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# Effect of Earnings Measurement on Stock Price of Consumer Goods Firms in Nigeria

Ani, Gloria Uchenna [1], Prof. Chike Nwoha [2], Oshim Judethadeus Chukwuebuka [3]

*Department of Accountancy,*
*Enugu State University of Science and Technology, Enugu State, Nigeria*

**Abstract**

**Research Objective:** This study assessed the impact of earnings measurements, specifically net profit margin and revenue, on the share prices of consumer goods firms in Nigeria.

**Methodology:** An ex-post-facto research design was employed, covering data from 2012 to 2022. Secondary data were gathered from the annual reports of selected consumer goods firms, and a multiple regression analysis was conducted to determine the effects of the identified variables on share prices.

**Findings:** The analysis revealed that the net profit margin has a statistically non-significant negative effect on share prices ($t = -1.608836$, $p = 0.1114$). In contrast, revenue has a statistically significant positive effect on share prices ($t = 3.149860$, $p = 0.0023$). This suggests that revenue growth is a critical driver of investor confidence and value creation in the Nigerian consumer goods sector.

**Conclusion:** While net profit margin does not significantly influence share prices, revenue growth positively and significantly impacts stock prices, highlighting its importance in maintaining investor confidence and driving financial performance.

**Recommendations:** The study recommends that consumer goods firms focus on improving operational efficiency to enhance profit margins, even though net profit margin may not directly affect stock prices. Additionally, firms should prioritise expanding revenue streams through market expansion and product innovation to strengthen financial performance and boost investor confidence.

***Key words:*** *Earnings Measurements, Share Price, Consumer Goods Firms, Nigeria, Net Profit Margin (NPM).*

## 1. INTRODUCTION

### 1.1 Background of the Study

The stock market is a vital source of long-term capital for manufacturing firms in Nigeria's capital market. Stocks are issued and traded at fluctuating prices, influenced by a variety of internal and external factors (Inyiama & Ozouli, 2014). These price changes can result from government policies, competitive strategies, responses to financial performance reports, and market supply and demand dynamics.

Investors focus on firms that offer potential for high returns, and fluctuations in stock prices can greatly affect their investment choices. At any time, stock prices reflect the market's

perception of a company's value. According to Umar and Musa (2013), the efficiency of management decisions can be gauged by their impact on stock prices, with earnings per share (EPS) being a significant measure of managerial performance.

Wang et al. (2019) point out that stock prices are affected by a range of factors, including financial and monetary policies, industrial and foreign trade policies, macroeconomic conditions, financial information, investor expectations, and market oversight. They highlight the importance of financial data—such as dividend per share, earnings per share, retained earnings, price-earnings ratio, and dividend cover (Gompers et al., 2016)—in guiding investor decisions.

Financial indicators, including reported earnings, are crucial for forecasting a company's future performance, helping investors make informed decisions. Hemadivya and Devi (2017), referencing Chandra (1981), stress the need to analyse factors affecting stock prices and their degree of impact. This insight is useful for investors, companies, institutional managers, government bodies, and other stakeholders.

Chang et al. (2018) emphasise that future profitability plays a key role in determining stock prices, with financial metrics being among the most informative aspects of accounting information. Their research explores how financial indicators impact stock returns, particularly in the consumer goods sector in Nigeria.

The stock market is crucial for economic growth, facilitating capital formation and driving global economic development. It acts as an intermediary between savers and capital users, enabling fund pooling, risk-sharing, and wealth transfer. This role helps direct resources to productive investments, supporting economic expansion. The market's ability to provide liquidity and a mechanism for price discovery for various financial instruments facilitates risk diversification and investment, reducing capital costs and promoting long-term growth.

Nevertheless, the effect of earnings measures on stock returns is still unclear. In Nigeria, discussions about what drives stock returns in the consumer goods sector have not identified a single factor as the primary influence on stock price changes. This study aims to examine how different earnings metrics—such as earnings per share, dividend per share, and return on assets—affect the share prices of consumer goods firms in Nigeria. By investigating these variables, the study seeks to offer valuable insights into the connection between earnings measures and stock prices in the Nigerian consumer goods sector.

### 1.2 Objectives of the Study

The main objective of the study is to evaluate the effect of earnings measurements on the share price of consumer goods firms in Nigeria. The specific objectives of the study are to:

i. A Certain effect of net profit margin on the share price of consumer goods firms in Nigeria.

ii. Investigate the effect of revenue on share price of consumer goods firms in Nigeria.

## 2. REVIEW OF RELATED LITERATURE

### 2.1.1 Share Price

Farida, et al. (2021) submit that share price is a fundamental metric in the financial markets, providing valuable information about the value of a company's stock and reflecting market sentiment towards the company. It serves as a critical indicator for investors, financial analysts, and market participants in assessing the current market value of a company.

Share price, commonly referred to as stock price, serves as a crucial metric in the financial markets, encapsulating the market's valuation of a company on a per-share basis. This monetary value is determined by a complex interplay of various factors, including the company's financial performance, prevailing economic conditions, industry dynamics, and broader market sentiment (Smith, 2018). The share price essentially represents the culmination of market participants' collective assessment of a company's intrinsic worth at a specific point in time.

The fundamental economic principle of supply and demand plays a pivotal role in shaping share prices. If the demand for a particular stock surpasses its supply, the share price tends to rise, reflecting the heightened investor interest. Conversely, an excess of supply over demand can lead to a decline in share prices (Malkiel, 2022). This relationship underscores the dynamic nature of share prices, which are subject to constant fluctuations driven by investor actions and reactions.

Financial performance stands out as a primary determinant of share prices. Investors closely scrutinise metrics such as earnings per share (EPS), revenue growth, and profit margins to gauge a company's ability to generate returns and its overall financial health (Damodaran, 2021). Positive financial indicators typically contribute to favourable investor sentiment, fostering an environment conducive to higher share prices.

### 2.1.2 Net profit margin

Net profit margin is a financial ratio that measures the profitability and efficiency of a company's operations by assessing its ability to generate profit from its total revenues. It is a crucial indicator for investors and analysts when evaluating a company's financial performance and sustainability (Fernando, et al. 2022). Net profit margin is calculated by dividing the net profit of a company by its total revenue and expressing the result as a percentage. The formula is as follows:

Net Profit Margin = (Net Profit / Total Revenue) * 100

Net profit represents the residual amount of revenue left after deducting all expenses, including operating costs, taxes, interest, and depreciation. It is a measure of the company's profitability and indicates how efficiently the company manages its expenses and generates profit from its operations.

Fernando, et al. (2022) submit that the net profit margin provides insights into a company's ability to convert its revenues into profit. A higher net profit margin indicates that the company is generating more profit per dollar of revenue, which is generally seen as a positive

indicator of financial health and efficiency. On the other hand, a lower net profit margin suggests that the company has higher costs or lower profitability.

Net profit margin is influenced by various factors, including the company's cost structure, pricing strategy, operational efficiency, competition, and market conditions. It is important to compare the net profit margins of a company with its industry peers or competitors to gain a better understanding of its performance within the industry.

Investors and analysts use net profit margin as a key performance metric to assess the financial viability and sustainability of a company. A consistently high net profit margin indicates that the company is effectively managing its costs and generating healthy profits, which may attract potential investors (Fernando, et al. 2022). Conversely, a declining or low net profit margin may raise concerns about the company's profitability and operational efficiency.

### 2.1.5 Revenue

Revenue, also known as sales or turnover, refers to the total amount of money generated by a company through its primary business activities (Brigham & Ehrhardt, 2020). It represents the inflow of funds resulting from the sale of goods, provision of services, or other business operations. Revenue is a crucial financial metric that reflects the company's ability to generate income and sustain its operations.

Revenue serves as a key indicator of a company's market presence and the demand for its products or services. It is typically reported on the income statement as the top line or the first item, representing the company's total sales during a specific period, such as a fiscal year or quarter. Revenue is recognized when the earnings process is deemed complete and collectibility is reasonably assured, following accounting principles and guidelines (Brigham & Ehrhardt, 2020).

Companies can generate revenue from various sources, including product sales, service fees, licensing agreements, royalties, and advertising revenue. The specific breakdown of revenue categories may vary depending on the nature of the business. For example, a manufacturing company primarily generates revenue from the sale of its products, while a software company may derive revenue from software licences and subscriptions.

Analysing revenue trends over time can provide valuable insights into a company's growth, market position, and overall financial health. Increasing revenue may indicate successful business strategies, effective marketing efforts, or capturing a larger market share. Conversely, declining revenue may suggest challenges in product demand, increased competition, or operational inefficiencies.

Revenue is often used in financial analysis alongside other performance indicators, such as profitability ratios, to evaluate a company's financial performance. Comparing revenue figures across different periods and benchmarking them against industry peers can help assess a company's competitive position and growth potential.

## 2.2 Theoretical Framework

The study was anchored on the Efficient Market Hypothesis (EMH) proposed by Professor Eugene Fama in 1970 as the theoretical framework for the research.

### 2.2.1 Efficient Market Hypothesis (EMH) by Professor Eugen Fama

The Efficient Market Hypothesis (EMH) propounded by Professor Eugen Fama (1970) in financial economics states that an asset's prices fully reflect all available information. A direct implication is that it is impossible to "beat the market" consistently on a risk-adjusted basis since market prices should only react to new information or changes in discount rates (the latter may be predictable or unpredictable).

The Efficient Market Hypothesis posits that the most direct influence on a stock's price is a change in the fundamentals of the business. Accordingly, if revenues and profits are continuously increasing, one can expect the share price to rise as investors bid to buy into the increasing fortunes of the company. On the other hand, if the profit is flat or declining with no change in sight, investors begin to abandon the stock and the price will fall. The theory however argues that changes in the underlying business have a direct impact on the share price. Smart investors spot a subtle change before they become price-movers and take the appropriate action. Another factor which the theory identified is what is referred to as sector changes; the theory maintains that changes in the stock's sector can have positive or negative effects on its price. Some sectors or industries are cyclical and that should be expected to affect the stock price (Maysami & Koh, 2000).

By examining the relationship between earnings measurements and stock prices in the consumer goods sector of Nigeria, this study aligns with the EMH. The study seeks to evaluate the impact of earnings per share, net profit margin, return on assets, and revenue on the share price of consumer goods firms. These variables represent financial indicators that reflect the performance and profitability of companies.

If the findings of the study demonstrate a significant correlation between these earnings measurements and stock prices, it would suggest that investors in the Nigerian consumer goods sector can exploit the information contained in these financial indicators to make informed investment decisions. On the other hand, if the study finds no significant relationship, it would provide support for the Efficient Market Hypothesis, suggesting that stock prices already incorporate and reflect the relevant earnings information.

By anchoring the study to the Efficient Market Hypothesis, the research provides insights into the efficiency of the Nigerian stock market in processing and incorporating earnings information into stock prices. It contributes to the ongoing debate on market efficiency and the extent to which earnings measurements influence stock price movements. Additionally, understanding the applicability of the EMH in the Nigerian consumer goods sector can have implications for investors, market participants, and policymakers in terms of investment strategies, market regulation, and policy formulation.

### 2.3 Empirical Review

Hassan (2015) investigated the determinants of share price movement in Nigeria from 1991 to 2013 using secondary data from the CBN and NBS, applying Ordinary Least Square (OLS) analysis. The study found that market capitalization was the only significant positive factor affecting foreign portfolio investment.

Udoka, et al. (2018) examined the effect of macroeconomic determinants on stock price movements in Nigeria using the Autoregressive Distributed Lag (ARDL) model and augmented Dickey-Fuller (ADF) unit root test. The study found that only interest rate was stationary at levels, with no long-run relationship between macroeconomic determinants and stock price movements.

Anichebe (2019) examined the macroeconomic determinants of stock price in Nigeria from 1981 to 2017 using data from the Central Bank of Nigeria Statistical Bulletin and applying the Ordinary Least Square (OLS) technique. The study found that the Treasury bill rate had a negative impact on stock price in the long run, while the exchange rate, gross national income, and inflation had positive impacts.

Lawal, et al. (2020) investigated the determinants of the share price of agro-related firms listed on the Nigerian stock exchange using regression analysis, unit root test, and vector correction model. The study found that earnings per share significantly influence share prices, while other factors like return on assets (ROA) and dividend per share (DPS) are less influential.

Chucks, et al. (2021) investigated determinants of equity share price movement in the Nigerian banking industry from 2000 to 2014 using multiple regression analysis. The study found a positive but insignificant relationship between earnings per share (EPS) and market price of shares, significant negative impacts from inflation and interest rate, and a significant positive impact from the exchange rate.

Farida, et al. (2021) investigated the external factors that influence stock prices in the banking sector in Indonesia from 2019 to 2020 using regression analysis and paired test method. The study found that the rupiah exchange rate and interest rates positively impacted stock prices, while inflation, economic growth, and money supply did not.

Muniroh and Yuliati (2021) investigated the impact of cash flow statement information and accounting profit on stock prices of food and beverage manufacturing companies in Indonesia from 2015 to 2019 using Partial Least Squares (PLS) analysis with SmartPLS 3.0 Software. The study found that investing cash flow and accounting profit impacted stock prices, while operating and financing cash flows did not.

Maskey (2022) examined factors influencing stock prices of life insurance companies in Nepal from 2013 to 2018 using multiple regression analysis. The study found that earnings per share (EPS), dividend per share (DPS), price-earnings ratio, company age, and dividend yield were significant determinants of share prices.

Yenti and Candra (2022) examined the effects of exchange rate and inflation on stock prices of companies listed on the LQ45 index in 2020 using multiple linear regression tests. The study found that the exchange rate significantly affected stock prices, while inflation did not.

Magdalena, et al. (2023) examined the effects of company profit, operating cash flow, and book value equity on stock prices of mining companies listed on the Indonesia Stock Exchange using multiple linear regression analysis. The study found that company profit and book value equity had positive and significant effects on stock prices, while operating cash flow did not.

Mao (2023) examined the possible effect of various financial ratios on stock prices of publicly listed companies from 2017 to 2021 using multivariate regression. The study found that gross profit margin and price-to-earnings ratio significantly impacted stock prices, while other ratios did not.

Sitorus, et al. (2023) analysed the impact of cash flow statement information on share returns of infrastructure, utility, and telecommunication companies in Indonesia from 2018 to 2021 using a multiple regression model. The study found that higher investing cash flow increased stock returns, while positive changes in financing cash flow reduced returns; operating cash flow had no impact.

***Gap in Empirical Review***

Based on the preceding empirical review, it was evident that numerous research studies had examined share price fluctuations, both within Nigeria and internationally. However, within the context of Nigeria as an emerging economy, none of the reviewed studies specifically focused on evaluating the impact of earnings measurements on share price movements in the consumer goods sector. This sector held significant importance in driving economic growth and development in Nigeria, and therefore, it should not have been overlooked.

In the light of this research gap, the present study aimed to address this knowledge deficiency by comprehensively evaluating the earnings measurements that influenced fluctuations in the share price of consumer goods firms operating within the Nigerian economy. By focusing on this specific sector, the study recognized its pivotal role and sought to shed light on the relationship between earnings measurements and share price dynamics.

The consumer goods sector served as a vital component of Nigeria's economic landscape, contributing to employment, production, and overall economic development. Consequently, it was crucial to gain a deeper understanding of the factors that drove share price movements within this sector. Through a meticulous analysis of relevant earnings measurements, this study aimed to uncover the determinants that shaped fluctuations in share prices, providing valuable insights for investors, managers, and policymakers alike.

By undertaking this study, the goal was to bridge the existing research gap and contribute to the understanding of the consumer goods sector's dynamics within the Nigerian economy. The findings from this research endeavour would not only enhance academic knowledge but

also offer practical implications for decision-makers, enabling them to make informed choices regarding investment strategies, financial policies, and regulatory measures.

This study recognized the lack of research on earnings measurements and share price movements in the consumer goods sector of Nigeria's economy, despite its significance. By evaluating these key determinants, the research aimed to fill this gap and contribute to a more comprehensive understanding of share price fluctuations within this vital sector.

## 3. METHODOLOGY

The study employs an ex-post facto research design, utilising historical data from Nigeria's consumer goods sector to investigate the impact of earnings measurement variables on share prices. Focusing on the period from 2012 to 2021, the research analyses secondary data from the annual reports of 19 consumer goods firms listed on the Nigeria Exchange Group, ultimately narrowing the sample to eight firms known for their active stock turnover. This approach ensures a comprehensive examination of the relationship between variables like earnings per share and net profit margin, providing valuable insights into the dynamics of the consumer goods sector in Nigeria.

### *Model Specification*

In line with Inyiama and Ezeugwu (2016), the study's model was specified to examine the relationship between earnings measurements and share price fluctuations in the consumer goods sector in Nigeria. The model was formulated as follows:

$SP_{t\,i} = \beta_o + \beta_1 NPM_{it} + \beta_2 RVN_{it} + \varepsilon_t$ - [Equation (1)]

Where,

| | | |
|---|---|---|
| $SP_{it}$ | - | Share Price |
| $NPM_{it}$ | - | Net Profit Margin |
| LnRVN | - | Natural Logarithm of Revenue |
| $\varepsilon$ | - | Stochastic disturbance (Error) Term |
| $\beta_o$ | - | Coefficient (constant) to be estimated |
| $\beta_1 - \beta_2$ | - | Parameters of the independent variables to be estimated |
| t | - | Current period |

## 4. RESULTS AND DISCUSSIONS

**Table 4.2.1: Descriptive Statistics**

| | SP | NPM | LNRVN |
|---|---|---|---|
| Mean | 184.3844 | 1.102577 | 18.72362 |
| Median | 33.02500 | 0.083560 | 18.65262 |
| Maximum | 1556.500 | 11.25570 | 20.54032 |

| | | | |
|---|---|---|---|
| Minimum | 5.300000 | -12.05144 | 17.14145 |
| Std. Dev. | 389.5040 | 3.160510 | 0.830897 |
| Skewness | 2.649098 | 0.452585 | -0.023908 |
| Kurtosis | 8.750273 | 7.450699 | 2.028217 |
| Jarque-Bera | 224.1672 | 75.63622 | 3.471047 |
| Probability | 0.000000 | 0.000000 | 0.176308 |
| Sum | 16225.83 | 97.02676 | 1647.679 |
| Sum Sq. Dev. | 13199060 | 869.0275 | 60.06395 |
| Observations | 88 | 88 | 88 |

***Source:*** *Eviews 10 software, 2024*

The descriptive statistics in Table 4.2.1 provide insights into the normality of distribution for each variable in your analysis of the effect of earnings measurements on the share price of consumer goods firms in Nigeria.

The variable SP, representing share prices, displays considerable skewness (2.6491) and kurtosis (8.7503), indicating a non-normal distribution with a longer right tail and heavy tails. The Jarque-Bera test further confirms the departure from normality, yielding a very low probability (0.0000). This suggests that share prices may have significant outliers or extreme values impacting their distribution.

The net profit margin (NPM) variable shows moderate skewness (0.4526) and kurtosis (7.4507), suggesting a departure from normality but to a lesser extent than SP and EPS. The Jarque-Bera test reinforces this observation with a low probability (0.0000). This implies that while NPM has some deviation from normality, it may have a distribution that is relatively less impacted by extreme values compared to SP and EPS.

The variable LNRVN, representing the natural log of revenue, is characterised by a skewness close to zero (-0.0239) and moderate kurtosis (2.0282). This suggests a distribution that is relatively closer to normal compared to other variables in the analysis. The Jarque-Bera test supports this observation with a probability of 0.1763, indicating that the distribution of the natural log of revenue does not significantly deviate from normality. This implies that the transformation through natural logarithm has helped stabilise the distribution and reduce the impact of extreme values.

**Table 4.2.2: Hausman Test Result**

| **Test Summary** | **Chi-Sq. Statistic** | **Chi-Sq. d.f.** | **Prob.** |
|---|---|---|---|
| Cross-section random | 3.516632 | 4 | 0.4754 |

***Source:*** *Eviews 10 software, 2024*

Table 4.2.2 presents the outcomes of the Hausman Test, a statistical tool commonly used in econometrics to determine whether a random-effects model or a fixed-effects model is more suitable for panel data analysis. The test is crucial for selecting an appropriate model that accurately captures the underlying dynamics of the dataset.

The Chi-Square Statistic, a measure of the discrepancy between estimates from the random-effects and fixed-effects models, is reported as 3.516632. The degrees of freedom associated with this statistic are 4, which depend on the number of groups in the dataset. The associated probability, or p-value, is 0.4754, indicating the likelihood of obtaining a Chi-Square Statistic as extreme as observed under the assumption that the null hypothesis is true.

In interpreting the results, the null hypothesis posits that the random-effects model is the preferred choice, while the alternative hypothesis suggests that the fixed-effects model is more appropriate. The relatively high probability of 0.4754 implies that there is insufficient evidence to reject the null hypothesis. Consequently, based on the Hausman Test results, the cross-section random-effects model is not significantly different from the fixed-effects model at the conventional significance level. This outcome suggests that, in the context of the data and the model specifications being tested, the choice between random and fixed effects may not be critical, and either model could be considered appropriate for the panel data analysis.

**Table 4.2.3: Multiple Regression Result (Random-Effects Model)**

Dependent Variable: SP

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| NPM | -9.121310 | 5.669511 | -1.608836 | 0.1114 |
| LNRVN | 135.5291 | 43.02702 | 3.149860 | 0.0023 |
| C | -2442.554 | 813.0537 | -3.004173 | 0.0035 |
| $R^2$ = 0.35, Adjusted $R^2$ = 0.32, F-Stat = 11.27417, Prob(F-stat) = 0.000000, D.W. Stat. = 1.11 | | | | |

***Source:*** *Eviews 10 software, 2024*

Table 4.2.3 outlines the results of a multiple regression analysis using a random-effects model, with Share Price (SP) as the dependent variable and various independent variables considered.

**NPM (Net Profit Margin):** The coefficient is -9.121310, indicating a negative association with Share Price. Despite the negative sign, the p-value (0.1114) is relatively high, suggesting that the effect is not statistically significant. This implies that variations in Net Profit Margin may not be significantly linked to changes in Share Price in the context of the random-effects model.

**LNRVN (Natural Log of Revenue):** The coefficient of 135.5291 implies a positive impact on Share Price. The low p-value (0.0023) suggests statistical significance, indicating that changes in the Natural Log of Revenue are associated with a significant effect on Share Price.

**Model Fit Statistics:**

**R2 (Coefficient of Determination):** The R2 value is 0.35, indicating that 35% of the variability in Share Price is explained by the independent variables included in the model. This suggests a moderate fit, with other factors potentially influencing Share Price.

**Adjusted R2:** The adjusted R2, accounting for the number of predictors, is 0.32, providing a slightly more conservative estimate of the model's explanatory power.

**F-Statistic:** The F-Stat of 11.27417 is associated with a very low p-value (0.000000), indicating that the overall model is statistically significant. This suggests that the independent variables collectively contribute significantly to explaining the variability in Share Price.

**Durbin-Watson Statistics (D.W. Stat.):** The D.W. Statistic is 1.11, which is close to 2, suggesting the absence of significant autocorrelation in the residuals.

## 4.3 TEST OF HYPOTHESES

The hypotheses were tested using the following decision criteria:

**Decision Criteria**

According to Gujarati and Porter (2009), the decision rule involves accepting the alternative hypothesis ($H_1$) if the sign of the coefficient is either positive or negative, the modulus of the t-Statistic > 2.0 and the P-value of the t-Statistic < 0.05. Otherwise, accept $H_0$ and reject $H_1$.

***Hypothesis One***

$H_0$: Net profit margin does not significantly affect the share price of consumer goods firms in Nigeria.

$H_1$: Net profit margin has a significant effect on the share price of consumer goods firms in Nigeria.

***Decision:*** From the panel regression analysis in Tables 4.2.5, the t-statistic for NPM is -1.608836 with a p-value of 0.1114. As the p-value is greater than 0.05, we fail to reject the null hypothesis. This suggests that there is insufficient evidence to conclude that net profit margin significantly affects the share price.

***Hypothesis Two***

$H_0$: Revenue does not have a significant effect on share price of consumer goods firms in Nigeria.

$H_1$: Revenue has a significant effect on share price of consumer goods firms in Nigeria.

***Decision:*** From the panel regression analysis in Tables 4.2.5, the t-statistic for LVN (natural log of revenue) is 3.149860 with a p-value of 0.0023. Since the p-value is less than 0.05, we

reject the null hypothesis. This implies that revenue, represented by the natural log of revenue, has a significant effect on share price.

## 4.4 DISCUSSION OF RESULTS

### 4.4.1 Effect of Net Profit Margin on Share Price

The observation of a non-significant negative effect of net profit margin (NPM) on share price in the regression results prompts a nuanced exploration of the underlying factors influencing this outcome. One plausible explanation for this finding is the complex and multifaceted nature of share price determinants. Share prices are influenced not only by individual financial metrics but also by a diverse array of factors such as market sentiment, economic conditions, and industry dynamics. The non-significant negative effect of NPM may suggest that, within the specific period under examination, changes in net profit margin alone did not exert a discernible impact on share prices, considering the broader dynamics at play.

Investor anticipation and market expectations play a pivotal role in shaping stock prices. If the market had already incorporated anticipated changes in net profit margin into share prices, the actual reported figures might not have led to significant market movements. The non-significant negative effect could imply that the market had already priced in the expected influence of NPM on share prices, rendering the observed changes statistically non-significant.

Moreover, the magnitude of changes in net profit margin could contribute to the non-significant negative effect. If the observed variations in profitability were relatively modest, investors might not perceive these changes as substantial enough to warrant a significant market response. Larger, more significant shifts in profitability may be required to elicit a pronounced impact on share prices, and the non-significant negative effect may reflect the limited magnitude of the observed changes in NPM.

Industry-specific factors also merit consideration in interpreting this finding. Different industries prioritise various financial metrics differently, and the consumer goods sector may place emphasis on other factors that override the influence of net profit margin on share prices. Industry dynamics and specific characteristics of the consumer goods sector could contribute to the non-significant negative effect observed in the regression results.

Furthermore, the possibility of a time lag in market reaction should be acknowledged. Changes in net profit margin may not yield an immediate impact on share prices, and there could be a delay in the market's response to shifts in profitability. Investors may take time to fully assess and incorporate the implications of changes in NPM into their valuation of the company.

Interactions with other variables in the regression model, such as multicollinearity or the presence of influential factors, should be considered. These interactions may obscure the true

impact of net profit margin on share prices, contributing to the non-significant negative effect.

### 4.4.2 Effect of Revenue on Share Price

The significant positive effect of revenue on the share price of consumer goods firms in Nigeria signifies the pivotal role that top-line growth plays in shaping investor perceptions and market dynamics within the sector. This observation underscores the importance investors attribute to a company's ability to generate sales, reflecting various considerations that contribute to this relationship.

Firstly, revenue serves as a prominent growth indicator, and the significant positive effect suggests that investors value firms with increasing sales. This interpretation aligns with the notion that higher revenue reflects a company's success in expanding its market presence, capturing consumer demand, and positioning itself for future profitability. The market perceives revenue growth as a crucial driver of shareholder value, influencing stock prices positively.

The relationship also highlights the market's confidence in the consumer goods sector's overall demand. A substantial positive effect on share prices implies that investors see sustained interest and demand for products within the sector. Firms experiencing revenue growth are considered well-positioned to capitalise on market opportunities, and investors may view them as attractive investments, contributing to the upward pressure on share prices.

Moreover, the significance of revenue in influencing share prices may indicate investor anticipation of higher earnings potential. Revenue growth is often a precursor to increased profitability, and investors may expect firms with expanding top-line figures to translate that growth into improved financial performance. This anticipation could drive positive sentiment and contribute to the observed positive effect on stock valuations.

The competitive positioning of consumer goods firms is another critical aspect. Companies with significant revenue growth are perceived as having a strong competitive position, potentially outperforming peers in the market. The positive effect on share prices may reflect investor confidence in firms that demonstrate market leadership, effective strategies for capturing market share, and a successful track record in revenue generation.

Industry-specific considerations within the consumer goods sector also contribute to this observed relationship. The dynamic nature of market trends, changing consumer preferences, and the need for innovation in response to market demands make revenue growth a key metric for success. Investors in this sector may prioritise firms with a proven ability to adapt to these dynamics and sustain revenue growth.

Lastly, market sentiment and investor expectations play a crucial role. Positive sentiments and expectations for future growth can influence investor behaviour, leading to a willingness to pay a premium for shares of firms with robust revenue performance. This aligns with the

broader theme of investors seeking companies with growth potential, contributing to the observed positive effect on share prices.

## 5.0 CONCLUSION

Despite the stock market's potential benefits for industrial and economic development, the impact of earnings measures on stock returns remains unclear. Scholars have debated the determinants of stock returns in Nigeria, particularly in the consumer goods sector where no specific factor has been identified as the sole driver of stock price movements. Therefore, this study aims to examine the influence of earnings measurements, including earnings per share, net profit margin, return on assets, and revenue on the share price of consumer goods firms in Nigeria.

The findings from the regression models shed light on the significance of various financial indicators in influencing stock prices within the consumer goods sector. The regression results indicate that Net Profit Margin (NPM) do not exhibit statistically significant effects on stock prices. This suggests that variations in NPM may not be robust predictors of changes in stock prices. On the other hand, the Natural Log of Revenue (LNRVN) demonstrates significant positive effects on stock prices. The positive effect of the Natural Log of Revenue suggests that firms experiencing revenue growth are associated with higher stock prices. The study made the following recommendations:

i. While NPM did not show a significant impact on stock prices, firms should still prioritise improving profit margins through operational efficiency and cost control. Streamlining processes, optimising resource allocation, and exploring innovative revenue streams can contribute to margin improvement.

ii. Given the positive impact of revenue growth on stock prices, companies should focus on expanding their revenue streams. This could involve market expansion, product innovation, and targeted marketing strategies to attract a larger customer base and drive sustainable revenue growth.

These recommendations aim to guide consumer goods firms in Nigeria toward actions that align with the identified influences on stock prices. Implementing these strategies could contribute to improved financial performance and increased investor confidence.

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