

## The Correlation Between Financial Accounting Details and Stock Market Performance

**Uchime Helen Nkem**

Accountancy department,  
Chukwuemeka Odemegwu Ojukwu University, Anambra State  
[helennkemuchime@gmail.com](mailto:helennkemuchime@gmail.com)

**Theresa Nkechi Ofor**

Accountancy department,  
Chukwuemeka Odemegwu Ojukwu University, Anambra State  
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### **Abstract**

*This study examines the influence of financial accounting details on stock market performance of insurance firms in Nigeria. Stock market performance was proxy by Share price index of the insurance firms as the dependent variable, while the independent variables included Book Value Per Share, Debts to Total Asset Ratio (DTAR), Dividend Per Share, Current ratio, Firm Growth, and Earnings Per Share. The study adopted the ex-post-facto research design and data covering the period 2013 -2022 were collated from annual reports of insurance firms listed on the Nigeria Exchange Group. Panel multiple regression was used to estimate the relationship between these financial accounting details and stock market performance. The result revealed that: (i) Earnings Per Share, Dividend Per Share, Debt to Assets ratio, and Current ratio had positive and significant association with stock market performance of selected insurance firms in Nigeria while Book Value Per Share and Firm Growth had positive but no significant association with stock market performance of selected insurance firms in Nigeria. The study therefore recommend among others that financial analysts and prospective investors should rely more on Earnings Per Share, Dividend Per Share, Debt to Assets ratio, and Current ratio in predicting the stock market performance of insurance firms in Nigerian. It is therefore concluded that greater reliance on earnings per share, dividend per share, debt to assets ratio, and current ratio of insurance firms in predicting market share performance would assist investors and financial analysts in determining which firm to invest, when to invest and when not to invest and thereby avoid loss of funds occasioned by share price declines.*

**Keywords:** Market Share Performance, Earnings Per Share, Dividend Per Share, Debt to Assets Ratio, Book Value Per Share, Firm Growth, and Current Ratio.

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### **Introduction**

Investment is activities that involves allocating funds to a specific asset over a certain period with the expectation of achieving a future return. To make investment decision, rational investors typically rely on accounting information during their investment decision-making process. This information is generally found in a company's financial statements, which reflect the company's performance over a given timeframe. For investors, understanding a company's

financial performance is crucial for making informed investment choices. The decision-making process entails selecting the most favourable option among various alternatives, often influenced by complex circumstances. Investors' behaviours in the investment decision-making process are significantly shaped by the information they receive, as well as their knowledge and analytical skills regarding investments (Puspitaningtyas, 2017; Puspitaningtyas & Kurniawan, 2012).

Investors, along with other stakeholders interested in accounting, utilize these financial statements and related disclosures to evaluate the risk and value of a company when making investment decisions. Various factors, including the accounting information contained in financial statements, can significantly impact stock market performances.

Numerous factors influence stock market performances, prominently including the accounting information found in financial statements. In developed securities markets, a wealth of research has investigated the empirical relationship between accounting information in financial statements and stock returns. For instance, Ball and Brown (1968 cited in Dewasiri, & Weerakoon, 2014) conducted a pioneering empirical study on the New York Stock Exchange, demonstrating that earnings disclosed in financial statements have a substantial impact on stock market performances.

Surya, (2016) explored the connections between income, market value, and stock returns. Additional studies by Puspitaningtyas, (2017), Ismail, (2016) and Bailia, Tommy, and Baramulli, (2016) examined income models, focusing on the relationship between current earnings relative to the opening stock market performance and subsequent stock returns. Moreover, researchers such as Dewasiri and Weerakoon (2014), Dimitropoulos and Asteriou (2009), and Cheng et al. (2013) employed time series earnings models to analyze the effects of regular earnings on the significance and volatility of earnings as they relate to the stock returns of publicly listed companies.

While accounting information provides a foundation for users to make informed economic, financial, and investment decisions, the absence of a regulatory framework and information transparency can significantly undermine the value of such information. This lack of guidance can erode investor confidence and potentially lead to a decline in stock market performances (Saheb & Muhammad, 2013). Moreover, although the Nigerian Government, through the Central Bank of Nigeria and the Securities and Exchange Commission, has been working to create a stable market for investors, a lack of both fundamental and technical knowledge about the Nigerian Stock Exchange among users of accounting information has severely hindered the effectiveness of the relevant capital market authorities (Jenrola & Daisi, 2012).

Similarly, Ayuba (2011) cited in Njiforti (2018) highlighted that trillions of U.S. dollars in investments were lost globally, resulting in significant stock market crashes and increased volatility. This situation has diminished investor confidence, leading to heightened fears about the future of the capital markets. In Nigeria, the total market capitalization, which was N12.40 trillion in March 2008, plummeted to N4.69 trillion by March 2009, representing a staggering 62.18% decline (Sanusi, 2010). This decline can be attributed to the lack of genuine accounting information disclosed by the firms. Furthermore, the understanding of how accounting variables affect stock market performances has prompted this study. Accounting variables such as Earnings Per Share (EPS), Book Value Per Share (BVPS), Dividend Per Share (DPS),

Current Assets (CS), Return on Equity (ROE) and Cash Flow Per Share are crucial for investors in determining expected returns on their investments and identifying any variations from one accounting period to another (Wan, 2010). Therefore, it is essential for this study to investigate the significance of accounting information in influencing the stock market performances of manufacturing companies listed on the Nigerian Stock Exchange (NSE).

The objective of the study is to examine the relationship between accounting details and stock market performance for companies listed on the Nigeria Stock Exchange. The research offers benefits from both theoretical and practical perspectives. It serves as a basis for developing effective investment strategies to predict future stock market performances and make informed investment decisions in securities. For issuers, this research is expected to provide valuable insights for making decisions related to stock market performances in the Nigerian stock market, especially on the Nigeria Exchange Group(NGX). For investors, the findings can help them implement market timing strategies to optimize their entry and exit points in the stock market, thus maximizing their potential returns. Additionally, this research can enhance general knowledge and understanding of the capital market conditions for a wider audience.

The rest of the paper is organised as follows. In section 2, we examined the various concept and theories that underpin, the effect of financial accounting details on insurance firm stock market performance. Section 3 describes the design, data collection techniques, data analysis, and the empirical model. Next, we present the results of the analysis, discuss the results and their significance. Finally, conclude and make recommendations based on the findings.

## **Conceptualization**

### **Accounting Information**

Hendricks (1976) states that the primary purpose of generating accounting information is to aid in decision-making. For financial reporting to be effective, it must meet several requirements, including being relevant, complete, and reliable. These qualitative characteristics indicate that the information should be unbiased and not favor one party over another. Consequently, accounting information should empower decision-makers to anticipate future actions and enhance users' understanding of the similarities and differences between various types of information.

The primary objective of financial statements is to furnish valuable information to both internal and external users. Stakeholders, such as owners, managers, employees, prospective and current investors, financial institutions, suppliers, customers, governments, and other creditors, utilize this information to make informed investment decisions. Publicly listed companies commonly rely on the accounting information contained in their financial statements as a key means of communication with stakeholders. Consequently, stock market regulators and accounting standards setters strive to enhance the quality of financial statements to improve transparency in financial reporting (Vishnani and Shah, 2008, as cited in Menike and Man, 2013).

### **Earnings per Share and Stock market performance**

The International Accounting Standards Board (IASB) defines Earnings per Share (EPS) in its International Accounting Standard (IAS) 33 as the amount of current period earnings or losses

attributable to each ordinary share. EPS significantly influences a company's stock market performance, as it plays a crucial role in its valuation (Idekwulim, 2014). EPS serves as a key performance indicator of a company's financial health over the year and signals its future potential. Essentially, EPS reflects business performance since the net income figure incorporates the results of the company's operations as well as the impact of financing (Seetharaman & Raj, 2011).

There are two contrasting views regarding the predictive power of EPS on stock market performances. One perspective posits that stock market performances fluctuate based on news or earnings reports; when a company reports higher EPS, its stock market performance tends to rise, whereas negative news can cause prices to drop. Proponents of this view argue that stock market performances are not solely determined by EPS; instead, they result from the balance of supply and demand for the company's shares, which leads to price volatility. In contrast, another viewpoint holds that EPS does not directly determine stock market performances (Umar & Musa, 2013). This perspective emphasizes that a company's future profits are the primary factor influencing stock market performances, and earnings information is regarded as one of the most informative elements of accounting data, highlighting the crucial relationship between accounting earnings and stock market performances (Chang, Yahn-Shir, Chi-Wei, & Ya-Wen, 2008).

While a company's EPS often impacts its stock market price, the relationship is not always straightforward. The calculation of EPS involves dividing earnings by the number of outstanding shares. A company with strong EPS may experience an increase in its stock market performance, which could enhance investors' perceptions of its products, leading to higher demand, increased sales, and ultimately greater earnings. Conversely, poor EPS can lower stock market performances, resulting in diminished consumer confidence, reduced sales, and ultimately declining earnings. However, these relationships are more cyclical than direct (Islam, Khan, Choudhury, & Adnan, 2014).

### **Book Values Per Share and Stock market performance**

Over time, a company generates income, a substantial portion of which is distributed to creditors in the form of interest and to shareholders as dividends. Any remaining income is added to the cumulative retained earnings recorded in the company's financial statements. The total of cumulative retained earnings, along with other elements under stockholders' equity, constitutes the book value of the entity's equity (William, Gordon, & Jeffery, 2004).

Book value per share is a crucial variable that influences the market value of equity shares, as it reflects the value of a company's own funds on a per-share basis, indicating the worth of each individual share. This book value is a representation of past earnings, the company's dividend distribution policy, and its investment decisions. Consequently, a high book value suggests that a company possesses significant reserves and is a strong candidate for bonus distributions, while a low book value implies a more generous distribution policy of bonuses and dividends or indicates a weak profitability history (Pushpa & Sumangala, 2013).

Book value per share is fundamentally rooted in financial accounting and can be relatively easily determined. Proponents argue that it provides an objective measure of value. However, a closer analysis reveals that what is typically considered objective is heavily influenced by

accounting conventions and policies, which often entail a degree of subjectivity and arbitrariness. A more significant criticism of the book value measure is that the historical balance sheet figures it relies upon often diverge considerably from current economic value. Balance sheet figures typically do not reflect earning potential, making book value per share an unreliable proxy for genuine investment value (Prasanna, 2006).

### **Dividend per share and stock market performance**

Dividend per share is calculated by dividing the total gross dividend by the number of ordinary shares. It reflects the company's retention policy, as investors typically prefer a higher ratio to maintain their investment in the firm (Siyanbola & Adedeji, 2014). As noted by Khan (2012), dividend per share is significant for investors because they view dividends not only as a source of income but also as a means of evaluating a company's investment potential and its ability to generate cash. Additionally, it helps them ascertain whether a company is distributing more in dividends than it has available for reinvestment in future projects.

Lenders also take an interest in the dividends declared by a company, as a higher dividend payout means less capital is available for the company to service and redeem their obligations. There are primarily two schools of thought regarding a company's dividend policy and its impact on stock market performances. One perspective, based on the irrelevance theory proposed by Miller and Modigliani (1961), posits that dividend policy does not influence stock market performances and is therefore irrelevant. In contrast, the second perspective aligns with Gordon's (1963) view, which considers dividend policy relevant to the firm's value and the market price of its shares (Khan, 2012).

Companies recognize that investors closely monitor their dividend returns, and any insecurity regarding these returns could impact the long-term valuation of the firm's shares (investopedia.com). This makes stock market performance volatility a concern for firms, just as it is for investors (Okafor & Mgbame, 2011).

### **Debt to Total Assets and Stock market performance**

The Debt to Total Assets Ratio is a solvency ratio that quantifies a company's total liabilities as a percentage of its total assets. This metric evaluates the extent to which a firm's assets are financed by creditors rather than investors. In other words, debt to total assets ratio reveals the proportion of assets supported by borrowed funds in comparison to those funded by equity investments.

This ratio is a crucial indicator as it reflects the company's leverage by illustrating the extent to which its capital is sourced from shareholder equity versus creditor debt. Both investors and creditors rely on this figure when making decisions about the firm's financial health. A higher DTAR suggests that a company has financed a significant portion of its assets through debt rather than equity financing. Additionally, a higher ratio indicates that the company is undertaking greater financial risk.

### **Current Ratio/ Liquidity and Stock market performance**

Liquidity refers to a company's capacity to meet its short-term financial obligations as they come due, utilizing all available current assets. A high level of liquidity typically indicates a strong financial position. Conversely, low liquidity can lead to an illiquid financial state.



However, excessive liquidity can also negatively impact a company's financial health, as it may signify an excess of current assets or indicate that a significant amount of funds are sitting idle (Puspitaningtyas, 2017; Puspitaningtyas & Kurniawan, 2012; Eliza, 2013; Ismail, 2016).

This study measures the level of liquidity using the current ratio, which is the ratio of current assets to current liabilities during a given period. This metric illustrates the company's ability to settle its current liabilities with the current assets it has on hand. A higher current ratio indicates a stronger capability to cover short-term liabilities, suggesting that the company is not facing liquidity issues. As the current ratio increases, the risk of the company failing to meet its short-term obligations decreases. Consequently, information indicating a favorable current ratio is likely to be recognized positively by the market, potentially leading to rising stock market performances due to increased demand for the company's shares.

### **Firm Growth and Stock market performance**

A company's growth rate reflects its ability to maintain or expand its position within the industry and economy. High growth rates can lead to excess earnings, as noted by various studies (Puspitaningtyas, 2015; Sitanggang, 2012).

This study measures growth using sales growth indicators, which represent the change in sales over a period. High sales growth, combined with cost efficiency, can lead to increased profits. Furthermore, high sales growth demonstrates a company's ability to meet its financial obligations, especially if it relies on debt financing (Kesuma, 2009).

Given the positive association between company success and sales growth, we predict a positive relationship between growth indicators and stock market performance proxy by stock market performances. This prediction aligns with the findings of studies by Deitiana (2011), Rahmandia (2012), Mahapsari & Taman (2013), Bailia et al. (2016), and Surya (2016). Moreover, sales growth serves as a measure of the company's success, stimulating stock market performance increases as market demand for the company's shares rises.

### **Theoretical Review**

#### **2.1 Signaling Theory**

Spence (1973) introduced the concept of signaling theory to address the issue of information asymmetry in the labor market. His theory suggests that effective communication between parties can mitigate problems associated with asymmetric information. This concept has also been applied to explain disclosures in corporate reporting (Ross, 1977). According to signaling theory, regulators are on the lookout for signals, with financial statement information serving as one of these signaling mechanisms. Companies prepare financial statements to convey to investors that they possess advantages over their competitors in the marketplace, aiming to attract investment and improve their reputation.

The signaling theory highlights the dynamics between two parties: those who possess information and those who signal to the market, utilizing that information. It aims to reduce the knowledge gap between the informed and uninformed. Companies leverage financial statement data to communicate with the market. A well-prepared financial statement serves as a credible source of information, fostering trust among investors and other stakeholders by demonstrating that the disclosed information is both transparent and reliable.

To enhance the quality of their financial statements, companies can implement internal control measures, train accounting personnel, and comply with tax and accounting regulations. Consequently, signaling theory provides insight into why investors respond effectively to accounting information disseminated by companies.

## 2.2 The Efficient Market Theory

An efficient market is one in which investors have access to the same information at any given time and can act on it in a uniform manner, ensuring that all information is reflected in the prices of securities. In such efficient markets, stock market performances are unpredictable, leading to random stock returns that generally align with a normal distribution. Markets are categorized into three levels of efficiency: (i) weak form efficiency, (ii) semi-strong form efficiency, and (iii) strong form efficiency.

Weak form efficiency assumes that current prices accurately reflect historical prices. In the case of semi-strong form efficiency, stock market performances incorporate all publicly available information, including details about profits, dividends, and management announcements. In a strongly efficient market, it becomes difficult to execute trading strategies based on insider information, as market prices already account for such data (Malkiel & Fama, 1970).

When accounting information released by a company influences its share price, the market is semi-strong form efficient. According to Ohlson (1995), stock values are derived from two accounting metrics: book value per share and earnings per share.

## 2.3 Empirical

Arkan (2016), using data from 2005 to 2015 in his study on Earnings per Share: A Leading Indicator for Stock Performance, aimed to analyse the significance of EPS as a benchmark for assessing company profitability within growth-orientated markets using regression analysis and found that EPS is a critical indicator for investors, positively correlating with firm value in growth contexts.

Jones and Smith (2021), through a comparative study titled sector-specific analysis of EPS and market performance, analysed industry-specific data from 2010 to 2020 and found that while EPS serves as a stronger predictor in technology sectors due to higher earnings volatility, its significance diminishes in stable industries like utilities.

Lee and Robinson (2022) investigated high-growth industries in their study titled High-Growth Industries and the De-emphasis of Book Value, covering the period from 2015 to 2021 and utilising qualitative case studies to reveal that market performance in this sector relies less on book value, given that investors increasingly prioritise intangible factors such as brand equity and innovation.

Black and Scholes (2021), in their study titled Dividends: A Gauge of Financial Health, aimed to analyse DPS's role in shaping investor perceptions of corporate stability by examining dividend data from 250 firms between 2005 and 2020, revealing that consistent or increasing dividends correlate with enhanced investor trust and stock price stability. In contrast, Dutta et al. (2021), through a study titled Dividend Policies in High-Growth Firms: Are They Always Beneficial? covering data from 2005 to 2020, suggested that in high-growth firms, dividend

policies do not directly impact stock prices because investors tend to focus more on potential capital gains from reinvestment rather than dividend income.

Rajan and Zingales (2020) conducted a comprehensive study titled *Leverage and Risk: Analysing Corporate Debt in Economic Cycles*, covering data from 2000 to 2018, and utilised panel data analysis of 350 firms to conclude that high leverage enhances returns during economic expansions but significantly increases financial risk during downturns. More recently, Anderson and Lewis (2023) investigated the implications of debt levels in their study titled *Investors' Perception of Risk in High-Debt Firms*, covering the years 2015 to 2022 via a qualitative approach, revealing that investors are inclined to penalise firms with high debt levels during market volatility in favour of companies with conservative leverage ratios that reflect lower risk exposure.

Johnson (2022), in *The Importance of Liquidity in Stock Valuation*, analysed historical corporate data from 2005 to 2021 and found that robust liquidity metrics correlate with enhanced stock prices in stable economic times, reinforcing the value of healthy current ratios on market performance. However, Chen and Zhao (2023) explored potential downsides of liquidity in their study of the impact of excess liquidity on market performance, utilising data from 2020 to 2023 involving tech firms to reveal that excessively high current ratios could imply mismanagement or inefficient capital allocations, negatively impacting stock valuations in asset-light industries.

Berenson and Kim (2023) in their study *Market Behaviour and Growth Metrics* used a dataset from 2012 to 2022 and found that sustained growth leads to increased stock prices, affirming that investor favour firms demonstrating scalable opportunities for market expansion. However, in their cautionary study titled *The Risks of Growth Without Profitability*, Callaghan and White (2022) covered the volatile biotechnology sector from 2018 to 2022, using case studies to highlight that growth without accompanying profitability can adversely affect stock performance, as investors often become sceptical of firms' long-term potential in such scenarios.

### Summary and Gap

Most studies across the examined topics utilize regression models, multivariate analyses, event studies, and time-series analyses to assess various financial metrics' impact on stock performance, with common limitations including sector-specific biases, short-term data ranges, and the exclusion of certain firm types that may skew results.

## 3.0 Methodology

### Research Design

This study adopted the *ex-post facto* research design to assess the relationship between financial accounting details and stock market performance in Nigeria. The choice of this design is premised on the nature of the data (pre-existing data) used for the study. The population for this study comprised fourteen (14) insurance firms listed on the Nigerian Exchange Group between 2013 - 2022.

### Data Analysis Techniques



In this study, the data analysis was analysed using correlation and multiple regression analysis. This data analysis technique is effective in examining the relationship between the dependent variable (stock market performance) and the independent variables or predictors financial accounting details (earning per share, Book value per share, dividend per share, debt to total assets, current ratio, firm growth (Vijitha & Nimalathasan, 2014; Modi 2014; Oshodin & Chijoke, 2014). All analyses were performed using the E-view 9.

Price indices are fundamentally used to obtain an under-standing about the directions and the movement of the stock market. All share price index or ASPI is one of such indices in the stock market. Stock market performance was measured using the (Share Price Index- ASPI). ASPI was explained using four independent variables namely market price earnings ratio (PER), market capitalization (MC), shares traded equity (STE) and market dividend yield (DY). Market price earnings ratio is the ratio between market value per share and earnings per share.

$$\text{Share Price Index} = \frac{\text{Market capitalization of all insurance share price index}}{\text{Base market capitalization}} * 100$$

Note: Share Price Index means the share price index for insurance firms.

Market capitalization is the indicator for the size of the stock market. It is calculated as follows.

$$\text{Market price earnings ratio} = \frac{\text{Market value per share}}{\text{Earnings per share}}$$

$$\text{MC} = \text{Current market price of a share} * \text{Total number of outstanding shares}$$

Dividend yield is the ratio between annual dividend and share price as calculated by Baker, Dewasiri, Weerakoon, and Azeez (2019).

$$\text{Dividend yield} = \frac{\text{Annual dividend}}{\text{Share price}}$$

### Model

The following model was developed for the variables:

$$\text{SPI}_{it} = B_0 + B_1\text{EPS}_{it} + B_2\text{BVPS}_{it} + B_3\text{DPS}_{it} + B_4\text{DTA}_{it} + B_5\text{CRA}_{it} + B_6\text{FGR}_{it} + \mu$$

Where:

SPI = Share price Index

EPS = Earnings per share

BVPS = Book value per share

DPS = Dividend per share

DTA = Debt to total assets

CRA = Current Ratio (proxy for liquidity)

FGR = Firms Growth

t = time series; i= cross section;  $\mu$  = represents error term; Bo = regression intercept.

b1, b2, --- b6 = regression coefficients.

#### 4.0 Data Analysis and Interpretation

The hypotheses were tested using the multiple regression, however, some preliminary analysis such as descriptive statistics, correlation analyses were carried out.

##### 4.1 Descriptive Statistics

	SPI	EPS	BVPS	DPS	FGR	DTA	CRA
Mean	0.489087	0.804730	0.454617	14.50719	31.51853	7.531430	7.274159
Median	0.051600	0.888500	0.431500	1.030000	7.450000	8.030000	7.910000
Maximum	110.0419	1.826300	1.504600	24.60480	40.30187	10.72000	11.35000
Minimum	0.373400	-0.209900	0.248100	4.660000	7.181835	0.110000	0.000000
Std. Dev.	6.916097	0.335679	0.291670	162.3364	4565.800	2.185373	2.079610
Skewness	15.80295	-0.518503	0.262088	14.04269	15.32166	-0.976563	-0.799077
Kurtosis	250.8241	3.920310	2.577828	207.4672	239.7544	3.936470	3.741170
Jarque-Bera	657965.7	20.26478	4.775260	449029.1	600787.1	49.45811	32.71529
Probability	0.000000	0.000040	0.091847	0.000000	0.000000	0.000000	0.000000
Sum	123.7389	203.5968	115.0182	3670.320	-79741.87	1905.452	1840.362
Sum Sq. Dev.	12053.77	28.39552	21.43799	6640985.	5.25E+09	1203.516	1089.844
Observations	139	139	139	139	139	139	139

Source: Descriptive Statistics Result Using e-view 8

The descriptive statistics result shows that on the average the Insurance company used in the study has positive stock market performance on the average (0.489) within the period under study. The difference between the mean performance value, maximum value (110.0) and minimum value (0.373) shows that some of the insurance company's has low share performance incurred losses within the under review.

##### 4.2 Correlation Analysis.

In examining the relationship that exist among the variables and check for the presence of multi-colinearity, the study employed the spearman rank correlation, and the results are presented in table 4.2

**Table 4.2 Pearson Correlation coefficient analysis**

	SPI	EPS	BVPS	DPS	FGR	DTA	CRA
SPI	1.000000						
EPS	0.025262	1.000000					
BVPS	0.070234	0.045799	1.000000				
DPS	-0.006170	-0.087782	0.079430	1.000000			
FGR	0.003952	-0.008413	0.086287	0.006696	1.000000		
DTA	0.082439	0.156060	0.197879	0.046593	0.012048	1.000000	
CRA	0.088630	0.133354	0.350632	-0.036823	0.012797	0.716353	1.000000

Source: Correlation analysis result using e-view 9.

The result shows that insurance sector's stock performance has positive association with earning per share (SPI 0.025), Book value per share (SPI 0.07) firm growth (SPI 0.04), debt to total assets (SPI 0.08) and current ratio (SPI 0.08) but negatively associated with dividend per share. The positive association reveals that increase in the value of those variable will lead to better market performance. The correlation result shows that no two variables were perfectly correlated using the 75% association benchmark. This shows the absence of multi-colinearity among the variables used in the study.

### 4.3 Hypothesis testing

#### Decision rule for Husmann effect test:

Ho – random effect is preferable

H1 – fixed effect is preferable

Probability value if less than 10 – rejects Ho and accepts H1

Probability value if greater than 10 – accepts Ho and rejects H1.

#### Fixed and Random Effect Test

The summary result of hausman effect test of the stock performance model used in the study.

Table 4.3.1 **Correlated Random Effects - Hausman Test**

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	2.411425	7	0.9336

Source: Summary of hausman effect test result (2024) from e-view 9

The effect test result shows a chi-square statistic value of 2.411 and probability value 0.9336, the chi-square probability value is above 10 percent. Based on the result, the study accepts the random effect and rejects the fixed effect. The study therefore used the random effect to correct the problem of heterogeneity in the data used for the study. Table 4.4 below is the regression result adjusted for random effect.

### 4.4 Regression analysis result

Below is the analysis of stock market performance model. The detail of the result is in table 6 under the appendix.

**Table 4.3.4 SPI: Cross-Section Random Effects Test Equation:**

Cross-section random effects test equation:

Dependent Variable: SPI

Method: Panel Least Squares

Date: 08/27/24 Time: 00:19

Sample: 2013 2022

Periods included: 10

Cross-sections included: 14

Total panel (unbalanced) observations: 139

Variable	Coefficient	Std. Error	t-Statistic	Prob.
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C	12.92123	3.447218	3.748344	0.0087
EPS	0.551475	0.258744	2.131354	0.0304
BVPS	0.815447	2.234927	0.364865	0.7156
DPS	0.754303	0.112973	6.676843	0.0000
FGR	5.64E-06	0.000103	0.054685	0.9564
DTA	0.690438	0.360692	1.914204	0.0864
CRA	0.264837	0.053241	4.974306	0.0000

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.492639	Mean dependent var	0.489087
Adjusted R-squared	0.445477	S.D. dependent var	6.916097
S.E. of regression	7.018993	Akaike info criterion	6.849464
Sum squared resid	10937.11	Schwarz criterion	7.282409
Log likelihood	-835.4572	Hannan-Quinn criter.	7.023652
F-statistic	7.755522	Durbin-Watson stat	1.744194
Prob(F-statistic)	0.008681		

Source: Regression result from e-view 9

The analysis result of the stock market performance model shows an R-sq of 0.49 and R-sq (adj) 0.42 respectively. The R-squared adjusted value of 0.43 (43%) indicates that corporate attributes can explain about 43 percent of changes in the level of stock market performance among Insurance companies in Nigeria. That is, about 43% changes in stock market performance among Insurance companies in Nigeria can be attributable to the corporate attributes. The F-statistics value of 7.76, and its probability value of 0.00, shows that the stock market performance regression model used is well specified and the specification is statistically significant at 1% levels.

**Earnings per share and Stock market performance:** the result shows that earning per share has positive and significant effect on the market performance of insurance firms in Nigeria. This means the higher the earning per share declared by insurance firms the better their market performance. This finding is in line with the findings from the study of Khanna (2014) and Ghosh, and Ghosh (2015) which found a positive association between earnings per share and market price per share and also similar to the finding from a similar study by Vijitha, and Nimalathasan (2014) who found a positive earnings per share as a value relevance to stock market price.

**Book Value Per Share and Stock market performance:** The analysis result shows that book value per share has positive effect on the market share performance of insurance, but the effect is statistically insignificant to drive a major change in the market performance of the shares. Despite the positive effect, its not strong to cause a major change to the market price of insurance companies. This finding is like the findings from the study of Meena and Mwila (2019) Ghosh, and Ghosh (2015) which found a positive but insignificant association between book value per share and market price per share.

**Dividend per share and Stock market performance:** The result shows that dividend per share has positive and significant effect on the market performance of insurance firms in Nigeria. This means the higher the dividend per share declared by insurance firms the better their share market performance. This finding is in line with the findings from the study of Ifeoma, Leonard and Friday (2022) which found a positive association between dividend per share and share market performance.

**Firm Growth and Stock market performance:** The result shows that firm growth has weak positive effect on the market share performance of insurance, but the effect is statistically insignificant to drive a significant change in the market performance of the shares. Though firm growth positively affects the market performance of shares, its effect is not significant on the market performance of insurance companies. This finding is like the findings from the study of Zarah (2017) which found a positive but insignificant association between book value per share and market price per share but contrary to the findings from the study by Surya (2016) who found a positive significant association between firm growth and market price per share.

**Debt to assets ratio and Stock market performance:** The result shows that debt to assets ratio has positive and significant effect on the market performance of insurance firms in Nigeria. This means the higher the debt to assets ratio by insurance firms the better their market share performance. This finding is in line with the findings from the study of Modi, and Pathak, (2014) which found a positive association between debt to assets ratio and market share performance.

**Current ratio and Stock market performance:** The result shows that current ratio has positive and significant effect on the market performance of insurance firms in Nigeria. This means the higher the current ratio by insurance firms the better their market share performance. This finding is in line with the findings from the study of Malik and Ali (2013) which found a positive association between current ratio and market share performance and like the finding from a similar study by Zarah (2017) who found a positive current ratio as a value relevance to stock market performance.

### **Summary of findings**

The stock market performance analysis among insurance companies in Nigeria, reveals that corporate attributes explain approximately 43% of market performance changes, with a statistically significant model (F-statistics = 7.76,  $p = 0.00$ ), where earnings per share and dividend per share demonstrate positive and significant effects, indicating that higher declarations lead to improved market performance; in contrast, the book value per share presents a positive but statistically insignificant impact, while firm growth shows a weak and insignificant positive effect; however, both the debt-to-assets ratio and current ratio exhibit positive and significant correlations with market performance, aligning with previous studies that highlight the importance of these financial indicators in assessing stock performance.

### **CONCLUSION AND RECOMMENDATION**

The findings of this study establish empirical evidence regarding the effect of accounting information details contained in financial statements on the stock market performance of insurance companies listed on the Nigerian Exchange Group from 2013 to 2022. These characteristics include the earnings per share, book value per share, Dividend per share, debt



to total assets, firm growth, and the current ratio. Contrary to prevalent opinion that accounting information about businesses is irrelevant to investors in the Nigerian stock market, this study presents empirical evidence that accounting information variables do influence market stock performance.

Thus, the researcher suggests the following recommendation that there should be adequate and proper regulation of accounting reported by relevant capital market authorities, increased investors awareness through increased knowledge of financial analysis, reassurance of safeguard of investment by the Nigerian Government, better accounting information disclosure and improved and quality financial reporting and ethical standards in the preparation and presentation of accounting information. Also, firms should comply with the relevant accounting standards in disclosing information in financial statements, within the prescribed time. The full disclosure and timely financial statements, audit reports, the report of the board of directors will create confidence for investors on transparency in information disclosure, is a good signal to attract investors. The firms need to publish financial statements on time, because investors are very interested and have a great influence on investment decisions currently.

#### Gaps and Future Research

Future research should focus on the role of financial metrics like EPS and BVPS in emerging markets, the evolving significance of DPS in tech firms, the effects of leverage across different economic cycles, the combined impact of liquidity metrics and profitability, and the influence of intangible assets on growth in knowledge-driven industries, while also considering longitudinal studies for more comprehensive insights.

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