

IMPACT OF FINANCIAL PERFORMANCE ON SHARE PRICE OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

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Abstract: This study was set to examine the impact of financial performance on share prices of listed deposit money banks in Nigeria with specific objective centered on the impact of operating profit margin, net interest margin and earning per share on share prices. The scope of the study is 2010-2023 period and a sample of nine out of the fourteen listed deposit money banks as at 2023 was used. Data for the study was generated from the financial statements of the deposit money banks and investing.com data base. EvIEWS 12 Software was used for data analysis using panel data analysis model. Results of analysis showed that OPM as a measure of profitability, and by extension performance, negatively and significantly impacted on share price of listed commercial banks in Nigeria during the scope of this study. While NIM and EPS have positive and statistically significant influence on share price, NIM has a fairly strong positive relationship with share price but EPS has a low positive relationship. It is recommended that investors should not use OPM to make their investment decision while NIM and EPS ratios should be used in their investment decisions in deposit money banks in Nigeria as this study has revealed that they significantly impact stock prices.

Keywords: Financial performance, profitability, share price, operating profit margin, net interest margin, earnings per share

INTRODUCTION

Profitability as an important element of financial performance is considered essential for the survival and long-term growth of business organizations. Hence, it a primary measure of financial performance and prospects of an entity. Stakeholders including actual and potential investors, management, creditors, employees, the Government and regulatory bodies, tax authorities and the general public are interested in the financial performance of an organization for various purposes.

Ownership of a company is expressed in shares also known as stock and the capital market of any country provides a trading platform for shares of listed companies. Stock exchanges are the marketplaces where buyers and sellers

trade stocks and other securities. The Nigerian Stock Exchange being the central part of the Capital market and the pivot around which every activity revolves, provides the trading platform in which Securities such as shares, stocks, government bonds, debentures, futures, options and other derivatives are being transacted (Obaka, 2012). Stock prices reflect the expectations of earnings, dividends, and interest rates (Yahyazadehfard & Babaie, 2012). According to Reilly & Brown (2011), an investor's stock price decisions reflect their expectations about future movements and not current activity because he/she tries to evaluate future variables. But then the future is uncertain. Prediction of future events is largely based on the analysis of the past and present results. In the market place, forces of demand and supply determine the prices of securities, all things being equal. However, according to Malaolu, Ogbuafor and Orji (2013), any change in demand and supply, both of which can change at different rates causes fluctuation in share prices. If demand for a stock rises, its price tends to rise. An increase in supply lowers the stock price. Demand and supply are however related to other factors. Following this is the wide belief that there is a positive correlation between a company's share price and its profitability. In principle, the better the company's financial performance, the more demand for the company's shares will increase, thus increasing the company's stock price (Milosevic-Avdalovic & Milenkovic, 2017) as cited by Dwiyanthi, Husna & Handayan (2021).

In practice, however, stock prices are uncertain and likely to swing. This is evident in the daily trading activities of any particular listed stock where prices are shown at various levels such as opening price, closing price, high price, low price etc. This uncertainty in predicting stock prices accurately has brought the need for investors to device strategies of analyzing stocks with a view to reducing or minimizing the risk of losses due to price fluctuations. One of these strategies is to analyze the firm's past financial performance so as to provide a guide to its likely future performance. Ratio analysis is the tool used to analyze quantitative and financial data of organization to generate relevant information for decision making. In this study, the ratios depicting profitability performance are used which include operating profit margin (OPM), Net Interest Margin (NIM) and Earnings per Share (EPS)

For the purpose of this paper, profitability as it affects the market price of stock of listed commercial banks in Nigeria is considered and nine (9) out of the fourteen (14) listed commercial bank in the Nigeria Stock Exchange as at 31st March 2023 were used in the study.

The purpose is to further expose any possible relationship existing between the variables of profitability and stock price so as to add to knowledge on the subject. The result will further guide and assist investors to know how useful a company's performance may be in developing their investment strategies.

Objectives of the Study

The aim of this study is to determine the impact performance on the share prices of listed commercial banks in Nigeria. Specific objectives are summarized below:

1. To analyse the impact of Operating profit margin (OPM) on share price
2. To establish the influence of Net Interest Margin (NIM) on share price
3. To determine how Earnings per Share (EPS) affect share price

Research questions and hypothesis was derived from the objectives

REVIEW OF LITERATURE

Conceptual Review

The concept Profitability

Profitability is the ability of an organization to utilize its resources in such a way that it can generate more income than expenses. Profitability is a measure of how efficiently a business converts its resources into increased net worth for its owners. Profitability can also be described as the ability to gain returns from resources available in

a given investment (Kang, Lee & Huh, 2010). Profitability According to [Sartono, 2010] is the ability of the company earns a profit in its influence by sales, total assets, as well as its capital. Firms are usually categorized as profit making organisations and non- profit-making organisations. Non-profit making organisation are formed for purpose of meeting some objectives which differs from making profit and such objectives include charity, religion and social activities just to mention a few. On the other hand, making profit is the core objective of profit-making organisations and this is the only reason such firms would be liquidated if they are not making sufficient profit to sustain the business (Otekunrin et al, 2019). Profitability can be measured in absolute naira amount which is simply revenue minus expenses. But usually, it is more meaningfully expressed in relative terms called ratios. Profitability ratios are financial benchmarks used to measure and evaluate the company's ability to generate income related to revenues, balance sheet assets, operating cost and shareholders' equity within a specific period of time (CFI Education, 2015, Lesakova, 2007). These ratios are accounting metrics to measure profitability. Ratios largely used by researchers to measure profitability include Return on Assets (ROA), Return on Equity (ROE) and Return on Investment (ROI) (Otekunrin et al., 2018). However, for this study, the researcher has analysed other ratios especially important in measuring profitability performance of banks. These are Operating profit margin (OPM), Net Interest Margin (NIM). Additionally, Earnings per Share (EPS) was also included in the study, as it is considered relevant in evaluating equity investments.

Operating Profit Margin (OPM)

According to Manglik and Goyal (2016), Operating profit margin is a comparison between operating profit and sales. The operating profit margin is a ratio that describes what is usually called the pure profit received for every naira of sales made. Operating Profit Margin = Net Profit Before tax divided by sales(turnover) or total revenue in the case of a bank

Net Interest Margin (NIM)

This is one indicator of a bank's profitability and growth. It is a key indicator that measures the bank's capacity to generate interest income by taking into account the efficiency of the bank to disburse loan, given that the operational income of banks is highly dependent on the difference between interests and credit disbursed (Mahardian, 2008). Net interest margin shows the amount of money a bank earns in interest on loans compared to the amount it paid on deposits. According to Saksonova (2014), net interest margin is the most appropriate criterion for evaluating the effectiveness and stability of banks' operations. It is superior to the return on assets in illustrating how successfully a bank manages its interest-bearing assets. Nim is a necessary indicator for banking sector's effectiveness. It reflects the cost of conducting intermediation as well as the healthiness of banking sector (S.S & Raje, 2019) cited in (Setiawan & Wisna, 2021).

Earnings per share (EPS)

Islam et al. (2014) stated that the term earnings per share (EPS) represents the portion of a company's earnings, net of taxes and preferred stock dividends, that is allocated to each share of common stock. The figure can be calculated simply by dividing net income earned in a given reporting period (usually quarterly or annually) by the total number of shares outstanding during the same term. Because the number of shares outstanding can fluctuate, a weighted average is typically used (Besely 2006, P.20)

Concept of Stock (share) Price

Stock, also known as share is a unit of investment in a company's equity stake. Share price is the price of one share in various saleable stocks of a firm. Share price indicates reputation of the companies listed in stock

exchanges (Stierwald, 2009). According to Wikipedia, a share price is the price of a single share of a company. Share price is the monetary value for which a particular share is traded at the floor of the Nigerian Stock Exchange (NSE) at a particular point in time number of saleable equity shares of a company. In layman's terms, the stock price is the highest amount someone is willing to pay for the stock, or the lowest amount that it can be bought for. According to [Fahmi, 2016] shares (stock) is proof of a statement of ownership of capital/funds in a company that is ready to be sold, followed by rights and obligations explained to each holder. In [Brealey, 2008], the share price is the value of a company which summarizes the collective assessment of investors about how well a company is, both current performance and prospects.

Stock prices can be determined by various, both internal and external, factors. The internal factor is related to company's performance (mostly financial but sometimes non-financial), capital structure, company value, the prospect of a company in the future and so on. Internal factors can be changed, controlled and perfected by the company so it is expected to provide benefits for the shareholders. On the other hand, external factors include the overall economic conditions, monetary and fiscal policies such as inflation, interest rates (Subing & Kusumah, 2017). Overall economic conditions are not restricted to national factors but also includes international economic forces that determine the global economic performance like oil prices, technological factors, global financial system and energy crisis could influence the stock exchange and share prices. However, study shows that book or investment ratios are the main determinants of share price for firms (Musah & Aryeetey, 2021), (Jeroh & Okoro, 2015). According to Almashaqbah et.al (2021), "Some of the factors affecting share prices can be generalized to both developed and developing economies. Some studies have concluded that company fundamentals such as institutional factors and the nature of the firm or business are major factors that affect stock prices". "However, other studies indicated that firm's boundaries, organization, governance, ownership pattern, auditing, and value relevance of accounting information is the most influencing factors of stock prices". Again, the forces of demand and supply of stock in the financial market is a determinant of the price per time.

Theoretical Review

The Shareholder Theory

This study was anchored on Shareholder's theory. The theory is also referred to as shareholder's Value theory or the Friedman Doctrine. According to O'Connell and Ward (2020), Shareholder theory states that the primary objective of management is to maximize shareholder value. This objective ranks in front of the interests of other corporate stakeholders, such as employees, suppliers, customers and society. Shareholder theory argues that shareholders are the ultimate owners of a company's assets and thus, the priority for managers and boards is to protect and grow these assets for the benefit of shareholders. Shareholder theory assumes that shareholders value corporate assets with two measurable metrics, dividends and share price. Therefore, management should make decisions that maximise the combined value of dividends and share price increases. This theory has been criticised because it suggests that shareholders and potential shareholders are not only interested in financial gains but are also interested in corporates being socially responsible (Kyriakou, 2018). It would seem, therefore, that shareholder value creation is important, however, needs to be balanced with other stakeholders' interests. This is referred to as an enlightened approach to shareholder value maximization. However, in 1970 American economist Milton Friedman wrote a New York Times essay titled "A Friedman Doctrine: The Social Responsibility of Business is to Increase Its Profits." He argues that the main responsibility of a business is to maximise their revenue and increase returns to shareholders. Friedman posited that no company is obligated to engage in social

responsibility unless the shareholders choose to. The core tenant of the doctrine is that business decisions should always be made with the financial interests of shareholders in mind first and foremost. Milton Friedman in 2016 referred to shareholder theory as “the biggest idea in business”, stating that “shareholder value rules business.”

Empirical Review

In Jacob et.al (2023), their study assessed the announcement of accounting performance variable predictory power on share prices of listed Deposit Money Banks (DMB) in Nigeria. The study adopted an ex-post facto research design using return on equity, return on assets, price-earnings ratio, and earnings per share as independent variables and share prices as the dependent variable. A sample of 12 Deposit Money Banks quoted on the Nigerian Exchange Group was selected between the years 2012 to 2021. Panel data methodology was adopted because it combines time series and cross-sectional data. The methods of data analysis were descriptive statistics, correlation, and regression techniques. The results disclosed that the shares market price of DMBs and accounting performance indicators (ROE, ROA, EPS PER) are related in the long run.

Dwiyanthi et. al (2021) in their study “The Influence of Financial Ratios on Share Prices (Case Studies on Property & Real estate Companies in the Construction and Building Sub-Sector Listed on the Indonesia Stock Exchange)” which covered 2016-2019 period; using the ratio of profitability, liquidity, and solvency conducted multiple linear regression analysis on the SPSS program. Eight (8) listed companies served as the sample. The study examines whether Current Ratio (CR), Return on Asset (ROA), Return On Equity (ROE), Net Profit Margin (NPM), and Operating Profit Margin (OPM) can affect stock prices in companies. The results of hypothesis testing using multiple linear regression shows that the current ratio (CR) has no significant effect on stock prices, Return on Assets (ROA) has a significant effect on stock prices, Return on Equity (ROE) has a significant effect on stock prices, Net Profit Margin (NPM) has no significant effect on stock prices and Operating Profit Margin (OPM) does not have a significant effect on stock prices.

In Komang and Artini (2022) in the study of the Effect of Financial Performance on Stock Prices of Automotive and Component Sub Sector Companies in the Indonesia Stock Exchange used the automotive and component sub-sector companies on the Indonesia Stock Exchange as sample with 60 data points. The analysis technique used is multiple linear regression. The results show that Return on Assets (ROA) has a positive effect on stock prices of companies in the automotive and component sub-sectors on the Indonesian stock exchange.

Alaagam (2019) studied the Relationship between Profitability and Stock Prices: Evidence from the Saudi Banking Sector. The study examined whether there is a relationship between the profitability ratios; measured by Net Profit Margin (NPM), Return on Assets (ROA), and Return on Equity (ROE), and the stock market prices of listed banks in Saudi Arabia, Quarterly profitability of the selected banks and stock prices data during 2011 to 2018 were analyzed by panel data regression modeling techniques. Autoregressive Distributed Lag (ARDL) model was used, the results of which implied that there is no long-term relationship between profitability and stock prices, while there is a positive significant association between ROA and stock prices in short-term. According to the study, “the relationship between stock returns and publicly available information has attracted considerable interest in many literatures over the past decades. Many studies have dealt with the factors that affect stock prices in the market in general or those related to the performance as measured by financial ratios.

Salim (2021) The Influence of Cash Flow and Profit on Stock Price cited that Profit variables have a positive and significant effect on stock prices in food and beverage companies on the Indonesian Stock Exchange from 2007 to 2011, and from 2015 to 2017. The sample in their study was a manufacturing business that went public and

was listed on the Indonesia Stock Exchange between 2018 and 2019, According to hypothesis testing, cash flow and net income positively and significantly affect stock prices. According to the F-test results, the probability value of the cash flow and net income variables suggests a positive and strong association between cash flow and net income and stock prices; the better the cash flow and the higher the net income, the higher the stock prices of manufacturing businesses listed on the Indonesian Stock Exchange in 2018-2019. According to the results of the determination, the stock price is controlled by 65.9 percent of the variables of profitability and cashflow with the remainder influenced by other variables.

Lartey et. al (2013) performed a study titled “The Relationship between Net Interest Margin and Return on Assets of Listed Banks in Ghana” to find out the trends of Net Interest Margin (NIM) and Return on Assets (ROA) and also to find out the relationship between the NIM and the ROA of the listed banks in Ghana, considering the period 2005-2011. Seven out of the nine listed banks were considered for the study. Trend analysis was used to find the trend of NIM and ROA of the listed banks. Regression and correlation analyses were used to find the relationship and the strength thereof between NIM and the ROA. It was concluded that When Net Interest Margin decreases, Return on Assets (Profitability) decreases; and vice versa.

Similarly, Nadyayani & Suarjaya (2021) in their study “the effect of profitability on stock return” examined the effect of Return on Assets (ROA), Return on Equity (ROE) and Net Profit Margin (NPM) on stock returns of manufacturing companies in the Indonesia Stock Exchange for 2017-2019. Total population of 105 companies with the method of determining the sample random sampling obtained a sample of 83 companies. It is found that ROA, ROE and NPM simultaneously have a significant positive effect on stock returns. Although the effect of their study was on stock return, but by extension it reflects on stock value and ultimately on stock price.

Furthermore, Otekunrin,et. al (2019) Current Market Price of Share Capital and Profitability of Selected Firms on Nigerian Stock Exchange investigates the relationship of profitability of selected firm s (proxied by Return on Asset, Return on Equity and Return on Investment Ratios) to Current Market Share Price. Secondary data used were obtained from annual reports of 18 selected quoted firms in Agriculture and Agro-Allied sector on Nigeria Stock Exchange from 2012 to 2016. Multiple regression analysis and descriptive statistics was used study the relationship between independent (i.e. profitability ratios proxied by Return on Asset, Return on Equity and Return on Investment Ratios) and dependent variables (proxied by shares price). The study found there is positive and significant between Current Market Share Price and profitability together and also found there is positive and significant between Current Market Price of Share Capital and profitability separately. These findings demonstrate the importance of profitability in influencing share price in Nigerian banks.

Onibiyo et. al (2022) studied the Effect of financial performance indicators on share price of listed commercial banks in Nigeria. This study investigates effect of financial performance indicators on share prices of the thirteen listed commercial banks in Nigeria within the periods of 2010 to 2020. Net interest margin, economic valued added and free cash flow are the exogenous variables that proxy financial performance indicators. Study employs panel ordinary least squares because of the homogeneity nature of the cross sectional and time series data under observation. Panel Least Square method was adopted and the Hausman test suggested random effect testing. Findings revealed that while Free Cash flow has a positive significant effect, both economic value added and net interest margin have negative significant effect on share prices of listed money deposit banks in Nigeria.

Summary of review

Majority of previous studies used variables such as Return on Asset (ROA), Return on Equity (ROE) and Return on Investment (ROI) in their analysis of the relationship between financial performance and share price whiles others tested earnings yield, return on total asset, dividend yield and dividends per share as proxies for profitability. This study, however, fills the gap by including Operating profit margin (OPM), Net Interest Margin (NIM) which are specifically very important for evaluating the performance of banks

METHODOLOGY

Research Design

The ex-post facto research design was adopted which enabled the researcher to make use of secondary data of listed Deposit Money Banks in Nigeria for a thirteen-year period from 2010 to 2023. The study employed secondary panel data (cross sectional data over a period of thirteen years) of sampled commercial banks in Nigeria for the period 2010 to 2023. Share prices data was collected from historical share price database for the study period while profitability data was obtained from audited and published annual reports the nine banks for the period 2010-2023. Data for share price used is average monthly closing price of each year for the study period. This was adopted as a better representativeness of the share price performance in the Stock Exchange. The population of study is the total number of listed Deposit Money Banks in the Nigeria Stock Exchange (NSE) as at April 2023. There were fourteen (14) listed Deposit Money Banks that form the population according to NSE report. These include both the old generation and new generation Deposit Money Banks.

A sample of first nine (9) highest ranking banks made up of old and new generation banks and cumulatively representing over 91% of total assets of all listed Deposit Money Banks in NSE at the time was purposively selected. This method was adopted solely to obtain a sample based on relevant criterion and that is representative of the population to ensure that this study arrives at valid conclusions. The sample include Access Bank, First Bank of Nigeria, First City Monument Bank, Fidelity Bank, Guaranty Trust bank, StanbicIBTC bank, Sterling Bank, United bank for Africa and Zenith Bank. However, according to Nairametrics, Ecobank was not included in the ranking because of its Pan-African status.

Method of Data Analysis

Data analysis was carried out using Eviews 12 software. Panel data Regression model was used for data analysis. This choice was informed by the capacity of the software to efficiently handle cross-sectional and time series modelling. 5% (0.05) level of significance was adopted and relevant degrees of freedom.

Model Specification

$$\text{SHARE PRICE (SP)} = \lambda_0 + \lambda_1\text{OPM} + \lambda_2\text{NIM} + \lambda_3\text{EPS} + \mu$$

Where:

λ_0 = Intercept of the regression line. It depicts the level of share price at zero.

$\lambda_i (1, 2,)$ = coefficient or of weights of the components of profitability.

OPM = Operating Profit Margin

NIM = Net Interest Income.

EPS = Earnings per Share

μ = stochastic variable to accommodate the influence of other variables not included in the model.

Operationalization of Variables

Table 1: Operationalization of variables

Variables	Notation	Measurements	Sources
		<i>Dependent variable:</i>	
Share Price	SP	Share price is the average monetary value of a share of deposit money banks traded at the floor of the Nigerian Stock Exchange (NSE) at a particular point in time	(Stierwald, 2009), (Fahmi, 2016)
		<i>Independent Variables:</i>	
Operating Profit Margin	OPM	The operating profit margin is a ratio that describes what is usually called the pure profit received for every naira of sales made. $\text{OPM} = \frac{\text{Net Profit Before tax}}{\text{total revenue}}$	Manglik and Goyal (2016)
Net interest margin	NIM	Net interest margin shows the amount of money a bank earns in interest on loans compared to the amount it paid on deposits, $\text{NPM} = \frac{\text{Interest Income} - \text{Interest Expenses}}{\text{Average total asset}}$	(S.S & Raje, 2019), (Setiawan & Wisna, 2021)
Earnings per share	EPS	Earnings per share (EPS) represents the portion of a company's earnings, net of taxes and preferred stock dividends, that is allocated to each share of common stock. $\text{EPS} = \frac{\text{Net profit after tax} - \text{preferred dividends}}{\text{Number of shares}}$	(Islam et.al,2014), (Besely, 2006)

Source: Author's compilation 2024

Dependent Variable Stock price (SP) was measured using weekly market price per share average of each of the years.

Data Analysis and Results

Table 2: Descriptive Statistics

	EPS	NIM	OPM	SP
Mean	2.402308	0.047313	0.173302	7.911964
Median	2.140000	0.045808	0.181253	8.376364
Maximum	4.450000	0.084524	0.236912	10.40583
Minimum	0.440000	6.94E-05	0.000216	5.090833
Std. Dev.	1.099199	0.020619	0.060654	1.542975
Skewness	0.451944	-0.319290	-1.647375	-0.287458
Kurtosis	2.680935	3.529189	5.589383	2.284138
Jarque-Bera	1.990770	1.490286	38.04727	1.826469
Probability	0.369581	0.474666	0.000000	0.401224
Sum	124.9200	2.460299	9.011715	411.4221
Sum Sq. Dev.	61.62012	0.021683	0.187623	121.4193
Observations	52	52	52	52

Source: Eviews 12 Descriptive Output 2024

Interpretation of Descriptive Statistics

Descriptive statistics are presented on table 3 above and revealed that the mean share price(SP) of the sample is 7.91; the maximum and minimum value are 10.40 and 5.09 respectively with standard deviation of 1.54. The average Operating profit Margin (OPM) is 0.17 (17%), maximum is 0.23 (23%) and minimum is 0.00(<1%) with a standard deviation of 0.06. As for the net interest margin (NIM), the maximum and minimum value are 0.08 (8%) and 0.0006 (<1%) respectively with standard deviation of 0.02. The average Earning per share (EPS) is 2.40, maximum is 4.45 and minimum is 0.44 with a standard deviation of 1.09.

Skewness is the measure of asymmetry of the probability distribution of random variable about the mean. It is shown on table 2, EPS (0.45) is positively skewed while NIM (-0.31), OPM(-1.64) and SP(-0.28) are all negatively skewed distribution.

Table 3: Pearson Correlation

	EPS	NIM	OPM	SP
EPS	1	-0.5487059...	0.08950278...	0.14622300...
NIM	-0.5487059...	1	0.16033063...	-0.0378866...
OPM	0.08950278...	0.16033063...	1	-0.6642976...
SP	0.14622300...	-0.0378866...	-0.6642976...	1

Source: Eviews 12 Correlation Output 2024

Pearson Correlation table above shows that share price (SP) correlates positively, but not significantly, with earnings per share (EPS) having a coefficient value of 0.146. However, Net interest margin (NIM) and operating profit margin (OPM) correlate negatively, but not significantly, with Share Price having coefficients of -0.037 and -0.664 respectively.

Table 4-Panel Least Square Regression analysis testing the relationship between SP, OPM, NIM, EPS

Dependent Variable: SP

Method: Panel EGLS (Cross-section random effects)

Date: 04/29/24 Time: 14:26

Sample: 2010 2022

Periods included: 13

Cross-sections included: 4

Total panel (balanced) observations: 52

Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.942423	0.798981	11.19228	0.0000
OPM	-18.89188	2.678530	-7.053078	0.0000
NIM	21.18701	9.386867	2.257091	0.0286
EPS	0.516635	0.174505	2.960566	0.0048
Effects Specification				
			S.D.	Rho
Cross-section random			0.000000	0.0000
Idiosyncratic random			1.118408	1.0000
Weighted Statistics				
R-squared	0.536419	Mean dependent var	7.911964	
Adjusted R-squared	0.507445	S.D. dependent var	1.542975	
S.E. of regression	1.082894	Sum squared resid	56.28768	
F-statistic	18.51394	Durbin-Watson stat	2.518925	
Prob(F-statistic)	0.000000			
Unweighted Statistics				
R-squared	0.536419	Mean dependent var	7.911964	
Sum squared resid	56.28768	Durbin-Watson stat	2.518925	

Source: Eviews 12 PLS Output 2024

Interpretation of Regression Result

From table 5 above, R-squared and adjusted R-squared values are (0.53) and (0.50) respectively, indicating that the three independent variables jointly explain about 50% of the change in share price (SP) of the sampled commercial banks over the period of thirteen years from 2010 to 2022 as evident in the adjusted R^2 value. The model is good fit to explain the impact (relationship) between the dependent variable (SP) and the independent variables (OPM, NIM, EPS) of the study having the F-statistics value of 18.51394 and prob (F-statistics) =0.0000 (<0.001). The value of adjusted R^2 of 50% reveals that 50% of the variation in the dependent variable is explained by other factors than the independent variables in this study.

Additionally, Durbin Watson (DW) statistics which is used as test of autocorrelation returned a value of 2.518925 as can be seen on table 5. This further confirms that the model is well specified. Specific relationships between SP and explanatory variable (OPM, NIM, EPS) are provided in the result of hypothesis testing below:

Test of Hypotheses

Decision Rule

Accept Null hypothesis (H_0) if p-value of test statistics is greater than or equal to the alpha at 5% (0.05), otherwise reject H_0 and accept H_1 if p-value of test statistics is less than or equal to 5% (0.05).

Hypothesis 1

H_0 : Operating profit margin (OPM) does not have significant impact on share price

Test result on table 4 shows Beta (β) coefficient of -18.89188 and t-statistics value of -7.053078 with a p-value of 0.0000 (<0.01) in respect of OPM. This means that OPM negatively impact SP. The P-value of <0.01 at 5% (0.05) level of significance indicates that impact is statistically significant.

Decision

Since the p-value is less than 5%, the decision is that Operating Profit Margin (OPM) significantly impact share price of listed commercial banks in Nigeria. Thus, the null hypothesis is rejected and alternative hypothesis is accepted.

Hypothesis 2

H_0 : Net Interest Margin (NIM) does not have significant influence on share price

Again, test result as shown on table 5, Beta(β) coefficient is 21.18701 and t-statistics value is 2.257091 with a p-value of 0.0286 in respect of NIM. This means that NIM has a positive relationship with SP. The P-value of 0.0286 at 5% (0.05) level of significance indicates that it is statistically significant.

Decision

Since the p-value is less than 5%, the decision is that Net Interest Margin (NIM) significantly influence share price of listed commercial banks in Nigeria. Thus, the null hypothesis is rejected and alternative hypothesis is accepted.

Hypothesis 3

H_0 : Earnings per Share (EPS) does not significantly affect share price

Test result on table 5 shows Beta(β) coefficient of 0.516635 and t-statistics value of 2.960566 with a p-value of 0.0048 in respect of EPS. This means that EPS has a very low positive relationship with SP. The P-value of 0.0048 at 5% (0.05) level of significance indicates that it is statistically significant.

Decision

Since the p-value is less than 5%, the decision is that Earnings Per Share (EPS) affects share price of listed commercial banks in Nigeria significantly with low positive relationship. Thus, the null hypothesis is Rejected and alternative hypothesis is Accepted.

Discussion of Findings

Drawing from test of hypotheses performed, hypothesis 1 reveals that Operating Profit Margin (OPM) has negative significantly impact share price of listed commercial banks in Nigeria having Beta(β) coefficient of -18.89188 and t-statistics value of -7.053078 with a p-value of 0.0000 (<0.01) which is highly significant at 5% level of significance. This is contrary to Dwiyanthi et. al (2021) which concluded that Net Profit Margin (NPM) has no significant effect on stock prices and Operating Profit Margin (OPM) does not have a significant effect on stock prices. It is important to note that while the study of Dwiyanthi et. al (2021) centers on Property & Real estate Companies in the Construction and Building Sub-Sector Listed on the Indonesia Stock Exchange, this study focuses on commercial banks listed in the Nigeria Stock exchange.

On hypothesis 2, the result indicates that Net Interest Margin (NIM) has positive significantly influence share price of listed commercial banks in Nigeria having Beta (β) coefficient is 21.18701 and t-statistics value is 2.257091 with a p-value of 0.0286 which is statistically significant at 5% level of significance. This contradicts the Findings of Onibiyo et. al (2022) which revealed that net interest margin (NIM) has negative significant effect on share prices of listed money deposit banks in Nigeria. Having used correlation random effects model for analysis like this study, it is, however, important to take into cognisance the fact that in Onibiyo et. al (2022), NIM is measured as net interest income divided by interest earning assets whereas in this study, NIM is operationalized as net interest income (interest income-interest expenses) divided by average assets (opening total assets +closing total assets/2). This could be responsible for the difference in the results of both studies.

Finally, for hypothesis 3, result indicates that Earnings Per Share (EPS) affects share price of listed commercial banks in Nigeria in a very low positive direction but statistically significant having Beta(β) coefficient of 0.516635 and t-statistics value of 2.960566 with a p-value of 0.0048. This is in line with In Jacob et.al (2023) which concludes that accounting performance indicators (ROE, ROA, EPS, PER) are related to share market price in the long run.

Summary of Finding

The findings of this study based on analysis conducted is thus summarized:

1. Operating Profit Margin (OPM) has negative significant impact share price of listed commercial banks in Nigeria
2. Net Interest Margin (NIM) has positive significant influence share price of listed commercial banks in Nigeria
3. Earnings Per Share (EPS) affects share price of listed commercial banks in Nigeria in a low positive direction but the relationship is statistically significant.

Conclusion

Going by the existing literature reviewed, researchers are yet to reach an agreement on this phenomenon. This study however has contributed to the research effort by showing that Operating Profit Margin (OPM) as a measure of profitability, and by extension performance, negatively and significantly impacted on share price of listed commercial banks in Nigeria during the scope of this study. However, Net Interest Margin (NIM) and Earnings per Share (EPS) have positive and significant influence on share price. However, apart from profitability measures some other factors are considered by investors in their decision to buy or sell shares which include non-financial internal factors and macro-economic variables. Measurement of the impact of these other factors on share price is not within the scope of this study. Overall, the forces of demand and supply is considered the major driver of prices shares of listed commercial banks in the Nigeria Stock Exchange.

Recommendations

Arising from this study, the following recommendations are advanced:

1. It is recommended that investors should not use operating profit margin (OPM) in their investment decisions.
2. Investment decision on banks should rely more on Net Interest margin(NIM) and earning per share (EPS) since they have positive and significant effect on share prices..
3. Investors are also advised to consider other factors outside financial performance in the investment decisions.

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