Value Relevance of Accounting Information: Empirical Evidence from Listed Conglomerate Firms in Nigeria

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Abstract. In recent years, internal and external investors have lost confidence in Nigeria due to insecurity, energy (power), economic instability, and governance. Although the government is trying to overcome the menace, there are still unresolved issues in the aspect of the challenges above, which affect value relevance and accounting information in ensuring the perpetual existence of companies in Nigeria. As such, the study examined the value relevance of accounting information of listed conglomerate companies in Nigeria. The study population comprises six companies: UAC Nigeria Plc, Chellarams Plc, SCOA Nigeria Plc, John Holt Plc, Transnational Corporation of Nigeria Plc, and Custodian Investment Plc. The data was extracted from their annual report and accounts. Descriptive statistics correlation regression was conducted in the study. The result shows that return on share price has a significant negative relationship with dividend per share. The study recommends that standards comply in reporting and disclosing all accounting information in the published financial statement to maintain value relevance and attract more investors.

Keywords: dividend per share; earnings per share; returns on share price.

INTRODUCTION

Accounting information is very vital in determining the future of enterprises. It serves as a key for financial decisions investors rely heavily on, provided in published financial statements for their interest [1]. Their framework in International Accounting Standard (IASB) states that accounting information is relevant when users can determine past, present and forecast future. However, for it to be pertinent and reliable by investors and the general public, Generally Accepted Accounting Principles provided four main qualities: understandability, relevance, reliability and comparability. An accurate and fair view of a company's operation and financial strength is one of the primary purposes for preparing financial statements. Value relevance is the capability of accounting information to interpret and summarise information that affects stock values [1].

In essence, the value relevance of accounting information has been an area of concern to developed and developing countries due to its nature. Even though researchers, investors, and policymakers perceived it as an essential element for measuring the financial performance of companies and evaluating their financial strength.

Authors [2] opined that any financial statement that fails to produce accounting information showing an accurate and fair view of the company's operation and financial status lacks value relevance and should be rejected so as not to mislead investors and the general public. Therefore, a financial statement is prepared to show the arrangement of recorded details, accounting principles, concepts and conventions, personal judgments and estimates of a company.

Studies on the value relevance of accounting information of conglomerate firms became neces-

sary to look at the dynamic nature of companies and investors coming from in and outside the country to invest. Although there are many challenges bedevilling investment in Nigeria, such as power failure and poor governance, that would not discourage them if companies would arrange their accounting information and produce a statement that would conform with the international reporting standard.

The features of an organisation, such as age, size, type, and status, determine the value and relevance of that organisation's financial information. As such, the effect of these attributes on accounting information's value relevance can be determined by examining financial reports and accounts of companies in Nigeria [3].

As opined by [4], accounting information provides a way out for the decision-making of investors and the general public. However, stakeholders are interested in relevant, reliable and timely accounting information that will be used for any decision. However, accounting information should be of pertinent value and a subject of interest to researchers and regulatory bodies to enhance the market-based decision-making of investors and the public.

The conglomerate is an association of two or firms engaged in different activities under one corporate entity consisting of parent and subsidiaries. As a large company with other firms and activities, it can be categorised as a Multinational Corporation because of its features. Conglomerate companies play a vital role in the economic development of Nigeria. Apart from producing and marketing automobiles, leasing equipment and installation, merchandising, provision of heavy machines and construction equipment among customers, more importantly, they provide job opportunities to many Nigerians, as well as payment of tax to the central government. Despite their contribution, conglomerate firms faced many challenges, from power failure and cost, incessant inflation rate to multiple tax collection by government agencies.

Several studies have been undertaken in developed and developing economies under the global value revalue of accounting information, such as [5]. Authors [6, 7], among others, concentrate on the banking sector, which they are not from Nigeria. Moreso, in Nigeria, studies like [1] investigated, emphasising banking and manufacturing companies, leaving conglomerate firms with little

or no studies despite their contribution to the economic development of Nigeria.

Furthermore, there are a lot of inconsistencies regarding the relationship and general agreement among the variables studied above. For instance, authors [7] reported a significant positive relationship among the variables. Still, a negative and insignificant relationship was observed among the study variables [6]. The domain remains the same, although they are not from the same economy.

Despite the importance of accounting information in all sectors, there is limited empirical evidence on the value relevance of accounting information in Nigerian specifically in conglomerates companies; therefore, the study tends to fill up the gap and contribute to the literature by investigating the value relevance of accounting information in listed conglomerates companies in Nigeria. In line with the above subject, the following research objectives were formulated.

The main objective of the study is to examine the value relevance of accounting information evidence from listed conglomerates companies in Nigeria, while the specific *goals* are to:

1. Examine the effect of earnings per share on return on the share price of equity of listed conglomerate firms in Nigeria.

2. Evaluate the effect of the book value of equity per share on the return on share price of equity of conglomerate firms in Nigeria.

3. Investigate the effect of dividend per share on return on the share price of equity of conglomerate firms in Nigeria.

4. Examine the effect of changes in earnings per share on the return on share price of equity of conglomerate firms in Nigeria.

5. Evaluate the effect of firm size and Leverage on return on the equity share price of conglomerate firms in Nigeria.

Research Questions:

1. How do earnings per share affect the return on share price of equity of listed conglomerate firms in Nigeria?

2. How does the book value of equity per share affect the return on the share price of equity of listed conglomerate firms in Nigeria?

3. What is the effect of dividend per share on the return on share price of equity of listed conglomerate firms in Nigeria?

4. Does changes in earnings per share affect the return on the share price of equity of listed conglomerate firms in Nigeria?

5. Does firm size and leverage affect the return on equity share price of listed conglomerate firms in Nigeria?

Research Hypothesis

H_{01}: Earnings per share do not significantly affect the return on share price of equity in conglomerate firms in Nigeria.

H_{02}: The book value of equity per share does not significantly affect the return on the share price of equity in conglomerate firms in Nigeria.

H_{03}: Dividend per share has no significant effect on return on share price of equity of conglomerate firms in Nigeria.

H_{04}: Changes in earnings per share have no significant effect on return on equity share price in conglomerate firms in Nigeria.

H_{05}: Firm size and leverage have no significant effect on return on share price of equity in conglomerate firms in Nigeria

Literature Review

The study is underpinned by the positive accounting theory that emerged in the 1960s by Zimmerman and Watts to explain and project accounting practices and policies. It is widely recognised in accounting and finance, predicting individuals' and companies' choices associated with accounting policies and procedures. The theory assumes that economic incentives influence accounting choices, with managers selecting policies that align with their interests or those of stakeholders regarding investment. From the perspective of capital market-based accounting research, researchers have used it to determine whether accounting information is helpful to investors, management, and the stock market. Although the author [3] was against the theory of concentrating on economic incentives to investors rather than general interest, it has strengthened the association between accounting information, earnings, and incentives driven by investors and management [8].

Authors [1] examine the value relevance of accounting information in an empirical analysis of the Pakistan stock exchange market banking sector. Data was obtained from commercial banks listed on the Karachi Stock Exchange for six years, from 2007 to 2012. The correlation coefficient, cluster analysis, and redundant variable test were used to measure the relevance of accounting information value relevance and check out the contribution of each variable in the model. The result indicates a strong relationship between accounting information and average share price; earnings per share, operational profit and firm size are also positive.

A similar study [6] investigated the value relevance of accounting information and share price in the financial service industry. Data was collected from the annual report and accounts of 20 listed financial firms in the Nigerian stock exchange from 2012-2018 and was analysed using Eviews 10. The study adopts the lease square method for statistical decisions. The result shows a positive and significant relationship between share price and firm size. In contrast, negative and insignificant associations were observed between dividend per share, earnings per share, book value of stake and cash flow from operation. The study recommends strictly following international financial reporting standards in preparing and presenting financial statements. The study is in line with [9] but contradicts the findings of [8].

However, [1] explores the relationship between the value relevance of accounting information and the share price of 60 manufacturing firms in Nigeria from 2010-2019 using conditions elimination sampling. Ex-post factor research design, OLS analysis and Granger causality test were adopted to test the hypothesis using E-view 9. Contrary to the findings, the result shows a significant positive relationship between dividends per share and share price. However, the domain and time frame differ. The study recommends that firms operating as manufacturing companies and regulatory agencies improve the quality of accounting information by following the standard in publishing their financial statement to achieve more value relevance to all the stakeholders.

Authors [7] assessed the moderating effect of corporate governance on the relationship between accounting information and stock market return of listed entities in Ghana using a sample

of 40 companies. The panel regression model was applied. The study employed cross-section dependence and cointegration tests and fully modified ordinary least squares (FMOLS) and dynamic least squares (DOLS). Unit root test results revealed that all the variables are integrated, while the cointegration test shows that accounting information variables were cointegrated in the long run. However, FMOLS and DOLS results indicate that all accounting information variables have an insignificant relationship with the stock market return except operating cash flow per share (OCFPS) and net tangible asset (NTA). The study concludes that corporate governance (Bsize) strengthens the relationship between total asset turnover (TAT), net real (NTA) assets and stock market return (SMR).

The impact of the reforms on accounting information's value relevance was examined in Iran from 1996-2008. Data from 93 companies were obtained from the Tehran Stock Exchange and were analysed using descriptive and inferential statistics. The portfolio returns approach and regression variation were used. Findings indicate that accounting information is value relevant and earnings per share is higher than the book value of equity per share and concludes that cash-based information is less valuable than accrual-based information.

Authors [7] assessed the value relevance of accounting information of the banking industry in ASEAN. The study adopts panel regression using the targeted sampled data of 82 banks listed in five ASEAN countries. The results show that earnings and book value statistically positively impact stock prices. Also, revenue is more related to buying than other variables. It is recommended that the region's banking industry advance the value relevance of information on EPS and BVPS in its financial statements to attract investors to invest in the company's shares across the region.

Most of the studies reviewed concentrated on the banking and manufacturing sector and the banking sector, leaving behind conglomerate companies despite their contribution to economic development. Also, there is a lack of general agreement among the variables in question, which tends to investigate the value relevance of accounting information of listed conglomerate companies in Nigeria.

METHODOLOGY

The study adopts an ex-post factor research design, which uses historical data to make decisions. The justification was that the survey uses historical data drives from annual reports and accounts of the listed conglomerate companies under investigation. More so, it was adopted in this study to establish a relationship between value relevance and accounting information of listed Conglomerate companies in Nigeria.

The study population comprises listed conglomerate companies in the Nigerian Exchange Group (Table 1).

Table 1 − Population of the Study

No	Company	Date of Incorporation	Date of Listing	Date of Delisting
1	A.G Leventis Nigeria Plc	1951	1978	2019
2	UAC of Nigeria Plc	1931	1990	-
3	Chellarams Plc	1947	1977	-
4	SCOA Nigeria Plc	1969	1977	-
5	John Holt Plc	1961	1974	-
6	Transnational Corporation of Nigeria Plc	2000	2006	-
7	Custodian Investment plc	1991	1997	-

A company to be included in the population sample must be listed in Nigeria Exchange Group on or before December 2006. It must have a complete annual report and account for the period to be covert by the study to avoid missing data. However, using a simple convenience sampling technique, A. G. Leventis Nigeria Plc failed to meet the study sample as the company was delisted from Nigeria Exchange Group in 2019.

Therefore, out of seven companies, only six formed part of the study's sample population, as presented in Table 2.

Table 2 − Population of the Study (2)

No	Company	Date of Incorporation	Date of Listing
1	UAC of Nigeria Plc	1931	1990
2	Chellarams Plc	1947	1977
3	SCOA Nigeria Plc	1969	1977

No	Company	Date of Incorporation	Date of Listing
4	John Holt Plc	1961	1974
5	Transnational Corporation of Nigeria Plc	2004	2006
6	Custodian Investment plc	1991	1997

Table 3 − Variables of the Study and Measurement

Variables	Definition	Measurement
ROSP	Return on share price of equity	Total shareholder's equity minus preference equity divided by total outstanding
EPSH	Earnings per share	Net income minus dividend on preference shares divided by average outstanding shares
BVEP	Book value per share	The ratio of the shareholders' fund of cash of each firm to the latest

Variables	Definition	Measurement
		outstanding ordinary shares in issue
DIPS	Dividend per share	The total amount of compensation attributed to each share
CIEP	Changes in earnings per share	Changes in current earnings by changes in the preceding year's market value of equity.
FISZ	Firm size	Natural logarithm of total sales
LEVE	Leverage	The ratio of debt to equity

The structural form of the model can be specified as (1). Equation (2) can be re-specified as a panel stochastic form model. The equation (3) can be also re-specified to fit a complete model as follows.

$$ROSP_{it} = f\left(\text{EPSH}_{it}, BVEP_{it}, DIPS_{it,} CIEP_{it}, FISZ_{it}, LEVE_{it}\right) \tag{1}$$

$$ROSP_{it} = \alpha_1 + \beta_2 EPSH_{it} + \beta_3 BVEP_{it} + \beta_4 \text{DIPS}_{it} + \beta_5 CIEP_{it} + \beta_6 FISZ_{it} + \beta_7 LEVE_{it} + \mu_{it} \tag{2}$$

$$ROSP_{it} = \alpha_1 + \beta_2 EPSH_{it} + \beta_3 BVEP_{it} + \beta_4 \text{DIPS}_{it} + \beta_5 CIEP_{it} + \beta_6 FISZ_{it} + \beta_7 LEVE_{it} + \varphi_i + \mu_{it} \tag{3}$$

where ROSP = Return on Share Price of Equity; EPSH = Earnings per Share; BVEP = Book Value of Equity per Share; DIPS = Dividend per Share; CIEP = Changes in Earnings per Share; FISZ = Firm Size; LEVE = Leverage.

RESULTS AND DISCUSSION

Table 4 shows the descriptive statistics of variables for the study. It is clear from the table that the return on share price recorded by five listed conglomerate firms was 21.07% between 2006 and 2022.

Table 4 − Descriptive Statistics

Variables	Observation	Mean	Maximum	Minimum
ROSP	102	21.07	52.24	1.07
EPSH	102	48.4201	402.99	1.54
BVEP	102	39.0123	290.48	1.15
CEIP	102	27.9200	692.97	-44.44
DIPS	102	51.1240	206	0.00
LEVE	102	0.54	5.2	3.03
FISZ	102	9.31	5.90	4.87

More so, the firms obtained an average of 48%, 39%, 27% and 51% for earnings per share (EPSH), book value earnings per share (BVEP), and change in earnings per share (CEIP), respectively. As for the leverage (LEVE) and Firm size (FISZ), an average of 0.54k of debt to N1 of equity and 9.31% were recorded. The minimum and maximum values of all the variables within the seventeen years period are shown in Table 4.

Table 5 shows a correlation between the independent variables to detect the possible degree of a perfect linear relationship. The table reveals an insignificant relationship between most variable pairs except for the change in earnings per share (CIEP) and book value of earnings per share (BVEP). For instance, the correlation between BVEP and EPSH is 0.42 and between DIPS and ESPH is 0.067, while between FISZ and LEVE is 0.23. However, the relationship between DIPS and CIEP, LEVE and BVEP and between FISZ and ESPH are all negative (0.13, 0.23 and -0.03 respectively).

Table 5 – Correlation Matrix

	EPSH	BVEP	CEIP	DPIS	LEVE	FISZ
EPSH	1.0000					
BVEP	0.4202	1.0000				
CEIP	0.4613	0.8561	1.0000			
DPIS	0.0674	0.2347	-0.1315	1.0000		
LEVE	0.0000	-0.2331	-0.1109	-0.0721	1.0000	
FISZ	-0.0301	-0.1942	-0.3427	0.1701	0.2308	1.0000

Multicollinearity exists if there is a high correlation among independent variables in a model from 50% to 90%. Since none of the correlation figures≥ 50%, it implies no multicollinearity problem.

Table 6 the results indicates that (ROSP) is significantly positively related to the change in earnings per share (CIEP) with coeff= 0.2140 and dividend per share (DIPS) (coeff= 0.481). Also, ROSP has a significant negative relationship with book value earnings per share (BVEP) (coeff= -0.4810) with a t-statistics value of -1.2410 and P-values of 0.0591.

Table 6 – Regression Result

ROSP	Coefficient	Std Error	t-Statistics	Prob.
Constant	-162.450	57.052	-2.8527	0.0006
EPSH	-0.355	0.2191	-1.6337	0.1100
BVEP	-0.457	0.2350	-1.2410	0.0591
CIEP	0.2140	0.2190	1.7701	0.0830
DIPS	0.481	0.2269	2.1341	0.0380
LEVE	4.534	3.1002	1.4624	0.1500
FISZ	26.583	57.0520	3.1415	0.0006
R^2	0.5220			
Adjusted R^2	0.6801			
F-statistic	3.8307			
Prob(F-stat)	0.0033			

This implies that an increase or change in earnings per share would induce a rise of 0.39% in return on share price, given that all other things are equal. The negative coefficient of BVEP shows that a drop of 0.46% in ROSP would be recorded if the BVEP could rise by 1%. Also, ROSP has a significant positive relationship with the FISZ, indicating that an increase in FISZ would bring about a surge of 26.58% in ROSP.

Also, earnings per share (ESPH), change in earnings per share CIEP, and leverage are not statistically significant. Regarding the model's goodness of fit, an R-squared of 0.52 shows that 52% of the conglomerates' systematic variations in accounting information were explained by value relevance variables, LEVE and FISZ. Overall, the F-statistic of 3.83 or 38% shows that the null hypothesis that all the explanatory variables considered are concurrently equal to zero could not be accepted. Hence, It can therefore be inferred that accounting information is value-relevant in listed conglomerates in Nigeria. The study is in line with [7], who supports a significant relationship between return on share price and dividend per share.

Thus, it can be concluded that accounting information's value relevance significantly impacts listed conglomerate firms in Nigeria. Hence, it must be appropriately handled by applying international accounting standards in preparing and presenting accounting information to attract investors.

CONCLUSIONS

The study discovered that return on share price has a significant positive relationship with CIEP and DIPS but an inverse relationship with BVEP. More so, the coefficient of EPSH is not statistically substantial for ROSP. Based on this, the study concludes that accounting information of return on share price, change in earnings per share and dividend per are values relevant in conglomerate companies listed in Nigeria.

Standard should strictly comply when reporting and disclosing all accounting information in the published financial statement to maintain value relevance and attract more investors. Also, the dividend policy of the companies should be reviewed to attract more investors to the management. More so, there is a need for effective management of these components to increase the firm's value. Similarly, companies should plan and control their operations, amend the shortfalls, consider the principles of finance in their decision making and engage the services of professionals in complex business areas.

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