient for dividend yield, profit for the year, return on asset and return on equity respectively are; 1.560136, 1.865030, 2.232002 and 2.383337 respectively.

4.3: Test of Hypotheses

Hypothesis one

Ho: Profit for the year does not have significant effect on dividend yield of food and beverage companies in Nigeria

The test of hypotheses were carried out as follows:

Step 1: Re-statement of the hypothesis in the null and alternate forms
Step 2: Statement of decision criteria
Step 3: Presentation of test result
Step 4: Decision

Table 4.3: Hypothesis Table

Dependent Variable: DVY
Method: Panel Least Squares
Date: 11/29/22 Time: 05:54
Sample: 2012 2021
Periods included: 10
Cross-sections included: 1
Total panel (balanced) observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PFTY	1.382986	0.183217	7.548348	0.0000
ROA	0.833585	0.167418	4.979062	0.0011
ROE	0.093947	0.019843	4.734520	0.0002

R-squared	0.618094	Mean dependent var	1.540365
Adjusted R-squared	0.545078	S.D. dependent var	3.106131
S.E. of regression	3.164638	Akaike info criterion	5.218573
Sum squared resid	460.6869	Schwarz criterion	5.371535
Log likelihood	-126.4643	Hannan-Quinn criter.	5.276822
Durbin-Watson stat	1.851265		

Source: Author's Computation from E views 9.0, 2022

Decision Rule: Reject H_O if the t-statistics is >2.0 and the probability of the t-statistics is <0.05.

Step 4: Decision

Given the decision criteria to reject H_O if the t-statistics is >2.0 and the probability value is < 0.05. Table 5 shows the t-statistics as 7.548348 while the probability is 0.0000<0.05. We reject the null hypothesis (Ho) and conclude that profit for the year has positive and significant effect on dividend yield food and beverage companies in Nigeria.

Hypothesis two

Ho: Return on assets does not have significant effect on dividend yield of food and beverage companies in Nigeria

The test of hypotheses were carried out as follows:

Step 1: Re-statement of the hypothesis in the null and alternate forms
Step 2: Statement of decision criteria
Step 3: Presentation of test result
Step 4: Decision

Table 4.4: Hypothesis Table

Dependent Variable: DVY
Method: Panel Least Squares
Date: 11/29/22 Time: 05:54
Sample: 2012 2021
Periods included: 10
Cross-sections included: 1
Total panel (balanced) observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PFTY	1.382986	0.183217	7.548348	0.0000
ROA	0.833585	0.167418	4.979062	0.0011
ROE	0.093947	0.019843	4.734520	0.0002

R-squared	0.618094	Mean dependent var	1.540365
Adjusted R-squared	0.545078	S.D. dependent var	3.106131
S.E. of regression	3.164638	Akaike info criterion	5.218573
Sum squared resid	460.6869	Schwarz criterion	5.371535
Log likelihood	-126.4643	Hannan-Quinn criter.	5.276822
Durbin-Watson stat	1.851265		

Source: Author's Computation from E views 9.0, 2022

Decision Rule: Reject H_O if the t-statistics is >2.0 and the probability of the t-statistics is <0.05.

Step 4: Decision
Given the decision criteria to reject H_O if the t-statistics is >2.0 and the probability value is < 0.05. Table 4.4 shows the t-statistics as 4.979062 while the probability is 0.0011<0.05. We reject the null hypothesis (Ho) and conclude that return on asset have significant effect on dividend yieldfood and beverage companies in Nigeria.

Hypothesis three
Ho: Return on equity does not have significant effect on dividend yield of food and beverage companies in Nigeria
The test of hypotheses were carried out as follows:
Step 1: Re-statement of the hypothesis in the null and alternate forms
Step 2: Statement of decision criteria
Step 3: Presentation of test result
Step 4: Decision

Table 4.5: Hypothesis Table

Dependent Variable: DVY
Method: Panel Least Squares
Date: 11/29/22 Time: 05:54
Sample: 2012 2021
Periods included: 10
Cross-sections included: 1

Total panel (balanced) observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PFTY	1.382986	0.183217	7.548348	0.0000
ROA	0.833585	0.167418	4.979062	0.0011
ROE	0.093947	0.019843	4.734520	0.0002

R-squared	0.618094	Mean dependent var	1.540365
Adjusted R-squared	0.545078	S.D. dependent var	3.106131
S.E. of regression	3.164638	Akaike info criterion	5.218573
Sum squared resid	460.6869	Schwarz criterion	5.371535
Log likelihood	-126.4643	Hannan-Quinn criter.	5.276822
Durbin-Watson stat	1.851265		

Source: Author's Computation from E views 9.0, 2022

Decision Rule: Reject H_O if the t-statistics is >2.0 and the probability of the t-statistics is <0.05.

Step 4: Decision

Given the decision criteria to reject H_O if the t-statistics is >2.0 and the probability value is < 0.05. Table 4.5 shows the t-statistics as 4.734520 while the probability is 0.0001<0.05. We reject the null hypothesis (Ho) and conclude that return on equity have significant effect on dividend yieldfood and beverage companies in Nigeria.

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Finding

Having carried out extensive study on the effect of earning variables on stock returns of foods and beverage manufacturing firms in Nigeria with reference to UAC plc (2012-2021). The study found out the following;

1. Profit for the year has positive and significant effect on dividend yield food and beverage companies in Nigeria.
2. It was also observed that return on asset have significant effect on dividend yield food and beverage companies in Nigeria.
3. The study further revealed that returns on equity have significant effect on dividend yield food and beverage companies in Nigeria.

5.2 Conclusion

The basic trust of this work was to examine empirically the earning variables on stock returns of foods and beverages manufacturing firm in Nigeria has on share prices in a time series of ten (10) years.

In Nigeria, the role of the Stock Exchange and the part that security prices play in channeling the flow of capital into various industries and firms are generally considered important. Hence, the theory of valuation of income streams has a central and honoured place in the finance doctrine. However, a special problem of dividend relevance and dividend irrelevance arise in the valuation of investors of the income streams of corporations. This serious problem has led to a controversy and confusion over the fundamental factors which underline the movement in the market prices of common stocks. The unresolved controversy has further disintegrated into two main fractions: The stock Return relevance group and the

dividend irrelevance groups. It is against this backdrop that this study intends to find out the authenticity of these two (2) groups theoretically, analytically and empirically.

Generally, since the NSE is seen mainly as a channel for mobilizing long term funds. It is then a measure of confidence in the economy and serves as an important barometer for the economy. Thus, in order to effectively perform its major function of funding and lubricating the economy, it must be free from all hitches and it must have depth and breadth, price continuity and liquidity.

This study equally utilizes Simple Regression Techniques to arrive at some conclusion in hypothesis one and hypothesis two, and also applied the Analysis of variance (ANOVA) techniques in concluding hypothesis three. After estimation of the model previously done, the evaluation of results consists of deciding whether the estimates of the parameters are theoretically meaningful and statistically satisfactory (koutsoyiannis 2017:25). In so doing, corporate decisions were analysed in terms of how alternative causes of action will affect the value of the firms stocks. The issues (of the effect of payout on stock prices) underscores the necessity of knowing how stock prices are established, before attempting to measure how much effect a decision could have on a specific firm's stock price, however, our work in chapter two has already pinpointed the different factors that affects stock prices.

5.3 Recommendations

This study is set out to earning variables on stock returns have any direct influence on the movement of share prices on the NSE with particular reference to UAC Nigeria PLC in the Nigerian Stock Exchange. The results of this study have shown that earning variables on stock returns does not influence significantly the movement of share prices. In order to improve on the quality of the Nigerian Stock Exchange as regards to dividend and stock prices, the following recommendations are proposed;

i. An optional stock return payout should be determined with the firm's investment opportunities and any preference that investors have for dividend as opposed to capital gain. If considerable attention is not given to this issue, the shareholders might become frustrated and consequently lead to mass disposal of their stocks. Such a situation often leads to a downward trend in the price of stocks.

ii. Quoted firm should endeavour to formulate stock return policies that will maximize the shareholders wealth.

iii. Also, adequate information should be provided about the companies' performance to the Stock Exchange. The role of information in the evaluation of stocks cannot be over-emphasized. The link between publicly available information and share price is explained by different Efficient Capital Market Hypothesis in which Fama (2013) show that security prices reflect all available information.

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Appendix I
Raw data Obtained from UAC Plc

Year	ROA	PFTY	ROE	DVY
2012	0.14	1,817,051	0.54	0.14
2013	0.08	2,394,887	0.88	0.08
2014	0.05	2,641,668	0.68	0.05
2015	0.14	3,659,575	0.06	0.14
2016	(0.05)	3,523,022	0.14	(0.05)
2017	0.06	3,575,203	2.16	0.06
2018	0.1	5283336	-1.36	0.1
2019	0.28	7319150	0.12	0.28
2020	-0.1	7046044	0.28	-0.1
2021	0.12	7150406	-4.32	0.12